

HBL



Quarterly Report
March 31, 2013

2013

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Board of Directors

Mr. Sultan Ali Allana

Chairman

Mr. Nauman K. Dar

President & CEO

Mr. Moez Ahamed Jamal

Director

Mr. Sajid Zahid

Director

Mr. R. Zakir Mahmood

Director

Mr. Ahmed Jawad

Director

Mr. Sikandar Mustafa Khan

Director

Mr. Agha Sher Shah*

Director

Mr. Ayaz Ahmed

Chief Financial Officer

Company Secretary

Ms. Nausheen Ahmad

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Head Office

Habib Bank Plaza
I. I. Chundrigar Road
Karachi – 75650, Pakistan
Phone : 021-32418000 [50 lines]
Fax : 021-32464508
Email : customer.complaints@hbl.com

Websites

Corporate website:
www.hbl.com
ibank (internet banking)
www.hblibank.com

Registered Office

4th Floor, Habib Bank Tower Jinnah Avenue, Blue Area
Islamabad, Pakistan.
Phone : 051-2872203, 051-2821183 & 021-32474396
Fax : 051-2872205

Registrars

THK Associates (Pvt.) Ltd.
Ground Floor, State Life Bldg. No. 3
Dr. Ziauddin Ahmed Road
Karachi.
Tel. No : +92(21) 111-000-322
Fax. No : +92(21) 35655595

* Appointed in place of Mr. Mushtaq Malik w.e.f March 22, 2013

19 FINANCIAL POSITION OF ISLAMIC BANKING BUSINESS

The statement of financial position of the Bank's Islamic Banking business as at March 31, 2013 is as follows :

	Note	March 31, 2013	December 31, 2012
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		1,236,008	1,710,844
Balances with other banks		-	402,282
Due from Financial Institutions		3,720,000	5,480,000
Investments - net		22,589,708	22,223,692
Islamic financing and related assets	19.1	2,497,081	2,447,323
Due from Head Office		684,817	-
Deferred tax asset		-	34,036
Other assets		956,562	745,727
		<u>31,684,176</u>	<u>33,043,904</u>
LIABILITIES			
Bills payable		713	457
Due to Financial Institutions		77,782	576,000
Deposit and other accounts			
- Current Accounts		3,150,845	2,697,055
- Savings Accounts		12,155,122	11,417,392
- Term Deposits		8,205,730	7,087,919
- Deposits from financial institutions- remunerative		6,723,742	9,825,657
- Deposits from financial institutions- non -remunerative		22,131	8,360
Due to Head office		-	240,544
Deferred tax liability		13,893	-
Other liabilities		536,467	544,192
		<u>30,886,425</u>	<u>32,397,576</u>
		<u>797,751</u>	<u>646,328</u>
NET ASSETS			
REPRESENTED BY:			
Islamic banking fund		250,000	250,000
Reserves		310,437	310,438
Unappropriated profit		211,512	149,099
		<u>771,949</u>	<u>709,537</u>
Surplus / (deficit) on revaluation of assets - net of deferred tax		<u>25,802</u>	<u>(63,209)</u>
		<u>797,751</u>	<u>646,328</u>

The commitment in respect of letters of credit of Islamic Banking Branch of Habib Bank Limited amounted to Rs. 252.248 million (2012 : Rs. 143.332 million).

	Note	March 31, 2013	December 31, 2012
(Rupees in '000)			
19.1 Islamic financing and related assets			
Murabaha	19.1.1	369,185	383,099
Ijarah	19.1.2	285,441	329,832
Musharaka		1,026,540	1,038,307
Advance for Murabaha		424	38,577
Advance for Ijarah		6,198	3,858
Istisna		485,116	326,000
Salam		275,000	-
Assets/Inventories		49,178	327,650
		<u>2,497,081</u>	<u>2,447,323</u>

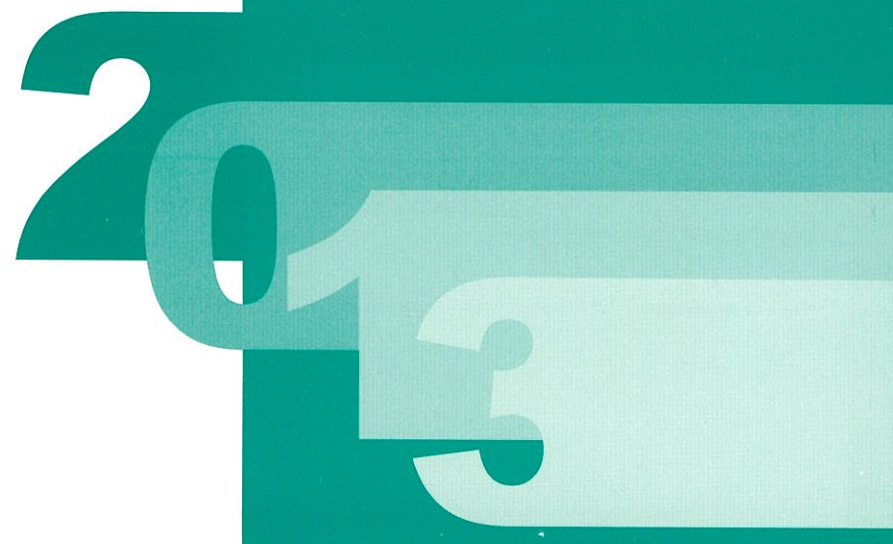
19.1.1 This represents assets sold under Murabaha agreement.

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

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on April 19, 2013.

Condensed Interim Consolidated Financial Statements



On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the three months ended March 31, 2013.

The Group has reported Profit after tax of Rs. 5.1 billion translating into Earning per share of Rs.4.14.

Economy

During the period under review the inflationary pressure eased further as headline CPI inflation reduced further from 11.3% in June 2012 to *6.6% in March 2013. The worker remittance also showed annualized growth of *6.3% during the nine months period from July 2012 to March 2013 and was at US \$ *10.35 billion as against US \$ *9.74 billion in the corresponding period last year. In spite of positive news on inflation and worker remittances, the economy continue to suffer due to energy shortage, subsidies to loss making Public Sector Enterprises (PSEs) and uncertainties across global economies in terms of sustainable economic recovery. The balance of payment position remained under stress due to low financial inflows and high debt payments. As a result the State Bank of Pakistan's (SBP) foreign exchange declined to US \$ *6.70 billion as on April 5, 2013.

Performance

The deposits of HBL continue to show above average growth of 2.8 % during the quarter under review and closed at Rs.1,249 billion as on March 31, 2013 (Rs.1,215 billion on December 31, 2012). The profit after tax was Rs.5.1 billion for the three months ended March 31, 2013 (Rs.6.1 billion in March 2012). The earning per share for the three months ended March 31, 2013 was Rs.3.77 on the enhanced capital of Rs.13.3 billion after incorporating the impact of bonus issue.

HBL has acquired the Citibank Pakistan's Credit Card and Consumer Lending Portfolio after obtaining approval from SBP. HBL is committed in developing consumer finance products in Pakistan and this acquisition is part of its commitment and mission of enhancing value for stakeholders.

As leader of Pakistan's Banking Industry, HBL is focusing on financial inclusion to provide banking services to all segments of society across Pakistan. Today HBL has the largest network of around 850 ATMs all over Pakistan. HBL Branchless Banking Pilot Project Plan Pakistan, which is operational since the last quarter 2012, has been awarded SBP approval for full fledged commercial launch.

Movement of Reserves

	Rs. in million
Unappropriated profit brought forward	67,523
Profit attributable to equity holders of the bank	5,023
Transferred from surplus on revaluation of fixed assets – net of tax	15
Transfer to statutory reserves	(469)
Cash dividend	(4,849)
Reserve for issue of bonus shares	(1,212)
Unappropriated profit carried forward	<u>66,031</u>

*These figures are taken from SBP Monetary Policy Statement announced on 12 April 2013.

