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COMPANY INFORMATION

Board of Directors

Syed Babar Ali - Chairman
Mr. Towfiq H. Chinoy - Director
Mr. Farid Khan - Director
Mr. Arif Faruque - Director
Mr. Jalees A. Siddiqi - Director
Mr. Khalid Yacob - Director
Mr. Tariq H. Quraishi - Managing Director
& Chief Executive

Audit Committee

Mr. Khalid Yacob - Chairman
Mr. Jalees A. Siddiqi
Mr. Farid Khan

Auditors

M/s. Ernst & Young Ford Rhodes Sidat
Hyder & Co.,
Chartered Accountants

Legal Advisors

M/s Access World Law Company
M/s A.W. Butt & Associates
M/s Azam Lawyers & Consultants
M/s Chaudhry Abdul Rauf & Co.
M/s S. & B. Durrani Law Associates
M/s Hassan & Hassan Advocates
M/s Haider Mota & Co.
M/s Jurists & Arbitrators Advocates
& Consultants
M/s Lexicon Law Firm
M/s Mandviwala & Zafar Advocates
M/s Mian Law Associates
M/s Mohsin Tayebaly & Co.
M/s Mughees Law Associates
M/s Naveed ul Zaman & Associates
M/s ORR, Dignam & Co.
M/s Rahman Law Associates

Bankers

Allied Bank Ltd.
Bank AL Habib Ltd.
Faysal Bank Ltd.
Habib Metro Bank Ltd.
JS Bank Ltd.
MCB Bank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank
Summit Bank
United Bank Ltd.

Shares Registrar

Noble Computer Services
(Private) Limited
Mezzanine Floor, House of Habib
Building (Siddiqsons Tower),
3-Jinnah Cooperative House
Society, Main Shahrah-e-Faisal,
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Fax: (021) 34325442

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DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of the company is pleased to submit the un-audited financial statements for the quarter ended September 30, 2012.

The first quarter of financial year 2012-2013 was another challenging period for the country. The continuous rise in energy cost and uncertain security situation exerted significant pressure on the economy. The NBFC sector has continued to face impediments in its business activities due to factors beyond its control such as reluctance of the financial institutions/banks to provide long term borrowing lines and continuing increase in costs of doing business. The stock market showed considerable improvement in volumes as well as index during the quarter, which was mainly due to the decrease of State Bank's discount rate from 12% p.a. to 10.5% p.a.

Your company has reported an operating profit before provisions of Rs.2.23 million as against an operating loss of Rs.7.97 million in the corresponding period of last year. The Company's ongoing cost saving initiatives continued during the quarter under report. At the bottom line, the company has reported an after tax loss of Rs.177.45 million for the quarter ended September 30, 2012. The main reason for this increase in loss is the additional provisioning made under the new SECP regulation which came into effect from Jul 01, 2012.

Financial Summary

A comparison of financial highlights for the quarter ended September 30, 2012 with the corresponding period last year is as follows:

	September 30, 2012	September 30, 2011	Increase / (Decrease)	
	Rupees in thousands			%
INCOME				
Fund based Income	111,374	220,865	(109,491)	(49.57)
Fund based Cost	85,272	204,401	(119,129)	(58.28)
Net Fund Based Income	26,102	16,464	9,638	58.54
Fee Based Income	6,973	8,798	(1,825)	(20.74)
EXPENDITURE				
Administrative and operating expenses	32,575	35,113	(2,538)	(7.23)

The decrease in fund based income, administrative and operating expenses is in line with the company's efforts to restructure the balance sheet. The company continues to focus on the fee based, money market and advisory businesses. Further, the company continues its emphasis on recovery of infected portfolio and the services of our corporate marketing staff are being fully utilized for this purpose.

We are thankful to our shareholders valued customers and business partners for their continued support. We also appreciate the loyalty, dedication and hard work of the employees of the company.

For & on behalf of the Board

SYED BABAR ALI
Chairman

TARIQ HASAN QURAIISHI
Managing Director & Chief Executive

Date: October 22, 2012.

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2012

		(Un-audited) September 30, 2012	(Audited) June 30, 2012
ASSETS	Note	----- (Rupees in '000) -----	
Non-current assets			
Fixed assets	4	53,320	56,649
Long-term investments	5	1,167,614	1,067,614
Long-term loans and advances		51,680	143,646
Net investment in finance lease	6	12,750	32,221
Long-term deposits		4,988	4,934
Deferred tax asset - net		357,291	293,930
		1,647,643	1,598,994
Current assets			
Current maturity of non-current assets		499,839	576,752
Short-term loans and advances		-	2,506
Lendings - secured	7	100,000	-
Short-term investments	8	1,708,886	1,687,349
Taxation - net		234,932	236,019
Prepayments and other receivables	9	46,394	29,350
Interest, mark-up and profit accrued		38,102	27,147
Cash and bank balances		42,277	126,282
		2,670,430	2,685,405
TOTAL ASSETS		<u>4,318,073</u>	<u>4,284,399</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		2,121,025	2,121,025
Reserves		136,831	136,831
Accumulated loss		(1,184,932)	(1,007,486)
		1,072,924	1,250,370
Surplus / (Deficit) on revaluation of investments - net of tax	10	(4,078)	(37,394)
		1,068,846	1,212,976
Non-current liabilities			
Long-term certificates of deposit		384,227	378,997
Long-term deposits under lease contracts		1,181	13,375
		385,408	392,372
Current liabilities			
Current maturity of non-current liabilities		791,480	1,072,861
Short-term certificates of deposit		1,932,687	1,460,177
Interest and mark-up accrued		99,700	109,676
Trade and other payables		39,952	36,337
		2,863,819	2,679,051
TOTAL LIABILITIES		<u>3,249,227</u>	<u>3,071,423</u>
Contingencies and commitments	11		
TOTAL EQUITY AND LIABILITIES		<u>4,318,073</u>	<u>4,284,399</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

