

HBL



Quarterly Report September 30, 2013

2013

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Board of Directors**Mr. Sultan Ali Allana**

Chairman

Mr. Nauman K. Dar

President & CEO

Mr. Moez Ahamed Jamal

Director

Mr. Sajid Zahid

Director

Mr. R. Zakir Mahmood

Director

Mr. 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.hblbank.com

Registered Office

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Islamabad, Pakistan.
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Registrars

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Fax. No : +92(21) 35655595

18 ISLAMIC BANKING BUSINESS

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

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

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

	Note	September 30, 2013	December 31, 2012
		(Rupees in '000)	
18.1 Islamic financing and related assets			
Murabaha	18.1.1	254,627	383,099
Ijarah	18.1.2	223,279	329,832
Musharaka		1,693,212	1,038,307
Advance for Murabaha		99,426	38,577
Advance for Ijarah		1,131	3,858
Istisna		3,107,501	326,000
Assets/Inventories		991,891	327,650
		<u>6,371,067</u>	<u>2,447,323</u>

18.1.1 This represents assets sold under Murabaha agreement.

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

19. DATE OF AUTHORISATION FOR ISSUE

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

Condensed Interim Consolidated Financial Statements

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Sajid Zahid
Director

Directors' Review

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

Economy & Market Review

The first quarter of the Fiscal Year 2014 (FY-14) was full of events. The most salient feature was approval of IMF 3-years loan program equivalent US\$ 6.64 billion under an Extended Fund Facility (EFF). The IMF program targets averting immediate balance of payment crises, reducing fiscal deficit and undertaking comprehensive structural reforms covering fiscal reforms, energy sector reforms and restructuring of public sector enterprises (PSEs). The loan amount will be disbursed in 12 equal quarterly installments over a period of 36 months subject to quarterly reviews. The disbursement of each tranche will be subject to indicative targets and agreed benchmarks as per Technical Memorandum of Understanding signed with IMF. The first tranche of US\$ 544.50 million has already been released.

The approval of IMF loan and resolution of circular debts did provide some relief to the already nervous economy, however, law and order situation, increase in inflation and continuous depreciation in Pak Rupee against US Dollar and other major currencies are the major challenges being faced by the economy.

During the period July – August 2013 (2 months of FY-14) the exports of goods at US\$ 4.18 billion were up by 3% while imports of goods at US\$ 7.03 billion were up by 6% when compared with corresponding period last year. Worker remittances at US\$ 2.64 billion showed increase of 7% as compared to corresponding period last year. Current account deficit stood at US\$ 0.63 billion as on August 31, 2013 (2 months of FY-14) as against surplus of US\$ 0.58 billion in the corresponding period last year.

The pressure of foreign exchange reserves continued as liquid foreign exchange reserve with SBP declined to US\$ 4.60 billion as on September 27, 2013 (September 2012: US\$ 10.36 billion) as against US\$ 6.01 billion as on June 30, 2013. The continuous decline in foreign exchange reserves resulted in sharp depreciation of around 6.5% in Pak Rupee against US Dollar and other major currencies since June 2013 (Source: State Bank of Pakistan).

During the period July – September 2013 inflation increased significantly. The CPI (General) which increased by 5.9% on year to year basis (YoY) in June 2013, jumped sharply up to 8.5% on YoY basis in August 2013 before coming down to 7.4% on YoY basis in September 2013. The core NFNE inflation (non-food non-energy) increased to 8.7% on YoY basis in September 2013 as against 7.8% on YoY basis in June 2013. (Source : Pakistan Bureau of Statistics – September 2013).

After pursuing a policy of monetary easing since August 2011, the SBP reversed the easing stance by increasing policy rate by 50 basis points to 9.5% with effect from September 16, 2013 with a view to containing rising inflation.

The Stock Market witnessed continuing growth during the period under review. The KSE 100 Index increased by 3.9% from 21,006 as on June 30, 2013 to 21,833 points on September 30, 2013.

Performance

Bank deposits stood at Rs.1,268 billion as on September 30, 2013 as against Rs.1,215 billion as on December 31, 2012, thereby indicating an increase of 4.4%. The growth in current accounts was 19.2% to Rs.377 billion. The saving account at Rs.565 billion registered growth of 13.5%. The CASA ratio improved further to 74.3% on September 30, 2013 as compared to 73.8% on June 30, 2013 and 67.0% as on December 31, 2012.

For the nine months ended September 30, 2013, the net mark up / interest income was Rs.40 billion as against Rs.44 billion in the corresponding period last year. The decline of 7.3% in net mark up / interest income can be attributed mainly to decline in policy rate during the period under review which was partially offset by increased balance sheet size. The non-interest income for the nine months ended September 30, 2013 was Rs.13 billion, which was higher by 11.6% as compared to corresponding period last year.

The pre-tax and after tax profit was Rs.25 billion and Rs.17 billion respectively for the nine months ended September 30, 2013 as against Rs.28 billion and Rs.17 billion in the corresponding period last year. The after tax earnings per share for nine months ended September 30, 2013 was Rs.12.43.

16.1 Key management personnel

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

	For the nine months ended	
	September 30, 2013	September 30, 2012
	(Rupees in '000)	
Managerial remuneration (including allowances)	921,584	833,132
Contribution to provident and benevolent fund	18,205	16,972
Medical	32,676	27,261
	<u>972,465</u>	<u>877,365</u>
Number of persons	151	147

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(27,471)	17,918	45,152	3,975	(296)	39,278
Inter segment revenue - net	48,616	(13,572)	(42,269)	-	7,225	-
Non-funded income	5,103	1,888	3,569	2,047	(2,293)	10,314
Net interest and non-markup income	26,248	6,234	6,452	6,022	4,636	49,592
Total expenses including provision (excluding impairment)	11,916	1,395	79	4,663	7,972	26,025
Impairment against investments	-	-	(114)	-	(6)	(120)
Inter segment administrative cost	5,421	1,084	156	597	(7,258)	-
Total expenses including provision	17,337	2,479	121	5,260	708	25,905
Net income before tax	8,911	3,755	6,331	762	3,928	23,687
Segment assets gross	129,056	333,302	716,667	235,106	61,569	1,475,700
Segment non-performing loans	8,836	30,858	-	10,878	72	50,644
Segment provision required including general provision	8,112	25,352	185	9,533	1,022	44,204
Segment liabilities including equity	919,115	130,886	28,592	131,974	220,929	1,431,496
Segment gross earnings on liability / asset %	9.29%	9.89%	9.22%	5.36%	2.71%	-
Segment cost of funds %	5.45%	7.52%	8.14%	1.60%	0.96%	-
	For the nine months ended September 30, 2012					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(23,365)	24,201	38,022	3,689	(161)	42,386
Inter segment revenue - net	50,510	(19,352)	(36,854)	-	5,696	-
Non-funded income	3,654	1,882	2,108	1,584	(139)	9,089
Net interest and non-markup income	30,799	6,731	3,276	5,273	5,396	51,475
Total expenses including provision (excluding impairment)	11,258	4,024	160	3,774	6,393	25,609
Impairment against investments	-	-	(140)	-	(114)	(254)
Inter segment administrative cost	4,444	889	128	490	(5,951)	-
Total expenses including provision	15,702	4,913	148	4,264	328	25,355
Net income before tax	15,097	1,818	3,128	1,009	5,068	26,120
Segment assets gross	126,869	364,401	601,562	172,482	85,906	1,351,220
Segment non-performing loans	10,240	33,377	-	11,585	77	55,279
Segment provision required including general provision	7,398	27,503	370	10,467	1,879	47,617
Segment liabilities including equity	832,208	117,655	76,728	91,161	185,851	1,303,603
Segment gross earnings on liability / asset %	11.14%	11.81%	10.72%	4.47%	4.77%	-
Segment cost of funds %	5.70%	9.32%	9.90%	1.56%	0.91%	-

16 RELATED PARTY TRANSACTIONS

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

Banking transactions with the related parties are executed on arm's length basis i.e. substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment. Details of advances to related parties are given in note 7.6 to these condensed interim unconsolidated financial statements.