17.1 Key management personnel

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

	For the three months ended	
	March 31, 2013	March 31, 2012
	(Rupees in '000)	
Managerial remuneration (including allowances)	274,830	246,963
Contribution to provident and benevolent fund	5,710	5,167
Medical	9,787	7,937
	<u>290,327</u>	<u>260,067</u>
Number of persons	<u>141</u>	<u>142</u>

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2013					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(9,355)	6,029	15,128	1,169	(174)	12,797
Inter segment revenue - net	15,876	(4,645)	(13,710)	-	2,479	-
Non-funded income	1,605	600	649	635	(558)	2,931
Net interest and non-markup income	8,126	1,984	2,067	1,804	1,747	15,728
Total expenses including provision (excluding impairment)	3,745	1,116	53	1,656	1,960	8,530
Impairment against investments	-	-	(5)	-	(2)	(7)
Inter segment administrative cost	1,392	278	40	153	(1,863)	-
Total expenses including provision	5,137	1,394	88	1,809	95	8,523
Net income before tax	2,989	590	1,979	(5)	1,652	7,205
Segment assets gross	124,380	352,418	823,400	174,281	98,496	1,572,975
Segment non-performing loans	8,870	34,016	-	10,216	75	53,177
Segment provision required including general provision	8,002	26,033	343	9,185	1,116	44,679
Segment liabilities including equity	944,887	124,133	139,642	114,241	205,393	1,528,296
Segment gross earnings on liability / asset %	9.12%	9.72%	9.05%	4.69%	3.07%	-
Segment cost of funds %	5.56%	7.49%	8.06%	1.51%	0.95%	-

	For the three months ended March 31, 2012					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(6,781)	7,901	11,646	1,195	(119)	13,842
Inter segment revenue - net	15,790	(6,380)	(11,275)	-	1,865	-
Non-funded income	1,179	634	719	568	14	3,114
Net interest and non-markup income	10,188	2,155	1,090	1,763	1,760	16,956
Total expenses including provision (excluding impairment)	3,622	1,195	33	1,244	1,688	7,782
Impairment against investments	-	-	(87)	-	-	(87)
Inter segment administrative cost	1,230	246	35	136	(1,647)	-
Total expenses including provision	4,852	1,441	(19)	1,380	41	7,695
Net income before tax	5,336	714	1,109	383	1,719	9,261
Segment assets gross	112,527	361,394	462,544	157,427	72,282	1,166,174
Segment non-performing loans	9,506	33,697	-	10,392	69	53,664
Segment provision required including general provision	6,962	27,467	323	9,766	2,159	46,677
Segment liabilities including equity	729,949	103,048	32,516	93,927	160,057	1,119,497
Segment gross earnings on liability / asset %	11.34%	11.81%	10.90%	5.31%	4.91%	-
Segment cost of funds %	5.58%	9.36%	9.98%	1.53%	0.76%	-

Condensed Interim Consolidated Statement of Financial Position

As at March 31, 2013

	Note	(Unaudited) March 31 2013	(Audited) December 31, 2012
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		130,681,332	157,229,517
Balances with other banks		40,038,275	47,980,032
Lendings to financial institutions		6,702,637	24,828,255
Investments	6	870,479,568	797,094,548
Advances	7	489,625,973	499,817,906
Operating fixed assets	8	23,830,466	23,632,324
Deferred tax asset		6,777,227	6,056,483
Other assets		48,573,197	53,669,507
		<u>1,616,708,675</u>	<u>1,610,308,572</u>
LIABILITIES			
Bills payable		15,842,174	18,943,207
Borrowings	9	169,277,257	196,580,548
Deposits and other accounts	10	1,249,102,860	1,214,963,700
Sub-ordinated loans	11	4,922,000	5,440,654
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		46,461,429	41,342,703
		<u>1,485,605,720</u>	<u>1,477,270,812</u>
		<u>131,102,955</u>	<u>133,037,760</u>
NET ASSETS			
REPRESENTED BY:			
Shareholders' equity			
Share capital		12,122,748	12,122,748
Reserves		39,981,383	39,379,354
Unappropriated profit		66,030,548	67,523,215
Total equity attributable to the equity holders of the Bank		118,134,679	119,025,317
Non-controlling interest		1,808,005	1,227,207
Surplus on revaluation of assets - net of deferred tax	12	11,160,271	12,785,236
		<u>131,102,955</u>	<u>133,037,760</u>

CONTINGENCIES AND COMMITMENTS

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

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. 2.545 billion.

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the three months ended	
	March 31, 2013	March 31, 2012
(Rupees in '000)		
<i>On loans and advances to:</i>		
- Customers	11,210,489	12,852,428
- Financial institutions	29,124	54,964
<i>On investments:</i>		
- Available-for-sale	17,203,810	10,719,478
- Held-for-trading	464,049	256,752
- Held-to-maturity	1,232,612	1,250,158
On deposits with financial institutions	246,155	197,320
On lendings to financial institutions	356,316	682,571
	<u>30,742,555</u>	<u>26,013,671</u>

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

Deposits	14,330,493	11,175,245
Securities sold under repurchase agreement borrowings	3,040,448	260,871
Other short term borrowings	459,403	604,767
Long term borrowings	115,036	130,306
	<u>17,945,380</u>	<u>12,171,189</u>

16 BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year attributable to equity holders of the Bank	<u>4,577,093</u>	<u>5,640,963</u>
	(Number)	
Weighted average number of ordinary shares	<u>1,212,274,800</u>	<u>1,212,274,800</u>
	(Rupees)	
Basic and diluted earnings per share	<u>3.78</u>	<u>4.65</u>

The shareholders have approved the issue of 10% bonus shares in the Annual General Meeting held on March 22, 2013. The Bank has created a reserve for issue of bonus shares in these financial statements as the shares have not been issued as at March 31, 2013. Had the effect of these shares been taken, the Earning per Share would have been Rs. 3.43 (2012: Rs. 4.23)

Nauman K. Dar
President and Chief Executive Officer

Ahmed Jawad
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2013

	March 31, 2013	December 31, 2012
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	540,043	535,006
- Financial institutions	1,992,995	3,610,133
- Others	36,056,561	39,724,102
	<u>38,589,599</u>	<u>43,869,241</u>
13.3 Trade-related commitments		
Credit cash	72,170,794	75,837,119
Credit documentary acceptances	18,572,105	18,535,338
Credit acceptances	39,656,059	34,790,322
	<u>130,398,958</u>	<u>129,162,779</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>35,137,670</u>	<u>33,445,873</u>

13.5 Commitments in respect of forward lending

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

	March 31, 2013	December 31, 2012
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	231,846,639	161,434,192
Sale	232,262,405	161,344,507

The above commitments have maturities falling within one year.

Commitments in respect of foreign currency options

Purchase	1,006,471	1,317,948
Sale	1,006,471	1,317,948

Commitments in respect of cross currency swaps

Purchase	3,204,093	3,659,009
Sale	3,204,093	3,659,009

Commitments in respect of foreign and local currency interest rate swaps

Purchase	448,070	444,199
Sale	295,320	291,449

13.7 Commitments for acquisition of fixed assets / intangibles

	647,655	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.

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.

	Note	January 01 to March 31 2013	January 01 to March 31 2012
		(Rupees in '000)	
Mark-up / return / profit / interest earned	14	31,303,716	26,567,669
Mark-up / return / profit / interest expensed	15	18,116,762	12,328,661
Net mark-up / profit / interest income		13,186,954	14,239,008
Provision against non-performing loans and advances - net	7.2 / 7.4	1,285,108	1,299,222
Charge against off-balance sheet obligations		31,952	14,251
Reversal against diminution in the value of investments - net	6.4	(8,302)	(297,370)
Bad debts written off directly		-	-
		<u>1,308,758</u>	<u>1,016,103</u>
Net mark-up / profit / interest income after provisions		11,878,196	13,222,905
Non mark-up / interest income			
Fee, commission and brokerage income		1,812,693	1,537,842
Dividend income		201,259	160,641
Share of profit of associates and joint venture		402,367	297,429
Income from dealing in foreign currencies		263,032	733,087
Gain on sale of securities		237,590	284,533
Unrealized gain / (loss) on held for trading securities		85,510	(1,801)
Other income		859,457	784,211
Total non-mark-up / interest income		<u>3,861,908</u>	<u>3,795,942</u>
		15,740,104	17,018,847
Non mark-up / interest expense			
Administrative expenses		7,786,137	6,948,719
Other provisions / write offs - net		(123,086)	24,633
Other charges		15,732	733
Workers welfare fund		155,672	195,547
Total non-mark-up / interest expenses		<u>7,834,455</u>	<u>7,169,632</u>
Profit before taxation		<u>7,905,649</u>	<u>9,849,215</u>
Taxation			
current		2,551,262	3,465,558
prior		118,787	420,777
deferred		137,585	(129,211)
		<u>2,807,634</u>	<u>3,757,124</u>
Profit after taxation		<u>5,098,015</u>	<u>6,092,091</u>
Attributable to:			
Equity holders of the Bank		5,022,850	6,019,788
Non-controlling interest		14,310	28,906
Minority investor of HBL funds		60,855	43,397
		<u>5,098,015</u>	<u>6,092,091</u>
		(Rupees)	
Basic and diluted earnings per share	16	<u>4.14</u>	<u>4.97</u>

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

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended March 31, 2013

9 BORROWINGS

	March 31, 2013	December 31, 2012
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	17,439,711	16,845,030
Long term financing facility - locally manufactured and imported plant & machinery	5,438,935	5,074,278
Long term finance - export oriented projects	829,643	974,062
Refinance facility for modernization of SMEs	12,649	12,649
Financing facility for Storage of Agricultural Produce	13,750	15,277
Repurchase agreement borrowings	127,227,986	157,998,809
	<u>150,962,674</u>	<u>180,920,105</u>

Unsecured

In Pakistan:

	March 31, 2013	December 31, 2012
Interbank call money borrowings	3,592,200	1,500,000
Outside Pakistan:		
Overdrawn nostro accounts	1,003,646	1,186,682
Borrowings of overseas branches	10,134,967	8,501,810
	<u>11,138,613</u>	<u>9,688,492</u>
	<u>14,730,813</u>	<u>11,188,492</u>
	<u>165,693,487</u>	<u>192,108,597</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers

	March 31, 2013	December 31, 2012
Current accounts - non-remunerative	287,051,251	281,887,233
Current accounts - remunerative	1,763,082	1,446,233
Savings chequing account	517,725,437	485,129,429
Fixed deposits	355,943,852	354,430,663
	<u>1,162,483,622</u>	<u>1,122,893,558</u>

Financial institutions

	March 31, 2013	December 31, 2012
Current accounts - non-remunerative	4,601,929	4,086,107
Savings chequing account	1,132,675	4,490,688
Fixed deposits	10,825,150	9,694,622
	<u>16,559,754</u>	<u>18,271,417</u>
	<u>1,179,043,376</u>	<u>1,141,164,975</u>

11 SUB-ORDINATED LOANS

The Bank has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2011: US \$ 50 million) equivalent to pak rupees 4,922,000 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 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.