SYED BABAR ALI
Chairman

TARIQ HASAN QURAISHI
Managing Director & Chief Executive

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

Income	Note	Quarter Ended	
		September 30, 2012	September 30, 2011
		----- (Rupees in '000) -----	
Income from investments	12	95,294	188,733
Income from loans and advances		2,610	6,784
Income from lease finance		6,880	6,230
Income from lendings - secured		4,026	18,183
Income from fees, commission and brokerage		6,973	8,798
		115,783	228,728
 Finance costs		 85,272	 204,401
		30,511	24,327
 Administrative and general expenses		 32,181	 34,425
		(1,670)	(10,098)
 Other operating income		 4,290	 2,815
		2,620	(7,283)
 Other operating expenses		 394	 688
Operating profit / (loss) before provisions		2,226	(7,971)
 Provision for bad and doubtful loans and advances / lease losses - specific - net		 (149,657)	 (16,705)
 Impairment against investments: term finance certificates - net		 (94,150)	 -
		 (243,807)	 (16,705)
Loss before taxation		(241,581)	(24,676)
Taxation - net		64,135	(4,562)
Loss after taxation		(177,446)	(29,238)
 Other comprehensive income - net of tax		 -	 -
Total comprehensive loss - net of tax		(177,446)	(29,238)
		----- (Rupee) -----	
 Loss per share - basic		 (0.84)	 (0.14)

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

SYED BABAR ALI
Chairman

TARIQ HASAN QURAISHI
Managing Director & Chief Executive

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Quarter Ended	
	September 30, 2012	September 30, 2011
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(241,581)	(24,676)
Adjustments for non cash and other items:		
Gain on disposal of fixed assets	(1,726)	(132)
Depreciation on property and equipment	2,372	2,483
Amortisation on intangible assets	313	534
Interest, mark-up and profit Income	(95,926)	(179,820)
Dividend income	(13,915)	(11,625)
Finance costs	85,272	204,401
Provision for bad and doubtful loans and advances / lease losses - specific - net	149,657	16,705
Impairment against Term Finance Certificates - net	94,150	-
	<u>220,197</u>	<u>32,546</u>
	(21,384)	7,870
Decrease / (Increase) in current assets:		
Short-term loans and advances	2,506	30,052
Lendings - secured	(100,000)	(364,118)
Short-term investments	(79,232)	1,195,961
Prepayments and other receivables	(3,131)	15,015
	<u>(179,857)</u>	<u>876,910</u>
(Decrease) / increase in current liabilities:		
Short-term certificates of deposit	472,510	(315,352)
Borrowings from financial institutions	-	(654,839)
Trade and other payables	3,615	(24,113)
	<u>476,125</u>	<u>(994,304)</u>
	274,884	(109,524)
(Disbursements) / repayments of long-term loans and advances - net	(14,251)	5,433
Net recovery from finance lease	52,944	70,760
Long-term deposits	(54)	411
(Repayments) / disbursement of long-term certificates of deposit - net	(274,546)	297,006
Payments of deposits under lease contracts	(13,799)	(28,313)
Interest, mark-up and profit received	84,971	187,695
Dividend received	-	1,625
Finance cost paid	(95,248)	(218,768)
Income tax paid	(1,277)	(1,402)
	<u>(261,260)</u>	<u>314,447</u>
Net cash (used in) / generated from operating activities	(261,260)	314,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(856)	(277)
(Investment) / proceeds from long-term investments - net	(100,000)	(7,030)
Proceeds from disposal of fixed assets	3,227	4,317
Net cash (used in) / generated from investing activities	<u>(97,629)</u>	<u>(2,990)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal redemption of term finance certificates	-	(62,475)
Long-term finance - net repaid	-	-
Net cash used in financing activities	<u>-</u>	<u>(62,475)</u>
Net decrease in cash and cash equivalents	(84,005)	139,458
Cash and cash equivalents at the beginning of the period	126,282	(79,116)
Cash and cash equivalents at the end of the period	<u>42,277</u>	<u>60,342</u>
Cash and cash equivalents at the end of the period		
Cash and bank balances	42,277	190,227
Short-term Running finance utilised under mark-up arrangement	-	(129,885)
	<u>42,277</u>	<u>60,342</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

SYED BABAR ALI
Chairman

TARIQ HASAN QURAISHI
Managing Director & Chief Executive

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Issued, subscribed and paid-up capital	Reserves		Total	
		Capital	Revenue		
		Statutory reserve	General reserve Accumulated loss		
----- (Rupees in '000) -----					
Balance as at Jul 01, 2011	2,121,025	97,098	39,733	(784,631)	1,473,225
Loss after taxation for the quarter ended September 30, 2011	-	-	-	(29,238)	(29,238)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(29,238)	(29,238)
Balance as at Sep 30, 2011	2,121,025	97,098	39,733	(813,869)	1,443,987
Balance as at Jul 01, 2012	2,121,025	97,098	39,733	(1,007,486)	1,250,370
Loss after taxation for the quarter ended Sep 30, 2012	-	-	-	(177,446)	(177,446)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(177,446)	(177,446)
Balance as at Sep 30, 2012	2,121,025	97,098	39,733	(1,184,932)	1,072,924

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

SYED BABAR ALI
Chairman

TARIQ HASAN QURAIISHI
Managing Director & Chief Executive

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** IGI Investment Bank Limited (the Bank) is a public limited company incorporated in Pakistan on February 07, 1990 under the Companies Ordinance, 1984. The Bank is licensed to carry out investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations). The Bank's shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the Bank is situated at 5 F.C.C., Syed Maratab Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, the Forum, Suite No. 701 to 713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

Based on the financial statements of the Bank for the year ended June 30, 2011, the Pakistan Credit Rating Agency (PACRA) has rated the Bank at 'A-' (long term credit rating) and at 'A2' (short-term credit rating).