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

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

	September 30, 2013					
	Individual and companies related through					
	Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other Related Parties
(Rupees in '000)						
Statement of financial position						
Deposits	-	2,918,071	211,195	2,575,896	-	1,469,590
Maximum Deposits During the period	-	4,208,820	902,439	7,737,354	104,392	3,833,229
Borrowings	-	888,240	755,694	-	-	-
Investments	-	-	12,206,333	4,743,974	-	-
Markup / Other Receivable	-	-	-	95,912	-	-
Mark-up / Other Payable	-	-	-	-	-	185,141
Placements / Lendings	-	1,032,500	5,779,136	-	-	-
Overdrawn Nostro	-	632,099	-	373,184	-	-
Impairment provision	-	-	-	573,261	-	-
Profit and Loss						
Interest / Other Income	-	89,255	228,716	1,089,122	-	-
Interest / Other Expense	-	330,041	26,565	623,482	-	505,573
Dividend income	-	-	-	212,303	73,816	-
Others						
Other contingencies	-	282,742	-	-	-	-
Securities Held as custodian	-	7,946,960	1,549,500	30,006,570	-	14,793,640

	December 31, 2012					
	Individual and companies related through					
	Key Management Personnel	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other Related Parties
(Rupees in '000)						
Statement of financial position						
Deposits	-	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

Movement of Reserves

	Rs. in million
Unappropriated profit brought forward	67,523
Profit attributable to equity holders of the Group	16,574
Transferred from surplus on revaluation of fixed assets – net of tax	42
Transfer to statutory reserves	(1,576)
Cash dividend	(10,183)
Issued as bonus shares	(1,212)
Unappropriated profit carried forward	71,168
Earnings per share rupees (Basic & Diluted)	12.43

Dividend

The Group has paid interim cash dividend of Rs.4 per share for the year ending December 31, 2013 and has declared a second interim cash dividend of Rs.2 per share.

Rating

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

Awards

During the period under review HBL was conferred with the following awards :

- "Best Retail Bank in Pakistan for 2012" by the Asian Banker
- "Best Bank in Pakistan" by Euromoney
- "29th Corporate Excellence Award" in the Financial Category by Management Association of Pakistan

Future Outlook

The approval of IMF loan has, to some extent, eased pressure on foreign exchange reserves, however increase in trade deficit, lower financial inflows and repayment of debt will continue to put pressure on foreign exchange reserves. Much will depend on government ability and commitment to address energy crises, improve law and order situation and implement structural reforms including transparent privatization and restructuring of state enterprises on a fast track basis to boost growth.

The decision of SBP to link the Minimum Deposit Rate (MDR) on saving accounts with prevailing SBP Repo Rate with effect from October 1, 2013 is likely to adversely affect the profitability of the banks.

The management of the bank is fully aware of the challenges being faced by the economy and has positioned HBL to focus on product cross sell, cash management and transactional services, alternate delivery channels, rural and SME sectors and branchless banking. As leader in the banking industry HBL also intends to participate in viable infrastructure projects of national importance.

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
October 25, 2013

Condensed Interim Consolidated Statement of Financial Position

As at September 30, 2013

	Note	(Unaudited) September 30, 2013 (Rupees in '000)	(Audited) December 31, 2012 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks		120,380,005	157,229,517
Balances with other banks		48,838,569	47,980,032
Lendings to financial institutions		16,699,750	24,828,255
Investments	6	760,184,003	797,094,548
Advances	7	496,250,625	499,817,906
Operating fixed assets	8	25,127,613	23,632,324
Deferred tax asset		7,020,466	6,056,483
Other assets		62,584,891	53,669,507
		<u>1,537,085,922</u>	<u>1,610,308,572</u>
LIABILITIES			
Bills payable		21,654,572	18,943,207
Borrowings	9	59,555,666	196,580,548
Deposits and other accounts	10	1,267,885,323	1,214,963,700
Sub-ordinated loans	11	3,977,359	5,440,654
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		45,083,911	41,342,703
		<u>1,398,156,831</u>	<u>1,477,270,812</u>
NET ASSETS		<u>138,929,091</u>	<u>133,037,760</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		13,335,023	12,122,748
Reserves		42,908,772	39,379,354
Unappropriated profit		71,167,445	67,523,215
Total equity attributable to the equity holders of the Bank		127,411,240	119,025,317
Non-controlling interest		1,965,028	1,227,207
Surplus on revaluation of assets - net of deferred tax	12	9,552,823	12,785,236
		<u>138,929,091</u>	<u>133,037,760</u>
CONTINGENCIES AND COMMITMENTS			
	13		

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

14 MARK-UP / RETURN / PROFIT EARNED

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

15 MARK-UP / RETURN / PROFIT EXPENSED

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

Condensed Interim Consolidated
Profit and Loss Account (Unaudited)

For the nine months ended September 30, 2013

	September 30, 2013	December 31, 2012
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	657,372	535,006
- Financial institutions	1,483,345	3,610,133
- Others	39,573,791	39,724,102
	<u>41,714,508</u>	<u>43,869,241</u>
13.3 Trade-related commitments		
Credit cash	70,747,713	75,837,119
Credit documentary acceptances	15,288,184	18,535,338
Credit acceptances	37,117,201	34,790,322
	<u>123,153,098</u>	<u>129,162,779</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>34,336,299</u>	<u>33,445,873</u>
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.		
	September 30, 2013	December 31, 2012
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	215,032,272	161,434,192
Sale	213,858,070	161,344,507
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	682,599	1,317,948
Sale	682,599	1,317,948
Commitments in respect of cross currency swaps		
Purchase	574,799	3,659,009
Sale	574,799	3,659,009
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	282,834	444,199
Sale	527,834	291,449
13.7 Commitments for acquisition of fixed assets / intangibles	966,387	663,125
13.8 Taxation		

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

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

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 1.629 billion.

Note	January 01 to September 30, 2013	January 01 to September 30, 2012	July 01 to September 30, 2013	July 01 to September 30, 2012
	(Rupees in '000)			
14	91,111,239	84,614,861	29,551,091	30,050,393
15	50,694,753	41,008,062	15,376,419	15,555,033
	<u>40,416,486</u>	<u>43,606,799</u>	<u>14,174,672</u>	<u>14,495,360</u>
7.2 / 7.4	1,172,318	4,183,474	(49,090)	1,404,223
6.4	33,203	(34,014)	5,618	58,349
	<u>(146,415)</u>	<u>(537,918)</u>	<u>(94,277)</u>	<u>(39,556)</u>
	<u>1,059,106</u>	<u>3,611,542</u>	<u>(137,749)</u>	<u>1,423,016</u>
	<u>39,357,380</u>	<u>39,995,257</u>	<u>14,312,421</u>	<u>13,072,344</u>
Non mark-up / interest income				
Fee, commission and brokerage income	5,746,991	4,694,206	1,865,944	1,553,869
Dividend income	595,420	305,717	360,395	102,365
Share of profit of associates and joint venture	1,177,272	1,143,517	285,057	348,171
Income from dealing in foreign currencies	1,290,959	2,142,220	822,806	535,405
Gain on sale of securities	1,588,076	753,011	750,258	343,483
Unrealized (loss) / gain on held for trading securities	(14,135)	7,318	(85,279)	(12,994)
Other income	2,469,252	2,471,064	829,444	857,887
Total non-mark-up / interest income	<u>12,853,835</u>	<u>11,517,053</u>	<u>4,828,625</u>	<u>3,728,186</u>
	<u>52,211,215</u>	<u>51,512,310</u>	<u>19,141,046</u>	<u>16,800,530</u>
Non mark-up / interest expense				
Administrative expenses	26,751,787	22,848,651	9,735,542	7,707,011
Other provisions / write offs - net	(126,181)	26,195	17,701	(7,085)
Other charges	17,079	13,178	570	11,686
Workers welfare fund	502,353	544,811	189,920	170,062
Total non mark-up / interest expenses	<u>27,145,038</u>	<u>23,432,835</u>	<u>9,943,733</u>	<u>7,881,674</u>
Profit before taxation	<u>25,066,177</u>	<u>28,079,475</u>	<u>9,197,313</u>	<u>8,918,856</u>
Taxation				
current	7,494,039	9,922,427	2,619,641	3,165,864
prior	(14,157)	1,153,182	(15,414)	397,797
deferred	868,618	(397,947)	395,908	(188,101)
	<u>8,348,500</u>	<u>10,677,662</u>	<u>3,000,135</u>	<u>3,375,560</u>
Profit after taxation	<u>16,717,677</u>	<u>17,401,813</u>	<u>6,197,178</u>	<u>5,543,296</u>
Attributable to:				
Equity holders of the Bank	16,573,700	17,225,093	6,196,937	5,494,432
Non-controlling interest	17,884	69,425	(25,220)	20,462
Minority investor of HBL funds	126,093	107,295	25,461	28,402
	<u>16,717,677</u>	<u>17,401,813</u>	<u>6,197,178</u>	<u>5,543,296</u>
(Rupees)				
Basic and diluted earnings per share	<u>12.43</u>	<u>12.92</u>	<u>4.65</u>	<u>4.12</u>