Share capital	Attributable to shareholders of the Group							Non-controlling interest	Total		
	Exchange translation reserve	Statutory reserves			Reserves						
		Joint venture and subsidiaries	Bank	Reserve for issue of bonus shares	General	Unappropriated profit	Subtotal				
(Rupees in '000)											
Balance as at December 31, 2011	11,020,680	9,887,221	300,424	15,884,298	-	6,073,812	56,980,697	100,147,132	1,236,290	101,383,422	
Total comprehensive income for the period	-	-	-	-	-	-	6,063,185	6,063,185	28,906	6,092,091	
Profit for the three months ended March 31, 2012	-	-	-	-	-	-	-	-	-	-	
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	(43,397)	(43,397)	-	(43,397)	
- Other comprehensive income	-	-	-	-	-	-	-	-	-	-	
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	628,757	-	-	-	-	-	628,757	28,844	657,601	
	-	628,757	-	-	-	-	-	6,019,788	6,648,545	57,750	6,706,295
Transactions with owners, recorded directly in equity											
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)	
Issued as bonus shares	-	-	-	-	1,102,068	-	-	(1,102,068)	-	-	
	-	-	-	-	1,102,068	-	-	(5,510,340)	(4,408,272)	(4,408,272)	
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	186,292	186,292	-	186,292	
Transferred to statutory reserves	-	-	473	564,096	-	-	-	-	-	-	
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	19,443	19,443	
Balance as at March 31, 2012	11,020,680	10,515,978	300,897	16,448,394	1,102,068	6,073,812	57,111,868	102,573,697	1,313,483	103,887,180	
Total comprehensive income for the period	-	-	-	-	-	-	-	16,348,729	16,348,729	(85,080)	16,263,649
Profit for the period ended December 31, 2012	-	-	-	-	-	-	-	-	-	-	
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	-	(112,453)	(112,453)	(112,453)	
- Other comprehensive income	-	-	-	-	-	-	-	-	-	-	
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	4,395,842	-	-	-	-	-	4,395,842	49,442	4,445,284	
	-	4,395,842	-	-	-	-	-	16,236,276	20,632,118	(35,638)	20,596,480
Transactions with owners, recorded directly in equity											
Half year interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	-	(4,242,962)	(4,242,962)	-	(4,242,962)	
Cash dividend at Rs. 1.475 per certificate by modaraba	-	-	-	-	-	-	-	-	(52,713)	(52,713)	
Issued as bonus shares	1,102,068	-	-	-	(1,102,068)	-	-	-	-	-	
	1,102,068	-	-	-	(1,102,068)	-	-	(4,242,962)	(4,242,962)	(52,713)	(4,295,675)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	62,464	62,464	-	62,464	
Transferred to statutory reserves	-	-	52,110	1,592,321	-	-	-	(1,644,431)	-	-	
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	2,075	2,075	
Balance as at December 31, 2012	12,122,748	14,911,820	353,007	18,040,715	-	6,073,812	67,523,215	119,025,317	1,227,207	120,252,524	
Total comprehensive income for the period	-	-	-	-	-	-	-	5,083,705	5,083,705	14,310	5,098,015
Profit for the three months ended March 31, 2013	-	-	-	-	-	-	-	-	-	-	
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	-	(60,855)	(60,855)	(60,855)	
- Other comprehensive income	-	-	-	-	-	-	-	-	-	-	
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(1,079,284)	-	-	-	-	-	(1,079,284)	(59,837)	(1,139,121)	
	-	(1,079,284)	-	-	-	-	-	5,022,850	3,943,566	(45,527)	3,898,039
Transactions with owners, recorded directly in equity											
Final Cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	-	-	(4,849,099)	(4,849,099)	-	(4,849,099)	
Issued as bonus shares	-	-	-	-	1,212,275	-	-	(1,212,275)	-	-	
	-	-	-	-	1,212,275	-	-	(6,061,374)	(4,849,099)	(4,849,099)	
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	14,895	14,895	-	14,895	
Transferred to statutory reserves	-	-	11,329	457,709	-	-	-	(469,038)	-	-	
Non-controlling interest acquired in HAIB during the period	-	-	-	-	-	-	-	-	632,572	632,572	
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	(6,247)	(6,247)	
Balance as at March 31, 2013	12,122,748	13,832,536	364,336	18,498,424	1,212,275	6,073,812	66,030,548	118,134,679	1,808,005	119,942,684	

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

Nauman K. Dar
President and Chief Executive Officer

Ahmed Jawad
Director

Agha Sher Shah
Director

Moez Ahmed Jamal
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2013

	March 31 2013	March 31 2012
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,905,649	9,849,215
Dividend income and share of profit of associates and joint venture	(603,626)	(458,070)
Gain on sale of securities	(237,590)	(284,533)
	(841,216)	(742,603)
	7,064,433	9,106,612
Adjustment for:		
Depreciation	344,467	366,612
Amortisation	60,149	17,799
Reversal against diminution in the value of investments	(8,302)	(297,370)
Provision against non-performing loans and advances	1,285,108	1,299,222
Unrealised (gain) / loss on held for trading securities	(85,510)	1,801
Exchange loss on sub-ordinated loans / Goodwill - net	153,559	28,600
(Gain)/ Loss on sale of operating fixed assets - net	(16,182)	55,030
Loss on sale of non-banking asset	1,523	-
Miscellaneous provisions	(91,134)	38,884
	1,643,678	1,510,578
	8,708,111	10,617,190
Decrease / (increase) in operating assets		
Landings to financial institutions	18,125,618	31,108,859
Investments - held for trading	13,496,196	(6,668,274)
Advances	8,906,825	(17,560,136)
Other assets	5,234,412	(146,749)
	45,763,051	6,733,700
(Decrease) / increase in operating liabilities		
Bills payable	(3,101,033)	2,326,093
Borrowings	(27,303,291)	22,151,761
Deposits and other accounts	34,139,160	27,791,335
Other liabilities	5,353,089	2,246,718
	9,087,925	54,515,907
	63,559,087	71,866,797
Income tax paid - net	(2,525,901)	(1,650,522)
Net cash flows from operating activities	61,033,186	70,216,275
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(88,662,189)	(74,725,516)
Dividend income received	48,415	(3,595)
Fixed capital expenditure	(698,114)	(671,590)
Proceeds from sale of fixed assets	22,494	108,341
Proceeds from sale of non-banking asset	38,500	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(1,079,284)	628,757
Net cash flows used in investing activities	(90,330,178)	(74,663,603)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exchange adjustment on translation of non-controlling interest in subsidiary	(59,837)	28,844
Repayment of subordinated loan	(583,169)	-
Dividend paid	(4,549,944)	(4,091,601)
Net cash flows used in financing activities	(5,192,950)	(4,062,757)
Decrease in cash and cash equivalents during the period	(34,489,942)	(8,510,085)
Cash and cash equivalents at beginning of the period	199,214,907	148,335,250
Effects of exchange rate changes on cash and cash equivalents	5,994,642	2,413,878
	205,209,549	150,749,128
Cash and cash equivalents at end of the period	170,719,607	142,239,043

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

Nauman K. Dar
President and Chief Executive Officer

Ahmed Jawad
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

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

	March 31, 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)	1,543,800	1,565,000	96,936	1,516,400	1,549,100	443,704
- in respect of key management personnel / Companies in which key management personnel or their spouse are interested	376,700	382,200	15,365	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	505,012	773,824	-	571,668	1,063,827	100,000
Debts due by subsidiary company	7,176	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

	March 31, 2013	December 31, 2012
	(Rupees in '000)	
Capital work-in-progress	1,355,960	1,713,276
Intangible assets	607,933	240,030
Tangible fixed assets	19,522,321	19,231,795
	21,486,214	21,185,101

8.1 Additions to fixed assets

	For the three months ended	
	March 31, 2013	March 31, 2012
	(Rupees in '000)	
The following additions have been made to tangible and intangible fixed assets during the period:		
Tangible fixed assets		
Land	-	1,312
Building including related machinery	80,273	147,244
Furniture, fixtures and office equipments	506,536	235,143
Vehicles	36,750	5,889
Intangible assets	427,804	4,034
Capital work-in-progress	647,655	254,393
	1,699,018	648,015