- 1.2** These financial statements are the separate financial statements of the Bank. In addition to these financial statements, consolidated financial statements of the Bank and its subsidiary companies, IGI Finex Securities Limited and IGI Funds Limited (the Group), have also been prepared. As required by the International Financial Reporting Standards (IFRSs), segment information is presented only in consolidated financial statements of the Group.

2. STATEMENT OF COMPLIANCE

- 2.1** These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such IFRSs issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.
- 2.2** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Bank for the year ended June 30, 2012.
- 2.3** The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

3. ACCOUNTING POLICIES AND ESTIMATES

- 3.1** The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended June 30, 2012.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

		(Un-audited) September 30, 2012	(Audited) June 30, 2012
	Note	----- (Rupees in '000) -----	
4. FIXED ASSETS			
Property and equipment	4.1	52,017	55,033
Intangible assets		1,303	1,616
		53,320	56,649
4.1 Property and equipment			
Opening written down value		55,033	40,282
Additions:			
Furniture and fittings		-	171
Motor vehicles		-	10,648
Office equipment		25	95
Computer equipment		831	282
Office premises		-	23,000
		856	34,196
Less: Disposals at written down value			
Motor vehicles		(770)	(9,388)
Computer equipment		(731)	-
		(1,501)	(9,388)
Depreciation for the period / year		2,371	10,057
Closing written down value		52,017	55,033
5. LONG-TERM INVESTMENTS			
Related parties - at cost			
Investment in unquoted subsidiary companies	5.1	895,011	895,011
Investment in associates		350,000	250,000
		1,245,011	1,145,011
Others - available-for-sale - at cost			
Investment in unquoted companies		102,179	102,179
Investment in unquoted preference shares		20,000	20,000
		1,367,190	1,267,190
Less: Impairment against investments		(199,576)	(199,576)
		1,167,614	1,067,614

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

		(Un-audited)	(Audited)
	Note	September	June 30,
		30, 2012	2012
		-----	-----
		(Rupees in '000)	(Rupees in '000)
6. NET INVESTMENT IN FINANCE LEASE			
Lease rental receivables		394,790	417,652
Add: Residual value		262,451	276,249
		<u>657,241</u>	<u>693,901</u>
Less: Unearned finance income		(9,110)	(12,502)
		<u>648,131</u>	<u>681,399</u>
Less: Provision for lease losses		(167,429)	(126,071)
Less: Current maturity of net investment in finance lease		(467,952)	(523,107)
		<u>12,750</u>	<u>32,221</u>
7. LENDINGS - SECURED			
Considered good - due from:			
Related parties		-	-
Others	7.1	100,000	-
		<u>100,000</u>	<u>-</u>
7.1	This carry mark-up at a rate of 10.20% (June 30, 2012: Nil) per annum and are repayable latest by October 01, 2012. These lendings are secured against government securities having market value aggregated to Rs.100 million (June 30, 2012: Nil).		
8. SHORT-TERM INVESTMENTS			
Held-for-trading			
Pakistan investment bonds (PIBs)		47,412	43,730
Market treasury bills		415,869	355,782
		<u>463,281</u>	<u>399,512</u>
Available-for-sale			
Term finance certificates		1,323,125	1,287,713
Listed shares and certificates		203,237	186,731
		<u>1,526,362</u>	<u>1,474,444</u>
		1,989,643	1,873,956
Impairment loss on term finance certificates		(280,757)	(186,607)
		<u>1,708,886</u>	<u>1,687,349</u>
8.1	As per NBFC Regulations, the Bank is required to invest 15% of the funds raised through issue of Certificates of Deposit (CoDs) by the Bank (excluding CoDs held by Financial Institutions) in government securities. However, as at September 30, 2012, the Bank's investment in government securities (including securities held as collateral against lendings) aggregating to Rs.463.28 million representing 16.62% of the funds raised through CoDs.		

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Note	(Un-audited) September 30, 2012	(Audited) June 30, 2012
		----- (Rupees in '000) -----	
9. PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments			
Rent		1,917	610
Others		2,299	628
Other receivables - net			
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		11,877	11,877
Excise duty paid on behalf of customers		4,471	4,471
Dividend receivable		13,915	-
Balances due from related parties:			
Staff Gratuity Fund		-	1,041
Accrued commission / fee income	9.1	5,178	5,393
Others		6,737	5,330
Unsecured and considered doubtful			
Federal excise duty receivable from customer		1,941	1,941
Receivable from lessees in satisfaction of claims		20,753	20,703
Receivable against settlement of fund placement		13,750	13,750
		36,444	36,394
		82,838	65,744
Less: Provision against bad and doubtful receivables		(36,444)	(36,394)
		46,394	29,350

9.1 This includes commission aggregating to Rs.2.654 million (June 30, 2012: Rs.2.826 million) due from IGI Funds Limited, Packages Limited, Tetra Pak and Nestle Pakistan Ltd. (related parties).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	(Un-audited)	(Audited)
	September	June 30,
	30, 2012	2012
	----- (Rupees in '000) -----	
10. SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS - NET		
Net surplus / (deficit) on revaluation of:		
government securities	1,618	(3,322)
listed and unlisted term finance certificates	(23,437)	(38,445)
listed shares and certificates	<u>11,762</u>	<u>(4,744)</u>
	(10,057)	(46,511)
Related deferred tax asset - net	<u>5,979</u>	<u>9,117</u>
	<u>(4,078)</u>	<u>(37,394)</u>

11. CONTINGENCIES AND COMMITMENTS

11.1 There has been no change in the status of contingencies as disclosed in last annual audited financial statements except as below:

