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CORPORATE INFORMATION

Board of Directors	Ali Raza D. Habib Abbas D. Habib Anwar Haji Karim Hasnain A. Habib Imtiaz Alam Hanfi Murtaza H. Habib Qumail R. Habib Shameem Ahmed Syed Mazhar Abbas Wazir Ali Khoja	<i>Chairman</i> <i>Chief Executive & Managing Director</i> <i>Executive Director</i>
Audit Committee	Syed Mazhar Abbas Ali Raza D. Habib Anwar Haji Karim Shameem Ahmed Murtaza H. Habib	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Company Secretary	A. Saeed Siddiqui	
Statutory Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
Legal Advisor	Liaquat Merchant Associates Advocates and Corporate Legal Consultants	
Registered Office	126-C, Old Bahawalpur Road, Multan	
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi	
Share Registrar	M/s. Noble Computer Services (Pvt.) Ltd. First Floor, House of Habib Building, (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi	
Website	www.bankalhabib.com	



DIRECTORS' REVIEW

On behalf of the Board of Directors of the Bank, it is my pleasure to present the un-audited financial statements of Bank AL Habib Limited along with the un-audited consolidated financial statements of Bank AL Habib Limited and the Bank's Subsidiary M/s. AL Habib Capital Markets (Private) Limited for the nine months period ended September 30, 2012.

Alhamdulillah, during the period under review, the performance of the Bank continued to be encouraging. The deposits increased to Rs. 319.5 billion as compared to Rs. 302.1 billion on December 31, 2011. In the same period, advances increased to Rs. 136.8 billion from Rs. 114.9 billion, while investments increased to Rs. 269.2 billion from Rs. 223.0 billion. The pre-tax profit of the Bank for the nine months period ended September 30, 2012 rose to Rs. 6,583.3 million as compared to Rs. 4,785.3 million during the corresponding period last year.

Your Bank now has a network of 379 offices, comprising 301 branches, 76 sub-branches, and two Representative offices. Our network includes three overseas offices (a Wholesale Branch in the Kingdom of Bahrain and Representative Offices in Dubai and Istanbul) and 13 Islamic Banking Branches. Continuing with our branch expansion policy, the Bank intends to open more branches and sub-branches during the last quarter of 2012.

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term and short term entity ratings at **AA+** (Double A plus) and **A1+** (A One plus), respectively. The ratings of our unsecured, subordinated TFCs have also been maintained at **AA** (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

We wish to thank our customers for their continued support and confidence, the State Bank of Pakistan for their guidance, and local and foreign correspondents for their cooperation. We also thank all our staff members for their sincere and dedicated services, which enabled the Bank to achieve these satisfactory results.

On behalf of the Board of Directors

Karachi: October 23, 2012

ALI RAZA D. HABIB
Chairman



**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

	30-September 2012	31-December 2011
Note	(Un-Audited)	(Audited)
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	24,196,418	22,957,986
Balances with other banks	1,794,922	6,743,337
Lendings to financial institutions	1,467,129	-
Investments	4 269,206,139	222,958,574
Advances	5 136,810,451	114,872,252
Operating fixed assets	6 11,084,679	10,743,753
Deferred tax assets	-	-
Other assets	5,282,373	6,006,559
	449,842,111	384,282,461
LIABILITIES		
Bills payable	5,990,803	4,979,720
Borrowings	7 87,953,369	43,441,594
Deposits and other accounts	8 319,526,689	302,098,594
Sub-ordinated loans	9 6,490,300	7,390,358
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	1,879,549	1,231,486
Other liabilities	5,771,846	5,287,157
	427,612,556	364,428,909
NET ASSETS	22,229,555	19,853,552
REPRESENTED BY:		
Share capital	10,103,868	8,785,972
Reserves	6,134,135	5,324,689
Unappropriated profit	3,340,976	3,726,098
	19,578,979	17,836,759
Surplus on revaluation of assets - net of tax	10 2,650,576	2,016,793
	22,229,555	19,853,552
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The annexed notes 1 to 18 form an integral part of these interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012

Note	Nine months period ended		Quarter ended		
	30-September 2012	30-September 2011	30-September 2012	30-September 2011	
	(Rupees in '000)				
Mark-up / return / interest earned	12	31,296,484	26,309,000	10,463,967	9,525,037
Mark-up / return / interest expensed	13	(19,685,688)	(16,095,678)	(6,414,961)	(5,899,322)
Net mark-up / return / interest income		11,610,796	10,213,322	4,049,006	3,625,715
Provision against non-performing loans and advances	5.3	(431,195)	(1,700,358)	(51,698)	(930,292)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written-off directly		-	-	-	-
		(431,195)	(1,700,358)	(51,698)	(930,292)
Net mark-up / return / interest income after provisions		11,179,601	8,512,964	3,997,308	2,695,423
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		1,107,858	976,627	363,730	317,445
Dividend income		318,908	204,912	83,209	146,151
Income from dealing in foreign currencies		389,379	514,406	175,480	74,266
Gain / (loss) on sale / redemption of securities - net		76,297	(1,263)	7,512	231
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-	-	-
Other income		338,899	305,961	119,062	119,629
Total non mark-up / interest income		2,231,341	2,000,643	748,993	657,722
		13,410,942	10,513,607	4,746,301	3,353,145
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(6,692,230)	(5,616,222)	(2,577,223)	(1,948,401)
Other provisions / write-offs		(844)	(15,797)	(844)	(11,094)
Other charges		(134,524)	(96,306)	(43,375)	(26,419)
Total non mark-up / interest expenses		(6,827,598)	(5,728,325)	(2,621,442)	(1,985,914)
		6,583,344	4,785,282	2,124,859	1,367,231
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		6,583,344	4,785,282	2,124,859	1,367,231
Taxation - Current		(2,380,381)	(1,669,479)	(761,734)	(473,252)
- Prior years		(57,437)	-	-	-
- Deferred		(268,990)	(152,471)	4,613	(6,045)
		(2,706,808)	(1,821,950)	(757,121)	(479,297)
PROFIT AFTER TAXATION		3,876,536	2,963,332	1,367,738	887,934
			Restated		Restated
Basic and diluted earnings per share - Rupees	14	3.84	2.93	1.35	0.88

The annexed notes 1 to 18 form an integral part of these interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012**

	Nine months period ended		Quarter ended	
	30-September 2012	30-September 2011	30-September 2012	30-September 2011
	(Rupees in '000)			
Net profit for the period	3,876,536	2,963,332	1,367,738	887,934
Other comprehensive income				
Effect of foreign currency translation of net investment in foreign branch	34,139	11,001	1,837	9,038
Total comprehensive income for the period	3,910,675	2,974,333	1,369,575	896,972

The annexed notes 1 to 18 form an integral part of these interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012**

	Share Capital	Statutory Reserve	Revenue Reserves			Unapp- ropriated Profit	Total
			Special Reserve	General Reserve	Foreign Currency Translation Reserve		
	(Rupees in '000)						
Balance as at 01 January 2011	7,321,643	3,634,173	126,500	540,000	91,591	2,992,475	14,706,382
Total comprehensive income for the period	-	-	-	-	11,001	2,963,332	2,974,333
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	26,147	26,147
Transfer to statutory reserve	-	592,666	-	-	-	(592,666)	-
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(1,464,329)	(1,464,329)
Issue of bonus shares in the ratio of 20 shares for every 100 shares held	1,464,329	-	-	-	-	(1,464,329)	-
Balance as at 30 September 2011	8,785,972	4,226,839	126,500	540,000	102,592	2,460,630	16,242,533
Total comprehensive income for the period	-	-	-	-	14,728	1,570,148	1,584,876
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	9,350	9,350
Transfer to statutory reserve	-	314,030	-	-	-	(314,030)	-
Balance as at 31 December 2011	8,785,972	4,540,869	126,500	540,000	117,320	3,726,098	17,836,759
Total comprehensive income for the period	-	-	-	-	34,139	3,876,536	3,910,675
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	28,038	28,038
Transfer to statutory reserve	-	775,307	-	-	-	(775,307)	-
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	(2,196,493)	(2,196,493)
Issue of bonus shares in the ratio of 15 shares for every 100 shares held	1,317,896	-	-	-	-	(1,317,896)	-
Balance as at 30 September 2012	10,103,868	5,316,176	126,500	540,000	151,459	3,340,976	19,578,979