8.2 Disposal of fixed assets

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

	For the three months ended	
	March 31, 2013	March 31, 2012
	(Rupees in '000)	
Tangible fixed assets		
Building including related machinery	203	-
Furniture, fixtures and office equipments	72,791	147,079
Vehicles	20,220	2,815
Intangible assets	1,015	126
	94,229	150,020

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the three months ended March 31, 2013

- 7.1 Advances include Rs. 53,177,400 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	March 31, 2013								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	3,444,642	-	3,444,642	-	-	-	3,444,642	-	3,444,642
Substandard	5,450,586	108,137	5,558,723	1,320,462	5,925	1,326,387	4,130,124	102,212	4,232,336
Doubtful	2,916,233	1,277,567	4,193,800	1,458,116	330,697	1,788,813	1,458,117	946,870	2,404,987
Loss	31,149,682	8,830,553	39,980,235	29,332,818	8,221,925	37,554,743	1,816,864	608,628	2,425,492
	42,961,143	10,216,257	53,177,400	32,111,396	8,558,547	40,669,943	10,849,747	1,657,710	12,507,457
General provision									
	-	-	-	1,573,980	566,263	2,140,243	-	-	-
	42,961,143	10,216,257	53,177,400	33,685,376	9,124,810	42,810,186	10,849,747	1,657,710	12,507,457

Category of classification	December 31, 2012								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	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
General provision									
	-	-	-	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	March 31, 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	138,445	(772)	137,673	60,798	36,773	97,571
Charge for the period / year	1,967,766	120,474	2,088,240	11,490,097	493,156	11,983,253
Reversals	(622,597)	(65,314)	(687,911)	(5,414,233)	(27,684)	(5,441,917)
	1,345,169	55,160	1,400,329	6,075,864	465,472	6,541,336
Write offs	(75,186)	-	(75,186)	(2,656,791)	-	(2,656,791)
Transferred to over 5 years category	(343,790)	-	(343,790)	(5,993,384)	-	(5,993,384)
Closing balance	40,669,943	2,140,243	42,810,186	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 March 31,2013 would have been higher by Rs. 1,618.043 million and profit before taxation for the period ended March 31, 2013 would have been higher by approximately Rs 89.542 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. 1,051.728 million would not be available for the distribution of cash and stock dividend to share holders.

- 7.4 Particulars of provision against fully provided non-performing advances classified as loss for more than five years

Note	March 31, 2013	December 31, 2012
	(Rupees in '000)	
Opening balance	18,622,245	13,640,851
Transferred to interest suspense	-	(18,617)
Reversals	(109,770)	(922,822)
Transferred during the period / year	343,790	5,993,384
Write offs	(115,911)	(70,551)
	18,740,354	18,622,245

- 7.5 As disclosed in note 20.8 of annual financial statements, the Bank has acquired the consumer portfolio of Citi Bank, N.A. pursuant to the approval of SBP.

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's Registered office is at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad and Principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on all three stock exchanges in Pakistan. The Group consists of the Bank, its subsidiaries and associates, as given in its annual consolidated financial statements for the year ended December 31, 2012.

2 STATEMENT OF COMPLIANCE

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

3 ACCOUNTING POLICIES

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

ACCOUNTING FOR EMPLOYEE BENEFITS - IAS19

The revised IAS 19 amends the accounting for defined benefit plans including actuarial gains and losses that are now required to be recognized in other comprehensive income (OCI) and permanently excluded from profit and loss and unvested past service cost is now recognized in profit and loss at the earlier of when amendment occurs or when the related restructuring cost are recognized. The tax impact on above is under review with reference to the allowability of expense/income taken to OCI. Hence impacts of any restatement have not been incorporated.

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6. INVESTMENTS

Investments by type

Held-for-trading (HFT)

Federal Government Securities

- Pakistan Investment Bonds
- Market Treasury Bills

Fully paid-up ordinary shares

- Listed companies

Overseas Government Securities

Investments of Mutual Funds

Note	March 31, 2013			December 31, 2012		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
	(Rupees in '000)					
	20,262	-	20,262	2,203,724	-	2,203,724
	17,678,159	-	17,678,159	28,676,723	-	28,676,723
	6,489	-	6,489	31,195	-	31,195
	372,729	-	372,729	348,908	-	348,908
	534,201	-	534,201	847,486	-	847,486
	18,611,840	-	18,611,840	32,108,036	-	32,108,036

Held-to-Maturity Securities (HTM)

Federal Government Securities

- Pakistan Investment Bonds
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

Overseas Government securities

6.1	43,341,187	-	43,341,187	43,323,255	-	43,323,255
	785,029	-	785,029	764,005	-	764,005
	-	-	-	210,064	-	210,064
	23,163,419	-	23,163,419	21,272,413	-	21,272,413
	12,734,824	-	12,734,824	16,522,872	-	16,522,872
	80,024,459	-	80,024,459	82,092,609	-	82,092,609

Available-for-Sale Securities (AFS)

Federal Government Securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Government of Pakistan Guaranteed Bonds
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)

Overseas Government Securities

Fully paid-up ordinary shares

- Listed companies
- Unlisted companies

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

NIT Units

Preference shares

Investments of mutual funds

	518,249,434	127,227,986	645,477,420	405,856,222	157,998,809	563,855,031
	49,551,774	-	49,551,774	46,136,502	-	46,136,502
	425,000	-	425,000	425,000	-	425,000
	28,699,456	-	28,699,456	31,649,959	-	31,649,959
	2,745,894	-	2,745,894	2,482,359	-	2,482,359
	4,211,509	-	4,211,509	4,232,888	-	4,232,888
	767,951	-	767,951	769,510	-	769,510
	14,186,683	-	14,186,683	11,446,544	-	11,446,544
	12,748,855	-	12,748,855	7,572,714	-	7,572,714
	11,113	-	11,113	11,113	-	11,113
	250,000	-	250,000	100,000	-	100,000
	3,619,903	-	3,619,903	3,031,747	-	3,031,747
	635,467,572	127,227,986	762,695,558	513,714,558	157,998,809	671,713,367

Investment in Associates and Joint Venture

Investment at cost

Provision for diminution / impairment in the value of investments including associates

Net investment

Surplus on revaluation of held for trading securities

Surplus on revaluation of available for sale securities

Surplus on revaluation of investment of associates

6.2	8,766,266	-	8,766,266	8,352,908	-	8,352,908
	742,870,137	127,227,986	870,098,123	636,268,111	157,998,809	794,266,920
6.4	(1,747,216)	-	(1,747,216)	(1,755,518)	-	(1,755,518)
	741,122,921	127,227,986	868,350,907	634,512,593	157,998,809	792,511,402
	85,510	-	85,510	25,253	-	25,253
	1,938,090	-	1,938,090	4,477,925	-	4,477,925
12.2	105,061	-	105,061	79,968	-	79,968
	743,251,582	127,227,986	870,479,568	639,095,739	157,998,809	797,094,548

6.1 The market value of securities classified as "held-to-maturity" as at March 31, 2013 amounted to Rs. 81,586.370 million (2012: Rs. 84,153.250 million).

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

	March 31, 2013	December 31, 2012
	Shareholding %	
Jubilee General Insurance Company Limited, Pakistan	16.42%	16.24%
Diamond Trust Bank Limited, Kenya	11.91%	11.68%

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

6.4 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

	March 31, 2013 (Rupees in '000)	December 31, 2012 (Rupees in '000)
Opening balance	1,473,880	1,996,585
Reversal	(2,283)	(189,908)
Impairment charge on listed securities	-	129,770
Impairment reversal on listed securities	(4,947)	(337,567)
Total reversal - net	(7,230)	(397,705)
Amount written off	-	(125,000)
Closing balance	1,466,650	1,473,880

7. ADVANCES

Note	March 31, 2013 (Rupees in '000)	December 31, 2012 (Rupees in '000)
Loans, cash credits, running finances, etc.		
In Pakistan	377,338,189	385,628,553
Outside Pakistan	70,189,076	67,238,996
	447,527,265	452,867,549
Net investment in finance lease - in Pakistan	4,924,426	4,591,123
Bills discounted and purchased (excluding Government treasury bills):		
Payable in Pakistan	12,359,878	12,122,572
Payable outside Pakistan	29,906,614	32,180,550
	42,266,492	44,303,122
Provision against non-performing advances	(42,810,186)	(41,691,160)
	451,907,997	460,070,634