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 nine months ended September 30, 2013

	January 01 to September 30, 2013	January 01 to September 30, 2012	July 01 to September 30, 2013	July 01 to September 30, 2012
	(Rupees in '000)			
Profit for the period	16,717,677	17,401,813	6,197,178	5,543,296
Other comprehensive income				
Minority share of HBL funds transferred to other liabilities	(126,093)	(107,295)	(25,461)	(28,402)
Items to be reclassified to profit or loss in subsequent periods:				
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	2,068,503	2,564,997	2,899,701	648,628
Comprehensive income transferred to equity	18,660,087	19,859,515	9,071,418	6,163,522
Components of comprehensive income not reflected in equity				
Items to be reclassified to profit or loss in subsequent periods:				
(Deficit) / surplus on revaluation of investments	(5,015,565)	4,782,310	(4,756,043)	4,723,072
Deferred tax on revaluation of investments	1,751,426	(1,563,883)	1,548,575	(1,604,245)
Items not to be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of fixed assets	74,835	-	-	-
Deferred tax on revaluation of fixed assets	(1,552)	-	-	-
	<u>15,469,231</u>	<u>23,077,942</u>	<u>5,863,950</u>	<u>9,282,349</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	15,459,982	22,867,110	5,900,231	9,201,227
Non-controlling interest	(7,048)	167,759	4,147	54,429
Minority investor	16,297	43,073	(40,428)	26,693
	<u>15,469,231</u>	<u>23,077,942</u>	<u>5,863,950</u>	<u>9,282,349</u>

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

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Surplus / (deficit) arising on revaluation of:

Note	September 30, 2013	December 31, 2012
	(Rupees in '000)	
- fixed assets	9,622,693	9,590,967
- investments	(730,366)	2,428,878
Surplus on revaluation of assets - net of deferred tax	<u>8,892,327</u>	<u>12,019,845</u>

12.1 Surplus on revaluation of fixed assets

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

Less: related deferred tax liability on:

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

12.2 Surplus / (deficit) on revaluation of investments

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

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

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

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended September 30, 2013

9 BORROWINGS

Secured

Borrowings from State Bank of Pakistan under:

	September 30, 2013	December 31, 2012
	(Rupees in '000)	
Export refinance scheme	12,666,302	16,845,030
Long term financing facility - locally manufactured and imported plant & machinery	5,371,617	5,074,278
Long term finance - export oriented projects	589,316	974,062
Refinance facility for modernization of SMEs	11,608	12,649
Financing facility for Storage of Agricultural Produce	10,696	15,277
Repurchase agreement borrowings	16,613,359	157,998,809
	<u>35,262,898</u>	<u>180,920,105</u>

Unsecured

In Pakistan:

Interbank call money borrowings

	8,335,000	1,500,000
Outside Pakistan:		
Overdrawn nostro accounts	895,602	1,186,682
Borrowings of overseas branches and subsidiary	9,551,000	8,501,810
	<u>10,446,602</u>	<u>9,688,492</u>
	<u>18,781,602</u>	<u>11,188,492</u>
	<u>54,044,500</u>	<u>192,108,597</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts - non-remunerative	339,496,025	281,887,233
Savings chequing account	552,596,860	486,575,662
Fixed deposits	<u>281,337,037</u>	<u>354,430,663</u>
	<u>1,173,429,922</u>	<u>1,122,893,558</u>

Financial institutions

Current accounts - non-remunerative	5,365,027	4,086,107
Savings chequing account	4,438,713	4,490,688
Fixed deposits	<u>1,041,944</u>	<u>9,694,622</u>
	<u>10,845,684</u>	<u>18,271,417</u>
	<u>1,184,275,606</u>	<u>1,141,164,975</u>

11 SUB-ORDINATED LOAN

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

Share capital	Attributable to shareholders of the Bank						Non-controlling interest	Total
	Exchange translation reserve	Reserves				Subtotal		
		Statutory reserves		Revenue reserves				
		Joint venture and subsidiaries	Bank	General	Unappropriated profit			
(Rupees in '000)								
11,020,680	9,887,221	300,424	15,884,298	6,073,812	56,980,697	100,147,132	1,236,290	101,383,422
-	-	-	-	-	17,332,388	17,332,388	69,425	17,401,813
-	-	-	-	-	(107,295)	(107,295)	-	(107,295)
-	2,494,160	-	-	-	-	2,494,160	70,837	2,564,997
-	2,494,160	-	-	-	17,225,093	19,719,253	140,262	19,859,515
-	-	-	-	-	(4,408,272)	(4,408,272)	-	(4,408,272)
-	-	-	-	-	(4,242,962)	(4,242,962)	-	(4,242,962)
-	-	-	-	-	-	-	(52,713)	(52,713)
1,102,068	-	-	-	-	(1,102,068)	-	-	-
1,102,068	-	-	-	-	(9,753,302)	(8,651,234)	(52,713)	(8,703,947)
-	-	-	-	-	248,307	248,307	-	248,307
-	-	44,103	1,592,741	-	(1,636,844)	-	-	-
-	-	-	-	-	-	-	27,458	27,458
12,122,748	12,381,381	344,527	17,477,039	6,073,812	63,063,951	111,463,458	1,351,297	112,814,755
-	-	-	-	-	5,079,526	5,079,526	(125,599)	4,953,927
-	-	-	-	-	(48,555)	(48,555)	-	(48,555)
-	2,530,439	-	-	-	-	2,530,439	7,449	2,537,888
-	2,530,439	-	-	-	5,030,971	7,561,410	(118,150)	7,443,260
-	-	-	-	-	449	449	-	449
-	-	8,480	563,676	-	(572,156)	-	-	-
-	-	-	-	-	-	-	(5,940)	(5,940)
12,122,748	14,911,820	353,007	18,040,715	6,073,812	67,523,215	119,025,317	1,227,207	120,252,524
-	-	-	-	-	16,699,793	16,699,793	17,884	16,717,677
-	-	-	-	-	(126,093)	(126,093)	-	(126,093)
-	1,953,774	-	-	-	-	1,953,774	114,729	2,068,503
-	1,953,774	-	-	-	16,573,700	18,527,474	132,613	18,660,087
-	-	-	-	-	(4,849,099)	(4,849,099)	-	(4,849,099)
-	-	-	-	-	(5,334,009)	(5,334,009)	-	(5,334,009)
1,212,275	-	-	-	-	(1,212,275)	-	-	-
-	-	-	-	-	-	-	(52,713)	(52,713)
1,212,275	-	-	-	-	(11,395,383)	(10,183,108)	(52,713)	(10,235,821)
-	-	-	-	-	41,557	41,557	-	41,557
-	-	26,058	1,549,586	-	(1,575,644)	-	-	-
-	-	-	-	-	-	-	664,235	664,235
-	-	-	-	-	-	-	(6,314)	(6,314)
13,335,023	16,865,594	379,065	19,590,301	6,073,812	71,167,445	127,411,240	1,965,028	129,376,268

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 nine months ended September 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation

Dividend income and share of profit of associates and joint venture
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 loss / (gain) on held for trading securities
Exchange loss on sub-ordinated loans / Goodwill
Gain on sale of operating fixed assets - net
Loss on sale of non-banking asset
Miscellaneous provisions

Decrease / (increase) in operating assets

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

(Decrease) / increase in operating liabilities

Bills payable
Borrowings
Deposits and other accounts
Other liabilities

Income tax paid - net

Net cash flows (used in) / 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
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates

Net cash flows from / (used in) investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Exchange adjustment on translation of non-controlling interest in subsidiary
Repayment of subordinated loan
Dividend paid

Net cash flows used in financing activities

(Decrease) / 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 20 form an integral part of these condensed interim consolidated financial statements.