The annexed notes 1 to 18 form an integral part of these interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012**

	30-September 2012	30-September 2011
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,583,344	4,785,282
Dividend income	(318,908)	(204,912)
	6,264,436	4,580,370
Adjustments for non-cash changes:		
Depreciation	597,071	564,045
Amortisation	23,102	29,880
Provision against non-performing loans and advances	431,195	1,700,358
(Gain) / loss on sale / redemption of securities	(76,297)	1,263
Provision for defined benefit plan	90,000	77,850
Charge for compensated absences	31,409	13,149
Gain on disposal of operating fixed assets	(45,183)	(55,315)
Provision against off-balance sheet items	844	15,797
	1,052,141	2,347,027
	7,316,577	6,927,397
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,467,129)	1,139,268
Advances	(22,369,475)	18,082,035
Other assets	716,179	683,282
	(23,120,425)	19,904,585
Increase / (decrease) in operating liabilities		
Bills payable	1,011,083	705,727
Borrowings	44,470,171	(1,771,605)
Deposits and other accounts	17,428,095	40,453,534
Other liabilities (excluding provision for taxation)	461,366	1,473,142
	63,370,715	40,860,798
Cash inflow before tax	47,566,867	67,692,780
Income tax paid	(2,573,146)	(1,883,537)
Net cash flow from operating activities	44,993,721	65,809,243
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(59,732,954)	(52,970,056)
Net investments in held to maturity securities	14,808,304	(10,480,729)
Net investments in associates	(200,000)	(51,657)
Dividend received	321,208	203,501
Investments in operating fixed assets	(968,042)	(899,660)
Sale proceeds of operating fixed assets	52,663	76,344
Net cash used in investing activities	(45,718,821)	(64,122,257)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts of sub-ordinated loans	-	3,000,000
Payments of sub-ordinated loans	(900,058)	(450,902)
Dividend paid	(2,160,568)	(1,440,515)
Net cash (used in) / from financing activities	(3,060,626)	1,108,583
Exchange adjustment on translation of net investment in foreign branch	34,139	11,001
(Decrease) / increase in cash and cash equivalents	(3,751,587)	2,806,570
Cash and cash equivalents at the beginning of the period	29,652,920	19,916,758
Cash and cash equivalents at the end of the period	25,901,333	22,723,328

The annexed notes 1 to 18 form an integral part of these interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited (the Bank) was incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan, with principal place of business being in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 301 branches (31 December 2011: 290), 76 sub-branches (31 December 2011: 61) and 02 representative offices (31 December 2011 :02). The branch network of the Bank includes a wholesale branch in the Kingdom of Bahrain (31 December 2011: 01), a branch in Karachi Export Processing Zone (31 December 2011 :01) and 13 Islamic Banking branches (31 December 2011: 11).

2. STATEMENT OF COMPLIANCE

- 2.1 These interim condensed financial statements of the Bank have been prepared, in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP). In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.
- 2.3 The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2011.
- 2.4 These are separate interim condensed financial statements of the Bank in which investments in subsidiary and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those of the previous financial year except as follows:

New and amended standards

The Bank has adopted the following new amended IFRS which became effective during the period :

IAS 12 – Income Taxes (Amendment) Recovery of Underlying Assets

The adoption of the above amendment did not have any effect on the interim condensed financial statements.



Note	30-September 2012 (Un-Audited)			31-December 2011 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000)					
4. INVESTMENTS						
<i>Available for Sale Securities</i>						
Market Treasury Bills	94,895,970	74,889,463	169,785,433	78,715,641	27,588,855	106,304,496
Pakistan Investment Bonds	13,427,344	-	13,427,344	14,617,483	-	14,617,483
Foreign Currency Bonds	1,451,785	-	1,451,785	979,474	-	979,474
Sukuks	3,542,514	-	3,542,514	6,947,740	-	6,947,740
Ordinary shares of listed companies	245,917	-	245,917	70,918	-	70,918
Ordinary shares of unlisted companies	39,570	-	39,570	39,570	-	39,570
Listed term finance certificates	502,880	-	502,880	584,461	-	584,461
Unlisted term finance certificates	532,870	-	532,870	249,920	-	249,920
Open ended mutual funds	1,525,000	-	1,525,000	1,450,000	-	1,450,000
	116,163,850	74,889,463	191,053,313	103,655,207	27,588,855	131,244,062
<i>Held to Maturity Securities</i>	4.1					
Market Treasury Bills	62,159,225	-	62,159,225	76,079,520	-	76,079,520
Pakistan Investment Bonds	12,752,647	-	12,752,647	13,482,722	-	13,482,722
Sukuks	257,891	-	257,891	266,900	-	266,900
Listed term finance certificates	278,089	-	278,089	343,681	-	343,681
Unlisted term finance certificates	41,667	-	41,667	125,000	-	125,000
	75,489,519	-	75,489,519	90,297,823	-	90,297,823
<i>Associates</i>						
Habib Sugar Mills Limited	180,977	-	180,977	180,977	-	180,977
Habib Asset Management Limited	33,750	-	33,750	33,750	-	33,750
First Habib Income Fund	550,000	-	550,000	550,000	-	550,000
First Habib Stock Fund	50,000	-	50,000	50,000	-	50,000
First Habib Cash Fund	300,000	-	300,000	100,000	-	100,000
	1,114,727	-	1,114,727	914,727	-	914,727
<i>Subsidiary</i>						
AL Habib Capital Markets (Private) Limited	200,000	-	200,000	200,000	-	200,000
Investments at cost	192,968,096	74,889,463	267,857,559	195,067,757	27,588,855	222,656,612
Provision for diminution in the value of investments	(5,700)	-	(5,700)	(5,700)	-	(5,700)
Investments (net of provisions)	192,962,396	74,889,463	267,851,859	195,062,057	27,588,855	222,650,912
Surplus on revaluation of available for sale investments-net	10.2	1,144,388	209,892	1,354,280	161,803	145,859
Investments after revaluation of available for sale investments	194,106,784	75,099,355	269,206,139	195,223,860	27,734,714	222,958,574

4.1 The aggregate market value of held to maturity securities as on 30 September 2012 amounts to Rs. 76,722 (31 December 2011: 91,084) million.



