

HBL



Half Yearly Report June 30, 2013

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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. Agha Sher Shah

Director

Dr. Najeeb Samie*

Director

Chief Financial Officer

Mr. Ayaz Ahmed

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]

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Websites

Corporate website:

www.hbl.com

ibank (internet banking)

www.hbllibank.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.

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Ahmed Road Karachi.

Tel. No : +92(21) 111-000-322

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18 ISLAMIC BANKING BUSINESS

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

Note	June 30, 2013	December 31, 2012
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	1,667,337	1,710,844
Balances with other banks	-	402,282
Due from Financial Institutions	2,840,000	5,480,000
Investments - net	26,576,972	22,223,692
Islamic financing and related assets	4,025,994	2,447,323
Due from Head Office	691,813	-
Deferred tax asset	-	34,036
Other assets	1,071,688	745,727
	<u>36,873,804</u>	<u>33,043,904</u>
LIABILITIES		
Bills payable	698	457
Due to Financial Institutions	58,000	576,000
Deposit and other accounts		
- Current Accounts	4,114,497	2,697,055
- Savings Accounts	15,486,442	11,417,392
- Term Deposits	10,361,715	7,087,919
- Deposits from financial institutions- remunerative	5,386,188	9,825,657
- Deposits from financial institutions- non-remunerative	30,177	8,360
Due to Head office	-	240,544
Deferred tax liability	8,391	-
Other liabilities	573,288	544,192
	<u>36,019,396</u>	<u>32,397,576</u>
NET ASSETS	<u>854,408</u>	<u>646,328</u>
REPRESENTED BY:		
Islamic banking fund	250,000	250,000
Reserves	459,537	310,438
Unappropriated profit	129,288	149,099
	<u>838,825</u>	<u>709,537</u>
Surplus / (deficit) on revaluation of assets - net of deferred tax	<u>15,583</u>	<u>(63,209)</u>
	<u>854,408</u>	<u>646,328</u>

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

Note	June 30, 2013	December 31, 2012
	(Rupees in '000)	
18.1 Islamic financing and related assets		
Murabaha	18.1.1 254,131	383,099
Ijarah	18.1.2 245,767	329,832
Musharaka	1,419,349	1,038,307
Advance for Murabaha	16,593	38,577
Advance for Ijarah	6,121	3,858
Istisna	1,558,502	326,000
Assets/Inventories	<u>525,531</u>	<u>327,650</u>
	<u>4,025,994</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 August 22, 2013.

* Appointed in place of Mr. Sikandar Mustafa Khan w.e.f August 22, 2013

16.1 Key management personnel

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

	For the six months ended	
	June 30, 2013	June 30, 2012
	(Rupees in '000)	
Managerial remuneration (including allowances)	591,254	520,980
Contribution to provident and benevolent fund	11,850	10,932
Medical	21,533	17,262
	<u>624,637</u>	<u>549,174</u>
Number of persons	147	147

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	----- (Rupees in million) -----					
Net interest income - External	(18,887)	11,816	30,505	2,426	(331)	25,529
Inter segment revenue - net	32,840	(9,395)	(28,319)	-	4,874	-
Non-funded income	3,425	1,233	1,508	1,203	(1,143)	6,226
Net interest and non-markup income	17,378	3,654	3,694	3,629	3,400	31,755
Total expenses including provision (excluding impairment)	7,883	1,378	100	2,976	4,837	17,174
Impairment against investments	-	-	(30)	-	(11)	(41)
Inter segment administrative cost	3,157	631	91	348	(4,227)	-
Total expenses including provision	11,040	2,009	161	3,324	599	17,133
Net income before tax	6,338	1,645	3,533	305	2,801	14,622
Segment assets gross	125,394	329,363	834,933	180,832	107,456	1,577,978
Segment non-performing loans	8,469	30,908	-	10,701	69	50,147
Segment provision required including general provision	8,021	25,635	279	9,254	1,011	44,200
Segment liabilities including equity	914,612	143,488	138,224	118,805	218,649	1,533,778
Segment gross earnings on liability / asset %	9.34%	9.65%	9.06%	4.90%	2.99%	-
Segment cost of funds %	5.58%	7.59%	8.16%	1.50%	0.96%	-

	For the six months ended June 30, 2012					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	----- (Rupees in million) -----					
Net interest income - External	(14,368)	16,116	24,276	2,416	(144)	28,296
Inter segment revenue - net	32,667	(13,014)	(23,548)	-	3,895	-
Non-funded income	2,446	1,321	1,277	1,079	158	6,281
Net interest and non-markup income	20,745	4,423	2,005	3,495	3,909	34,577
Total expenses including provision (excluding impairment)	7,288	2,906	97	2,354	4,212	16,857
Impairment against investments	-	-	(101)	-	(114)	(215)
Inter segment administrative cost	2,986	597	86	329	(3,998)	-
Total expenses including provision	10,274	3,503	82	2,683	100	16,642
Net income before tax	10,471	920	1,923	812	3,809	17,935
Segment assets gross	116,846	373,436	548,380	152,371	82,191	1,273,224
Segment non-performing loans	9,329	33,056	-	10,852	70	53,307
Segment provision required including general provision	6,952	26,859	410	10,180	1,852	46,253
Segment liabilities including equity	809,503	131,209	18,664	84,436	183,159	1,226,971
Segment gross earnings on liability / asset %	11.29%	11.84%	10.81%	4.60%	5.14%	-
Segment cost of funds %	5.60%	9.37%	9.99%	1.60%	0.86%	-

Condensed Interim Consolidated Financial Statements

2013

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the six months ended June 30, 2013

Economy & Market Review

During the fiscal year 2012 – 2013 the economy faced severe challenges due to energy crisis, circular debt issue, loss making public sector entities and a challenging law and order situation. The GDP growth for the FY 2012-13 has been estimated at 3.6% (based on nine month data) as compared to 4.4% in FY 2011-12 after rebasing the national account at constant prices of 2005-2006. The agriculture sector recorded a growth of 3.3 % as against 3.5% in the previous year. The large scale manufacturing sector grew by 2.8% compared to 1.2% last year. The services sector recorded a growth of 3.7% as compared to 5.3% in 2011-2012 (source: Pakistan Economic Survey 2012-2013).

On a positive note, inflation fell significantly. CPI, inflation (General) increased by 5.9 % on year on year basis (YoY) in June 2013 as against 11.3% in June 2012. The core inflation measured by non-food- non-energy CPI (Core NFNE) increased by 7.8% YoY in June 2013 as compared to 11.5% in June 2012 (source: Pakistan Bureau of Statistics June 2013).

Total Export during FY 2013 at US\$ 24.75 billion (FY 2012: US \$ 24.70) remained stagnant while imports at US \$ 39.80 (FY 2012: US\$ 40.46) were marginally down by 1.6%. The trade deficit was US \$ 15.05 billion for FY 2013 as against US \$ 15.76 billion for FY 2012. Remittances from overseas Pakistani workers for FY 2013 amounted to US\$ 13.92 billion depicting a growth of 5.6%. The current account balance was negative by US\$ 2.30 billion for FY 2013 as against US\$ 4.66 billion for FY 2012. Fiscal deficit as %age to GDP was 8.8% for FY 2013 as against 6.4% for the FY 2012 (source: State Bank of Pakistan).

The Balance of Payment position remained under pressure due to trade deficit, low financial inflows and payment of foreign debts. The net liquid foreign exchange reserves with SBP declined from US\$ 10.80 billion as on June 30, 2012 to US\$ 6.01 billion as on June 30, 2013 (source: State Bank of Pakistan).

After holding policy rate at 9.5% since December 17, 2012, the SBP reduced the policy rate by 50 basis points to 9% with effect from June 24, 2013. In all there was reduction in policy rate by 300 basis points during the period from June 30, 2012 to June 30, 2013.

Pakistan's Stock Market was bullish during the FY 2013. The KSE 100 index increased from 13,801 as on June 30, 2012 to 21,006 as on June 30, 2013, thus showing handsome growth of 52.2 %.