Bid bond guarantee	<u>19,600</u>	<u>-</u>
11.2 Commitments	<u>-</u>	<u>-</u>

	Quarter Ended	
	September 30,	September 30,
	2012	2011
	----- (Rupees in '000) -----	
12. INCOME FROM INVESTMENTS		
Interest / mark-up / profit on investments	79,846	147,688
Gain on disposal of investments	1,533	29,420
Dividend income	<u>13,915</u>	<u>11,625</u>
	<u>95,294</u>	<u>188,733</u>

13. TRANSACTIONS WITH RELATED PARTIES

13.1 The related parties comprises of entities having significant influence over the Bank, entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Bank has a policy whereby all transactions with related parties are entered into at contractual rates. The following table provides the transactions with related parties, other than remuneration under the terms of employment to key management personnel. For information regarding outstanding balances as at September 30, 2012 and September 30, 2011, refer to respective notes.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

Quarter ended September 30, 2012

Description	Entity having significant influence over the Bank	Subsidiaries	Associates	Key management personnel	Other related parties	Total
(Rupees in '000)						
Transactions during the period						
Certificates of deposit issued	-	-	-	-	593,541	593,541
Certificates of deposit matured	-	-	-	-	559,188	559,188
Dividend received	-	-	-	-	-	-
Insurance premium paid	1,229	-	-	-	-	1,229
Purchase of fixed assets	-	25	-	-	-	25
Sale of fixed assets	1,571	-	-	-	-	1,571
Lendings - secured	-	-	-	-	-	-
Repayment of secured lendings	-	-	-	-	-	-
Purchase of marketable securities	-	-	-	-	-	-
Sale of marketable securities	-	-	-	-	-	-
Sale of term finance certificates	-	-	-	-	-	-
Purchase of term finance certificates	-	-	-	-	-	-
Group shared services (see note 13.2)	4,521	172	-	-	28	4,721
Investment in mutual fund units	-	-	300,000	-	-	300,000
Redemption of mutual fund units	-	-	200,000	-	-	200,000
Sale of government securities	61,562	-	-	489	86,126	148,177
Purchase of government securities	-	-	-	-	-	-
Income from loans and advances	-	-	-	37	-	37
Borrowings - secured & unsecured	-	-	-	-	-	-
Repayment of borrowings-secured & unsecured	-	-	-	-	-	-
Markup on borrowings-secured & unsecured	-	-	-	-	-	-
Brokerage, commission and fees paid	-	2,007	-	-	-	2,007
Return on certificates of deposit	-	-	-	-	15,371	15,371
Rent expense	4,356	-	-	-	317	4,673
Reimbursement of rent	-	1,274	-	-	-	1,274
Reimbursement of subscription expense	-	-	-	-	-	-
Charge for the year in respect of employee benefit and contribution plan	-	-	-	-	797	797

Quarter ended September 30, 2011

Description	Entity having significant influence over the Bank	Subsidiaries	Associates	Key management personnel	Other related parties	Total
(Rupees in '000)						
Transactions during the period						
Certificates of deposit issued	-	-	-	648	883,478	884,126
Certificates of deposit matured	-	-	-	209	204,200	204,409
Dividend received	-	3,000	-	-	-	3,000
Insurance premium paid	1,200	-	-	-	-	1,200
Purchase of fixed assets	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-
Lendings - secured	-	4,731,000	-	-	-	4,731,000
Repayment of secured lendings	-	4,766,000	-	-	-	4,766,000
Purchase of marketable securities	-	96,751	-	-	-	96,751
Sale of marketable securities	-	97,465	-	-	-	97,465
Sale of term finance certificates	-	-	40,536	-	-	40,536
Purchase of term finance certificates	-	-	40,544	-	-	40,544
Group shared services (see note 13.2)	3,848	250	-	-	-	4,098
Investment in mutual fund units	-	-	216,735	-	-	216,735
Redemption of mutual fund units	-	-	209,705	-	-	209,705
Sale of government securities	14,110	-	-	-	45,247	59,357
Purchase of government securities	-	-	-	-	-	-
Income from loans and advances	-	-	-	4	-	4
Income from lendings-secured	-	11,290	-	-	-	11,290
Borrowings - secured & unsecured	-	-	90,000	-	-	90,000
Repayment of borrowings - secured & unsecured	-	-	179,217	-	-	179,217
Markup on borrowings-secured & unsecured	-	-	1,054	-	-	1,054
Brokerage, commission and fees paid	-	974	-	-	-	974
Return on certificates of deposit	-	-	-	2	4,154	4,156
Rent expense	3,949	-	-	-	-	3,949
Reimbursement of rent	-	226	-	-	15	241
Reimbursement of subscription expense	-	-	-	-	-	-
Charge for the year in respect of employee benefit and contribution plan	-	-	-	-	881	881

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

13.2 Group shared services

The Bank has entered into an arrangement with its subsidiaries and other related parties to share various administrative, human resource and related costs on agreed terms.

14. DISCRETIONARY PORTFOLIO

The Bank is also acting as an Investment Advisor for various clients by providing services such as consultation in investment decisions, to sell, purchase, liquidate and otherwise manage the portfolio of securities. The cost and market value of the underlying investments included in the discretionary portfolio managed by the Bank are as under:

	(Un-audited) September 30, 2012	(Audited) June 30, 2012
	----- (Number) -----	
Equity portfolio		
Number of clients	3	3
	----- (Rupees in '000) -----	
Cost	45,571	53,264
Market value	70,820	59,104
	----- (Number) -----	
Debt portfolio		
Number of clients	3	3
	----- (Rupees in '000) -----	
Cost	139,324	145,098
Market value	153,146	153,147
	----- (Number) -----	
Commodities portfolio		
Number of clients	-	1
	----- (Rupees in '000) -----	
Cost	-	926
Market value	-	828

14.1 In addition to the above portfolios, the Bank has also entered into agreements with certain counterparties to provide them investment advisory services at a fixed fee.