	30-September 2012	31-December 2011
	Note (Un-Audited)	(Audited)
	(Rupees in '000)	
5. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	118,983,393	101,971,343
Outside Pakistan	7,381,003	4,325,819
	126,364,396	106,297,162
Net investment in finance lease / ijarah financing		
In Pakistan	484,944	426,351
Outside Pakistan	-	-
	484,944	426,351
Ijarah financing under IFAS 2	338,269	109,668
Murabaha	3,097,367	2,007,557
Bills discounted and purchased (excluding market treasury bills)		
Payable in Pakistan	1,611,522	1,928,992
Payable outside Pakistan	10,474,575	9,233,700
	12,086,097	11,162,692
Advances - gross	142,371,073	120,003,430
Provision against non-performing loans and advances		
Specific provision	5.1 (3,030,553)	(2,998,847)
General provision against consumer advances (as per SBP regulations)	5.2 (30,069)	(32,331)
General provision	5.3 (2,500,000)	(2,100,000)
	(5,560,622)	(5,131,178)
Advances - net of provisions	136,810,451	114,872,252

5.1 Advances include Rs. 3,280.108 (31 December 2011: Rs. 3,203.630) million which have been placed under non-performing status as detailed below:

Category of classification	30-September 2012 (Un-Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	13,157	-	13,157	3,289	-	3,289	3,289	-	3,289
Doubtful	90,046	-	90,046	45,024	-	45,024	45,024	-	45,024
Loss	3,175,645	1,260	3,176,905	2,980,980	1,260	2,982,240	2,980,980	1,260	2,982,240
	3,278,848	1,260	3,280,108	3,029,293	1,260	3,030,553	3,029,293	1,260	3,030,553



31-December 2011 (Audited)

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	56,537	-	56,537	14,134	-	14,134	14,134	-	14,134
Doubtful	100,467	-	100,467	48,520	-	48,520	48,520	-	48,520
Loss	3,045,133	1,493	3,046,626	2,934,700	1,493	2,936,193	2,934,700	1,493	2,936,193
	<u>3,202,137</u>	<u>1,493</u>	<u>3,203,630</u>	<u>2,997,354</u>	<u>1,493</u>	<u>2,998,847</u>	<u>2,997,354</u>	<u>1,493</u>	<u>2,998,847</u>

5.2 The Bank has made general provision for consumer portfolio as required by SBP's Prudential Regulations amounting to Rs. 30.069 (31 December 2011: Rs. 32.331) million.

5.3 In line with its prudent policies, the Bank has also made general provision of Rs. 400 million during the period, bringing the total of such provision to Rs. 2,500 (31 December 2011: Rs. 2,100) million against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

Nine months period ended
30-September 2012 30-September 2011
 (Rupees in '000)

6. OPERATING FIXED ASSETS

6.1 Additions during the period - at cost:

Leasehold land	391	31,447
Buildings on leasehold land	151,215	124,112
Improvements to leasehold buildings	55,675	163,625
Furniture and fixtures	22,967	38,041
Electrical, office and computer equipments	306,335	359,793
Vehicles	189,620	228,963
Intangible assets	41,536	11,443
	<u>767,739</u>	<u>957,424</u>

6.2 Deletions during the period - at cost:

Leasehold land	-	2,266
Improvements to leasehold buildings	-	14,664
Furniture and fixtures	1,262	2,133
Electrical, office and computer equipments	9,908	19,766
Vehicles	61,854	62,713
	<u>73,024</u>	<u>101,542</u>



30-September 31-December
2012 2011
(Un-Audited) (Audited)
 (Rupees in '000)

7. BORROWINGS

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	8,472,021	11,537,652
Long term financing for export oriented projects	414,937	568,700
Long term financing for imported and locally manufactured plant and machinery	3,508,584	3,322,617
Financing facility for storage of agricultural produce	47,703	71,554
	12,443,245	15,500,523
Repurchase agreement borrowings	75,040,875	27,712,777
	87,484,120	43,213,300

Unsecured

Borrowings from financial institutions	379,242	179,891
Overdrawn nostros	90,007	48,403
	469,249	228,294
	87,953,369	43,441,594

8. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	94,967,971	120,176,785
Savings deposits	94,930,135	70,196,707
Current accounts - Remunerative	34,011,825	26,524,367
Current accounts - Non-remunerative	91,146,990	78,697,621
	315,056,921	295,595,480

Financial Institutions

Remunerative deposits	4,140,817	6,267,220
Non-remunerative deposits	328,951	235,894
	4,469,768	6,503,114
	319,526,689	302,098,594



30-September 31-December
2012 2011
 Note **(Un-Audited)** (Audited)
 (Rupees in '000)

9. SUB-ORDINATED LOANS - unsecured

Term Finance Certificates (TFCs) - I (Quoted)		–	897,658
Term Finance Certificates (TFCs) - II (Quoted)	9.1	1,496,700	1,497,300
Term Finance Certificates (TFCs) - III (Unquoted)	9.2	1,994,800	1,996,000
Term Finance Certificates (TFCs) - IV (Unquoted)	9.3	2,998,800	2,999,400
		6,490,300	7,390,358

9.1 Term Finance Certificates - II (Quoted)

Total issue	Rupees 1,500 million
Rating	AA
Rate	Payable six monthly at average six months' KIBOR plus 1.95% without any floor and cap
Redemption	6 - 84th month: 0.28%; 90th and 96th month: 49.86% each
Tenor	8 years
Maturity	February 2015

9.2 Term Finance Certificates - III (Unquoted)

Total issue	Rupees 2,000 million
Rating	AA
Rate	Payable three monthly at 15.50% p.a. for first 5 years and 16.00% p.a. for next 3 years
Redemption	3rd - 84th month: 0.56%; 87th, 90th, 93rd and 96th month: 24.86% each
Tenor	8 years
Maturity	June 2017

9.3 Term Finance Certificates - IV (Unquoted)

Total issue	Rupees 3,000 million
Rating	AA
Rate	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	June 2021



		30-September 2012	31-December 2011
	Note	(Un-Audited)	(Audited)
		(Rupees in '000)	
10. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Operating fixed assets	10.1	1,769,572	1,803,278
Available for sale investments	10.2	881,004	213,515
		<u>2,650,576</u>	<u>2,016,793</u>
10.1 Operating fixed assets			
Surplus on revaluation of land and buildings		2,390,666	2,439,525
Related deferred tax liability		(621,094)	(636,247)
		<u>1,769,572</u>	<u>1,803,278</u>
10.2 Available for sale investments			
Federal Government Securities		1,312,980	319,757
Fully paid-up ordinary shares		24,825	(8,468)
Term finance certificates, sukuks and bonds		8,352	(19,380)
Open ended mutual funds		8,123	15,753
		<u>1,354,280</u>	<u>307,662</u>
Related deferred tax		(473,276)	(94,147)
		<u>881,004</u>	<u>213,515</u>
11. CONTINGENCIES AND COMMITMENTS			
11.1 Direct Credit Substitutes			
Financial institutions		127,898	79,615
Others		264,222	446,014
		<u>392,120</u>	<u>525,629</u>
11.2 Transaction-related Contingent Liabilities			
Government		9,855,984	8,008,832
Financial institutions		87,792	115,461
Others		6,280,186	4,544,785
		<u>16,223,962</u>	<u>12,669,078</u>



	30-September 2012 (Un-Audited)	31-December 2011 (Audited)
	(Rupees in '000)	
11.3 Trade-related Contingent Liabilities		
Letters of credit	35,604,281	32,838,848
Acceptances	6,336,093	7,104,549
	41,940,374	39,943,397

11.4 Other Contingencies

The Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2010. The income tax assessments of the Bank have been made by the tax authorities upto and including the assessment / tax year 2011.

For tax years, 2005 to 2008, the CIT Appeals has passed appellate orders by disallowing certain expenses / deductions (including bad debts written-off, improvement in leasehold premises, provision against non-performing loans and advances) having an aggregate financial impact of Rs. 44.256 (31 December 2011: 124.353) million. The Bank has preferred an appeal before ITAT against the above referred orders of the CIT Appeals.

The management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and hence, no additional provision has been considered necessary in these interim condensed financial statements.