Performance

During the period under review the deposits increased by 3.6% to Rs.1,259 billion as on June 30, 2013 as against Rs.1,215 billion as on December 31, 2012. Current Accounts increased by 16.7% to Rs.369 billion, savings accounts increased by 12.3% to Rs.559 billion, while fixed deposits declined by 17.6% to Rs.330 billion. The CASA stood at 73.8% as on June 30, 2013 as against 67% as on December 31, 2012. The Capital Adequacy Ratio (CAR) has been maintained above 15% as on June 30, 2013.

For the half year ended June 30, 2013, the net mark up / interest income at Rs.26.2 billion was lower by 9.8% compared to corresponding period last year mainly due to decline in policy rate by SBP. The non-interest income at Rs.8.03 billion was higher by 3% compared to corresponding period last year.

The pre-tax and after tax profit was Rs.15.9 billion and Rs. 10.5 billion respectively for the half year ended June 30, 2013 as compared to Rs.19.1 billion and Rs.11.9 billion respectively for the corresponding period last year. The earnings per share for the half year ended June 30, 2013 was Rs.7.78.

Movement of Reserves

	Rs. in million
Unappropriated profit brought forward	67,523
Profit attributable to equity holders of the bank	10,377
Transferred from surplus on revaluation of fixed assets – net of tax	30
Transfer to statutory reserves	(958)
Cash dividend	(4,849)
Issued as bonus shares	(1,212)
Unappropriated profit carried forward	70,911
	<u>7.78</u>
Earnings per share rupees (Basic & Diluted)	

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:

June 30, 2013						
Individual and companies related through						
Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties	
----- Rs. in '000 -----						
Statement of financial position						
Deposits	-	3,351,964	294,064	2,037,119	104,392	2,732,144
Maximum Deposits During the period	-	4,208,820	902,439	7,737,354	104,392	3,833,229
Borrowings	-	1,285,548	236,093	-	-	-
Investments	-	-	11,362,987	4,743,974	-	-
Markup / Other Receivable	-	-	-	225,000	-	-
Mark-up / Other Payable	-	-	-	-	-	384,637
Placements / Lendings	-	342,458	4,381,117	-	-	-
Overdrawn Nostro	-	-	-	483,346	-	-
Impairment provision	-	-	-	573,261	-	-
Profit and Loss						
Interest / Other Income	-	54,573	114,816	824,908	-	-
Interest / Other Expense	-	266,217	25,235	427,475	-	288,850
Dividend income	-	-	-	154,888	73,815	-
Others						
Other contingencies	-	314,368	-	-	-	-
Securities Held as custodian	-	7,338,895	1,191,000	27,796,400	-	13,284,390
December 31, 2012						
Individual and companies related through						
Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties	
----- Rs. in '000 -----						
Statement of financial position						
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	-	-
Profit and Loss						
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	-
Others						
Other contingencies	-	361,835	-	-	-	127,318
Securities Held as custodian	-	4,808,720	762,000	17,945,000	-	12,378,000

13.8 Taxation

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

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

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 2.196 billion.

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the six months ended	
	June 30, 2013	June 30, 2012
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	22,223,290	26,035,576
- Financial institutions	128,372	105,237
<i>On investments:</i>		
- Available-for-sale	33,445,157	22,779,432
- Held-for-trading	957,504	517,751
- Held-to-maturity	2,471,620	2,500,404
On deposits with financial institutions	473,501	346,991
On lendings to financial institutions	790,417	1,138,445
	<u>60,489,861</u>	<u>53,423,836</u>

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

Deposits	28,916,193	23,139,693
Securities sold under repurchase agreement borrowings	4,852,604	504,394
Other short term borrowings	955,615	1,224,375
Long term borrowings	236,534	258,972
	<u>34,960,946</u>	<u>25,127,434</u>

Dividend

The Board has recommended an interim cash dividend of Rs.4 per share for the year ending December 31, 2013. The effect of dividend recommendation is not reflected in the above appropriation.

Rating

JCR VIS Credit Rating Agency of Pakistan has re-affirmed the entity ratings of the Bank to "AAA / A-1+" (Triple A/ A-One Plus) with 'Stable' outlook.

Awards

HBL was awarded "Best Retail Bank in Pakistan for 2012" by the Asian Banker.

Change in Directorship

Mr. Najeeb Samie has been appointed as Director to fill the casual vacancy arising due to resignation of Mr. Sikandar Mustafa Khan with effect from August 22, 2013.

Future Outlook

Reduction in policy rate by 50 basis points to 9% with effect from June 24, 2013 without any reduction in minimum deposit rate will have its bearing on the profitability of the banking sector for the quarter July - September 2013.

The Government of Pakistan and IMF Mission have reached a staff level agreement on a new Extended Financing Facility (EFF) of US \$ 5.3 billion subject to approval by IMF Board in early September 2013. The IMF program will help Pakistan generate foreign exchange inflows from multilateral agencies. The Government has announced various budgetary measures including increase in tax collection, reduction in subsidies and restructuring of Public Sector Enterprises (PSEs) in the Federal Budget 2014 in order to pave the way for IMF Loan. The re-entry into IMF Program is likely to subside the country's external account risk, however, budgetary measures such as increase in GST, reduction in subsidies and increase in electricity charges are likely to push up inflation. Going forward rising inflation will be the main risk likely to be faced by the economy.

The initiative by the new elected government towards one time payment of circular debts would help in restoring private sector confidence. However, energy crisis, difficult law and order situation and management of loss making PSEs are the key challenges before the new Government. Bold initiatives would be needed to address above issues and to put the economy on track.

HBL has been consistently investing in IT infrastructure, human resources development and risk management and with market leadership in the banking industry is well positioned to capitalize on future opportunities as and when they arise.

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 State Bank of Pakistan 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 Group, the customers and the shareholders for entrusting their confidence in us and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors. I would also like to acknowledge the efforts and dedication demonstrated by employees towards the growth of HBL.

On behalf of the Board

Nauman K. Dar

President & Chief Executive Officer
August 22, 2013

Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2013

ASSETS

	Note	(Unaudited) June 30, 2013 (Rupees in '000)	(Audited) December 31, 2012 (Rupees in '000)
Cash and balances with treasury banks		155,129,436	157,229,517
Balances with other banks		47,251,457	47,980,032
Lendings to financial institutions		12,970,079	24,828,255
Investments	6	850,061,146	797,094,548
Advances	7	481,458,570	499,817,906
Operating fixed assets	8	24,232,501	23,632,324
Deferred tax asset		5,754,346	6,056,483
Other assets		55,232,274	53,669,507
		<u>1,632,089,809</u>	<u>1,610,308,572</u>

LIABILITIES

Bills payable		25,785,243	18,943,207
Borrowings	9	166,197,845	196,580,548
Deposits and other accounts	10	1,258,816,508	1,214,963,700
Sub-ordinated loans	11	3,737,231	5,440,654
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		39,124,655	41,342,703
		<u>1,493,661,482</u>	<u>1,477,270,812</u>
		<u>138,428,327</u>	<u>133,037,760</u>

NET ASSETS

REPRESENTED BY:

Shareholders' equity

Share capital		13,335,023	12,122,748
Reserves		39,548,908	39,379,354
Unappropriated profit		70,910,733	67,523,215
Total equity attributable to the equity holders of the Bank		123,794,664	119,025,317
Non-controlling interest		1,861,608	1,227,207
Surplus on revaluation of assets - net of deferred tax	12	12,772,055	12,785,236
		<u>138,428,327</u>	<u>133,037,760</u>

CONTINGENCIES AND COMMITMENTS

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

13.2 Transaction-related contingent liabilities

Guarantees in favour of:

	June 30, 2013 (Rupees in '000)	December 31, 2012 (Rupees in '000)
- Government	570,297	535,006
- Financial institutions	1,917,472	3,610,133
- Others	40,848,055	39,724,102
	<u>43,335,824</u>	<u>43,869,241</u>

13.3 Trade-related commitments

Credit cash	67,829,295	75,837,119
Credit documentary acceptances	25,070,736	18,535,338
Credit acceptances	41,605,839	34,790,322
	<u>134,505,870</u>	<u>129,162,779</u>

13.4 Other contingencies

Claims against the Bank not acknowledged as debts	34,211,406	33,445,873
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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

Purchase	117,614,701	161,434,192
Sale	117,695,467	161,344,507

The above commitments have maturities falling within one year.