14.2 The fee earned on these services during the period amounted to Rs.2.088 million (June 30, 2012: Rs.5.822 million).

15. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on October 22, 2012 by the Board of Directors of the Bank.

16. GENERAL

16.1 Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

SYED BABAR ALI
Chairman

TARIQ HASAN QURAISHI
Managing Director & Chief Executive

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

CONSOLIDATED BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2012

ASSETS	Note	(Un-audited) September 30, 2012	(Audited) June 30, 2012
----- (Rupees in '000) -----			
Non-current assets			
Fixed assets	5	148,718	153,837
Investment property		5,842	5,917
Long-term investments	6	26,179	26,179
Long-term loans and advances - net		51,680	143,646
Investment in associates	7	463,031	358,383
Net investment in finance lease	8	12,750	32,221
Long-term deposits		10,967	10,913
Deferred tax asset - net		728,213	664,431
		1,447,380	1,395,527
Current assets			
Current maturity of non-current assets		499,839	576,752
Short-term loans and advances		725	3,729
Lendings - secured	9	192,626	92,626
Short-term investments	10	1,711,123	1,689,607
Trade debts - net		36,565	58,961
Deposits, prepayments and other receivables	11	95,721	78,098
Interest, mark-up and profit accrued		41,209	27,794
Taxation - net		276,167	274,604
Cash and bank balances		84,043	182,851
		2,938,018	2,985,022
TOTAL ASSETS		4,385,398	4,380,549
EQUITY & LIABILITIES			
Capital and reserves			
Share capital		2,121,025	2,121,025
Reserves		115,145	115,145
Accumulated loss		(1,900,110)	(1,728,036)
Equity attributable to shareholders		336,060	508,134
Advance against issue of preference shares	12	650,000	650,000
		986,060	1,158,134
Non-controlling interest		45	45
TOTAL EQUITY		986,105	1,158,179
Surplus / (Deficit) on revaluation of investments - net of tax	13	(4,100)	(37,372)
		982,005	1,120,807
Non-current liabilities			
Long-term certificates of deposit		384,227	378,997
Long-term deposits under lease contracts		1,181	13,375
		385,408	392,372
Current liabilities			
Current maturity of non-current liabilities		791,480	1,072,861
Short-term certificates of deposit		1,932,687	1,460,177
Interest and mark-up accrued		99,700	109,676
Trade and other payables		194,118	224,656
		3,017,985	2,867,370
TOTAL LIABILITIES		3,403,393	3,259,742
Contingencies and commitments	14		
TOTAL EQUITY AND LIABILITIES		4,385,398	4,380,549

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

SYED BABAR ALI
Chairman

TARIQ HASAN QURAIISHI
Managing Director & Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

Income	Note	Quarter Ended	
		September 30, 2012	September 30, 2011
----- (Rupees in '000) -----			
Income from investments	15	95,432	185,848
Income from loans and advances		2,610	6,784
Income from lease finance		6,880	6,230
Income from lendings - secured		4,026	12,317
Remuneration from funds under management - net		14,078	11,264
Income from fees, commission and brokerage		17,156	21,331
		140,182	243,774
Finance costs		85,365	233,559
		54,817	10,215
Administrative and general expenses		64,167	72,611
		(9,350)	(62,396)
Other operating income		11,569	38,360
		2,219	(24,036)
Other operating expenses		953	871
Operating profit / (loss) before provisions and share of profit in associates		1,266	(24,907)
Provision for bad and doubtful loans and advances / lease losses - specific - net		(149,657)	(16,705)
Impairment against Investments: term finance certificates -net		(94,150)	-
		(243,807)	(16,705)
Share of profit in associates - net		(242,541)	(41,612)
		6,209	6,367
Loss before taxation		(236,332)	(35,245)
Taxation - net		64,258	(5,161)
Loss after taxation		(172,074)	(40,406)
Loss attributable to non-controlling interest		-	-
Loss attributable to shareholders		(172,074)	(40,406)
Loss after taxation		(172,074)	(40,406)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(172,074)	(40,406)
Loss attributable to non-controlling interest		-	-
Loss attributable to shareholders		(172,074)	(40,406)
----- (Rupee) -----			
Loss per share - basic		(0.81)	(0.19)

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

SYED BABAR ALI
Chairman

TARIQ HASAN QURAISHI
Managing Director & Chief Executive

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Quarter Ended	
	September 30, 2012	September 30, 2011
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period before taxation	(236,332)	(35,245)
Adjustments for non cash and other items:		
Gain on disposal of fixed assets	(4,623)	(629)
Depreciation on property and equipment and investment property	3,972	4,541
Amortization on intangible assets	363	812
Interest, mark-up and profit income	(98,284)	(175,102)
Dividend income	(13,915)	(8,625)
Finance cost	85,365	233,559
Share of profit in associates	(6,209)	(6,367)
Provision against other assets	50	306
Impairment against Term Finance Certificates - net	94,150	-
Provision for bad and doubtful loans and advances / lease losses - specific - net	149,657	16,705
	210,526	65,200
	(25,806)	29,955
(Decrease) / increase in current assets:		
Short-term loans and advances	3,004	30,031
Lendings - secured	(100,000)	(399,118)
Short-term investments	(79,256)	1,195,907
Trade debts - net	22,396	57,801
Deposits, prepayments and other receivables	(3,757)	18,612
	(157,613)	903,233
Increase / (decrease) in current liabilities:		
Short-term certificates of deposit	472,510	(315,352)
Borrowings from financial institutions	-	(654,839)
Trade and other payables	(30,538)	(11,290)
	441,972	(981,481)
	258,553	(48,293)
Repayment of long-term loans and advances - net	7,507	5,433
Net recovery from finance lease	31,186	70,785
Long-term deposits	(54)	411
(Repayments) / disbursements of long term certificates of deposit	(274,546)	297,006
Payments of deposits under lease contracts	(13,799)	(28,313)
Interest, mark-up and profit received	84,869	147,162
Dividend received	-	1,625
Finance cost paid	(95,341)	(242,937)
Income tax paid	(4,226)	(4,541)
Net cash (used in) / generated from operating activities	(264,404)	246,631
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(899)	(623)
Investment made in associates	(98,439)	(2,462)
Proceeds from disposal of fixed assets	6,381	7,481
Net cash (used in) / generated from investing activities	(92,957)	4,396
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal redemption of term finance certificates	-	(62,475)
Net cash used in financing activities	-	(62,475)
Net (decrease) / increase in cash and cash equivalents	(98,808)	140,259
Cash and cash equivalents at the beginning of the period	182,851	(740,820)
Cash and cash equivalents at the end of the period	84,043	(600,561)
Cash and cash equivalents at the end of the period		
Cash and bank balances	84,043	202,910
Short-term running finance utilised under mark-up arrangement	-	(803,471)
	84,043	(600,561)