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

25,066,177	28,079,475
(1,772,692)	(1,449,234)
(1,588,076)	(753,011)
(3,360,768)	(2,202,245)
21,705,409	25,877,230
1,179,600	1,124,223
128,360	55,244
(146,415)	(537,918)
1,172,318	4,183,474
14,135	(7,318)
182,732	106,386
(29,839)	(8,327)
1,523	-
(92,978)	(7,819)
2,409,436	4,907,945
24,114,845	30,785,175
8,128,505	26,828,766
21,935,313	(26,505,901)
2,394,963	(25,824,823)
(5,502,696)	(5,886,117)
26,956,085	(31,388,075)
2,711,365	1,138,258
(137,024,882)	60,482,958
52,921,623	168,495,519
3,722,550	3,829,567
(77,669,344)	233,946,302
(26,598,414)	233,343,402
(10,736,206)	(10,091,512)
(37,334,620)	223,251,890
12,857,295	(183,877,047)
442,487	211,878
(2,573,116)	(2,739,978)
57,427	222,388
38,500	-
1,953,774	2,494,160
12,776,367	(183,688,599)
114,729	70,837
(1,828,913)	-
(9,718,538)	(8,434,871)
(11,432,722)	(8,364,034)
(35,990,975)	31,199,257
196,715,562	143,162,176
8,493,987	7,586,952
205,209,549	150,749,128
169,218,574	181,948,385

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

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)
- in respect of key management personnel / Companies in which key management personnel or their close members are interested

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

Debts due by subsidiary company

September 30, 2013			December 31, 2012		
Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
(Rupees in '000)					
1,775,100	1,819,300	353,464	1,516,400	1,549,100	443,704
359,100	382,200	23,444	371,200	382,000	64,257
405,000	1,879,259	-	571,668	1,063,827	100,000
9,042	23,527	-	33,969	56,384	-

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

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

8 FIXED ASSETS

Capital work-in-progress
Intangible assets
Tangible fixed assets

September 30, 2013	December 31, 2012
(Rupees in '000)	
1,213,835	1,713,276
665,840	240,030
20,512,931	19,231,795
22,392,606	21,185,101

8.1 Additions to fixed assets

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

Capital work-in-progress

Intangible assets

Tangible fixed assets

Land
Building including related machinery
Furniture, fixtures and office equipments
Vehicles

For the nine months ended
September 30, 2013
September 30, 2012
(Rupees in '000)

1,269,932	696,976
553,277	105,901
228,172	337,815
605,476	551,049
1,541,331	919,981
65,764	19,484
4,263,952	2,631,206

8.2 Disposal of fixed assets

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

Tangible fixed assets

Land
Building including related machinery
Furniture, fixtures and office equipments
Vehicles

10,396	156,863
6,801	4,990
353,326	213,928
26,596	27,689
397,119	403,470

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the nine months ended September 30, 2013

7.1 Advances include Rs. 50,643,930 million (2012: Rs. 50,667,052 million) which have been placed under non-performing status, other than those accounts classified as loss and fully provided for more than five years, which have been placed in a separate category.

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

Category of classification	December 31, 2012								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Specific provision									
Other assets especially mentioned	610,771	-	610,771	-	-	-	610,771	-	610,771
Substandard	5,609,462	1,063,854	6,673,316	1,360,027	198,284	1,558,311	4,249,435	865,570	5,115,005
Doubtful	4,315,131	1,867,471	6,182,602	2,102,214	791,318	2,893,532	2,212,917	1,076,153	3,289,070
Loss	30,083,005	7,117,358	37,200,363	28,156,285	6,997,177	35,153,462	1,926,720	120,181	2,046,901
	40,618,369	10,048,683	50,667,052	31,618,526	7,986,779	39,605,305	8,999,843	2,061,904	11,061,747
General provision	-	-	-	1,532,092	553,763	2,085,855	-	-	-
	40,618,369	10,048,683	50,667,052	33,150,618	8,540,542	41,691,160	8,999,843	2,061,904	11,061,747

7.2 Particulars of provision against non-performing advances

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

7.3 In accordance with BSD Circular No. 2 dated January 27, 2009 and BSD Circular No.10 dated October 20, 2009 issued by SBP, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at September 30, 2013 would have been higher by Rs. 1,356.95 million and profit before taxation for the period ended September 30, 2013 would have been lower by approximately Rs 350.64 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in retained earnings net of tax amounting to Rs. 882.016 million would not be available for the distribution of cash and stock dividend to share holders.

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

Note	September 30, 2013	December 31, 2012
	(Rupees in '000)	
Opening balance	18,622,245	13,640,851
Transferred to interest suspense	-	(18,617)
Reversals	(489,724)	(922,822)
Transferred during the period / year	903,927	5,993,384
Write offs	(167,074)	(70,551)
	18,869,374	18,622,245

7.5 During the previous year, the Bank entered into contract with Citi Bank N.A., Pakistan to acquire its consumer portfolio. The transaction was approved by the Competition Commission of Pakistan and during the period, the Bank also obtained approval from SBP. Pursuant to such acquisition of portfolio, the Bank's gross advances increased by Rs. 1,552.059 million as at September 30, 2013.

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 interim condensed 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 September 30, 2013.

Further, due to the revised IAS 19, the effect on the tax position with respect to the allowability of the actuarial losses / gains reported in the Statement of Comprehensive Income 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

Investments by type

Held-for-trading (HFT)

Federal Government Securities
- Pakistan Investment Bonds
- Market Treasury Bills

Fully paid-up ordinary shares
- Listed companies

Overseas Government Securities

Investments of Mutual Funds

Held-to-Maturity Securities (HTM)

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

Debentures and Corporate Debt Instruments / Units
- Listed securities
- Unlisted securities

Overseas Government securities

Available-for-Sale Securities (AFS)

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

Overseas Government Securities

Fully paid-up ordinary shares
- Listed companies
- Unlisted companies

Debentures and Corporate Debt Instruments / Units
- Listed securities
- Unlisted securities

NIT Units

Preference shares

Investments of mutual funds

Investment in Associates and Joint

Venture

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

Net investment

(Deficit) / surplus on revaluation of held for trading securities
(Deficit) / surplus on revaluation of available for sale securities
Surplus on revaluation of investment of associates

Total investments at market value

Note	September 30, 2013			December 31, 2012		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
	(Rupees in '000)					
	9,454,102	-	9,454,102	2,203,724	-	2,203,724
	-	-	-	28,676,723	-	28,676,723
	-	-	-	31,195	-	31,195
	332,494	-	332,494	348,908	-	348,908
	386,127	-	386,127	847,486	-	847,486
	10,172,723	-	10,172,723	32,108,036	-	32,108,036
6.1	37,959,962	-	37,959,962	43,323,255	-	43,323,255
	861,988	-	861,988	764,005	-	764,005
	-	-	-	210,064	-	210,064
	21,740,294	-	21,740,294	21,272,413	-	21,272,413
	19,279,521	-	19,279,521	16,522,872	-	16,522,872
	79,841,765	-	79,841,765	82,092,609	-	82,092,609
	521,386,286	16,626,357	538,012,643	405,856,222	157,998,809	563,855,031
	47,189,970	-	47,189,970	46,136,502	-	46,136,502
	425,000	-	425,000	425,000	-	425,000
	30,561,493	-	30,561,493	31,649,959	-	31,649,959
	6,097,815	-	6,097,815	2,482,359	-	2,482,359
	3,655,093	-	3,655,093	4,232,888	-	4,232,888
	715,635	-	715,635	769,510	-	769,510
	15,623,049	-	15,623,049	11,446,544	-	11,446,544
	16,032,996	-	16,032,996	7,572,714	-	7,572,714
	11,113	-	11,113	11,113	-	11,113
	250,000	-	250,000	100,000	-	100,000
	4,321,646	-	4,321,646	3,031,747	-	3,031,747
	646,270,096	16,626,357	662,896,453	513,714,558	157,998,809	671,713,367
6.3	9,353,972	-	9,353,972	8,352,908	-	8,352,908
	745,638,556	16,626,357	762,264,913	636,268,111	157,998,809	794,266,920
6.4	(1,609,103)	-	(1,609,103)	(1,755,518)	-	(1,755,518)
	744,029,453	16,626,357	760,655,810	634,512,593	157,998,809	792,511,402
	(14,135)	-	(14,135)	25,253	-	25,253
	(539,875)	17,623	(522,252)	4,477,925	-	4,477,925
	64,580	-	64,580	79,968	-	79,968
	743,540,023	16,643,980	760,184,003	639,095,739	157,998,809	797,094,548

6.1 The market value of securities classified as "held-to-maturity" as at September 30, 2013 amounted to Rs. 80,563.174 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:

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

6.4 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

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

7 ADVANCES

Loans, cash credits, running finances, etc.