	30-September 2012 (Un-Audited)	31-December 2011 (Audited)
	(Rupees in '000)	
11.5 Commitments in respect of forward lending		
Commitments to extend credit	616,868	15,603
11.6 Commitments in respect of forward exchange contracts		
Purchase	21,569,419	28,032,085
Sale	22,163,984	25,331,776

The maturities of above contracts are spread over a period upto one year.

11.7 Commitments for the acquisition of operating fixed assets	163,676	124,899
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Nine months period ended		Quarter ended	
30-September	30-September	30-September	30-September
2012	2011	2012	2011

(Un-Audited)
(Rupees in '000)

12. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:				
Customers	10,178,686	10,147,706	3,479,353	3,159,795
Financial institutions	135,838	163,497	51,760	28,746
	10,314,524	10,311,203	3,531,113	3,188,541
On investments:				
Available for sale securities	13,459,333	8,301,089	4,486,873	3,608,766
Held to maturity securities	7,389,339	7,423,255	2,401,700	2,672,432
	20,848,672	15,724,344	6,888,573	6,281,198
On deposits with financial institutions	60,212	55,893	25,622	20,760
On securities purchased under resale agreements	70,608	213,985	16,891	34,116
On call money lendings	2,468	3,575	1,768	422
	31,296,484	26,309,000	10,463,967	9,525,037

13. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	14,826,881	13,764,178	4,885,206	4,953,169
Sub-ordinated loans	752,671	621,291	244,744	274,219
Repurchase agreement borrowings	2,664,927	376,820	915,798	221,159
Borrowings from SBP	1,052,944	1,223,461	317,307	375,768
Other borrowings	388,265	109,928	51,906	75,007
	19,685,688	16,095,678	6,414,961	5,899,322

14. BASIC AND DILUTED - EARNINGS PER SHARE

The weighted average number of shares for 2011 has been adjusted for the effect of bonus shares issued during the period.

15. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates (including entities having directors in common with the Bank), retirement benefit funds, major share holders, directors and key management personnel and their close family members.

Transactions with related parties are carried out on an arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Bank are carried out in accordance with the terms of their employment.



Transactions for the period / year and balances outstanding as at the period / year end with related parties are summarised as follows:

	30-September 2012 (Un-Audited)					Total
	Subsidiary	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	
	(Rupees in '000)					
Deposits						
At the beginning of the period	1,494	1,438,356	86,815	275,992	118,882	1,921,539
Placement during the period	303,732	40,114,228	531,638	953,561	4,438,973	46,342,132
Withdrawal during the period	(276,058)	(40,384,975)	(480,022)	(901,555)	(4,414,884)	(46,457,494)
At the end of the period	29,168	1,167,609	138,431	327,998	142,971	1,806,177
Advances						
At the beginning of the period	9,380	1,404,261	426	30,252	-	1,444,319
Given during the period	2,513,856	11,629,531	2,456	26,021	-	14,171,864
Repaid during the period	(2,523,236)	(11,463,158)	(2,761)	(24,493)	-	(14,013,648)
At the end of the period	-	1,570,634	121	31,780	-	1,602,535
Investments						
At the beginning of the period	200,000	914,727	-	-	-	1,114,727
Investment made during the period	-	200,000	-	-	-	200,000
Redeemed during the period	-	-	-	-	-	-
At the end of the period	200,000	1,114,727	-	-	-	1,314,727
Contingencies and commitments	-	484,047	-	-	-	484,047
	31-December 2011 (Audited)					Total
	Subsidiary	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	
	(Rupees in '000)					
Deposits						
At the beginning of the year	20,009	1,687,940	13,638	126,804	310,525	2,158,916
Placement during the year	3,883,764	56,377,143	2,732,759	657,330	3,789,104	67,440,100
Withdrawal during the year	(3,902,279)	(56,626,727)	(2,659,582)	(508,142)	(3,980,747)	(67,677,477)
At the end of the year	1,494	1,438,356	86,815	275,992	118,882	1,921,539
Advances						
At the beginning of the year	-	369,808	214	17,525	-	387,547
Given during the year	5,025,112	17,461,683	1,653	31,744	-	22,520,192
Repaid during the year	(5,015,732)	(16,427,230)	(1,441)	(19,017)	-	(21,463,420)
At the end of the year	9,380	1,404,261	426	30,252	-	1,444,319
Investments						
At the beginning of the year	200,000	864,727	-	-	-	1,064,727
Investment made during the year	-	100,000	-	-	-	100,000
Redeemed during the year	-	(50,000)	-	-	-	(50,000)
At the end of the year	200,000	914,727	-	-	-	1,114,727
Contingencies and commitments	-	518,781	-	-	-	518,781



16. ISLAMIC BANKING BUSINESS

The Bank is operating 13 Islamic Banking branches (31 December 2011: 11). The statement of financial position of these branches as at 30 September 2012 is as follows:

	30-September 2012 (Un-Audited)	31-December 2011 (Audited)
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	353,383	270,353
Balances with and due from financial institutions	7,523	494,968
Investments	1,602,273	1,362,945
Financing and receivables		
– Murabaha	3,054,082	1,848,829
– Ijarah	342,382	154,480
– Diminishing musharka	1,852,772	2,099,681
– Export refinance murabaha	43,285	158,727
– Export refinance istisna	756,329	1,086,631
– Istisna	233,466	11,102
Other assets	352,401	832,175
	8,597,896	8,319,891
LIABILITIES		
Bills payable	63,619	29,886
Due to financial institutions	245,879	1,192,491
Deposits and other accounts		
– Current accounts	1,103,114	986,652
– Saving accounts	629,638	519,840
– Term deposits	4,403,175	3,612,383
– Others	15,975	12,832
– Deposits from financial institutions-remunerative	16,098	315,594
– Deposits from financial institutions-non-remunerative	1,157	562
Due to head office	620,000	195,478
Other liabilities	306,493	180,097
	7,405,148	7,045,815
NET ASSETS	1,192,748	1,274,076
REPRESENTED BY:		
Islamic banking fund	950,000	900,000
Unremitted profit	234,508	372,106
	1,184,508	1,272,106
Surplus on revaluation of assets	8,240	1,970
	1,192,748	1,274,076



17. DATE OF AUTHORISATION

These interim condensed financial statements were authorised for issue by the Board of Directors in their meeting held on 23 October 2012.

18. GENERAL

18.1 Figures have been rounded off to the nearest thousand rupees.

18.2 Corresponding figures have been re-arranged / re-classified wherever necessary, for the purpose of comparison.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Company



**CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

	Note	30-September 2012 (Un-Audited)	31-December 2011 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		24,196,431	22,957,988
Balances with other banks		1,796,463	6,744,643
Lendings to financial institutions		1,467,129	–
Investments	4	269,322,551	223,105,101
Advances	5	136,810,708	114,863,132
Operating fixed assets	6	11,132,385	10,791,345
Deferred tax assets		–	–
Other assets		5,305,664	6,063,405
		450,031,331	384,525,614
LIABILITIES			
Bills payable		5,990,803	4,979,720
Borrowings	7	87,953,369	43,441,594
Deposits and other accounts	8	319,497,272	302,097,187
Sub-ordinated loans	9	6,490,300	7,390,358
Liabilities against assets subject to finance lease		–	28
Deferred tax liabilities		1,877,663	1,232,433
Other liabilities		5,793,520	5,373,006
		427,602,927	364,514,326
NET ASSETS		22,428,404	20,011,288
REPRESENTED BY:			
Share capital		10,103,868	8,785,972
Reserves		6,134,135	5,324,689
Unappropriated profit		3,407,881	3,767,998
Equity attributable to the shareholders of the Holding Company		19,645,884	17,878,659
Non-controlling interest		108,170	109,782
Total equity		19,754,054	17,988,441
Surplus on revaluation of assets - net of tax	10	2,674,350	2,022,847
		22,428,404	20,011,288
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes 1 to 18 form an integral part of these consolidated interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