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

In Pakistan	18,740,354	18,622,245
Provision	(18,740,354)	(18,622,245)
	-	-

6. INVESTMENTS

Note	March 31, 2013			December 31, 2012		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)					
Investments by type						
Held for Trading securities (HFT)						
Federal Government Securities						
- Pakistan Investment Bonds	20,262	-	20,262	2,203,724	-	2,203,724
- Market Treasury Bills	17,678,159	-	17,678,159	28,676,723	-	28,676,723
Fully paid-up ordinary shares						
- Listed companies	6,489	-	6,489	31,195	-	31,195
Overseas Government Securities						
	372,729	-	372,729	348,908	-	348,908
	18,077,639	-	18,077,639	31,260,550	-	31,260,550
Held-to-maturity securities (HTM)						
Federal Government Securities						
- Pakistan Investment Bonds	43,235,338	-	43,235,338	43,217,624	-	43,217,624
Debentures and Corporate Debt Instruments / Units						
- Listed securities	-	-	-	210,064	-	210,064
- Unlisted securities	4,439,884	-	4,439,884	4,003,414	-	4,003,414
Overseas Government securities						
	11,619,796	-	11,619,796	12,198,340	-	12,198,340
	59,295,018	-	59,295,018	59,629,442	-	59,629,442
Available-for-sale Securities (AFS)						
Federal Government Securities						
- Market Treasury Bills	518,249,434	127,227,986	645,477,420	405,856,222	157,998,809	563,855,031
- Pakistan Investment Bonds	49,551,774	-	49,551,774	46,136,502	-	46,136,502
- Government of Pakistan Guaranteed Bonds	425,000	-	425,000	425,000	-	425,000
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)	28,649,456	-	28,649,456	31,599,959	-	31,599,959
Overseas Government Securities						
Fully paid-up ordinary shares						
- Listed companies	4,207,986	-	4,207,986	4,229,365	-	4,229,365
- Unlisted companies	767,951	-	767,951	769,510	-	769,510
Debentures and Corporate Debt Instruments / Units						
- Listed securities	14,186,686	-	14,186,686	11,446,544	-	11,446,544
- Unlisted securities	12,507,781	-	12,507,781	12,665,068	-	12,665,068
NIT Units						
	11,113	-	11,113	11,113	-	11,113
Preference shares						
	250,000	-	250,000	100,000	-	100,000
	631,179,642	127,227,986	758,407,628	515,721,642	157,998,809	673,720,451
Investment in Subsidiary Companies						
	6,115,316	-	6,115,316	5,690,591	-	5,690,591
Investment in Associates and Joint Venture						
	4,687,010	-	4,687,010	4,592,905	-	4,592,905
Investment at cost						
	719,354,625	127,227,986	846,582,611	616,895,130	157,998,809	774,893,939
Provision for diminution / impairment in the value of investments including associates						
	(1,466,650)	-	(1,466,650)	(1,473,880)	-	(1,473,880)
Net investment						
	717,887,975	127,227,986	845,115,961	615,421,250	157,998,809	773,420,059
Surplus/(Deficit) on revaluation of held for trading securities						
	(16,938)	-	(16,938)	28,583	-	28,583
Surplus on revaluation of available for sale securities						
	1,307,227	-	1,307,227	3,736,681	-	3,736,681
Total investments at market value						
	719,178,264	127,227,986	846,406,250	619,186,514	157,998,809	777,185,323

6.1 The market value of securities classified as "held-to-maturity" as at March 31, 2013 amounted to Rs. 59,277.398 million (2012: Rs. 61,533.198 million).

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

	March 31, 2013	December 31, 2012
	Shareholding %	
Jubilee General Insurance Company Limited	16.42%	16.24%
Diamond Trust Bank Limited, Kenya	11.91%	11.68%

6.3 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%.

6.4 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

	March 31, 2013	December 31, 2012
	(Rupees in '000)	
Opening balance	1,755,518	2,364,383
Charge for the period / year	4,495	78,441
Reversal	(6,015)	(235,367)
Impairment reversal on listed securities	-	130,434
Impairment reversal on listed securities	(6,782)	(457,373)
Total reversal - net	(8,302)	(483,865)
Amount written off	-	(125,000)
Closing balance	1,747,216	1,755,518

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

Based on the financial information as on

	March 31, 2013	December 31, 2012
Diamond Trust Bank Limited, Kenya	March 31, 2013	March 31, 2013
Kyrgyz Investment and Credit Bank	March 31, 2013	December 31, 2012
Jubilee Life Insurance Co. Ltd.	December 31, 2012	December 31, 2012
Jubilee General Insurance Co. Ltd.	December 31, 2012	December 31, 2012
HBL Money Market Fund	March 31, 2013	March 31, 2013
HBL Islamic Stock Fund	March 31, 2013	March 31, 2013
HBL Islamic Money Market Fund	March 31, 2013	March 31, 2013
HBL Pension Equity Sub Fund	March 31, 2013	March 31, 2013
HBL Pension Debt Sub Fund	March 31, 2013	March 31, 2013
HBL Pension Money Market Sub Fund	March 31, 2013	March 31, 2013
HBL Islamic Pension Equity Sub Fund	March 31, 2013	March 31, 2013
HBL Islamic Pension Debt Sub Fund	March 31, 2013	March 31, 2013
HBL Islamic Pension Money Market Sub Fund	March 31, 2013	March 31, 2013

7. ADVANCES

Loans, cash credits, running finances, etc.

	March 31, 2013	December 31, 2012
	(Rupees in '000)	
In Pakistan	377,474,619	386,290,218
Outside Pakistan	101,412,465	98,673,662
	478,887,084	484,963,880

Net investment in finance lease - in Pakistan

	5,517,771	4,729,126
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Bills discounted and purchased (excluding Government treasury bills)

	March 31, 2013	December 31, 2012
Payable in Pakistan	12,359,878	12,122,572
Payable outside Pakistan	39,810,249	43,972,534
	52,170,127	56,095,106

Provision against non-performing advances

	(46,949,009)	(45,970,206)
	489,625,973	499,817,906

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

In Pakistan	18,740,354	18,622,245
Provision	(18,740,354)	(18,622,245)
	-	-

- 7.1 Advances include Rs. 58,496,208 million (2012: Rs. 56,236,494 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	March 31, 2013								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	3,456,124	-	3,456,124	-	-	-	3,456,124	-	3,456,124
Substandard	5,450,586	2,575,747	8,026,333	1,320,462	1,200,169	2,520,631	4,130,123	1,375,578	5,505,701
Doubtful	2,934,380	1,307,932	4,242,312	1,466,110	354,220	1,820,330	1,468,270	953,712	2,421,982
Loss	31,261,605	11,509,834	42,771,439	29,438,277	10,885,761	40,324,038	1,823,328	624,073	2,447,401
	43,102,695	15,393,513	58,496,208	32,224,849	12,440,150	44,664,999	10,877,845	2,953,363	13,831,208
General provision									
	43,102,695	15,393,513	58,496,208	1,573,980	710,030	2,284,010	-	-	-
	43,102,695	15,393,513	58,496,208	33,798,829	13,150,180	46,949,009	10,877,845	2,953,363	13,831,208

Category of classification	December 31, 2012								
	Non-performing loans			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	626,140	-	626,140	-	-	-	626,140	-	626,140
Substandard	5,609,462	3,771,528	9,380,990	1,360,027	1,112,015	2,472,042	4,249,435	2,659,513	6,908,948
Doubtful	4,333,278	1,899,356	6,232,634	2,110,217	1,220,517	3,330,734	2,223,061	678,839	2,901,900
Loss	30,200,379	9,796,351	39,996,730	28,267,188	9,664,547	37,931,735	1,933,191	131,804	2,064,995
	40,769,259	15,467,235	56,236,494	31,737,432	11,997,079	43,734,511	9,031,827	3,470,156	12,501,983
General provision									
	40,769,259	15,467,235	56,236,494	1,532,092	703,603	2,235,695	-	-	-
	40,769,259	15,467,235	56,236,494	33,269,524	12,700,682	45,970,206	9,031,827	3,470,156	12,501,983

- 7.2 Particulars of provision against non-performing advances

Note	March 31, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	43,734,511	2,235,695	45,970,206	44,307,124	1,778,924	46,086,048
Exchange adjustment / other movement	9,746	(6,845)	2,901	362,172	59,245	421,417
Charge for the period / year	1,967,766	120,474	2,088,240	13,236,984	493,156	13,730,140
Reversals	(628,048)	(65,314)	(693,362)	(5,467,801)	(95,630)	(5,563,431)
	1,339,718	55,160	1,394,878	7,769,183	397,526	8,166,709
Write offs	(75,186)	-	(75,186)	(2,710,584)	-	(2,710,584)
Transferred to over 5 years category	(343,790)	-	(343,790)	(5,993,384)	-	(5,993,384)
Closing balance	44,664,999	2,284,010	46,949,009	43,734,511	2,235,695	45,970,206

- 7.3 In accordance with BSD Circular No. 2 dated January 27, 2009 and BSD Circular No.10 dated October 20, 2009 issued by SBP, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at March 31, 2013 would have been higher by Rs. 1,618,043 million and profit before taxation for the period ended March 31, 2013 would have been higher by approximately Rs 89,542 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. 1,051,728 million would not be available for the distribution of cash and stock dividend to share holders.

- 7.4 Particulars of provision against fully provided non-performing advances classified as loss for more than five years

Note	March 31, 2013	December 31, 2012
	(Rupees in '000)	
Opening balance	18,622,245	13,640,851
Transferred to interest suspense	-	(18,617)
Reversal	(109,770)	(922,822)
Transferred during the period / year	343,790	5,993,384
Write offs	(115,911)	(70,551)
	18,740,354	18,622,245

- 7.5 As disclosed in note 20.8 of annual financial statements, the Group has acquired the consumer portfolio of Citi Bank, N.A. pursuant to the approval of SBP.