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

Net investment in finance lease - in Pakistan

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

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

Provision against non-performing advances

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

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

In Pakistan	18,869,374	18,622,245
Provision	(18,869,374)	(18,622,245)
	-	-

6. INVESTMENTS

Investments by type

Held for Trading securities (HFT)

- Federal Government Securities
- Pakistan Investment Bonds
- Market Treasury Bills

- Fully paid-up ordinary shares
- Listed companies

Overseas Government Securities

Held-to-maturity securities (HTM)

Federal Government Securities

- Pakistan Investment Bonds

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

Overseas Government securities

Available-for-sale Securities (AFS)

Federal Government Securities

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

Overseas Government Securities

Fully paid-up ordinary shares

- Listed companies
- Unlisted companies

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

NIT Units

Preference shares

Investment in Subsidiary Companies

Investment in Associates and

Joint Venture

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

Net investment

(Deficit) / surplus on revaluation of held for trading securities

(Deficit) / surplus on revaluation of available for sale securities

Total investments at market value

Note	September 30, 2013			December 31, 2012		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in '000)						
6.1						
	9,454,102	-	9,454,102	2,203,724	-	2,203,724
	-	-	-	28,676,723	-	28,676,723
	-	-	-	-	-	-
	-	-	-	31,195	-	31,195
	332,494	-	332,494	348,908	-	348,908
	9,786,596	-	9,786,596	31,260,550	-	31,260,550
6.2						
	37,860,652	-	37,860,652	43,217,624	-	43,217,624
	-	-	-	-	-	-
	-	-	-	210,064	-	210,064
	7,879,516	-	7,879,516	4,003,414	-	4,003,414
	13,233,754	-	13,233,754	12,198,340	-	12,198,340
	58,973,922	-	58,973,922	59,629,442	-	59,629,442
6.3						
	521,386,286	16,626,357	538,012,643	405,856,222	157,998,809	563,855,031
	47,189,970	-	47,189,970	46,136,502	-	46,136,502
	425,000	-	425,000	425,000	-	425,000
	30,504,486	-	30,504,486	31,599,959	-	31,599,959
	473,366	-	473,366	2,482,359	-	2,482,359
	3,655,093	-	3,655,093	4,229,365	-	4,229,365
	715,635	-	715,635	769,510	-	769,510
	15,623,049	-	15,623,049	11,446,544	-	11,446,544
	15,220,660	-	15,220,660	12,665,068	-	12,665,068
	11,113	-	11,113	11,113	-	11,113
	250,000	-	250,000	100,000	-	100,000
	635,454,658	16,626,357	652,081,015	515,721,642	157,998,809	673,720,451
6.4						
	6,617,229	-	6,617,229	5,690,591	-	5,690,591
6.5						
	4,751,171	-	4,751,171	4,592,905	-	4,592,905
	715,583,576	16,626,357	732,209,933	616,895,130	157,998,809	774,893,939
6.4						
	(1,340,025)	-	(1,340,025)	(1,473,880)	-	(1,473,880)
	714,243,551	16,626,357	730,869,908	615,421,250	157,998,809	773,420,059
	(21,246)	-	(21,246)	28,583	-	28,583
12.2	(1,143,776)	17,623	(1,126,153)	3,736,681	-	3,736,681
	713,078,529	16,643,980	729,722,509	619,186,514	157,998,809	777,185,323

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

6.2 The Bank has invested £ 3.86 million to acquire 1,926,917 right shares of the Bank's subsidiary, Habib Allied International Bank, Plc. UK (HAIB). Further, HAIB has issued 750,000 new ordinary shares to the minority investor and consequently, the shareholding of the Bank is diluted to 88.07% from 90.5%.

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

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

Jubilee General Insurance Company Limited
Diamond Trust Bank Limited, Kenya

6.4 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

Opening balance	
Charge for the period / year	
Reversals	
Impairment charge on listed securities	
Impairment reversal on listed securities	
Total reversals - net	
Amount written off	
Closing balance	

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

1,755,518	2,364,383
13,028	78,441
(15,507)	(235,367)
59,036	130,434
(202,972)	(457,373)
(146,415)	(483,865)
-	(125,000)
1,609,103	1,755,518

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

Diamond Trust Bank Limited, Kenya
Himalayan Bank Limited, Nepal
Kyrgyz investment and Credit Bank
Jubilee Life Insurance Co. Ltd.
Jubilee General Insurance Co. Ltd.
HBL Money Market Fund
HBL Islamic Stock Fund
HBL Islamic Money Market Fund
HBL Pension Equity Sub Fund
HBL Pension Debt Sub Fund
HBL Pension Money Market Sub Fund
HBL Islamic Pension Equity Sub Fund
HBL Islamic Pension Debt Sub Fund
HBL Islamic Pension Money Market Sub Fund

Based on the financial information as on

June 30, 2013
June 30, 2013
September 30, 2013
June 30, 2013
June 30, 2013
September 30, 2013
September 30, 2013
September 30, 2013
September 30, 2013
September 30, 2013
September 30, 2013
September 30, 2013
September 30, 2013
September 30, 2013

7 ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan
Outside Pakistan

Net investment in finance lease - in Pakistan

Bills discounted and purchased
(excluding Government treasury bills)

Payable in Pakistan
Payable outside Pakistan

Provision against non-performing advances

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

In Pakistan
Provision

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

358,168,543	386,290,218
116,366,246	98,673,662
474,534,789	484,963,880

5,912,559 4,729,126

10,852,666	12,122,572
52,458,355	43,972,534
63,311,021	56,095,106

7.2 (47,507,744) (45,970,206)
496,250,625 499,817,906

7.4 18,869,374 18,622,245
(18,869,374) (18,622,245)

Notes to the Condensed Interim Unconsolidated Financial Statement (Unaudited)

For the nine months ended September 30, 2013

- 7.1 Advances include Rs. 60,992.526 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	September 30, 2013					
	Non-performing advances			Provision required and held		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)					
Specific provision						
Other assets especially mentioned	1,139,071	-	1,139,071	-	-	1,139,071
Substandard	5,728,482	1,243,697	6,972,179	1,403,734	278,344	1,682,078
Doubtful	2,671,482	866,752	3,538,234	1,307,129	355,082	1,662,211
Loss	30,366,538	18,976,504	49,343,042	28,827,231	12,809,609	41,636,840
	39,905,573	21,086,953	60,992,526	31,538,094	13,443,035	44,981,129
General provision	-	-	-	1,660,420	866,195	2,526,615
	39,905,573	21,086,953	60,992,526	33,198,514	14,309,230	47,507,744

Category of classification	December 31, 2012					
	Non-performing advances			Provision required and held		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)					
Specific provision						
Other assets especially mentioned	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
Doubtful	4,333,278	1,899,356	6,232,634	2,110,217	1,220,517	3,330,734
Loss	30,200,379	13,180,592	43,380,971	28,267,188	9,664,547	37,931,735
	40,769,259	18,851,476	59,620,735	31,737,432	11,997,079	43,734,511
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

- 7.2 Particulars of provision against non-performing advances

Note	September 30, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	43,734,511	2,235,695	45,970,206	44,307,124	1,778,924	46,086,048
Exchange adjustment / other movement	1,053,162	32,170	1,085,332	362,172	59,245	421,417
Charge for the period / year	3,807,707	283,663	4,091,370	13,236,984	493,156	13,730,140
Reversals	(2,404,415)	(24,913)	(2,429,328)	(5,467,801)	(95,630)	(5,563,431)
	1,403,292	258,750	1,662,042	7,769,183	397,526	8,166,709
Write offs	(305,909)	-	(305,909)	(2,710,584)	-	(2,710,584)
Transferred to over 5 years category	(903,927)	-	(903,927)	(5,993,384)	-	(5,993,384)
Closing balance	44,981,129	2,526,615	47,507,744	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 September 30, 2013 would have been higher by Rs. 1,356.95 million and profit before taxation for the period ended September 30, 2013 would have been lower by approximately Rs 350.64 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in retained earnings net of tax amounting to Rs. 882.016 million would not be available for the distribution of cash and stock dividend to share holders.