Commitments in respect of foreign currency options

Purchase	205,659	1,317,948
Sale	205,659	1,317,948

Commitments in respect of cross currency swaps

Purchase	581,843	3,659,009
Sale	581,843	3,659,009

Commitments in respect of foreign and local currency interest rate swaps

Purchase	265,759	444,199
Sale	510,759	291,449

13.7 Commitments for acquisition of fixed assets / intangibles

	833,397	663,125
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Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2013

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Note	June 30, 2013 (Rupees in '000)	December 31, 2012 (Rupees in '000)
Surplus arising on revaluation of:		
- fixed assets	12.1 9,634,457	9,590,967
- investments	12.2 2,163,940	2,428,878
Surplus on revaluation of assets - net of deferred tax	<u>11,798,397</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
Surplus realised on disposal of revalued properties during the period / year	-	(155,285)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(29,793)	(90,185)
Related deferred tax liability of incremental depreciation charged during the period / year	(16,043)	(48,577)
Related deferred tax liability on disposal of revalued properties	-	(873)
Surplus on revaluation of fixed assets as at period / year end	<u>10,547,131</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 period / year	1,552	192,959
- surplus realised on disposal of revalued properties during the period / year	-	(873)
- incremental depreciation charged during the period / year transferred to profit and loss account	(16,043)	(48,577)
	<u>912,674</u>	<u>927,165</u>
	<u>9,634,457</u>	<u>9,590,967</u>

12.2 Surplus on revaluation of investments

Market Treasury Bills	412,875	1,863,369
Pakistan Investment Bonds	2,352,323	1,490,249
Government of Pakistan Sukuk and US Dollar / Euro Bonds	(52,412)	(95,595)
Listed Securities	595,915	212,728
NIT Units	17,425	11,283
Other Investments	2,975	254,647
	<u>3,329,101</u>	<u>3,736,681</u>
Related deferred tax liability	<u>(1,165,161)</u>	<u>(1,307,803)</u>
	<u>2,163,940</u>	<u>2,428,878</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:		
- Government	260,312	306,856
- Financial institutions	295,000	295,000
- Others	29,422,157	35,371,437
	<u>29,977,469</u>	<u>35,973,293</u>

Note	January 01 to June 30, 2013	January 01 to June 30, 2012	April 01 to June 30, 2013	April 01 to June 30, 2012
	----- (Rupees in '000) -----			

Mark-up / return / profit / interest earned	14	61,560,148	54,564,468	30,256,432	27,996,799
Mark-up / return / profit / interest expensed	15	35,318,334	25,453,029	17,201,572	13,124,368
Net mark-up / profit / interest income		<u>26,241,814</u>	<u>29,111,439</u>	<u>13,054,860</u>	<u>14,872,431</u>
Provision against non-performing loans and advances - net Charge / (reversal) against off-balance sheet obligations	7.2 / 7.4	1,221,408	2,779,251	(63,700)	1,480,029
Reversal against diminution in the value of investments - net	6.4	27,585	(92,363)	(4,367)	(106,614)
Bad debts written off directly		(52,138)	(498,362)	(43,836)	(200,992)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,196,855</u>	<u>2,188,526</u>	<u>(111,903)</u>	<u>1,172,423</u>

Net mark-up / profit / interest income after provisions		<u>25,044,959</u>	<u>26,922,913</u>	<u>13,166,763</u>	<u>13,700,008</u>
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Non mark-up / interest income

Fee, commission and brokerage income	3,881,047	3,140,337	2,068,354	1,602,495
Dividend income	235,025	203,352	33,766	42,711
Share of profit of associates and joint venture	892,215	795,346	489,848	497,917
Income from dealing in foreign currencies	468,153	1,606,815	205,121	873,728
Gain on sale of securities	837,818	409,528	600,228	124,995
Unrealized gain / (loss) on held for trading securities	71,144	20,312	(14,366)	22,113
Other income	1,639,808	1,613,177	780,351	828,966
Total non-mark-up / interest income	<u>8,025,210</u>	<u>7,788,867</u>	<u>4,163,302</u>	<u>3,992,925</u>
	<u>33,070,169</u>	<u>34,711,780</u>	<u>17,330,065</u>	<u>17,692,933</u>

Non mark-up / interest expense

Administrative expenses	17,016,245	15,141,640	9,230,108	8,192,921
Other provisions / write offs - net	(143,882)	33,280	(20,796)	8,647
Other charges	16,509	1,492	777	759
Workers welfare fund	312,433	374,749	156,761	179,202
Total non mark-up / interest expenses	<u>17,201,305</u>	<u>15,551,161</u>	<u>9,366,850</u>	<u>8,381,529</u>
Profit before taxation	<u>15,868,864</u>	<u>19,160,619</u>	<u>7,963,215</u>	<u>9,311,404</u>

Taxation

current	4,874,398	6,756,563	2,323,136	3,291,005
prior	1,257	755,385	(117,530)	334,608
deferred	472,710	(209,846)	335,125	(80,635)
	<u>5,348,365</u>	<u>7,302,102</u>	<u>2,540,731</u>	<u>3,544,978</u>
Profit after taxation	<u>10,520,499</u>	<u>11,858,517</u>	<u>5,422,484</u>	<u>5,766,426</u>

Attributable to:

Equity holders of the Bank	10,376,763	11,730,661	5,353,913	5,710,873
Non-controlling interest	43,104	48,963	28,794	20,057
Minority investor of HBL funds	100,632	78,893	39,777	35,496
	<u>10,520,499</u>	<u>11,858,517</u>	<u>5,422,484</u>	<u>5,766,426</u>

----- (Rupees) -----

Basic and diluted earnings per share	<u>7.78</u>	<u>8.80</u>	<u>4.01</u>	<u>4.28</u>
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The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Sajid Zahid
Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2013

	January 01 to June 30, 2013	January 01 to June 30, 2012	April 01 to June 30, 2013	April 01 to June 30, 2012
	(Rupees in '000)			
Profit for the period	10,520,499	11,858,517	5,422,484	5,766,426
Other comprehensive income				
Minority share of HBL funds transferred to other liabilities	(100,632)	(78,893)	(39,777)	(35,496)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(831,198)	1,916,369	307,923	1,258,768
Comprehensive income transferred to equity	<u>9,588,669</u>	<u>13,695,993</u>	<u>5,690,630</u>	<u>6,989,698</u>
Components of comprehensive income not reflected in equity				
Surplus on revaluation of fixed assets	74,835	-	74,835	-
Deferred tax on revaluation of fixed assets	(1,552)	-	(1,552)	-
(Deficit) / surplus on revaluation of investments	(259,522)	59,238	2,255,220	(635,203)
Deferred tax on revaluation of investments	202,851	40,362	(701,821)	167,740
	<u>9,605,281</u>	<u>13,795,593</u>	<u>7,317,312</u>	<u>6,522,235</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	9,559,751	13,665,883	7,220,286	6,513,390
Non-controlling interest	(11,195)	113,330	40,579	36,137
Minority investor	56,725	16,380	56,447	(27,292)
	<u>9,605,281</u>	<u>13,795,593</u>	<u>7,317,312</u>	<u>6,522,235</u>

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

9 BORROWINGS

Secured

Borrowings from State Bank of Pakistan under:

	June 30, 2013	December 31, 2012
	(Rupees in '000)	
Export refinance scheme	15,000,595	16,845,030
Long term financing facility - locally manufactured and imported plant & machinery	5,556,282	5,074,278
Long term finance - export oriented projects	706,646	974,062
Refinance facility for modernization of SMEs	49,820	12,649
Financing facility for Storage of Agricultural Produce	12,223	15,277
Repurchase agreement borrowings	118,106,931	157,998,809
	<u>139,432,497</u>	<u>180,920,105</u>

Unsecured

In Pakistan:

Interbank call money borrowings

10,798,000	1,500,000
1,200,650	1,186,682
10,194,065	8,501,810
11,394,715	9,688,492
22,192,715	11,188,492
<u>161,625,212</u>	<u>192,108,597</u>

Outside Pakistan:

Overdrawn nostro accounts

Borrowings of overseas branches

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts - non-remunerative	331,661,075	281,887,233
Savings chequing account	548,769,669	486,575,662
Fixed deposits	<u>286,281,138</u>	<u>354,430,663</u>
	<u>1,166,711,882</u>	<u>1,122,893,558</u>

Financial institutions

Current accounts - non-remunerative	6,860,996	4,086,107
Savings chequing account	2,408,860	4,490,688
Fixed deposits	<u>4,880,593</u>	<u>9,694,622</u>
	<u>14,150,449</u>	<u>18,271,417</u>
	<u>1,180,862,331</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 installments from June 2013 to December 2014. Interest is payable on bi - annual basis commencing from December 2007 at LIBOR + 1.75%. The first installment 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.