CONSOLIDATED INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012

Note	Nine months period ended		Quarter ended		
	30-September 2012	30-September 2011 (Rupees in '000)	30-September 2012	30-September 2011	
Mark-up / return / interest earned	12	31,302,680	26,329,256	10,463,950	9,531,793
Mark-up / return / interest expensed	13	(19,685,118)	(16,095,019)	(6,414,830)	(5,899,036)
Net mark-up / return / interest income		11,617,562	10,234,237	4,049,120	3,632,757
Provision against non-performing loans and advances	5.3	(431,195)	(1,700,358)	(51,698)	(930,292)
Reversal / (provision) for diminution in the value of investments		14	18	-	(5)
Bad debts written-off directly		-	-	-	-
		(431,181)	(1,700,340)	(51,698)	(930,297)
Net mark-up / return / interest income after provisions		11,186,381	8,533,897	3,997,422	2,702,460
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		1,123,034	984,344	366,862	319,127
Dividend income		253,364	141,546	82,158	122,320
Income from dealing in foreign currencies		389,379	514,406	175,480	74,266
Gain / (loss) on sale / redemption of securities - net		76,815	447	7,677	284
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-	-	-
Share of profit from associates		95,366	69,659	28,580	21,457
Other income		337,288	303,863	118,458	119,000
Total non mark-up / interest income		2,275,246	2,014,265	779,215	656,454
		13,461,627	10,548,162	4,776,637	3,358,914
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(6,721,544)	(5,644,340)	(2,586,896)	(1,957,667)
Other provisions / write-offs		(844)	(15,797)	(844)	(11,094)
Other charges		(134,524)	(96,306)	(43,375)	(26,419)
Total non mark-up / interest expenses		(6,856,912)	(5,756,443)	(2,631,115)	(1,995,180)
		6,604,715	4,791,719	2,145,522	1,363,734
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		6,604,715	4,791,719	2,145,522	1,363,734
Taxation - Current		(2,381,134)	(1,670,235)	(761,834)	(473,403)
- Prior years		(57,437)	-	-	-
- Deferred		(266,215)	(152,297)	6,644	(5,986)
		(2,704,786)	(1,822,532)	(755,190)	(479,389)
PROFIT AFTER TAXATION		3,899,929	2,969,187	1,390,332	884,345
Attributable to:					
Shareholders of the Holding Company		3,901,541	2,969,637	1,391,702	884,742
Non-controlling interest		(1,612)	(450)	(1,370)	(397)
		3,899,929	2,969,187	1,390,332	884,345
			Restated		Restated
Basic and diluted earnings per share attributable to shareholders of the Holding Company - Rupees	14	3.86	2.94	1.38	0.88

The annexed notes 1 to 18 form an integral part of these consolidated interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012**

	Nine months period ended		Quarter ended	
	30-September 2012	30-September 2011	30-September 2012	30-September 2011
	(Rupees in '000)			
Net profit for the period	3,899,929	2,969,187	1,390,332	884,345
Other comprehensive income				
Effect of foreign currency translation of net investment in foreign branch	34,139	11,001	1,837	9,038
Total comprehensive income for the period	3,934,068	2,980,188	1,392,169	893,383
Attributable to:				
Shareholders of the Holding Company	3,935,680	2,980,638	1,393,539	893,780
Non-controlling interest	(1,612)	(450)	(1,370)	(397)
	3,934,068	2,980,188	1,392,169	893,383

The annexed notes 1 to 18 form an integral part of these consolidated interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012

	Attributable to the shareholders of the Holding Company								
	Share Capital	Statutory Reserve	Revenue Reserves		Foreign Currency Translation Reserve	Unappropriated Profit	Total	Non-controlling Interest	Total
Special Reserve			General Reserve						
Balance as at 01 January 2011	7,321,643	3,634,173	126,500	540,000	91,591	3,030,199	14,744,106	110,334	14,854,440
Total comprehensive income for the period	-	-	-	-	11,001	2,969,637	2,980,638	(450)	2,980,188
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	26,147	26,147	-	26,147
Transfer to statutory reserve	-	592,666	-	-	-	(592,666)	-	-	-
Cash dividend (Rs. 2 per share)	-	-	-	-	-	(1,464,329)	(1,464,329)	-	(1,464,329)
Issue of bonus shares in the ratio of 20 shares for every 100 shares held	1,464,329	-	-	-	-	(1,464,329)	-	-	-
Balance as at 30 September 2011	8,785,972	4,226,839	126,500	540,000	102,592	2,504,659	16,286,562	109,884	16,396,446
Total comprehensive income for the period	-	-	-	-	14,728	1,568,019	1,582,747	(102)	1,582,645
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	9,350	9,350	-	9,350
Transfer to statutory reserve	-	314,030	-	-	-	(314,030)	-	-	-
Balance as at 31 December 2011	8,785,972	4,540,869	126,500	540,000	117,320	3,767,998	17,878,659	109,782	17,988,441
Total comprehensive income for the period	-	-	-	-	34,139	3,901,541	3,935,680	(1,612)	3,934,068
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	28,038	28,038	-	28,038
Transfer to statutory reserve	-	775,307	-	-	-	(775,307)	-	-	-
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	(2,196,493)	(2,196,493)	-	(2,196,493)
Issue of bonus shares in the ratio of 15 shares for every 100 shares held	1,317,896	-	-	-	-	(1,317,896)	-	-	-
Balance as at 30 September 2012	10,103,868	5,316,176	126,500	540,000	151,459	3,407,881	19,645,884	108,170	19,754,054

The annexed notes 1 to 18 form an integral part of these consolidated interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



**CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012**

	30-September 2012	30-September 2011
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,604,715	4,791,719
Dividend income	(253,364)	(141,546)
	6,351,351	4,650,173
Adjustments for non-cash changes:		
Depreciation	597,475	566,757
Amortisation	23,102	29,932
Provision against non-performing loans and advances	431,195	1,700,358
(Reversal) / provision for diminution in the value of investments	(14)	(18)
Gain on sale / redemption of securities	(76,815)	(447)
Provision for defined benefit plan	90,000	77,850
Charge for compensated absences	31,409	13,149
Share of profit from associates	(95,366)	(69,659)
Gain on disposal of operating fixed assets	(45,512)	(55,347)
Provision against off-balance sheet items	844	15,797
Financial charges on leased assets	1	21
	956,319	2,278,393
	7,307,670	6,928,566
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,467,129)	1,139,268
Advances	(22,378,771)	18,082,076
Other assets	750,559	778,592
	(23,095,341)	19,999,936
Increase / (decrease) in operating liabilities		
Bills payable	1,011,083	705,727
Borrowings	44,470,171	(1,771,605)
Deposits and other accounts	17,400,085	40,464,629
Other liabilities (excluding provision for taxation)	398,730	1,380,220
	63,280,069	40,778,971
Cash inflow before tax	47,492,398	67,707,473
Income tax paid	(2,575,642)	(1,885,891)
Net cash flow from operating activities	44,916,756	65,821,582
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(59,837,013)	(52,969,983)
Net investments in held to maturity securities	14,988,916	(10,489,151)
Net investments in associates	(132,787)	8,950
Dividend received	254,839	140,135
Investments in operating fixed assets	(968,528)	(899,732)
Sale proceeds of operating fixed assets	52,992	76,376
Net cash used in investing activities	(45,641,581)	(64,133,405)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts of sub-ordinated loans	-	3,000,000
Payments of sub-ordinated loans	(900,058)	(450,902)
Payment of lease obligations	(29)	(351)
Dividend paid	(2,160,568)	(1,440,515)
Net cash (used in) / from financing activities	(3,060,655)	1,108,232
Exchange adjustment on translation of net investment in foreign branch	34,139	11,001
(Decrease) / increase in cash and cash equivalents	(3,751,341)	2,807,410
Cash and cash equivalents at the beginning of the period	29,654,228	19,917,173
Cash and cash equivalents at the end of the period	25,902,887	22,724,583