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

Note	September 30, 2013	December 31, 2012
	(Rupees in '000)	
Opening balance	18,622,245	13,640,851
Transferred to interest suspense	-	(18,617)
Reversal	(489,724)	(922,822)
Transferred during the period / year	903,927	5,993,384
Write offs	(167,074)	(70,551)
	18,869,374	18,622,245

- 7.5 During the previous year, the Bank entered into contract with Citi Bank N.A., Pakistan to acquire its consumer portfolio. The transaction was approved by the Competition Commission of Pakistan and during the period, the Bank also obtained approval from SBP. Pursuant to such acquisition of portfolio, the Bank's gross advances increased by Rs. 1,552.059 million as at September 30, 2013.

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's Registered office is at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad and Principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on all three stock exchanges in Pakistan.

2 STATEMENT OF COMPLIANCE

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

3 ACCOUNTING POLICIES

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

ACCOUNTING FOR EMPLOYEE BENEFITS - IAS19

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

The Bank considers that the financial impacts due to the above referred changes in the revised IAS 19 are not material in context to the unconsolidated condensed interim financial statements for the period ended September 30, 2013.

Further, due to the revised IAS 19, the effect on the tax position with respect to the allowability of the actuarial losses / gains reported in the Statement of Comprehensive income 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.

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the nine months ended September 30, 2013

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

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	23,687,573	26,120,191
Dividend income	(740,751)	(394,315)
Gain on sale of securities	(1,178,625)	(590,993)
	(1,919,376)	(985,308)
	21,768,197	25,134,883

Adjustment for:

Depreciation	1,120,626	1,069,992
Amortisation	127,468	54,198
Reversal against diminution in the value of investments	(133,855)	(438,418)
Provision against non-performing loans and advances	935,184	4,142,742
Unrealised loss on held for trading securities	21,246	5,366
Exchange loss on sub-ordinated loans	365,618	243,240
Gain on sale of operating fixed assets - net	(26,552)	(8,316)
Loss on sale of non-banking asset	1,523	-
Miscellaneous provisions	(92,978)	35,372
	2,318,280	5,104,176
	24,086,477	30,239,059

Decrease / (increase) in operating assets

Lendings to financial institutions	8,128,505	26,828,766
Investments - held for trading	21,473,954	(26,276,774)
Advances	7,227,705	(25,116,926)
Other assets	(5,177,243)	(5,376,088)
	31,652,921	(29,941,022)

(Decrease) / increase in operating liabilities

Bills payable	2,746,007	1,104,723
Borrowings from financial institutions	(138,064,097)	61,397,035
Deposits and other accounts	43,110,631	161,196,980
Other liabilities	3,049,845	4,067,986
	(89,157,614)	227,766,724
	(33,418,216)	228,064,761

Income tax paid - net	(10,292,270)	(9,772,891)
Net cash flows (used in) / from operating activities	(43,710,486)	218,291,870

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments	22,417,260	(185,944,118)
Dividend income received	655,678	340,512
Fixed capital expenditure	(2,385,436)	(2,631,206)
Proceeds from sale of fixed assets	31,224	177,325
Proceeds from sale of non-banking asset	38,500	-
Exchange adjustment on translation of balances in foreign branches	1,015,568	1,591,049
Net cash flows from / (used in) investing activities	21,772,794	(186,466,438)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of subordinated loan	(1,245,744)	-
Dividend paid	(9,764,896)	(8,380,213)
Net cash flows used in financing activities	(11,010,640)	(8,380,213)

(Decrease) / increase in cash and cash equivalents during the period	(32,948,332)	23,445,219
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Cash and cash equivalents at beginning of the period	170,031,055	133,367,065
Effects of exchange rate changes on cash and cash equivalents	6,200,904	4,698,820
	176,231,959	138,065,885
Cash and cash equivalents at end of the period	143,283,627	161,511,104

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.

	September 30, 2013			December 31, 2012		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
(Rupees in '000)						
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons:						
- in respect of executives * (Other than KMPs)	1,775,100	1,819,300	353,464	1,516,400	1,549,100	443,704
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	359,100	382,200	23,444	371,200	382,000	64,257
Debts due by companies or firms in which the directors of the Group are interested as directors, partners, advisors or in the case of private companies as members	726,586	2,216,088		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	September 30, 2013	December 31, 2012
		(Rupees in '000)	
Capital work-in-progress		1,213,835	1,713,276
Intangible assets			
- Goodwill	8.3	2,149,901	1,967,015
- Computer software		667,632	241,848
Tangible fixed assets		21,096,245	19,710,185
		25,127,613	23,632,324

8.1 Additions to fixed assets

	For the nine months ended	
	September 30, 2013	September 30, 2012
	(Rupees in '000)	
The following additions have been made to tangible and intangible fixed assets during the period:		
Capital work-in-progress	1,269,932	696,978
Intangible assets	553,334	107,945
Tangible fixed assets		
Land	236,542	337,815
Building including related machinery	731,565	610,344
Furniture, fixtures and office equipments	1,556,611	966,942
Vehicles	68,526	19,954
	4,416,510	2,739,978

8.2 Disposal of fixed assets

The following disposals have been made from tangible fixed assets during the period:		
Tangible fixed assets		
Land	10,396	156,864
Building including related machinery	6,801	72,775
Furniture, fixtures and office equipments	354,284	282,565
Vehicles	27,241	27,689
	398,722	539,893

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 Changes in Equity (Unaudited)

For the nine months ended September 30, 2013

9 BORROWINGS

Secured

Borrowings from State Bank of Pakistan under:

	September 30, 2013	December 31, 2012
	(Rupees in '000)	
Export refinance scheme	12,666,302	16,845,030
Long term financing facility - locally manufactured and imported plant & machinery	5,371,617	5,074,278
Long term finance - export oriented projects	589,316	974,062
Refinance facility for modernization of SMEs	11,608	12,649
Financing facility for Storage of Agricultural Produce	10,696	15,277
Repurchase agreement borrowings	16,613,359	157,998,809
	<u>35,262,898</u>	<u>180,920,105</u>

Unsecured

In Pakistan:

Interbank call money borrowings	8,335,000	1,500,000
Outside Pakistan:		
Overdrawn nostro accounts	780,712	1,056,635
Borrowings of overseas branches and subsidiaries	15,177,056	13,103,808
	<u>15,957,768</u>	<u>14,160,443</u>
	<u>24,292,768</u>	<u>15,660,443</u>
	<u>59,555,666</u>	<u>196,580,548</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts - non-remunerative	369,582,869	310,567,157
Savings chequing account	560,605,769	493,206,809
Fixed deposits	<u>324,540,085</u>	<u>391,066,656</u>
	<u>1,254,728,723</u>	<u>1,194,840,622</u>

Financial institutions

Current accounts - non-remunerative	7,744,224	5,969,114
Savings chequing account	4,438,713	4,490,688
Fixed deposits	<u>973,663</u>	<u>9,663,276</u>
	<u>13,156,600</u>	<u>20,123,078</u>
	<u>1,267,885,323</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 instalments from June 2013 to December 2014. Interest is payable on bi - annual basis commencing from December 2007 at LIBOR + 1.75%. The first instalment of US \$ 12.5 million has been paid in June 2013. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

Balance as at December 31, 2011

Total comprehensive income for the period
Profit for the nine months ended September 30, 2012