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2013

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

	June 30, 2013			December 31, 2012		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding**	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding**	Limit sanctioned during the year
	----- (Rupees in '000) -----					
Debts due by directors or executives of the bank or any of them either severally or jointly with any other persons:						
- in respect of executives * (Other than KMPs)	1,724,300	1,762,600	222,747	1,516,400	1,549,100	443,704
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	359,300	382,200	15,365	371,200	382,000	64,257
Debts due by companies or firms in which the directors of the bank are interested as directors, partners, advisors or in the case of private companies as members	1,938,250	2,050,054	-	571,668	1,063,827	100,000
Debts due by subsidiary company	3,242	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

	June 30, 2013	December 31, 2012
	(Rupees in '000)	
Capital work-in-progress	1,052,560	1,713,276
Intangible assets	590,925	240,030
Tangible fixed assets	20,158,100	19,231,795
	<u>21,801,585</u>	<u>21,185,101</u>

8.1 Additions to fixed assets

	For the six months ended	
	June 30, 2013	June 30, 2012
	(Rupees in '000)	
The following additions have been made to tangible and intangible fixed assets during the period:		
Capital work-in-progress	833,397	563,158
Intangible assets	474,097	64,459
Tangible fixed assets		
Land	191,153	256,312
Building including related machinery	448,215	417,139
Furniture, fixtures and office equipments	920,489	506,293
Vehicles	61,467	10,437
	<u>2,928,818</u>	<u>1,817,798</u>

8.2 Disposal of fixed assets

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

Tangible fixed assets		
Land	-	156,864
Building including related machinery	-	4,990
Furniture, fixtures and office equipments	159,619	151,904
Vehicles	21,044	22,312
	<u>180,663</u>	<u>336,070</u>

Share capital	Attributable to shareholders of the Bank						Non-controlling interest	Total
	Exchange translation reserve	Statutory reserves	Joint venture and subsidiaries	Bank	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
Total comprehensive income for the period	-	-	-	-	-	11,809,554	11,809,554	48,963
Profit for the six months ended June 30, 2012	-	-	-	-	-	(78,893)	(78,893)	-
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	-	(78,893)
- Other comprehensive income	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	1,876,062	-	-	-	-	1,876,062	40,307
	-	1,876,062	-	-	-	-	13,606,723	89,270
Transactions with owners, recorded directly in equity								
Cash dividend paid at Rs. 4 per share for the year ended December 31, 2011	-	-	-	-	-	(4,408,272)	(4,408,272)	-
Issued as bonus shares	1,102,068	-	-	-	-	(1,102,068)	-	-
	1,102,068	-	-	-	-	(5,510,340)	(4,408,272)	-
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	217,300	217,300	217,300
Transferred to statutory reserves	-	-	21,311	1,098,653	-	(1,119,964)	-	-
Minority share of surplus on revaluation of securities	-	-	-	-	-	-	-	24,063
Balance as at June 30, 2012	12,122,748	11,763,283	321,735	16,982,951	6,073,812	62,298,354	109,562,883	1,349,623
Total comprehensive income for the period	-	-	-	-	-	10,602,360	10,602,360	(105,137)
Profit for the six months ended December 31, 2012	-	-	-	-	-	(76,957)	(76,957)	-
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	-	(76,957)
- Other comprehensive income	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	3,148,537	-	-	-	-	3,148,537	37,979
	-	3,148,537	-	-	-	-	13,673,940	(67,158)
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)	-
Cash dividend at Rs. 1.475 per certificate by modaraba	-	-	-	-	-	-	-	(52,713)
	-	-	-	-	-	(4,242,962)	(4,242,962)	(4,295,675)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	31,456	31,456	31,456
Transferred to statutory reserves	-	-	31,272	1,057,764	-	(1,089,036)	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(2,545)
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
Total comprehensive income for the period	-	-	-	-	-	10,477,395	10,477,395	43,104
Profit for the six months ended June 30, 2013	-	-	-	-	-	(100,632)	(100,632)	-
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	-	(100,632)
- Other comprehensive loss	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(788,110)	-	-	-	-	(788,110)	(43,088)
	-	(788,110)	-	-	-	-	9,588,653	16
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)	-	-
	1,212,275	-	-	-	-	(6,061,374)	(4,849,099)	-
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	29,793	29,793	29,793
Transferred to statutory reserves	-	-	14,068	943,596	-	(957,664)	-	-
Non-controlling interest acquired in HAIB during the period	-	-	-	-	-	-	-	641,967
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(7,582)
Balance as at June 30, 2013	13,335,023	14,123,710	367,075	18,984,311	6,073,812	70,910,733	123,794,664	1,861,608

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

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Sajid Zahid
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

	June 30, 2013	June 30, 2012
	(Rupees in '000)	
Profit before taxation	15,868,864	19,160,619
Dividend income and share of profit of associates and joint venture	(1,127,240)	(998,698)
Gain on sale of securities	(837,818)	(409,528)
	(1,965,058)	(1,408,226)
	13,903,806	17,752,393
Adjustment for:		
Depreciation	728,454	738,936
Amortisation	123,824	35,018
Reversal against diminution in the value of investments	(52,138)	(498,362)
Provision against non-performing loans and advances	1,221,408	2,779,251
Unrealised gain on held for trading securities	(71,144)	(20,312)
Exchange loss on sub-ordinated loans / Goodwill	186,657	179,692
Gain on sale of operating fixed assets - net	(21,887)	(3,778)
Loss on sale of non-banking asset	1,523	-
Miscellaneous provisions	(116,297)	(59,083)
	2,000,400	3,151,362
	15,904,206	20,903,755
(Increase) / decrease in operating assets		
Lendings to financial institutions	11,858,176	25,929,960
Investments - held for trading	8,321,609	(15,136,597)
Advances	17,137,928	(35,485,169)
Other assets	2,649,674	(6,293,334)
	39,967,387	(30,985,140)
(Decrease) / increase in operating liabilities		
Bills payable	6,842,036	704,123
Borrowings	(30,382,703)	7,393,066
Deposits and other accounts	43,852,808	151,298,612
Other liabilities	(1,736,056)	(1,357,061)
	18,576,085	158,038,740
	74,447,678	147,957,355
Income tax paid - net	(8,970,011)	(8,076,384)
Net cash flows from operating activities	65,477,667	139,880,971

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments	(59,694,414)	(127,315,955)
Dividend income received	251,525	189,879
Fixed capital expenditure	(1,444,077)	(1,855,092)
Proceeds from sale of fixed assets	27,177	169,727
Proceeds from sale of non-banking asset	38,500	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(788,110)	1,876,062
Net cash flows used in investing activities	(61,609,399)	(126,935,379)

CASH FLOWS FROM FINANCING ACTIVITIES

Exchange adjustment on translation of non-controlling interest in subsidiary	(43,088)	40,307
Repayment of subordinated loan	(1,828,913)	-
Dividend paid	(4,824,923)	(4,415,153)
Net cash flows used in financing activities	(6,696,924)	(4,374,846)
(Decrease) / increase in cash and cash equivalents during the period	(2,828,656)	8,570,746
Cash and cash equivalents at beginning of the period	200,668,136	146,876,710
Effects of exchange rate changes on cash and cash equivalents	4,541,413	3,872,418
	205,209,549	150,749,128
Cash and cash equivalents at end of the period	202,380,893	159,319,874