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 condensed interim 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 IAS 19 amends the accounting for defined benefit plans including actuarial gains and losses that are now required to be recognized in other comprehensive income (OCI) and permanently excluded from profit and loss and unvested past service cost is now recognized in profit and loss at the earlier of when amendment occurs or when the related restructuring cost are recognized. The tax impact on above is under review with reference to the allowability of expense/income taken to OCI. Hence impacts of any restatement have not been incorporated.

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.

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2013

	March 31, 2013	March 31, 2012
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,205,108	9,261,928
Dividend income	(212,637)	(188,169)
Gain on sale of securities	(119,047)	(245,023)
	<u>(331,684)</u>	<u>(433,192)</u>
	6,873,424	8,828,736
Adjustment for:		
Depreciation	326,080	348,603
Amortisation	59,902	17,188
Reversal against diminution in the value of investments	(7,230)	(243,271)
Provision against non-performing loans and advances	1,290,559	1,295,404
Unrealised loss on held for trading securities	16,938	2,623
Exchange loss on sub-ordinated loans - net	64,515	35,795
(Gain) / loss on sale of operating fixed assets - net	(16,143)	55,030
Loss on sale of non-banking asset	1,523	-
Miscellaneous provisions	(91,134)	31,749
	<u>1,645,010</u>	<u>1,543,121</u>
	8,518,434	10,371,857
Decrease / (increase) in operating assets		
Lendings to financial institutions	18,125,618	31,108,859
Investments - held for trading	13,182,911	(6,668,274)
Advances	6,872,078	(14,538,309)
Other assets	5,572,244	833,554
	<u>43,752,851</u>	<u>10,735,830</u>
Increase / (Decrease) in operating liabilities		
Bills payable	(3,038,871)	2,322,471
Borrowings from financial institutions	(26,415,110)	23,682,674
Deposits and other accounts	37,878,401	26,208,138
Other liabilities	4,383,222	1,559,948
	<u>12,807,642</u>	<u>53,773,231</u>
	65,078,927	74,880,918
Income tax paid - net	(2,645,587)	(2,057,854)
Net cash flows from operating activities	<u>62,433,340</u>	<u>72,823,064</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(84,723,953)	(73,583,143)
Dividend income received	100,880	95,923
Fixed capital expenditure	(693,407)	(648,015)
Proceeds from sale of fixed assets	22,455	108,341
Proceeds from sale of non-banking asset	38,500	-
Exchange adjustment on translation of balances in foreign branches	(898,728)	234,854
Net cash flows used in investing activities	<u>(86,154,253)</u>	<u>(73,792,040)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(4,547,667)	(4,089,656)
Net cash flows used in financing activities	<u>(4,547,667)</u>	<u>(4,089,656)</u>
Decrease in cash and cash equivalents during the period	(28,268,580)	(5,058,632)
Cash and cash equivalents at beginning of the period	170,321,005	135,990,420
Effects of exchange rate changes on cash and cash equivalents	5,910,954	2,075,465
	<u>176,231,959</u>	<u>138,065,885</u>
Cash and cash equivalents at end of the period	<u>147,963,379</u>	<u>133,007,253</u>

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

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

	March 31, 2013			December 31, 2012		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
	------(Rupees in '000)-----					
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons:						
- in respect of executives * (Other than KMPs)	1,543,800	1,565,000	96,936	1,516,400	1,549,100	443,704
- in respect of key management personnel / Companies in which key management personnel or their spouse are interested	376,700	382,200	15,365	371,200	382,000	64,257
Debts due by companies or firms in which the directors of the Group are interested as directors, partners, advisors or in the case of private companies as members	795,497	1,064,308	-	792,234	1,284,393	100,000

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

* (These represent staff loans given by the Group to its executives as per their terms of employment).
** (Maximum amount has been arrived at by reference to month end balance).

8 FIXED ASSETS

	Note	March 31	December 31,
		2013	2012
(Rupees in '000)			
Capital work-in-progress		1,355,961	1,713,276
Intangible assets			
- Goodwill	8.3	1,877,971	1,967,015
- Computer software		609,256	241,848
Tangible fixed assets		<u>19,987,278</u>	<u>19,710,185</u>
		<u>23,830,466</u>	<u>23,632,324</u>
8.1 Additions to fixed assets		For the three months ended	
		March 31	March 31
		2013	2012
		(Rupees in '000)	
The following additions have been made to tangible and intangible fixed assets during the period:			
Tangible fixed assets			
Land		-	1,312
Building including related machinery		71,502	162,893
Furniture, fixtures and office equipments		519,375	242,153
Vehicles		36,750	6,359
Intangible assets		427,804	4,480
Capital work-in-progress		<u>647,655</u>	<u>254,393</u>
		<u>1,703,086</u>	<u>671,590</u>
8.2 Disposal of fixed assets			
The following disposals have been made from tangible and intangible fixed assets during the period:			
Tangible fixed assets			
Land		-	156,864
Building including related machinery		203	4,943
Furniture, fixtures and office equipments		73,563	50,969
Vehicles		20,220	1,330
Intangible assets		<u>1,015</u>	<u>249</u>
		<u>95,001</u>	<u>214,355</u>

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

9 BORROWINGS

	March 31 2013	December 31, 2012
	(Rupees in '000)	
Secured		
Borrowings from State Bank of Pakistan under:		
Export refinance scheme	17,439,711	16,845,030
Long term financing facility - locally manufactured and imported plant & machinery	5,438,935	5,074,278
Long term finance - export oriented projects	829,643	974,062
Refinance facility for modernization of SMEs	12,649	12,649
Financing facility for Storage of Agricultural Produce	13,750	15,277
Repurchase agreement borrowings	127,227,986	157,998,809
	<u>150,962,674</u>	<u>180,920,105</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings	3,592,200	1,500,000
Outside Pakistan:		
Overdrawn nostro accounts	931,122	1,056,635
Borrowings of overseas branches and subsidiaries	13,791,261	13,103,808
	<u>14,722,383</u>	<u>14,160,443</u>
	<u>18,314,583</u>	<u>15,660,443</u>
	<u>169,277,257</u>	<u>196,580,548</u>

10 DEPOSITS AND OTHER ACCOUNTS

	March 31 2013	December 31, 2012
Customers		
Current accounts - non-remunerative	307,809,474	310,567,157
Current accounts - remunerative	1,763,082	1,446,233
Savings chequing account	525,757,998	491,760,576
Fixed deposits	395,079,905	391,066,656
	<u>1,230,410,459</u>	<u>1,194,840,622</u>
Financial institutions		
Current accounts - non-remunerative	6,795,564	5,969,114
Savings chequing account	1,132,675	4,490,688
Fixed deposits	10,764,162	9,663,276
	<u>18,692,401</u>	<u>20,123,078</u>
	<u>1,249,102,860</u>	<u>1,214,963,700</u>

11 SUB-ORDINATED LOANS

The Group has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2012: US \$ 50 million) equivalent to pak rupees 4,922,000 million (2012: 4,857,485 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.

Share capital	Exchange translation reserve	Statutory	Reserves			Total	
			Reserve for issue of bonus share	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
Total comprehensive income for the period	-	-	-	-	-	5,640,963	5,640,963
Profit for the three months ended March 31, 2012	-	-	-	-	-	5,640,963	5,640,963
- Other comprehensive income	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	234,854	-	-	-	-	-	234,854
	<u>234,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,640,963</u>	<u>5,875,817</u>
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Final cash dividend paid at Rs. 4 per share for the year ended December 31, 2011	-	-	-	-	-	(4,408,272)	(4,408,272)
Issued as bonus shares	-	-	-	1,102,068	-	(1,102,068)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,102,068</u>	<u>-</u>	<u>(5,510,340)</u>	<u>(4,408,272)</u>
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	185,471	185,471
Transferred to statutory reserves	-	-	564,096	-	-	(564,096)	-
Balance as at March 31, 2012	11,020,680	8,480,440	16,448,394	1,102,068	6,073,812	51,980,644	95,106,038
Total comprehensive income for the period	-	-	-	-	-	15,923,202	15,923,202
Profit for the period ended December 31, 2012	-	-	-	-	-	15,923,202	15,923,202
- Other comprehensive income	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	3,742,530	-	-	-	-	-	3,742,530
	<u>3,742,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,923,202</u>	<u>19,665,732</u>
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Half year interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	(4,242,962)	(4,242,962)
Issued as bonus shares	1,102,068	-	-	(1,102,068)	-	-	-
	<u>1,102,068</u>	<u>-</u>	<u>-</u>	<u>(1,102,068)</u>	<u>-</u>	<u>(4,242,962)</u>	<u>(4,242,962)</u>
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	59,999	59,999
Transferred to statutory reserves	-	-	1,592,321	-	-	(1,592,321)	-
Balance as at December 31, 2012	12,122,748	12,222,970	18,040,715	-	6,073,812	62,128,562	110,588,807
Total comprehensive income for the period	-	-	-	-	-	4,577,093	4,577,093
Profit for the three months ended March 31, 2013	-	-	-	-	-	4,577,093	4,577,093
- Other comprehensive income	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	(898,728)	-	-	-	-	-	(898,728)
	<u>(898,728)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,577,093</u>	<u>3,678,365</u>
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Final Cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	-	(4,849,099)	(4,849,099)
Issued as bonus shares	-	-	-	1,212,275	-	(1,212,275)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,212,275</u>	<u>-</u>	<u>(6,061,374)</u>	<u>(4,849,099)</u>
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	14,894	14,894
Transferred to statutory reserves	-	-	457,709	-	-	(457,709)	-
Balance as at March 31, 2013	12,122,748	11,324,242	18,498,424	1,212,275	6,073,812	60,201,466	109,432,967