The annexed notes 1 to 18 form an integral part of these consolidated interim condensed financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director



NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2012

1. STATUS AND NATURE OF BUSINESS

The Group consists of :

- Bank AL Habib Limited (Holding Company)
- AL Habib Capital Markets (Private) Limited (Subsidiary Company)

Bank AL Habib Limited (the Bank) was incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan, with principal place of business being in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 301 branches (31 December 2011: 290), 76 sub-branches (31 December 2011: 61) and two representative offices (31 December 2011 :02). The branch network of the Bank includes a wholesale branch in the Kingdom of Bahrain (31 December 2011: 01), a branch in Karachi Export Processing Zone (31 December 2011 :01) and 13 Islamic Banking branches (31 December 2011: 11).The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited (the Company). The principal objective of the Company is to engage in the business of equity, money market and foreign exchange, brokerage, equity research and corporate financial advisory and consultancy services.The Company was incorporated in Pakistan as a (Private) Limited Company on 23 August 2005 under the Companies Ordinance, 1984 and started operations from 14 December 2005.

2. STATEMENT OF COMPLIANCE

2.1 These consolidated interim condensed financial statements of the Group have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, Banking Companies Ordinance,1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

2.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.



2.3 The disclosures made in these consolidated interim condensed financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required in the annual financial statements. Accordingly, these consolidated interim condensed financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2011.

3. ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of these consolidated interim condensed financial statements are consistent with those of the previous financial year except as follows:

New and amended standards

The Group has adopted the following new amended IFRS which became effective during the period :

IAS 12 – Income Taxes (Amendment) Recovery of Underlying Assets

The adoption of the above amendment did not have any effect on the consolidated interim condensed financial statements.

3.2 The basis of consolidation of the financial statements of subsidiary is same as that applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2011.



Note	30-September 2012 (Un-Audited)			31-December 2011 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000)					
4. INVESTMENTS						
<i>Available for Sale Securities</i>						
Market Treasury Bills	94,895,970	74,889,463	169,785,433	78,715,641	27,588,855	106,304,496
Pakistan Investment Bonds	13,427,344	-	13,427,344	14,617,483	-	14,617,483
Foreign Currency Bonds	1,451,785	-	1,451,785	979,474	-	979,474
Sukuks	3,542,514	-	3,542,514	6,947,740	-	6,947,740
Ordinary shares of listed companies	256,520	-	256,520	151,110	-	151,110
Ordinary shares of unlisted companies	39,570	-	39,570	39,570	-	39,570
Listed term finance certificates	502,880	-	502,880	584,461	-	584,461
Unlisted term finance certificates	532,870	-	532,870	249,920	-	249,920
Open ended mutual funds	1,727,189	-	1,727,189	1,478,000	-	1,478,000
	116,376,642	74,889,463	191,266,105	103,763,399	27,588,855	131,352,254
<i>Held to Maturity Securities</i>	4.1					
Market Treasury Bills	62,159,225	-	62,159,225	76,260,132	-	76,260,132
Pakistan Investment Bonds	12,752,647	-	12,752,647	13,482,722	-	13,482,722
Sukuks	257,891	-	257,891	266,900	-	266,900
Listed term finance certificates	278,089	-	278,089	343,681	-	343,681
Unlisted term finance certificates	41,667	-	41,667	125,000	-	125,000
	75,489,519	-	75,489,519	90,478,435	-	90,478,435
<i>Associates</i>						
Habib Sugar Mills Limited	262,205	-	262,205	248,315	-	248,315
Habib Asset Management Limited	38,183	-	38,183	35,254	-	35,254
First Habib Income Fund	541,667	-	541,667	541,283	-	541,283
First Habib Stock Fund	53,260	-	53,260	44,149	-	44,149
First Habib Cash Fund	309,535	-	309,535	104,094	-	104,094
	1,204,850	-	1,204,850	973,095	-	973,095
Investments at cost	193,071,011	74,889,463	267,960,474	195,214,929	27,588,855	222,803,784
Provision for diminution in the value of investments	(6,586)	-	(6,586)	(6,600)	-	(6,600)
Investments (net of provisions)	193,064,425	74,889,463	267,953,888	195,208,329	27,588,855	222,797,184
Surplus on revaluation of available for sale investments-net	1,158,771	209,892	1,368,663	162,058	145,859	307,917
Investments after revaluation of available for sale investments	194,223,196	75,099,355	269,322,551	195,370,387	27,734,714	223,105,101

4.1 The aggregate market value of held to maturity securities as on 30 September 2012 amounts to Rs. 76,722 (31 December 2011: 91,265) million.



	30-September 2012	31-December 2011
Note	(Un-Audited)	(Audited)
	(Rupees in '000)	
5. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	118,983,650	101,962,223
Outside Pakistan	7,381,003	4,325,819
	126,364,653	106,288,042
Net investment in finance lease / ijarah financing		
In Pakistan	484,944	426,351
Outside Pakistan	–	–
	484,944	426,351
Ijarah financing under IFAS 2	338,269	109,668
Murabaha	3,097,367	2,007,557
Bills discounted and purchased (excluding market treasury bills)		
Payable in Pakistan	1,611,522	1,928,992
Payable outside Pakistan	10,474,575	9,233,700
	12,086,097	11,162,692
Advances - gross	142,371,330	119,994,310
Provision against non-performing loans and advances		
Specific provision	5.1 (3,030,553)	(2,998,847)
General provision against consumer advances (as per SBP regulations)	5.2 (30,069)	(32,331)
General provision	5.3 (2,500,000)	(2,100,000)
	(5,560,622)	(5,131,178)
Advances - net of provisions	136,810,708	114,863,132

5.1 Advances include Rs. 3,280.108 (31 December 2011: Rs. 3,203.630) million which have been placed under non-performing status as detailed below:

Category of classification	30-September 2012 (Un-Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	13,157	–	13,157	3,289	–	3,289	3,289	–	3,289
Doubtful	90,046	–	90,046	45,024	–	45,024	45,024	–	45,024
Loss	3,175,645	1,260	3,176,905	2,980,980	1,260	2,982,240	2,980,980	1,260	2,982,240
	3,278,848	1,260	3,280,108	3,029,293	1,260	3,030,553	3,029,293	1,260	3,030,553



31-December 2011 (Audited)

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	56,537	-	56,537	14,134	-	14,134	14,134	-	14,134
Doubtful	100,467	-	100,467	48,520	-	48,520	48,520	-	48,520
Loss	3,045,133	1,493	3,046,626	2,934,700	1,493	2,936,193	2,934,700	1,493	2,936,193
	<u>3,202,137</u>	<u>1,493</u>	<u>3,203,630</u>	<u>2,997,354</u>	<u>1,493</u>	<u>2,998,847</u>	<u>2,997,354</u>	<u>1,493</u>	<u>2,998,847</u>

5.2 The Bank has made general provision for consumer portfolio as required by SBP's Prudential Regulations amounting to Rs. 30.069 (31 December 2011: Rs. 32.331) million.