- Other comprehensive income

Effect of translation of net investment in foreign branches

Transactions with owners, recorded directly in equity

Final Cash dividend paid at Rs. 4 per share for the year ended December 31, 2011

Half year interim cash dividend paid at Rs. 3.5 per share

Issued as bonus shares

Transferred from surplus on revaluation of fixed assets - net of tax

Transferred to statutory reserves

Balance as at September 30, 2012

Total comprehensive income for the period

Profit for the three months ended December 31, 2012

- Other comprehensive income

Effect of translation of net investment in foreign branches

Transactions with owners, recorded directly in equity

Transferred from surplus on revaluation of fixed assets - net of tax

Transferred to statutory reserves

Balance as at December 31, 2012

Total comprehensive income for the period

Profit for the nine months ended September 30, 2013

- Other comprehensive income

Effect of translation of net investment in foreign branches

Transactions with owners, recorded directly in equity

Final Cash dividend paid at Rs. 4 per share for the year ended December 31, 2012

Half year interim cash dividend paid at Rs. 4 per share

Issued as bonus shares

Transferred from surplus on revaluation of fixed assets - net of tax

Transferred to statutory reserves

Balance as at September 30, 2013

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

Share capital	Exchange translation reserve	Reserves			Total
		Statutory	Revenue Reserves		
			General	Unappropriated profit	
------(Rupees in '000)-----					
11,020,680	8,245,586	15,884,298	6,073,812	52,228,646	93,453,022
-	-	-	-	15,927,415	15,927,415
-	1,591,049	-	-	-	1,591,049
-	1,591,049	-	-	15,927,415	17,518,464
-	-	-	-	(4,408,272)	(4,408,272)
-	-	-	-	(4,242,962)	(4,242,962)
1,102,068	-	-	-	(1,102,068)	-
1,102,068	-	-	-	(9,753,302)	(8,651,234)
-	-	-	-	245,842	245,842
-	-	1,592,741	-	(1,592,741)	-
12,122,748	9,836,635	17,477,039	6,073,812	57,055,860	102,566,094
-	-	-	-	5,636,750	5,636,750
-	2,386,335	-	-	-	2,386,335
-	2,386,335	-	-	5,636,750	8,023,085
-	-	-	-	(372)	(372)
-	-	563,676	-	(563,676)	-
12,122,748	12,222,970	18,040,715	6,073,812	62,128,562	110,588,807
-	-	-	-	15,495,856	15,495,856
-	1,015,568	-	-	-	1,015,568
-	1,015,568	-	-	15,495,856	16,511,424
-	-	-	-	(4,849,099)	(4,849,099)
-	-	-	-	(5,334,009)	(5,334,009)
1,212,275	-	-	-	(1,212,275)	-
1,212,275	-	-	-	(11,395,383)	(10,183,108)
-	-	-	-	41,557	41,557
-	-	1,549,586	-	(1,549,586)	-
13,335,023	13,238,538	19,590,301	6,073,812	64,721,006	116,958,680

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 nine months ended September 30, 2013

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

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 / (deficit) 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

Deficit / (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 asset / (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 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 September 30,
2013 December 31,
2012
(Rupees in '000)

12.1	9,620,653	9,588,927
12.2	(67,830)	3,196,309
	<u>9,552,823</u>	<u>12,785,236</u>

10,514,994 9,143,739

74,835 1,671,231

3,136 (155,285)

(44,693) (93,471)

(24,065) (50,347)

24 (873)

10,524,231 10,514,994

926,067 801,357

1,552 175,930

24 (873)

(24,065) (50,347)

903,578 926,067

9,620,653 9,588,927

12.2 Surplus / (deficit) 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 asset / (liability)

(708,560) 1,863,369

(926,296) 1,490,249

60,025 (103,195)

1,101,433 800,331

16,698 11,283

(65,552) 415,888

(522,252) 4,477,925

64,580 79,968

389,842 (1,361,584)

(67,830) 3,196,309

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government
- Financial institutions
- Others

263,053 306,856

295,000 295,000

33,392,994 35,337,468

33,951,047 35,939,324

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the nine months ended September 30, 2013

13.2 Transaction-related contingent liabilities

	September 30, 2013	December 31, 2012
	(Rupees in '000)	
Guarantees in favour of:		
- Government	657,372	535,006
- Financial institutions	1,483,345	3,610,133
- Others	41,077,266	41,118,227
	<u>43,217,983</u>	<u>45,263,366</u>

13.3 Trade-related commitments

Credit cash	71,870,601	78,028,544
Credit documentary acceptances	15,319,230	18,535,338
Credit acceptances	38,572,387	37,882,972
	<u>125,762,218</u>	<u>134,446,854</u>

13.4 Other contingencies

Claims against the Group not acknowledged as debts	<u>34,338,351</u>	<u>33,504,140</u>
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13.5 Commitments in respect of forward lending

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

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

13.6 Commitments in respect of forward foreign and local exchange contracts

Purchase	225,030,230	167,104,754
Sale	223,853,894	167,168,508

The above commitments have maturities falling within one year.

Commitments in respect of foreign currency options

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

Commitments in respect of cross currency swaps

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

Commitments in respect of foreign and local currency interest rate swaps

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

13.7 Commitments for acquisition of fixed assets / intangibles

	966,387	663,125
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13.8 Taxation

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

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

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 1.629 billion.

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

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

Condensed Interim Unconsolidated Statement of Financial Position

As at September 30, 2013

Quarterly Report



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

CONTINGENCIES AND COMMITMENTS

13

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

14 MARK-UP / RETURN / PROFIT EARNED

	For the nine months ended	
	September 30, 2013	September 30, 2012
	(Rupees in '000)	
On loans and advances to:		
- Customers	35,021,241	39,574,334
- Financial institutions	174,469	411,218
On investments:		
- Available-for-sale	49,001,944	37,472,937
- Held-for-trading	1,205,292	869,001
- Held-to-maturity	3,731,648	3,770,024
On deposits with financial institutions	850,112	933,823
On lendings to financial institutions	1,126,533	1,583,524
	<u>91,111,239</u>	<u>84,614,861</u>

15 MARK-UP / RETURN / PROFIT EXPENSED

Deposits	42,916,458	37,010,951
Securities sold under repurchase agreement borrowings	5,894,156	1,756,231
Other short term borrowings	1,527,257	1,925,694
Long term borrowings	356,882	315,186
	<u>50,694,753</u>	<u>41,008,062</u>

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Sajid Zahid
Director

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:

September 30, 2013					
Key Management Personnel	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
(Rupees in '000)					
Statement of financial position					
Deposits	2,918,071	-	2,808,423	-	1,469,590
Maximum Deposits During the period	4,208,820	-	7,942,206	115,321	3,833,229
Borrowings	1,843,409	-	-	-	-
Investments	-	-	7,542,220	1,302,789	-
Markup / Other Receivable	-	-	95,923	-	-
Mark-up / Other Payable	-	-	-	-	185,141
Placements / Lendings	1,586,450	-	-	-	-
Overdrawn Nostro	632,099	-	373,184	-	-
Impairment provision	-	-	573,261	-	-
Profit and Loss					
Interest / Other Income	89,255	-	2,068,496	197,898	-
Interest / Other Expense	323,343	-	623,482	-	505,573
Others					
Other contingencies	282,742	-	-	-	-
Securities Held as custodian	7,946,960	1,549,500	30,006,570	-	14,793,640

December 31, 2012					
Key Management Personnel	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
(Rupees 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	-	-	-	-	1,111,253
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

Movement of Reserves

	Rs. in million
Unappropriated profit brought forward	62,128
Profit attributable to equity holders of the Bank	15,496
Transferred from surplus on revaluation of fixed assets – net of tax	41
Transfer to statutory reserves	(1,549)
Cash dividend	(10,183)
Issued as bonus shares	(1,212)
Unappropriated profit carried forward	64,721
Earnings per share rupees (Basic & Diluted)	11.62

Dividend

The Bank has paid interim cash dividend of Rs.4 per share for the year ending December 31, 2013 and has declared a second interim cash dividend of Rs.2 per share.

Rating

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

Awards

During the period under review HBL was conferred with the following awards:

- "Best Retail Bank in Pakistan for 2012" by the Asian Banker
- "Best Bank in Pakistan" by Euromoney
- "29th Corporate Excellence Award" in the Financial Category by Management Association of Pakistan

Future Outlook

The approval of IMF loan has, to some extent, eased pressure on foreign exchange reserves, however increase in trade deficit, lower financial inflows and repayment of debt will continue to put pressure on foreign exchange reserves. Much will depend on government ability and commitment to address energy crises, improve law and order situation and implement structural reforms including transparent privatization and restructuring of state enterprises on a fast track basis to boost growth.

The decision of SBP to link the Minimum Deposit Rate (MDR) on saving accounts with prevailing SBP Repo Rate with effect from October 1, 2013 is likely to adversely affect the profitability of the banks.

The management of the bank is fully aware of the challenges being faced by the economy and has positioned HBL to focus on product cross sell, cash management and transactional services, alternate delivery channels, rural and SME sectors and branchless banking. As leader in the banking industry HBL also intends to participate in viable infrastructure projects of national importance.

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
October 25, 2013

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

Economy & Market Review

The first quarter of the Fiscal Year 2014 (FY-14) was full of events. The most salient feature was approval of IMF 3-years loan program equivalent US\$ 6.64 billion under an Extended Fund Facility (EFF). The IMF program targets averting immediate balance of payment crises, reducing fiscal deficit and undertaking comprehensive structural reforms covering fiscal reforms, energy sector reforms and restructuring of public sector enterprises (PSEs). The loan amount will be disbursed in 12 equal quarterly installments over a period of 36 months subject to quarterly reviews. The disbursement of each tranche will be subject to indicative targets and agreed benchmarks as per Technical Memorandum of Understanding signed with IMF. The first tranche of US\$ 544.50 million has already been released.