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

SYED BABAR ALI
Chairman

TARIQ HASAN QURAIISHI
Managing Director & Chief Executive

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Equity attributable to shareholders								Total
	Reserves								
	Capital			Revenue		Total reserves	Advance against issue of preference shares	Non-controlling interest	
	Issued, subscribed and paid-up capital	Reserve arising on acquisition of non-controlling interest	Statutory reserve	General reserve	Accumulated loss				
(Rupees in '000)									
Balance as at Jul 01, 2011	2,121,025	(21,686)	97,098	39,733	(1,124,152)	(1,009,007)	-	45	1,112,063
Loss after taxation for quarter ended September 30, 2011	-	-	-	-	(40,406)	(40,406)	-	-	(40,406)
Loss attributable to non-controlling Interest	-	-	-	-	-	-	-	-	-
Other Comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive loss	-	-	-	-	(40,406)	(40,406)	-	-	(40,406)
Balance as at September 30, 2011	2,121,025	(21,686)	97,098	39,733	(1,164,558)	(1,049,413)	-	45	1,071,657
Balance as at Jul 01, 2012	2,121,025	(21,686)	97,098	39,733	(1,728,036)	(1,612,891)	650,000	45	1,158,179
Loss after taxation for quarter ended September 30, 2012	-	-	-	-	(172,074)	(172,074)	-	-	(172,074)
Loss attributable to non-controlling Interest	-	-	-	-	-	-	-	-	-
Other Comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive loss	-	-	-	-	(172,074)	(172,074)	-	-	(172,074)
Balance as at September 30, 2012	2,121,025	(21,686)	97,098	39,733	(1,900,110)	(1,784,965)	650,000	45	986,105

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

SYED BABAR ALI
Chairman

TARIQ HASAN QURAIISHI
Managing Director & Chief Executive

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

1. THE GROUP AND ITS OPERATIONS

The Group consists of :

Holding company

IGI Investment Bank Limited ("IGI BANK")

Subsidiary companies

Percentage holding

IGI Finex Securities Limited

100%

IGI Funds Limited

99.97%

1.1 IGI Investment Bank Limited

1.1.1 IGI Bank is a public limited company incorporated in Pakistan on February 07, 1990 under the Companies Ordinance, 1984. IGI Bank is licensed to carry out investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations). IGI Bank's shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of IGI Bank is situated at 5 F.C.C., Syed Maratab Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, the Forum, Suite No. 701 to 713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

1.1.2 Based on the financial statements of IGI Bank for the year ended June 30, 2011, the Pakistan Credit Rating Agency (PACRA) has rated the Bank at 'A-' (long-term credit rating) and at 'A2' (short-term credit rating).

1.2 IGI Finex Securities Limited (IGI Finex)

IGI Finex was incorporated in Pakistan on June 28, 1994 as a public limited company under the Companies Ordinance, 1984. The registered office of the company is situated at Suite No. 701-713, 7th Floor, The Forum, G-20, Khayaban-e-Jami, Block-9, Clifton, Karachi. The company is a public unlisted company and a corporate member of the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange (Guarantee) Limited and Pakistan Mercantile Exchange Limited (formerly National Commodity Exchange Limited). The company is a wholly owned subsidiary of IGI Investment Bank Limited.

The principal activities of IGI Finex include shares and commodities brokerage, money market and foreign exchange brokerage and advisory and consulting services. Other activities include investment in securities and reverse repurchase transactions.

1.3 IGI Funds Limited (IGI Funds)

IGI Funds was incorporated in Pakistan on January 18, 2006 under the Companies Ordinance, 1984 with the name of "First International Capital Management Limited" as a public limited company. IGI Funds obtained its Certificate of commencement of business on May 12, 2006. The name of IGI Funds was subsequently changed to "IGI Funds Limited" on July 11, 2006. IGI Funds is licensed to carry out Asset Management Services and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The principal activities of IGI Funds are floating and managing mutual funds. The registered office of IGI Funds is situated at 5 F.C.C Ground Floor, Syed Maratab Ali Road Gulberg, Lahore.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

2. BASIS OF PRESENTATION

- a) The consolidated financial statements include the financial statements of IGI Investment Bank Limited and its subsidiary companies.
- b) Subsidiaries are entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the un-audited financial statements for the quarter ended Sep 30, 2012 and the carrying value of investments held by IGI Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Intra-Group balances and transactions have been eliminated.
- c) Non-controlling interests are that part of the net results of operations and net assets of subsidiary companies attributable to interests which are not owned by the Group.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