5.3 In line with its prudent policies, the Bank has also made general provision of Rs. 400 million during the period, bringing the total of such provision to Rs. 2,500 (31 December 2011: Rs. 2,100) million against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

Nine months period ended
30-September 2012 **30-September 2011**
(Rupees in '000)

6. OPERATING FIXED ASSETS

6.1 Additions during the period - at cost:

Leasehold land	391	31,447
Buildings on leasehold land	151,215	124,112
Improvements to leasehold buildings	55,675	163,625
Furniture and fixtures	22,967	38,041
Electrical, office and computer equipments	306,821	359,865
Vehicles	189,620	228,963
Intangible assets	41,536	11,443
	<u>768,225</u>	<u>957,496</u>

6.2 Deletions during the period - at cost:

Leasehold land	-	2,266
Improvements to leasehold buildings	-	14,664
Furniture and fixtures	1,262	2,133
Electrical, office and computer equipments	10,402	20,197
Vehicles	61,897	62,713
	<u>73,561</u>	<u>101,973</u>



30-September 31-December
2012 2011
(Un-Audited) (Audited)
 (Rupees in '000)

7. BORROWINGS

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	8,472,021	11,537,652
Long term financing for export oriented projects	414,937	568,700
Long term financing for imported and locally manufactured plant and machinery	3,508,584	3,322,617
Financing facility for storage of agricultural produce	47,703	71,554
	12,443,245	15,500,523
Repurchase agreement borrowings	75,040,875	27,712,777
	87,484,120	43,213,300

Unsecured

Borrowings from financial institutions	379,242	179,891
Overdrawn nostros	90,007	48,403
	469,249	228,294
	87,953,369	43,441,594

8. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	94,967,971	120,176,785
Savings deposits	94,930,135	70,196,707
Current accounts - Remunerative	34,011,825	26,524,367
Current accounts - Non-remunerative	91,146,990	78,697,621
	315,056,921	295,595,480

Financial Institutions

Remunerative deposits	4,111,400	6,267,159
Non-remunerative deposits	328,951	234,548
	4,440,351	6,501,707
	319,497,272	302,097,187



30-September 31-December
2012 2011
 Note **(Un-Audited)** (Audited)
 (Rupees in '000)

9. SUB-ORDINATED LOANS - unsecured

Term Finance Certificates (TFCs) - I (Quoted)		–	897,658
Term Finance Certificates (TFCs) - II (Quoted)	9.1	1,496,700	1,497,300
Term Finance Certificates (TFCs) - III (Unquoted)	9.2	1,994,800	1,996,000
Term Finance Certificates (TFCs) - IV (Unquoted)	9.3	2,998,800	2,999,400
		6,490,300	7,390,358
		6,490,300	7,390,358

9.1 Term Finance Certificates - II (Quoted)

Total issue	Rupees 1,500 million
Rating	AA
Rate	Payable six monthly at average six months' KIBOR plus 1.95% without any floor and cap
Redemption	6 - 84th month: 0.28%; 90th and 96th month: 49.86% each
Tenor	8 years
Maturity	February 2015

9.2 Term Finance Certificates - III (Unquoted)

Total issue	Rupees 2,000 million
Rating	AA
Rate	Payable three monthly at 15.50% p.a. for first 5 years and 16.00% p.a. for next 3 years
Redemption	3rd - 84th month: 0.56%; 87th, 90th, 93rd and 96th month: 24.86% each
Tenor	8 years
Maturity	June 2017

9.3 Term Finance Certificates - IV (Unquoted)

Total issue	Rupees 3,000 million
Rating	AA
Rate	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	June 2021



		30-September 2012	31-December 2011
	Note	(Un-Audited)	(Audited)
		(Rupees in '000)	
10. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Operating fixed assets	10.1	1,769,572	1,803,278
Available for sale investments	10.2	904,778	219,569
		<u>2,674,350</u>	<u>2,022,847</u>
10.1 Operating fixed assets			
Surplus on revaluation of land and buildings		2,390,666	2,439,525
Related deferred tax liability		(621,094)	(636,247)
		<u>1,769,572</u>	<u>1,803,278</u>
10.2 Available for sale investments			
Federal Government Securities		1,312,980	319,757
Fully paid-up ordinary shares		28,182	(2,610)
Term finance certificates, sukuks, bonds and others		17,743	(19,380)
Open ended mutual funds		19,149	15,949
		<u>1,378,054</u>	<u>313,716</u>
Related deferred tax		(473,276)	(94,147)
		<u>904,778</u>	<u>219,569</u>
11. CONTINGENCIES AND COMMITMENTS			
11.1 Direct Credit Substitutes			
Financial institutions		127,898	79,615
Others		264,222	446,014
		<u>392,120</u>	<u>525,629</u>
11.2 Transaction-related Contingent Liabilities			
Government		9,855,984	8,008,832
Financial institutions		87,792	115,461
Others		6,280,186	4,544,785
		<u>16,223,962</u>	<u>12,669,078</u>



30-September 2012 **31-December 2011**
(Un-Audited) **(Audited)**
(Rupees in '000)

11.3 Trade-related Contingent Liabilities

Letters of credit	35,604,281	32,838,848
Acceptances	6,336,093	7,104,549
	41,940,374	39,943,397

11.4 Other Contingencies

The Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2010. The income tax assessments of the Bank have been made by the tax authorities upto and including the assessment / tax year 2011.

For tax years, 2005 to 2008, the CIT Appeals has passed appellate orders by disallowing certain expenses / deductions (including bad debts written-off, improvement in leasehold premises, provision against non-performing loans and advances) having an aggregate financial impact of Rs. 44.256 (31 December 2011: 124.353) million. The Bank has preferred an appeal before ITAT against the above referred orders of the CIT Appeals.

The management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and hence, no additional provision has been considered necessary in these interim condensed financial statements.

30-September 2012 **31-December 2011**
(Un-Audited) **(Audited)**
(Rupees in '000)

11.5 Commitments in respect of forward lending

Commitments to extend credit	616,868	15,603
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11.6 Commitments in respect of forward exchange contracts

Purchase	21,569,419	28,032,085
Sale	22,163,984	25,331,776

The maturities of above contracts are spread over a period upto one year.

11.7 Commitments for the acquisition of operating fixed assets

	163,676	124,899
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	<u>Nine months period ended</u>		<u>Quarter ended</u>	
	<u>30-September</u>	<u>30-September</u>	<u>30-September</u>	<u>30-September</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>

(Un-Audited)
(Rupees in '000)

12. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:				
Customers	10,178,442	10,147,857	3,479,326	3,159,656
Financial institutions	135,838	163,497	51,760	28,746
	<u>10,314,280</u>	<u>10,311,354</u>	<u>3,531,086</u>	<u>3,188,402</u>
On investments:				
Available for sale securities	13,459,333	8,301,089	4,486,873	3,608,766
Held to maturity securities	7,395,727	7,443,333	2,401,700	2,679,317
	<u>20,855,060</u>	<u>15,744,422</u>	<u>6,888,573</u>	<u>6,288,083</u>
On deposits with financial institutions	60,264	55,920	25,632	20,770
On securities purchased under resale agreements	70,608	213,985	16,891	34,116
On call money lendings	2,468	3,575	1,768	422
	<u>31,302,680</u>	<u>26,329,256</u>	<u>10,463,950</u>	<u>9,531,793</u>

13. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	14,826,311	13,763,519	4,885,075	4,952,952
Sub-ordinated loans	752,671	621,291	244,744	274,219
Repurchase agreement borrowings	2,664,927	376,820	915,798	221,159
Borrowings from SBP	1,052,944	1,223,461	317,307	375,768
Other borrowings	388,265	109,928	51,906	74,938
	<u>19,685,118</u>	<u>16,095,019</u>	<u>6,414,830</u>	<u>5,899,036</u>

14. BASIC AND DILUTED - EARNINGS PER SHARE

The weighted average number of shares for 2011 has been adjusted for the effect of bonus shares issued during the period.

15. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), retirement benefit funds, major share holders, directors and key management personnel and their close family members.

Transactions with related parties are carried out on an arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Group are carried out in accordance with the terms of their employment.



Transactions for the period / year and balances outstanding as at the period / year end with related parties are summarised as follows:

	30-September 2012 (Un-Audited)				Total
	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	
	(Rupees in '000)				
Deposits					
At the beginning of the period	1,438,356	86,815	275,992	118,882	1,920,045
Placement during the period	40,114,228	531,638	953,561	4,438,973	46,038,400
Withdrawal during the period	(40,384,975)	(480,022)	(901,555)	(4,414,884)	(46,181,436)
At the end of the period	<u>1,167,609</u>	<u>138,431</u>	<u>327,998</u>	<u>142,971</u>	<u>1,777,009</u>
Advances					
At the beginning of the period	1,404,261	426	30,252	-	1,434,939
Given during the period	11,629,531	2,456	26,021	-	11,658,008
Repaid during the period	(11,463,158)	(2,761)	(24,493)	-	(11,490,412)
At the end of the period	<u>1,570,634</u>	<u>121</u>	<u>31,780</u>	<u>-</u>	<u>1,602,535</u>
Investments					
At the beginning of the period	973,095	-	-	-	973,095
Investment made during the period	200,000	-	-	-	200,000
Redeemed / adjusted during the period	31,755	-	-	-	31,755
At the end of the period	<u>1,204,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,204,850</u>
Contingencies and commitments	<u>484,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>484,047</u>

	31-December 2011 (Audited)				Total
	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	
	(Rupees in '000)				
Deposits					
At the beginning of the year	1,687,940	13,638	126,804	310,525	2,138,907
Placement during the year	56,377,143	2,732,759	657,330	3,789,104	63,556,336
Withdrawal during the year	(56,626,727)	(2,659,582)	(508,142)	(3,980,747)	(63,775,198)
At the end of the year	<u>1,438,356</u>	<u>86,815</u>	<u>275,992</u>	<u>118,882</u>	<u>1,920,045</u>
Advances					
At the beginning of the year	369,808	214	17,525	-	387,547
Given during the year	17,461,683	1,653	31,744	-	17,495,080
Repaid during the year	(16,427,230)	(1,441)	(19,017)	-	(16,447,688)
At the end of the year	<u>1,404,261</u>	<u>426</u>	<u>30,252</u>	<u>-</u>	<u>1,434,939</u>
Investments					
At the beginning of the year	916,681	-	-	-	916,681
Investment made during the year	100,000	-	-	-	100,000
Redeemed / adjusted during the year	(43,586)	-	-	-	(43,586)
At the end of the year	<u>973,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>973,095</u>
Contingencies and commitments	<u>518,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>518,781</u>



Nine months period ended 30-September 2012 (Un-Audited)

	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)				
Purchase of fixed assets	1,285	–	–	–	1,285
Sale of securities	3,436	–	–	–	3,436
Redemption of mutual funds units	59	–	–	–	59
Purchase of mutual fund units	200,000	–	–	–	200,000
Mark-up earned	103,767	2	1,365	–	105,134
Mark-up expensed	76,928	7,021	22,086	13,145	119,180
Bank charges and commission	3,157	5	83	–	3,245
Gain on sale of securities	13	–	–	–	13
Salaries and allowances	–	–	123,665	–	123,665
Bonus	–	–	15,848	–	15,848
Contribution to defined contribution plan	–	–	5,434	–	5,434
Contribution to defined benefit plan	–	–	6,773	–	6,773
Staff provident fund	–	–	–	117,148	117,148
Staff gratuity fund	–	–	–	90,000	90,000
Directors' fee	–	1,675	–	–	1,675
Insurance claim received	12,672	–	–	–	12,672
Insurance premium paid	141,961	–	–	–	141,961
Dividend income	67,136	–	–	–	67,136
Brokerage and advisory income	611	–	–	–	611

Nine months period ended 30-September 2011 (Un-Audited)

	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)				
Purchase of fixed assets	1,858	–	–	–	1,858
Sale of securities	47,089	–	–	–	47,089
Redemption of mutual funds units	49,730	–	–	–	49,730
Purchase of mutual fund units	100,000	–	–	–	100,000
Mark-up earned	35,059	–	1,545	–	36,604
Mark-up expensed	65,167	2,193	8,601	15,359	91,320
Bank charges and commission	5,726	2	56	–	5,784
Loss on sale of securities	(1,436)	–	–	–	(1,436)
Salaries and allowances	–	–	119,326	–	119,326
Bonus	–	–	13,859	–	13,859
Contribution to defined contribution plan	–	–	5,081	–	5,081
Contribution to defined benefit plan	–	–	11,135	–	11,135
Staff provident fund	–	–	–	98,621	98,621
Staff gratuity fund	–	–	–	77,850	77,850
Directors' fee	–	1,700	–	–	1,700
Insurance claim received	12,220	–	–	–	12,220
Insurance premium paid	126,606	–	–	–	126,606
Dividend income	64,032	–	–	–	64,032
Brokerage and advisory income	475	–	–	–	475



16. ISLAMIC BANKING BUSINESS

The Bank is operating 13 Islamic Banking branches (31 December 2011: 11). The statement of financial position of these branches as at 30 September 2012 is as follows:

	30-September 2012 (Un-Audited)	31-December 2011 (Audited)
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	353,383	270,353
Balances with and due from financial institutions	7,523	494,968
Investments	1,602,273	1,362,945
Financing and receivables		
– Murabaha	3,054,082	1,848,829
– Ijarah	342,382	154,480
– Diminishing musharka	1,852,772	2,099,681
– Export refinance murabaha	43,285	158,727
– Export refinance istisna	756,329	1,086,631
– Istisna	233,466	11,102
Other assets	352,401	832,175
	8,597,896	8,319,891
LIABILITIES		
Bills payable	63,619	29,886
Due to financial institutions	245,879	1,192,491
Deposits and other accounts		
– Current accounts	1,103,114	986,652
– Saving accounts	629,638	519,840
– Term deposits	4,403,175	3,612,383
– Others	15,975	12,832
– Deposits from financial institutions-remunerative	16,098	315,594
– Deposits from financial institutions-non-remunerative	1,157	562
Due to head office	620,000	195,478
Other liabilities	306,493	180,097
	7,405,148	7,045,815
NET ASSETS	1,192,748	1,274,076
REPRESENTED BY:		
Islamic banking fund	950,000	900,000
Unremitted profit	234,508	372,106
	1,184,508	1,272,106
Surplus on revaluation of assets	8,240	1,970
	1,192,748	1,274,076



17. DATE OF AUTHORISATION

These consolidated interim condensed financial statements were authorised for issue by the Board of Directors in their meeting held on 23 October 2012.

18. GENERAL

18.1 Figures have been rounded off to the nearest thousand rupees.

18.2 Corresponding figures have been re-arranged / re-classified wherever necessary, for the purpose of comparison.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director