The approval of IMF loan and resolution of circular debts did provide some relief to the already nervous economy, however, law and order situation, increase in inflation and continuous depreciation in Pak Rupee against US Dollar and other major currencies are the major challenges being faced by the economy.

During the period July – August 2013 (2 months of FY-14) the exports of goods at US\$ 4.18 billion were up by 3% while imports of goods at US\$ 7.03 billion were up by 6% when compared with corresponding period last year. Worker remittances at US\$ 2.64 billion showed increase of 7% as compared to corresponding period last year. Current account deficit stood at US\$ 0.63 billion as on August 31, 2013 (2 months of FY-14) as against surplus of US\$ 0.58 billion in the corresponding period last year.

The pressure of foreign exchange reserves continued as liquid foreign exchange reserve with SBP declined to US\$ 4.60 billion as on September 27, 2013 (September 2012: US\$ 10.36 billion) as against US\$ 6.01 billion as on June 30, 2013. The continuous decline in foreign exchange reserves resulted in sharp depreciation of around 6.5% in Pak Rupee against US Dollar and other major currencies since June 2013 (Source: State Bank of Pakistan).

During the period July – September 2013 inflation increased significantly. The CPI (General) which increased by 5.9% on year to year basis (YoY) in June 2013, jumped sharply up to 8.5% on YoY basis in August 2013 before coming down to 7.4% on YoY basis in September 2013. The core NFNE inflation (non-food non-energy) increased to 8.7% on YoY basis in September 2013 as against 7.8% on YoY basis in June 2013. (Source: Pakistan Bureau of Statistics – September 2013).

After pursuing a policy of monetary easing since August 2011, the SBP reversed the easing stance by increasing policy rate by 50 basis points to 9.5% with effect from September 16, 2013 with a view to containing rising inflation.

The Stock Market witnessed continuing growth during the period under review. The KSE 100 Index increased by 3.9% from 21,006 as on June 30, 2013 to 21,833 points on September 30, 2013.

Performance

Bank deposits stood at Rs.1,184 billion as on September 30, 2013 as against Rs.1,141 billion as on December 31, 2012, thereby indicating an increase of 3.8%. The growth in current accounts was 20.6% to Rs.345 billion. The saving account at Rs.557 billion registered growth of 13.4%. The CASA ratio improved further to 76.2% on September 30, 2013 as compared to 75.3% on June 30, 2013 and 68.1% as on December 31, 2012.

For the nine months ended September 30, 2013, the net mark up / interest income was Rs.39 billion as against Rs.42 billion in the corresponding period last year. The decline of 7.3% in net mark up / interest income can be attributed mainly to decline in policy rate during the period under review which was partially offset by increased balance sheet size. The non-interest income for the nine months ended September 30, 2013 was Rs.10 billion, which was higher by 13.5% as compared to corresponding period last year.

The pre-tax and after tax profit was Rs.24 billion and Rs.15 billion respectively for the nine months ended September 30, 2013 as against Rs.26 billion and Rs.16 billion in the corresponding period last year. The pre-tax and after tax earnings per share for nine months ended September 30, 2013 was Rs.17.7 and Rs.11.6 respectively.

16.1 Key management personnel

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

	For the nine months ended	
	September 30, 2013	September 30, 2012
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,200,695	1,090,578
Contribution to provident and benevolent fund	18,709	17,259
Medical	37,444	30,099
	1,256,848	1,137,936
Number of persons	171	169

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	----- (Rupees in million) -----					
Net interest income - External	(27,471)	17,918	45,152	4,919	(102)	40,416
Inter segment revenue - net	48,616	(13,572)	(42,269)	-	7,225	-
Non-funded income	5,103	1,888	3,569	3,673	(1,379)	12,854
Net interest and non-markup income	26,248	6,234	6,452	8,592	5,744	53,270
Total expenses including provision (excluding impairment)	11,916	1,395	79	6,716	8,242	28,348
Impairment against investments	-	-	(124)	-	(20)	(144)
Inter segment administrative cost	5,421	1,084	156	597	(7,258)	-
Total expenses including provision	17,337	2,479	111	7,313	964	28,204
Net income before tax	8,911	3,755	6,341	1,279	4,780	25,066
Segment assets gross	129,056	333,302	712,514	306,523	105,131	1,586,526
Segment non-performing loans	8,836	30,858	-	21,087	212	60,993
Segment provision required including general provision	8,112	25,352	185	14,376	1,415	49,440
Segment liabilities including equity	919,115	130,886	28,592	227,708	230,785	1,537,086
Segment gross earnings on liability / asset %	9.29%	9.89%	9.22%	4.83%	3.41%	-
Segment cost of funds %	5.45%	7.52%	8.14%	1.21%	0.96%	-
	----- (Rupees in million) -----					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
Net interest income - External	(23,365)	24,201	38,022	4,653	96	43,607
Inter segment revenue - net	50,510	(19,352)	(36,854)	-	5,696	-
Non-funded income	3,654	1,882	2,108	3,411	462	11,517
Net interest and non-markup income	30,799	6,731	3,276	8,064	6,254	55,124
Total expenses including provision (excluding impairment)	11,258	4,024	160	5,348	6,623	27,413
Impairment against investments	-	-	(140)	-	(228)	(368)
Inter segment administrative cost	4,444	889	128	490	(5,951)	-
Total expenses including provision	15,702	4,913	148	5,838	444	27,045
Net income before tax	15,097	1,818	3,128	2,226	5,810	28,079
Segment assets gross	126,869	364,401	597,775	264,609	85,471	1,439,125
Segment non-performing loans	10,240	33,377	-	17,363	228	61,208
Segment provision required including general provision	7,398	27,503	370	13,094	2,267	50,632
Segment liabilities including equity	832,208	117,655	76,728	175,650	186,251	1,388,492
Segment gross earnings on liability / asset %	11.14%	11.81%	10.72%	5.12%	5.45%	-
Segment cost of funds %	5.70%	9.32%	9.90%	1.46%	0.91%	-

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

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

Note	September 30, 2013	December 31, 2012
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	1,868,383	1,710,846
Balances with other banks	21,741	412,446
Due from Financial Institutions	3,800,000	5,480,000
Investments - net	25,268,812	22,369,313
Islamic financing and related assets	18.1 7,072,704	3,108,988
Operating Fixed assets	307	516
Due from Head Office	218,976	-
Deferred tax asset	-	34,036
Other assets	1,118,576	782,906
	<u>39,369,499</u>	<u>33,899,051</u>
LIABILITIES		
Bills payable	848	457
Due to Financial Institutions	1,584,076	576,000
Deposit and other accounts	-	-
- Current Accounts	4,421,282	2,697,055
- Savings Accounts	17,540,634	11,417,392
- Term Deposits	9,037,624	7,087,919
- Deposits from financial institutions- remunerative	4,261,571	9,825,657
- Deposits from financial institutions- non-remunerative	37,816	8,360
Due to Head office	-	240,544
Deferred tax liability	7,642	-
Other liabilities	863,461	712,582
	<u>37,754,954</u>	<u>32,565,966</u>
	<u>1,614,545</u>	<u>1,333,085</u>
NET ASSETS		
REPRESENTED BY:		
Islamic banking fund / certificate capital	647,072	647,072
Reserves	718,536	548,519
Unappropriated profit	234,744	192,915
	<u>1,600,352</u>	<u>1,388,506</u>
Surplus / (deficit) on revaluation of assets - net of deferred tax	14,193	(55,421)
	<u>1,614,545</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. 78.337 million (2012 Rs. 143.332 million).

million).

	Note	September 30, 2013	December 31, 2012
		(Rupees in '000)	
18.1	Islamic financing and related assets		
	Murabaha	18.1.1 296,662	420,496
	Ijarah	18.1.2 847,633	929,402
	Musharaka	1,721,364	1,063,006
	Advance for Murabaha	99,426	38,577
	Advance for Ijarah	8,226	3,858
	Istisna	3,107,501	326,000
	Assets/Inventories	991,892	327,649
		<u>7,072,704</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 October 25, 2013.

Condensed Interim Unconsolidated Financial Statements

2013