These financial statements are the consolidated financial statements of the Bank and its subsidiary companies. In addition to these financial statements, separate standalone financial statements of IGI Bank have also been prepared.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the preceding annual published financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

		(Un-audited) September 30, 2012	(Audited) June 30, 2012
	Note	----- (Rupees in '000) -----	
5. FIXED ASSETS			
Property and equipment	5.1	71,955	76,711
Intangible assets		76,763	77,126
		<u>148,718</u>	<u>153,837</u>
5.1 Property and equipment			
Opening written down value		76,711	72,307
Additions		899	37,465
Less: Disposals written down value		(1,758)	(16,125)
Depreciation for the period / year		(3,897)	(16,936)
Closing written down value		<u>71,955</u>	<u>76,711</u>
6. LONG-TERM INVESTMENTS			
Available for sale - at cost:			
Investment in unquoted companies		102,179	102,179
Investment in unquoted preference shares		20,000	20,000
		122,179	122,179
Less: Impairment against investments		(96,000)	(96,000)
		<u>26,179</u>	<u>26,179</u>
7. INVESTMENTS IN ASSOCIATES			
7.1 Movement of investment in associates			
Opening balance		331,418	293,890
Net addition / deletions made during the period / year		98,439	37,528
Total acquisition at cost		429,857	331,418
Post acquisition share of associates profit		33,174	26,965
		<u>463,031</u>	<u>358,383</u>
7.2 Investment in associate companies			
IGI Income Fund		47,874	49,957
IGI Money Market Fund		331,983	231,461
IGI Capital Protected Fund		50,000	50,000
		<u>429,857</u>	<u>331,418</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

			(Un-audited) September 30, 2012	(Audited) June 30, 2012
			----- (Rupees in '000) -----	
8	NET INVESTMENT IN FINANCE LEASE	Note		
	Lease rental receivables		394,790	417,652
	Add: Residual value		262,451	276,249
			<u>657,241</u>	<u>693,901</u>
	Less: Unearned finance income		(9,110)	(12,502)
			<u>648,131</u>	<u>681,399</u>
	Less: Provision for lease losses		(167,429)	(126,071)
	Less: Current maturity of net investment in finance lease		(467,952)	(523,107)
			<u>12,750</u>	<u>32,221</u>
9.	LENDINGS - SECURED			
	Repurchase agreements (Reverse Repo)	9.1	214,000	114,000
	Provision against reverse repurchase receivables		(21,374)	(21,374)
			<u>192,626</u>	<u>92,626</u>
9.1	These include Rs.100 million which carry mark-up at a rate of 10.20% (June 30, 2012: NIL) per annum and are repayable latest by October 01, 2012.			
10.	SHORT-TERM INVESTMENTS		(Un-audited) September 30, 2012	(Audited) June 30, 2012
			----- (Rupees in '000) -----	
	Held-for-trading			
	Government securities		463,281	399,512
	Listed term finance certificates		2,237	2,258
			<u>465,518</u>	<u>401,770</u>
	Available-for-sale			
	Term finance certificates		1,323,125	1,287,713
	Listed shares and certificates		203,237	186,731
			<u>1,526,362</u>	<u>1,474,444</u>
			1,991,880	1,876,214
	Impairment loss on term finance certificates		(280,757)	(186,607)
			<u>1,711,123</u>	<u>1,689,607</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	(Un-audited)	(Audited)
	September	June 30,
	30, 2012	2012
	----- (Rupees in '000) -----	
11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Deposits		
Pakistan Mercantile Exchange Limited - margin deposit	10,897	10,897
Exposure deposits with Karachi Stock Exchange (Guarantee) Limited	20,600	19,600
Others	1,428	2,468
	32,925	32,965
Prepaid expenses	7,929	3,390
Other receivables - net		
Secured - considered good		
Assets repossessed in respect of terminated lease contracts	11,877	11,877
Excise duty paid on behalf of customers	4,471	4,471
Dividend receivable	13,915	-
Balances due from related parties:		
IGI Income Fund	1,140	1,073
IGI Stock Fund	707	532
IGI Islamic Income Fund	336	336
IGI Money Market Fund	2,576	2,272
IGI Aggressive Income Fund	1,842	1,004
IGI Capital Protected Fund	2,275	2,259
IGI Sovereign Fund	290	125
Staff Gratuity Fund of IGI Bank Limited	-	1,041
	9,166	8,642
Accrued commission / fee income	5,178	8,365
Others	10,260	8,388
Unsecured and considered doubtful:		
Federal excise duty receivable from customer	1,941	1,941
Other receivables	25,583	25,583
Receivable from lessees in satisfaction of claims	20,753	20,703
Receivable against settlement of fund placement	13,750	13,750
	62,027	61,977
Less: Provision for bad and doubtful receivables	(62,027)	(61,977)
	95,721	78,098

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

		(Un-audited) September 30, 2012	(Audited) June 30, 2012
Note	-----	(Rupees in '000)	-----
12	ADVANCE AGAINST ISSUE OF PREFERENCE SHARES		
	Advance against issue of preference shares	12.1 <u>650,000</u>	<u>650,000</u>

- 12.1** IGI Finex received a subordinated loan of Rs.650 million on December 20, 2011 under a Loan Subordination Agreement (LSA) entered into between IGI Finex and Mr. Syed Babar Ali, Chairman – IGI Bank and a key sponsor of IGI Finex. The loan was interest free and was repayable in five years or upon fulfillment of certain conditions mentioned in LSA as the case may be. Thereafter, on December 27, 2011, IGI Finex entered into a Tripartite Agreement with Mr. Syed Babar Ali and IGI Bank whereby IGI Bank had undertaken to fully settle the loan on behalf of IGI Finex and as a result would have become lender to IGI Finex. The Tripartite Agreement was subject to legal and regulatory approvals and exemptions as would have been required by IGI Bank for the said transaction.