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

7.1 Advances include Rs. 50,146.530 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	June 30, 2013								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	669,656	-	669,656	-	-	-	669,656	-	669,656
Substandard	5,604,280	1,486,337	7,090,617	1,369,883	269,268	1,639,151	4,234,397	1,217,069	5,451,466
Doubtful	2,530,402	781,763	3,312,165	1,236,747	298,648	1,535,395	1,293,655	483,115	1,776,770
Loss	30,641,818	8,432,274	39,074,092	28,996,450	8,088,169	37,084,619	1,645,368	344,105	1,989,473
	39,446,156	10,700,374	50,146,530	31,603,080	8,656,085	40,259,165	7,843,076	2,044,289	9,887,365
General provision									
	39,446,156	10,700,374	50,146,530	33,260,634	9,193,419	42,454,053	7,843,076	2,044,289	9,887,365

Category of classification	December 31, 2012								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	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									
	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	June 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	140,060	(2,798)	137,262	60,798	36,773	97,571
Charge for the period / year	2,698,295	140,427	2,838,722	11,490,097	493,156	11,983,253
Reversals	(1,143,864)	(28,596)	(1,172,460)	(5,414,233)	(27,684)	(5,441,917)
	1,554,431	111,831	1,666,262	6,075,864	465,472	6,541,336
Write offs	(142,158)	-	(142,158)	(2,656,791)	-	(2,656,791)
Transferred to over 5 years category	(898,473)	-	(898,473)	(5,993,384)	-	(5,993,384)
Closing balance	40,259,165	2,194,888	42,454,053	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 June 30, 2013 would have been higher by Rs. 1,451.290 million and profit before taxation for the period ended June 30, 2013 would have been lower by approximately Rs 256.59 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in retained earnings net of tax amounting to Rs. 943.338 million would not be available for the distribution of cash and stock dividend to share holders.

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

Note	June 30, 2013	December 31, 2012
	(Rupees in '000)	
Opening balance	18,622,245	13,640,851
Transferred to interest suspense	-	(18,617)
Reversals	(319,591)	(922,822)
Transferred during the period / year	898,473	5,993,384
Write offs	(121,170)	(70,551)
	19,079,957	18,622,245

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

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2013

6.4 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

Note	June 30, 2013	December 31, 2012
	(Rupees in '000)	
Opening balance	1,473,880	1,996,585
Reversals	(10,371)	(189,908)
Impairment charge on listed securities	12,273	129,770
Impairment reversal on listed securities	(42,529)	(337,567)
Total reversals - net	(40,627)	(397,705)
Amount written off	-	(125,000)
Closing balance	1,433,253	1,473,880

7 ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan	360,796,964	385,628,553
Outside Pakistan	71,779,848	67,238,996
	432,576,812	452,867,549

Net investment in finance lease - in Pakistan	5,233,769	4,591,123
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Bills discounted and purchased
(excluding Government treasury bills):

Payable in Pakistan	10,691,613	12,122,572
Payable outside Pakistan	35,105,376	32,180,550
	45,796,989	44,303,122

Provision against non-performing advances	7.2	(42,454,053)	(41,691,160)
		441,153,517	460,070,634

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

In Pakistan		19,079,957	18,622,245
Provision	7.4	(19,079,957)	(18,622,245)
		-	-

1 THE GROUP AND ITS OPERATIONS

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

2 STATEMENT OF COMPLIANCE

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

3 ACCOUNTING POLICIES

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

ACCOUNTING FOR EMPLOYEE BENEFITS - IAS19

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

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

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

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6. INVESTMENTS

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

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

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

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

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

5. INVESTMENTS

Note	June 30, 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	1,195,917	-	1,195,917	2,203,724	-	2,203,724
- Pakistan Investment Bonds	22,125,586	-	22,125,586	28,676,723	-	28,676,723
- Market Treasury Bills						
Fully paid-up ordinary shares	24,571	-	24,571	31,195	-	31,195
- Listed companies						
Overseas Government Securities	305,610	-	305,610	348,908	-	348,908
	23,651,684	-	23,651,684	31,260,550	-	31,260,550
Held-to-maturity securities (HTM)						
Federal Government Securities	37,793,384	-	37,793,384	43,217,624	-	43,217,624
- Pakistan Investment Bonds						
Debentures and Corporate Debt Instruments / Units						
- Listed securities	-	-	-	210,064	-	210,064
- Unlisted securities	5,884,537	-	5,884,537	4,003,414	-	4,003,414
Overseas Government securities	12,359,099	-	12,359,099	12,198,340	-	12,198,340
	56,037,020	-	56,037,020	59,629,442	-	59,629,442
Available-for-sale Securities (AFS)						
Federal Government Securities	490,625,112	118,106,931	608,732,043	405,856,222	157,998,809	563,855,031
- Market Treasury Bills	52,506,574	-	52,506,574	46,136,502	-	46,136,502
- Pakistan Investment Bonds	425,000	-	425,000	425,000	-	425,000
- Government of Pakistan Guaranteed Bonds						
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)	30,237,904	-	30,237,904	31,599,959	-	31,599,959
Overseas Government Securities	406,978	-	406,978	2,482,359	-	2,482,359
Fully paid-up ordinary shares	4,711,857	-	4,711,857	4,229,365	-	4,229,365
- Listed companies	715,489	-	715,489	769,510	-	769,510
- Unlisted companies						
Debentures and Corporate Debt Instruments / Units						
- Listed securities	15,204,063	-	15,204,063	11,446,544	-	11,446,544
- Unlisted securities	14,316,423	-	14,316,423	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
	609,410,513	118,106,931	727,517,444	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	4,751,171	-	4,751,171	4,592,905	-	4,592,905
Investment at cost	699,965,704	118,106,931	818,072,635	616,895,130	157,998,809	774,893,939
Provision for diminution / impairment in the value of investments including associates	(1,433,253)	-	(1,433,253)	(1,473,880)	-	(1,473,880)
Net investment	698,532,451	118,106,931	816,639,382	615,421,250	157,998,809	773,420,059
Surplus on revaluation of held for trading securities	671	-	671	28,583	-	28,583
Surplus on revaluation of available for sale securities	3,320,464	8,637	3,329,101	3,736,681	-	3,736,681
Total investments at market value	701,853,586	118,115,568	819,969,154	619,186,514	157,998,809	777,185,323

6.1 The market value of securities classified as "held-to-maturity" as at June 30, 2013 amounted to Rs. 57,109.637 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:

	June 30, 2013	December 31, 2012
Shareholding %		
Jubilee General Insurance Company Limited	17.20%	16.24%
Diamond Trust Bank Limited, Kenya	11.91%	11.68%

Notes to the Condensed Interim Unconsolidated Financial Statement (Unaudited)

For the six months ended June 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 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 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 June 2013 and 30 June 2012.

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

6.4 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

	June 30, 2013	December 31, 2012
	(Rupees in '000)	
Opening balance	1,755,518	2,364,383
Charge for the period / year	10,744	78,441
Reversals	(12,106)	(235,367)
Impairment charge on listed securities	12,273	130,434
Impairment reversal on listed securities	(63,049)	(457,373)
Total reversals - net	(52,138)	(483,865)
Amount written off	-	(125,000)
Closing balance	1,703,380	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
Diamond Trust Bank Limited, Kenya	June 30, 2013
Himalayan Bank Limited, Nepal	March 31, 2013
Kyrgyz Investment and Credit Bank	June 30, 2013
Jubilee Life Insurance Co. Ltd.	March 31, 2013
Jubilee General Insurance Co. Ltd.	March 31, 2013
HBL Money Market Fund	June 30, 2013
HBL Islamic Stock Fund	June 30, 2013
HBL Islamic Money Market Fund	June 30, 2013
HBL Pension Equity Sub Fund	June 30, 2013
HBL Pension Debt Sub Fund	June 30, 2013
HBL Pension Money Market Sub Fund	June 30, 2013
HBL Islamic Pension Equity Sub Fund	June 30, 2013
HBL Islamic Pension Debt Sub Fund	June 30, 2013
HBL Islamic Pension Money Market Sub Fund	June 30, 2013

7 ADVANCES

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

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2013

7.1 Advances include Rs. 59,089.916 million (2012: Rs. 59,620.735 million) which have been placed under non-performing status, other than those accounts classified as loss and fully provided for more than five years, which have been placed in a separate category.

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

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

7.2 Particulars of provision against non-performing advances

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

7.3 In accordance with BSD Circular No. 2 dated January 27, 2009 and BSD Circular No.10 dated October 20, 2009 issued by SBP, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at June 30, 2013 would have been higher by Rs. 1,451,290 million and profit before taxation for the period ended June 30, 2013 would have been lower by approximately Rs 256.59 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in retained earnings net of tax amounting to Rs. 943.338 million would not be available for the distribution of cash and stock dividend to share holders.