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

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2013

	March 31 2013	December 31, 2012
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	540,043	535,006
- Financial institutions	1,992,995	3,610,133
- Others	37,457,075	41,118,227
	<u>39,990,113</u>	<u>45,263,366</u>
13.3 Trade-related commitments		
Credit cash	75,187,515	78,028,544
Credit documentary acceptances	18,671,020	18,535,338
Credit acceptances	43,141,368	37,882,972
	<u>136,999,903</u>	<u>134,446,854</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>35,189,232</u>	<u>33,504,140</u>
13.5 Commitments in respect of forward lending		
The Group makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	March 31 2013	December 31, 2012
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	241,587,093	167,104,754
Sale	242,000,278	167,168,508
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	1,006,471	1,317,948
Sale	1,006,471	1,317,948
Commitments in respect of cross currency swaps		
Purchase	3,204,093	3,659,009
Sale	3,204,093	3,659,009
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	448,070	444,199
Sale	295,320	291,449
13.7 Commitments for acquisition of fixed assets / intangibles	647,655	663,125

13.8 Taxation

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

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.

	Note	January 01 to March 31, 2013	January 01 to March 31, 2012
		(Rupees in '000)	
Mark-up / return / profit / interest earned	14	30,742,555	26,013,671
Mark-up / return / profit / interest expensed	15	17,945,380	12,171,189
Net mark-up / profit / interest income		<u>12,797,175</u>	<u>13,842,482</u>
Provision against non-performing loans and advances - net	7.2 / 7.4	1,290,559	1,295,404
Charge against off-balance sheet obligations		31,952	14,251
Reversal against diminution in the value of investments - net	6.4	(7,230)	(243,271)
Bad debts written off directly		-	-
		<u>1,315,281</u>	<u>1,066,384</u>
Net mark-up / profit / interest income after provisions		<u>11,481,894</u>	<u>12,776,098</u>
Non mark-up / interest income			
Fee, commission and brokerage income		1,626,809	1,296,153
Dividend income		212,637	188,169
Income from dealing in foreign currencies		181,962	664,953
Gain on sale of securities		119,047	245,023
Unrealized loss on held for trading securities		(16,938)	(2,623)
Other income		807,318	722,420
Total non-mark-up / interest income		<u>2,930,835</u>	<u>3,114,095</u>
		<u>14,412,729</u>	<u>15,890,193</u>
Non mark-up / interest expense			
Administrative expenses		7,166,551	6,420,007
Other provisions / write offs - net		(123,086)	17,498
Other charges		15,732	733
Workers welfare fund		148,424	190,027
Total non mark-up / interest expenses		<u>7,207,621</u>	<u>6,628,265</u>
Profit before taxation		<u>7,205,108</u>	<u>9,261,928</u>
Taxation			
current		2,419,669	3,349,051
prior		118,787	420,777
deferred		89,559	(148,863)
		<u>2,628,015</u>	<u>3,620,965</u>
Profit after taxation		<u>4,577,093</u>	<u>5,640,963</u>

(Rupees)

Basic and diluted earnings per share	16	<u>3.78</u>	<u>4.65</u>
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The annexed notes 1 to 20 form an integral part of the condensed interim unconsolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Ahmed Jawad
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Statement of Financial Position

As at March 31, 2013

	Note	(Unaudited) March 31, 2013	(Audited) December 31, 2012
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		123,305,295	152,324,425
Balances with other banks		24,658,084	23,907,534
Lendings to financial institutions		6,702,637	24,828,255
Investments	6	846,406,250	777,185,323
Advances	7	451,907,997	460,070,634
Operating fixed assets	8	21,486,214	21,185,101
Deferred tax asset		6,504,796	5,743,464
Other assets		47,325,136	52,595,429
		<u>1,528,296,409</u>	<u>1,517,840,165</u>
LIABILITIES			
Bills payable		15,839,781	18,878,652
Borrowings	9	165,693,487	192,108,597
Deposits and other accounts	10	1,179,043,376	1,141,164,975
Sub-ordinated loans	11	4,922,000	4,857,485
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		42,938,410	38,221,804
		<u>1,408,437,054</u>	<u>1,395,231,513</u>
NET ASSETS		<u>119,859,355</u>	<u>122,608,652</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		12,122,748	12,122,748
Reserves		37,108,753	36,337,497
Unappropriated profit		60,201,466	62,128,562
		109,432,967	110,588,807
Surplus on revaluation of assets - net of deferred tax	12	10,426,388	12,019,845
		<u>119,859,355</u>	<u>122,608,652</u>
CONTINGENCIES AND COMMITMENTS			
	13		

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

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. 2.545 billion.

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the three months ended	
	March 31, 2013	March 31, 2012
(Rupees in '000)		
<i>On loans and advances to:</i>		
- Customers	11,600,640	13,232,836
- Financial institutions	29,124	54,964
<i>On investments:</i>		
- Available-for-sale	17,257,573	10,759,853
- Held-for-trading	464,049	256,752
- Held-to-maturity	1,308,153	1,340,061
On deposits with financial institutions	287,862	218,548
On lendings to financial institutions	356,315	704,655
	<u>31,303,716</u>	<u>26,567,669</u>

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

Deposits	14,482,990	11,302,464
Securities sold under repurchase agreement borrowings	3,040,448	260,871
Other short term borrowings	478,288	635,020
Long term borrowings	115,036	130,306
	<u>18,116,762</u>	<u>12,328,661</u>

16 BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year attributable to equity holders of the Bank	<u>5,022,850</u>	<u>6,019,788</u>
	(Number)	
Weighted average number of ordinary shares	<u>1,212,274,800</u>	<u>1,212,274,800</u>
	(Rupees)	
Basic and diluted earnings per share	<u>4.14</u>	<u>4.97</u>

The shareholders have approved the issue of 10% bonus shares in the Annual General Meeting held on March 22, 2013. The Bank has created a reserve for issue of bonus shares in these financial statements as the shares have not been issued as at March 31, 2013. Had the effect of these shares been taken, the Earning per Share would have been Rs. 3.77 (2012: Rs. 4.51)

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 advances to related parties are given in note 7.6 to these condensed interim consolidated financial statements.

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

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

	March 31, 2013					
	Individual and companies related through					
	Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Statement of financial position						
Deposits	-	3,626,404	-	7,398,861	79,453	3,833,229
Borrowings	-	1,249,243	-	-	-	-
Investments	-	-	-	7,600,195	1,324,452	-
Markup / Other Receivable	-	14,361	-	100,263	-	-
Mark-up / Other Payable	-	46,012	-	46,897	-	1,474,626
Placements / Lendings	-	936,845	-	-	-	-
Overdrawn Nostro	-	761,691	-	809,175	5,171	-
Impairment provision	-	-	-	573,261	-	-
Profit and Loss						
Interest / Other Income	10,000	39,106	-	731,237	-	-
Interest / Other Expense	-	92,158	-	215,090	-	156,622
Others						
Other contingencies	-	354,186	-	-	-	-
Securities Held as custodian	-	5,368,120	1,018,100	19,184,000	-	11,679,200
Other Transactions	21,751	199	-	-	-	-

	December 31, 2012					
	Individual and companies related through					
	Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Statement of financial position						
Deposits	115	3,989,868	-	7,075,302	75,136	2,963,637
Borrowings	-	1,451,441	-	-	-	-
Investments	-	-	-	7,120,785	1,312,091	-
Markup / Other Receivable	-	32,904	-	220,000	-	-
Mark-up / Other Payable	-	113,770	-	29,173	-	1,223,959
Placements / Lendings	-	1,330,363	-	-	-	-
Overdrawn Nostro	-	656,893	-	292,891	738	-
Impairment provision	-	-	-	573,261	-	-
Profit and Loss						
Interest / Other Income	12,400	222,984	-	2,577,340	362,436	-
Interest / Other Expense	-	328,573	-	691,050	-	171,878
Others						
Other contingencies	-	361,835	-	-	-	127,318
Securities Held as custodian	-	4,852,220	898,100	18,035,000	-	12,378,000
Other Transactions	80,250	199	-	2,427	-	-

Awards

HBL was awarded "Best Retail Bank in Pakistan for 2012" by "The Asian Bankers".