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

Note	June 30, 2013		December 31, 2012	
	2013	2012	2012	2012
	(Rupees in '000)			
Opening balance	18,622,245	13,640,851		
Transferred to interest suspense	-	(18,617)		
Reversal	(319,591)	(922,822)		
Transferred during the period / year	898,473	5,993,384		
Write offs	(121,170)	(70,551)		
	19,079,957	18,622,245		

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

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation
Dividend income
Gain on sale of securities

Adjustment for:

Depreciation
Amortisation
Reversal against diminution in the value of investments
Provision against non-performing loans and advances
Unrealised gain on held for trading securities
Exchange loss on sub-ordinated loans
Gain on sale of operating fixed assets - net
Loss on sale of non-banking asset
Miscellaneous provisions

(Increase) / decrease in operating assets

Lendings to financial institutions
Investments - held for trading
Advances
Other assets

Increase / (decrease) in operating liabilities

Bills payable
Borrowings from financial institutions
Deposits and other accounts
Other liabilities

Income tax paid - net

Net cash flows from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments
Dividend income received
Fixed capital expenditure
Proceeds from sale of fixed assets
Proceeds from sale of non-banking asset
Exchange adjustment on translation of balances in foreign branches

Net cash flows used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of subordinated loan
Dividend paid

Net cash flows used in financing activities

Increase in cash and cash equivalents during the period

Cash and cash equivalents at beginning of the period
Effects of exchange rate changes on cash and cash equivalents

Cash and cash equivalents at end of the period

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

June 30, 2013
June 30, 2012
(Rupees in '000)

14,622,300	17,935,058
(385,667)	(329,156)
(545,896)	(320,627)
(931,563)	(649,783)
13,690,737	17,285,275
690,340	703,644
123,202	34,034
(40,627)	(395,180)
1,346,671	2,743,615
(671)	(812)
125,490	230,155
(18,688)	(3,778)
1,523	-
(116,297)	(59,083)
2,110,943	3,252,595
15,801,680	20,537,870
11,858,176	25,929,960
7,608,866	(15,107,092)
17,570,446	(32,963,388)
2,704,916	(5,839,464)
39,742,404	(27,979,984)
6,880,481	685,703
(30,483,385)	8,344,144
39,697,356	147,465,201
(2,883,929)	(1,043,762)
13,210,523	155,451,286
68,754,607	148,009,172
(8,727,923)	(7,839,464)
60,026,684	140,169,708
(50,213,083)	(126,645,567)
403,361	317,762
(1,359,863)	(1,817,798)
23,360	169,727
38,500	-
(601,763)	1,271,084
(51,709,488)	(126,704,792)
(1,245,744)	-
(4,822,646)	(4,413,208)
(6,068,390)	(4,413,208)
2,248,806	9,051,708
170,321,005	135,846,729
5,910,954	2,219,156
176,231,959	138,065,885
178,480,765	147,117,593

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2013

	Share capital	Exchange translation reserve	Statutory	Reserves		Total
				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
Total comprehensive income for the period	-	-	-	-	10,986,529	10,986,529
Profit for the six months ended June 30, 2012	-	-	-	-	10,986,529	10,986,529
- Other comprehensive income	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	-	1,271,084	-	-	-	1,271,084
	-	1,271,084	-	-	10,986,529	12,257,613
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Cash dividend paid at Rs. 4 per share for the year ended December 31, 2011	-	-	-	-	(4,408,272)	(4,408,272)
Issued as bonus shares	1,102,068	-	-	-	(1,102,068)	-
	1,102,068	-	-	-	(5,510,340)	(4,408,272)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	215,656	215,656
Transferred to statutory reserves	-	-	1,098,653	-	(1,098,653)	-
Balance as at June 30, 2012	12,122,748	9,516,670	16,982,951	6,073,812	56,821,838	101,518,019
Total comprehensive income for the period	-	-	-	-	10,577,636	10,577,636
Profit for the six months ended December 31, 2012	-	-	-	-	10,577,636	10,577,636
- Other comprehensive income	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	-	2,706,300	-	-	-	2,706,300
	-	2,706,300	-	-	10,577,636	13,283,936
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)	(4,242,962)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	29,814	29,814
Transferred to statutory reserves	-	-	1,057,764	-	(1,057,764)	-
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	-	-	-	-	9,435,962	9,435,962
Profit for the six months ended June 30, 2013	-	-	-	-	9,435,962	9,435,962
- Other comprehensive loss	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	-	(601,763)	-	-	-	(601,763)
	-	(601,763)	-	-	9,435,962	8,834,199
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)	-
	1,212,275	-	-	-	(6,061,374)	(4,849,099)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	29,793	29,793
Transferred to statutory reserves	-	-	943,596	-	(943,596)	-
Balance as at June 30, 2013	13,335,023	11,621,207	18,984,311	6,073,812	64,589,347	114,603,700

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

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

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

The disclosure of the period / year end balance, limit / amount sanctioned and the highest amount outstanding during the period / year is considered the most meaningful information to represent the amount of the transactions and the amount of outstanding balances during the 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	June 30, 2013 (Rupees in '000)	December 31, 2012 (Rupees in '000)
	Capital work-in-progress		1,052,560	1,713,276
	Intangible assets			
	- Goodwill	8.3	1,905,848	1,967,015
	- Computer software		592,120	241,848
	Tangible fixed assets		20,681,973	19,710,185
			<u>24,232,501</u>	<u>23,632,324</u>

8.1 Additions to fixed assets

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

	June 30, 2013 (Rupees in '000)	June 30, 2012 (Rupees in '000)
Capital work-in-progress	833,397	563,158
Intangible assets	474,097	65,111
Tangible fixed assets		
Land	191,153	256,312
Building including related machinery	510,158	426,011
Furniture, fixtures and office equipments	940,382	533,593
Vehicles	63,836	10,907
	<u>3,013,023</u>	<u>1,855,092</u>

8.2 Disposal of fixed assets

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

	June 30, 2013 (Rupees in '000)	June 30, 2012 (Rupees in '000)
Tangible fixed assets		
Land	-	156,864
Building including related machinery	-	4,990
Furniture, fixtures and office equipments	160,534	151,904
Vehicles	21,689	22,312
	<u>182,223</u>	<u>336,070</u>

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

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Sajid Zahid
Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2013

9 BORROWINGS

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

10 DEPOSITS AND OTHER ACCOUNTS

Customers

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

Financial institutions

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

11 SUB-ORDINATED LOAN

The Group has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million. The principal amount is repayable in four equal half yearly installments from June 2013 to December 2014. Interest is payable on bi - annual basis commencing from December 2007 at LIBOR + 1.75%. The first installment of US \$ 12.5 million has been paid in June 2013. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

	January 01 to June 30, 2013	January 01 to June 30, 2012	April 01 to June 30, 2013	April 01 to June 30, 2012
	(Rupees in '000)			
Profit for the period	9,435,962	10,986,529	4,858,869	5,345,566
Other comprehensive income				
Effect of translation of net investment in foreign branches	(601,763)	1,271,084	296,965	1,036,230
Comprehensive income transferred to equity	<u>8,834,199</u>	<u>12,257,613</u>	<u>5,155,834</u>	<u>6,381,796</u>
Components of comprehensive income not reflected in equity				
Surplus on revaluation of fixed assets	74,835	-	74,835	-
Deferred tax on revaluation of fixed assets	(1,552)	-	(1,552)	-
(Deficit)/surplus on revaluation of investments	(407,580)	(486,852)	2,021,874	(538,442)
Deferred tax on revaluation of investments	142,642	170,679	(708,249)	188,515
Total comprehensive income	<u>8,642,544</u>	<u>11,941,440</u>	<u>6,542,742</u>	<u>6,031,869</u>

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

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Sajid Zahid
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2013

Note	January 01 to June 30, 2013	January 01 to June 30, 2012	April 01 to June 30, 2013	April 01 to June 30, 2012
(Rupees in '000)				
Mark-up / return / profit / interest earned	14 60,489,861	53,423,836	29,747,306	27,410,165
Mark-up / return / profit / interest expensed	15 34,960,946	25,127,434	17,015,566	12,956,245
Net mark-up / profit / interest income	25,528,915	28,296,402	12,731,740	14,453,920
Provision against non-performing loans and advances - net	7.2 / 7.4 1,346,671	2,743,615	56,112	1,448,211
Charge / (reversal) against off-balance sheet obligations	27,585	(92,363)	(4,367)	(106,614)
Reversal against diminution in the value of investments - net	6.4 (40,627)	(395,180)	(33,397)	(151,909)
Bad debts written off directly	-	-	-	-
	1,333,629	2,256,072	18,348	1,189,688
Net mark-up / profit / interest income after provisions	24,195,286	26,040,330	12,713,392	13,264,232
Non mark-up / interest income				
Fee, commission and brokerage income	3,503,817	2,697,882	1,877,008	1,401,729
Dividend income	385,667	329,156	173,030	140,987
Income from dealing in foreign currencies	299,073	1,460,487	117,111	795,534
Gain on sale of securities	545,896	320,627	426,849	75,604
Unrealized gain on held for trading securities	671	812	17,609	3,435
Other income	1,491,171	1,471,993	683,853	749,573
Total non-mark-up / interest income	6,226,295	6,280,957	3,295,460	3,166,862
	30,421,581	32,321,287	16,008,852	16,431,094
Non mark-up / interest expense				
Administrative expenses	15,626,144	13,985,513	8,459,593	7,565,506
Other provisions / write offs - net	(143,882)	33,280	(20,796)	15,782
Other charges	16,509	1,492	777	759
Workers welfare fund	300,510	365,944	152,086	175,917
Total non mark-up / interest expenses	15,799,281	14,386,229	8,591,660	7,757,964
	14,622,300	17,935,058	7,417,192	8,673,130
Profit before taxation				
Taxation				
current	4,679,090	6,453,838	2,259,421	3,104,787
prior	1,257	761,033	(117,530)	340,256
deferred	505,991	(266,342)	416,432	(117,479)
	5,186,338	6,948,529	2,558,323	3,327,564
Profit after taxation	9,435,962	10,986,529	4,858,869	5,345,566
(Rupees)				
Basic and diluted earnings per share	7.08	8.24	3.64	4.01

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

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Surplus arising on revaluation of:

- fixed assets
- investments

Surplus on revaluation of assets - net of deferred tax

12.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1

Surplus on revaluation of bank's properties recognised during the period / year

Surplus realised on disposal of revalued properties during the period / year

Transferred to unappropriated profit in respect of incremental depreciation

charged during the period / year - net of deferred tax

Related deferred tax liability of incremental depreciation charged during the period / year

Related deferred tax liability on disposal of revalued properties

Surplus on revaluation of fixed assets as at period / year end

Less: related deferred tax liability on:

- revaluation as at January 1
- revaluation of bank's properties recognised during the period / year
- surplus realised on disposal of revalued properties during the year
- incremental depreciation charged during the period / year transferred to profit and loss account

Note	June 30, 2013	December 31, 2012
(Rupees in '000)		
12.1	9,632,417	9,588,927
12.2	3,139,638	3,196,309
	12,772,055	12,785,236
	10,514,994	9,143,739
	74,835	1,671,231
	-	(155,285)
	(29,793)	(93,471)
	(16,043)	(50,347)
	-	(873)
	10,543,993	10,514,994
	926,067	801,357
	1,552	175,930
	-	(873)
	(16,043)	(50,347)
	911,576	926,067
	9,632,417	9,588,927

12.2 Surplus on revaluation of investments

Market Treasury Bills

Pakistan Investment Bonds

Government of Pakistan Sukuk and US Dollar / Euro Bonds

Listed Securities

NIT Units

Other Investments

Surplus on revaluation of investment of associates

Related deferred tax liability

414,359	1,863,369
2,352,323	1,490,249
(52,412)	(103,195)
1,484,502	800,331
17,425	11,283
(62,605)	415,888
4,153,592	4,477,925
144,779	79,968
(1,158,733)	(1,361,584)
3,139,638	3,196,309

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2013

	June 30, 2013	December 31, 2012
	(Rupees in '000)	
13 CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of:		
- Government	260,312	306,856
- Financial institutions	295,000	295,000
- Others	29,422,157	35,337,468
	<u>29,977,469</u>	<u>35,939,324</u>
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	570,297	535,006
- Financial institutions	1,917,472	3,610,133
- Others	42,244,020	41,118,227
	<u>44,731,789</u>	<u>45,263,366</u>
13.3 Trade-related commitments		
Credit cash	69,774,950	78,028,544
Credit documentary acceptances	25,078,748	18,535,338
Credit acceptances	45,222,902	37,882,972
	<u>140,076,600</u>	<u>134,446,854</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>34,213,333</u>	<u>33,504,140</u>
13.5 Commitments in respect of forward lending		
The Group makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	June 30, 2013	December 31, 2012
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	135,763,807	167,104,754
Sale	135,860,315	167,168,508
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	205,659	1,317,948
Sale	205,659	1,317,948
Commitments in respect of cross currency swaps		
Purchase	581,843	3,659,009
Sale	581,843	3,659,009
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	265,759	444,199
Sale	510,759	291,449
13.7 Commitments for acquisition of fixed assets / intangibles	<u>833,397</u>	<u>663,125</u>

ASSETS

	Note	(Unaudited) June 30, 2013	(Audited) December 31, 2012
		(Rupees in '000)	
Cash and balances with treasury banks		154,931,547	152,324,425
Balances with other banks		23,549,218	23,907,534
Lendings to financial institutions		12,970,079	24,828,255
Investments	6	819,969,154	777,185,323
Advances	7	441,153,517	460,070,634
Operating fixed assets	8	21,801,585	21,185,101
Deferred tax asset		5,378,742	5,743,464
Other assets		54,024,075	52,595,429
		<u>1,533,777,917</u>	<u>1,517,840,165</u>

LIABILITIES

Bills payable		25,759,133	18,878,652
Borrowings	9	161,625,212	192,108,597
Deposits and other accounts	10	1,180,862,331	1,141,164,975
Sub-ordinated loans	11	3,737,231	4,857,485
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		35,391,913	38,221,804
		<u>1,407,375,820</u>	<u>1,395,231,513</u>

NET ASSETS

	<u>126,402,097</u>	<u>122,608,652</u>
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REPRESENTED BY:

Shareholders' equity

Share capital	13,335,023	12,122,748
Reserves	36,679,330	36,337,497
Unappropriated profit	64,589,347	62,128,562
	<u>114,603,700</u>	<u>110,588,807</u>
Surplus on revaluation of assets - net of deferred tax	12	11,798,397
	<u>126,402,097</u>	<u>122,608,652</u>

CONTINGENCIES AND COMMITMENTS

13

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

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Sajid Zahid
Director

Auditors' Report to the Member on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **Habib Bank Limited (the Bank)** as at **30 June 2013** and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarters ended 30 June 2013 and 30 June 2012 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been subject to the review and therefore, we do not express a conclusion thereon.

Ernst and Young Ford Rhodes Sidat Hyder
Chartered Accountants

Date: August 22, 2013
Karachi

13.8 Taxation

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

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

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 2.196 billion.

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

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

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

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

16 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:

	June 30, 2013					
	Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in '000					
Statement of financial position						
Deposits	-	3,351,964	-	2,202,042	115,321	2,732,144
Maximum Deposits During the period	-	4,208,820	-	7,942,206	115,321	3,833,229
Borrowings	-	1,936,776	-	-	-	-
Investments	-	-	-	7,328,886	1,235,403	-
Markup / Other Receivable	-	-	-	225,011	-	-
Mark-up / Other Payable	-	-	-	-	-	384,637
Placements / Lendings	-	342,458	-	-	-	-
Overdrawn Nostro	-	-	-	483,346	-	-
Impairment provision	-	-	-	573,261	-	-
Profit and Loss						
Interest / Other Income	-	54,573	-	1,621,280	95,742	-
Interest / Other Expense	-	266,217	-	428,951	-	288,850
Others						
Other contingencies	-	314,368	-	-	-	-
Securities Held as custodian	-	7,338,895	1,191,000	27,796,400	-	13,284,390

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

Dividend

The Board has recommended an interim cash dividend of Rs.4 per share for the year ending December 31, 2013. The effect of dividend recommendation is not reflected in the above appropriation.