Change in Directorship

Mr. Agha Sher Shah has joined the Board to fill the casual vacancy arising due to resignation of Mr. Mushtaq Malik. The Board places on record their appreciation for the contributions of Mr. Mushtaq Malik and welcomes Mr. Agha Sher Shah on the Board.

Future Outlook

The economy continues to face challenges due to pressure on foreign exchange reserves, energy crises, circular debts and revenue shortfall. Bold initiatives are needed to address above issues. However, in view of forthcoming general election and political uncertainties there is less likelihood of early resolution of above macro issues through structural reforms.

Whilst the Bank continues to grow, lack of fresh demand for bankable credits, and lower yield on Government Securities, are likely to affect the profitability of the Banking Sector and also HBL.

To meet challenges mentioned above, HBL has effective risk management and internal controls in place. The management of HBL endeavors to continue to maintain its tempo to cater the needs of its customers through innovative products and efficient services.

Appreciation and Acknowledgement

I would like to appreciate the efforts of our Regulators and Government of Pakistan and in particular the Ministry of Finance and SBP for developing and strengthening the banking and financial service industry through improved regulatory and governance framework.

I would like to take this opportunity to also thank on behalf of the Board and Management of the Bank, the customers for entrusting their confidence in us and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors. I would also like to acknowledge the efforts and dedication demonstrated by employees which has enabled the growth of HBL

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
April 19, 2013

Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the three months ended March 31, 2013.

The Bank has reported Profit after tax of Rs. 4.6 billion translating into Earning per share of Rs.3.78.

Economy

During the period under review the inflationary pressure eased further as headline CPI inflation reduced further from 11.3% in June 2012 to *6.6% in March 2013. The worker remittance also showed annualized growth of *6.3% during the nine months period from July 2012 to March 2013 and was at US \$ *10.35 billion as against US \$ *9.74 billion in the corresponding period last year. In spite of positive news on inflation and worker remittances, the economy continue to suffer due to energy shortage, subsidies to loss making Public Sector Enterprises (PSEs) and uncertainties across global economies in terms of sustainable economic recovery. The balance of payment position remained under stress due to low financial inflows and high debt payments. As a result the State Bank of Pakistan's (SBP) foreign exchange declined to US \$ *6.70 billion as on April 5, 2013.

Performance

The deposits of HBL continue to show above average growth of 3.3% during the quarter under review and closed at Rs 1,179 billion as on March 31, 2013 (Rs.1,141 billion on December 31, 2012). The profit after tax was Rs.4.6 billion for the three months ended March 31, 2013 (Rs.5.6 billion in March 2012). The earning per share for the three months ended March 31, 2013 was Rs.3.43 on the enhanced capital of Rs.13.3 billion after incorporating the impact of bonus issue.

HBL has acquired the Citibank Pakistan's Credit Card and Consumer Lending Portfolio after obtaining approval from SBP. HBL is committed in developing consumer finance products in Pakistan and this acquisition is part of its commitment and mission of enhancing value for stakeholders.

As leader of Pakistan's Banking Industry, HBL is focusing on financial inclusion to provide banking services to all segments of society across Pakistan. Today HBL has the largest network of around 850 ATMs all over Pakistan. HBL Branchless Banking Pilot Project Plan Pakistan, which is operational since the last quarter 2012, has been awarded SBP approval for full fledged commercial launch.

Movement of Reserves

Rs. in million

Unappropriated profit brought forward	62,128
Profit attributable to equity holders of the bank	4,577
Transferred from surplus on revaluation of fixed assets – net of tax	15
Transfer to statutory reserves	(458)
Cash dividend	(4,849)
Reserve for issue of bonus shares	(1,212)
Unappropriated profit carried forward	<u>60,201</u>

*These figures are taken from SBP Monetary Policy Statement announced on 12 April 2013.

17.1 Key management personnel

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

	For the three months ended	
	March 31 2013	March 31 2012
	(Rupees in '000)	
Managerial remuneration (including allowances)	364,727	328,276
Contribution to provident and benevolent fund	5,867	5,388
Medical	11,128	8,941
	<u>381,722</u>	<u>342,605</u>
Number of persons	163	161

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(9,355)	6,029	15,128	1,472	(87)	13,187
Inter segment revenue - net	15,876	(4,645)	(13,710)	-	2,479	-
Non-funded income	1,605	600	648	1,140	(131)	3,862
Net interest and non-markup income	8,126	1,984	2,066	2,612	2,261	17,049
Total expenses including provision (excluding impairment)	3,745	1,116	53	2,210	2,026	9,150
Impairment against investments	-	-	(5)	-	(2)	(7)
Inter segment administrative cost	1,395	279	40	154	(1,868)	-
Total expenses including provision	5,140	1,395	88	2,364	156	9,143
Net income before tax	2,986	589	1,978	248	2,105	7,906
Segment assets gross	124,478	352,418	819,247	274,430	95,257	1,665,830
Segment non-performing loans	8,870	34,016	-	15,393	217	58,496
Segment provision required including general provision	8,002	26,033	343	12,735	2,008	49,121
Segment liabilities including equity	944,887	124,133	139,642	192,194	215,853	1,616,709
Segment gross earnings on liability / asset %	9.12%	9.72%	9.05%	4.50%	4.00%	-
Segment cost of funds %	5.56%	7.49%	8.06%	1.17%	0.95%	-
	For the three months ended March 31, 2012					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(6,781)	7,901	11,646	1,502	(29)	14,239
Inter segment revenue - net	15,790	(6,380)	(11,275)	-	1,865	-
Non-funded income	1,179	634	719	1,100	164	3,796
Net interest and non-markup income	10,188	2,155	1,090	2,602	2,000	18,035
Total expenses including provision (excluding impairment)	3,622	1,195	33	1,747	1,717	8,314
Impairment against investments	-	-	(87)	-	(41)	(128)
Inter segment administrative cost	1,230	246	35	136	(1,647)	-
Total expenses including provision	4,852	1,441	(19)	1,883	29	8,186
Net income before tax	5,336	714	1,109	719	1,971	9,849
Segment assets gross	112,527	361,394	462,544	238,839	71,619	1,246,923
Segment non-performing loans	9,506	33,697	-	15,388	206	58,797
Segment provision required including general provision	6,962	27,467	323	12,149	2,614	49,515
Segment liabilities including equity	729,949	103,048	32,516	159,745	172,150	1,197,408
Segment gross earnings on liability / asset %	11.34%	11.81%	10.90%	5.30%	5.49%	-
Segment cost of funds %	5.58%	9.36%	9.98%	1.29%	0.74%	-

Condensed Interim Unconsolidated Financial Statements

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

The consolidated statement of financial position of the Bank's Islamic Banking business and First Habib Bank Modaraba as at March 31, 2013 is as follows:

	Note	March 31, 2013	December 31, 2012
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		1,236,008	1,710,846
Balances with other banks		2,152	412,446
Due from Financial Institutions		3,720,000	5,480,000
Investments - net		22,805,450	22,369,313
Islamic financing and related assets	19.1	3,113,401	3,108,988
Operating Fixed assets		488	516
Due from Head Office		684,817	-
Deferred tax asset		-	34,036
Other assets		990,770	782,906
		<u>32,553,086</u>	<u>33,899,051</u>
LIABILITIES			
Bills payable		713	457
Due to Financial Institutions		77,782	576,000
Deposit and other accounts			
- Current Accounts		3,150,845	2,697,055
- Savings Accounts		12,155,122	11,417,392
- Term Deposits		8,205,730	7,087,919
- Deposits from financial institutions- remunerative		6,723,742	9,825,657
- Deposits from financial institutions- non -remunerative		22,131	8,360
Due to Head office		-	240,544
Deferred tax liability		13,893	-
Other liabilities		698,815	712,582
		<u>31,048,773</u>	<u>32,565,966</u>
NET ASSETS		<u>1,504,313</u>	<u>1,333,085</u>
REPRESENTED BY:			
Islamic banking fund / certificate capital		647,072	647,072
Reserves		542,757	548,519
Unappropriated profit		288,679	192,915
		<u>1,478,508</u>	<u>1,388,506</u>
Surplus / (deficit) on revaluation of assets - net of deferred tax		<u>25,805</u>	<u>(55,421)</u>
		<u>1,504,313</u>	<u>1,333,085</u>

The commitment in respect of letters of credit of Islamic Banking Branch of Habib Bank Limited amounted to Rs. 252.248 million (2012 : Rs. 143.332 million).

	Note	March 31, 2013	December 31, 2012
(Rupees in '000)			
19.1 Islamic financing and related assets			
Murabaha	19.1.1	369,185	420,496
Ijarah	19.1.2	878,779	929,402
Musharaka		1,049,522	1,063,006
Advance for Murabaha		424	38,577
Advance for Ijarah		6,198	3,858
Istisna		485,116	326,000
Salam		275,000	-
Assets/Inventories		49,177	327,649
		<u>3,113,401</u>	<u>3,108,988</u>

19.1.1 This represents assets sold under Murabaha agreement.

19.1.2 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 April 19, 2013.

Nauman K. Dar
President and Chief Executive Officer

Ahmed Jawad
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director