Rating

JCR VIS Credit Rating Agency of Pakistan has re-affirmed the entity ratings of the Bank to "AAA / A-1+" (Triple A / A-One Plus) with 'Stable' outlook.

Awards

HBL was awarded "Best Retail Bank in Pakistan for 2012" by the Asian Banker.

Change in Directorship

Mr. Najeeb Samie has been appointed as Director to fill the casual vacancy arising due to resignation of Mr. Sikandar Mustafa Khan with effect from August 22, 2013.

Future Outlook

Reduction in policy rate by 50 basis points to 9% with effect from June 24, 2013 without any reduction in minimum deposit rate will have its bearing on the profitability of the banking sector for the quarter July - September 2013.

The Government of Pakistan and IMF Mission have reached a staff level agreement on a new Extended Financing Facility (EFF) of US \$ 5.3 billion subject to approval by IMF Board in early September 2013. The IMF program will help Pakistan generate foreign exchange inflows from multilateral agencies. The Government has announced various budgetary measures including increase in tax collection, reduction in subsidies and restructuring of Public Sector Enterprises (PSEs) in the Federal Budget 2014 in order to pave the way for IMF Loan. The re-entry into IMF Program is likely to subside the country's external account risk, however, budgetary measures such as increase in GST, reduction in subsidies and increase in electricity charges are likely to push up inflation. Going forward rising inflation will be the main risk likely to be faced by the economy.

The initiative by the new elected government towards one time payment of circular debts would help in restoring private sector confidence. However, energy crisis, difficult law and order situation and management of loss making PSEs are the key challenges before the new Government. Bold initiatives would be needed to address above issues and to put the economy on track.

HBL has been consistently investing in IT infrastructure, human resources development and risk management and with market leadership in the banking industry is well positioned to capitalize on future opportunities as and when they arise.

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 State Bank of Pakistan 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 and the shareholders for entrusting their confidence in us and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors. I would also like to acknowledge the efforts and dedication demonstrated by employees towards the growth of HBL.

On behalf of the Board

Nauman K. Dar

President & Chief Executive Officer

August 22, 2013

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the six months ended June 30, 2013

Economy & Market Review

During the fiscal year 2012 – 2013 the economy faced severe challenges due to energy crisis, circular debt issue, loss making public sector entities and a challenging law and order situation. The GDP growth for the FY 2012-13 has been estimated at 3.6% (based on nine month data) as compared to 4.4% in FY 2011-12 after rebasing the national account at constant prices of 2005-2006. The agriculture sector recorded a growth of 3.3 % as against 3.5% in the previous year. The large scale manufacturing sector grew by 2.8% compared to 1.2% last year. The services sector recorded a growth of 3.7% as compared to 5.3% in 2011-2012 (source: Pakistan Economic Survey 2012-2013).

On a positive note, inflation fell significantly. CPI, inflation (General) increased by 5.9 % on year on year basis (YoY) in June 2013 as against 11.3% in June 2012. The core inflation measured by non-food- non-energy CPI (Core NFNE) increased by 7.8% YoY in June 2013 as compared to 11.5% in June 2012 (source: Pakistan Bureau of Statistics June 2013).

Total Export during FY 2013 at US\$ 24.75 billion (FY 2012: US \$ 24.70) remained stagnant while imports at US \$ 39.80 (FY 2012: US\$ 40.46) were marginally down by 1.6%. The trade deficit was US \$ 15.05 billion for FY 2013 as against US \$ 15.76 billion for FY 2012. Remittances from overseas Pakistani workers for FY 2013 amounted to US\$ 13.92 billion depicting a growth of 5.6%. The current account balance was negative by US\$ 2.30 billion for FY 2013 as against US\$ 4.66 billion for FY 2012. Fiscal deficit as %age to GDP was 8.8% for FY 2013 as against 6.4% for the FY 2012(source: State Bank of Pakistan).

The Balance of Payment position remained under pressure due to trade deficit, low financial inflows and payment of foreign debts. The net liquid foreign exchange reserves with SBP declined from US\$ 10.80 billion as on June 30, 2012 to US\$ 6.01 billion as on June 30, 2013(source: State Bank of Pakistan).

After holding policy rate at 9.5% since December 17, 2012, the SBP reduced the policy rate by 50 basis points to 9% with effect from June 24, 2013. In all there was reduction in policy rate by 300 basis points during the period from June 30, 2012 to June 30, 2013.

Pakistan's Stock Market was bullish during the FY 2013. The KSE 100 index increased from 13,801 as on June 30, 2012 to 21,006 as on June 30, 2013, thus showing handsome growth of 52.2 %.

Performance

During the period under review the deposits increased by 3.5% to Rs.1, 180 billion as on June 30, 2013 as against Rs.1, 141 billion as on December 31, 2012. Current accounts increased by 18.4% to Rs.339 billion, savings accounts increased by 12.3% to Rs.551 billion, while fixed deposits declined by 20% to Rs.291 billion. The CASA stood at 75.3% as on June 30, 2013 as against 68.1% as on December 31, 2012. The Capital Adequacy Ratio (CAR) has been maintained above 15% as on June 30, 2013.

For the half year ended June 30 2013, the net mark up / interest income at Rs.25.5 billion was lower by 9.8% compared to corresponding period last year mainly due to decline in policy rate by SBP.

The pre-tax and after tax profit was Rs.14.6 billion and Rs. 9.4 billion respectively for the half year ended June 30, 2013 as compared to Rs.17.9 billion and Rs.10.9 billion respectively for the corresponding period last year. The earnings per share after tax for the half year ended June 30, 2013 was Rs.7.08.

Movement of Reserves

Unappropriated profit brought forward	62,128
Profit attributable to equity holders of the bank	9,436
Transferred from surplus on revaluation of fixed assets – net of tax	30
Transfer to statutory reserves	(944)
Cash dividend	(4,849)
Issued as bonus shares	(1,212)
Unappropriated profit carried forward	<u>64,589</u>

Earnings per share rupees (Basic & Diluted)

Rs. in million

7.08

16.1 Key management personnel

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

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

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	For the six months ended June 30, 2012					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(14,368)	16,116	24,276	3,070	17	29,111
Inter segment revenue - net	32,667	(13,014)	(23,548)	-	3,895	-
Non-funded income	2,446	1,321	1,277	2,259	486	7,789
Net interest and non-markup income	20,745	4,423	2,005	5,329	4,398	36,900
Total expenses including provision (excluding impairment)	7,288	2,906	97	3,417	4,342	18,050
Impairment against investments	-	-	(101)	-	(209)	(310)
Inter segment administrative cost	2,986	597	86	329	(3,998)	-
Total expenses including provision	10,274	3,503	82	3,746	135	17,740
Net income before tax	10,471	920	1,923	1,583	4,263	19,160
Segment assets gross	116,846	373,436	543,404	243,896	78,809	1,356,391
Segment non-performing loans	9,329	33,056	-	16,320	222	58,927
Segment provision required including general provision	6,952	26,859	410	12,722	2,233	49,176
Segment liabilities including equity	809,503	131,209	18,664	164,700	183,139	1,307,215
Segment gross earnings on liability / asset %	11.29%	11.84%	10.81%	5.20%	5.74%	-
Segment cost of funds %	5.60%	9.37%	9.99%	1.48%	0.86%	-

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

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

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

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

	Note	June 30, 2013 (Rupees in '000)	December 31, 2012 (Rupees in '000)
18.1 Islamic financing and related assets			
Murabaha	18.1.1	321,176	420,496
Ijarah	18.1.2	895,434	929,402
Musharaka		1,451,613	1,063,006
Advance for Murabaha		16,593	38,577
Advance for Ijarah		20,616	3,858
Istisna		1,558,502	326,000
Assets/Inventories		<u>525,531</u>	<u>327,649</u>
		<u>4,789,465</u>	<u>3,108,988</u>

18.1.1 This represents assets sold under Murabaha agreement.

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

19. GENERAL

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

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on August 22, 2013.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Sajid Zahid
Director

Condensed Interim Unconsolidated Financial Statements