On June 29, 2012, IGI Finex and Mr. Syed Babar Ali entered into a Subscription Agreement whereby IGI Finex and Mr. Syed Babar Ali agreed to supersede the LSA and to convert the subordinated loan into Preference Shares to be issued by IGI Finex to Mr. Syed Babar Ali in terms of this Agreement. On the same date, under a separate agreement it was also mutually decided between Mr. Syed Babar Ali, IGI Finex and IGI Bank that the Tripartite Agreement stands terminated by virtue of execution of Subscription Agreement. The Subscription Agreement provides for issue of 65,000,000 preference shares at the rate of Rs.10 per share and these shares will be non-voting, non-redeemable, non-convertible and non-cumulative. IGI Finex has undertaken to take steps for issuance and allotment of preference shares to Mr. Syed Babar Ali and to complete all requisite formalities in that connection, including, without limitation: (a) increase of the authorised capital, (b) passing of special resolution, (c) amendment of the Articles of Association, and (d) obtaining of all official approvals, in particular, the approval of the SECP.

Since IGI Finex is in the process of completing formalities for issuance of preference shares, the amount has been reported as advance against issue of preference shares.

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		(Un-audited) September 30, 2012	(Audited) June 30, 2012
		----- (Rupees in '000) -----	
13	SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS - NET OF TAX		
	Net surplus / (deficit) on revaluation of:		
	government securities	1,618	(3,322)
	listed and unlisted term finance certificates	(23,459)	(38,423)
	listed shares and certificates	11,762	(4,744)
		<u>(10,079)</u>	<u>(46,489)</u>
	Related deferred tax asset - net	5,979	9,117
		<u>(4,100)</u>	<u>(37,372)</u>
14	CONTINGENCIES AND COMMITMENTS		
14.1	There has been no change in the status of contingencies as disclosed in last annual audited consolidated financial statements except as below:		
		(Un-audited) September 30, 2012	(Audited) June 30, 2012
		----- (Rupees in '000) -----	
	Bid bond guarantee	19,600	-
		<u>19,600</u>	<u>-</u>
14.2	Commitments	<u>-</u>	<u>-</u>
15	INCOME FROM INVESTMENTS		
	Interest / mark-up / profit on investments	79,846	147,777
	Gain on disposal of investments	1,671	29,446
	Dividend income	13,915	8,625
		<u>95,432</u>	<u>185,848</u>

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16. DISCRETIONARY PORTFOLIO

IGI Bank is also acting as an Investment Advisor for various clients by providing services such as consultation in investment decisions, to sell, purchase, liquidate and otherwise manage the portfolio of securities. The cost and market value of the underlying investments included in the discretionary portfolio managed by IGI Bank are as under:

	(Un-audited) September 30, 2012	(Audited) June 30, 2012
	----- (Number) -----	
Equity portfolio		
Number of clients	3	3
	----- (Rupees in '000) -----	
Cost	45,571	53,264
Market value	70,820	59,104
	----- (Number) -----	
Debt portfolio		
Number of clients	3	3
	----- (Rupees in '000) -----	
Cost	139,324	145,098
Market value	153,146	153,147
	----- (Number) -----	
Commodities portfolio		
Number of clients	-	1
	----- (Rupees in '000) -----	
Cost	-	926
Market value	-	828

16.1 In addition to the above portfolios, IGI Bank has also entered into agreements with certain counterparties to provide them investment advisory services at a fixed fee.

16.2 The fee earned on these services during the period amounted to Rs.2.088 million (June 30, 2012: Rs.5.822 million).

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17 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Group has a policy whereby all transactions with related parties are entered into at contractual rates. The following table provides the transactions with related parties, other than remuneration under the terms of employment to key management personnel. For information regarding outstanding balances as at September 30, 2012 and September 30, 2011, refer to respective notes.

Quarter ended September 30, 2012

Description	Entity having significant influence over the Bank	Associates	Key management personnel	Other related parties	Total
(Rupees in '000)					
Transactions during the period					
Certificates of deposit issued	-	-	-	593,541	593,541
Certificates of deposit matured	-	-	-	559,188	559,188
Dividend received	-	-	-	-	-
Insurance premium paid	1,926	-	-	-	1,926
Purchase of fixed assets	-	-	-	-	-
Sale of fixed assets	2,656	-	-	-	2,656
Purchase of marketable securities	5,019	48,889	-	92,763	146,671
Sale of marketable securities	33,800	48,889	1,113	57,287	141,089
Income from loans and advances	-	-	37	-	37
Brokerage, commission and fee earned	208	44	27	507	786
Sale of term finance certificates	-	-	-	-	-
Purchase of term finance certificates	-	-	-	-	-
Group shared services (see note 17.1)	4,521	-	-	28	4,549
Investment in mutual fund units	-	310,908	-	-	310,908
Redemption of mutual fund units	-	209,000	-	-	209,000
Return on certificates of deposit	-	-	-	15,371	15,371
Sale of government securities	61,562	-	489	86,126	148,177
Repayment of borrowings - secured	-	-	-	-	-
Borrowings - unsecured	-	-	-	-	-
Repayment of borrowings - unsecured	-	-	-	-	-
Rent expense	4,356	-	-	-	4,356
Reimbursement of rent	-	-	-	-	-
Remuneration from IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund, IGI Money Market Fund, IGI Aggressive Income Fund and IGI Capital Protected Fund	-	17,310	-	-	17,310
Sales load - IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund & IGI Money Market Fund, IGI Aggressive Income Fund	-	345	-	-	345
Legal and professional charges paid on behalf of IGI Aggressive Income Fund	-	685	-	-	685
Formation cost paid on behalf of IGI Sovereign Fund	-	165	-	-	165
Charge for the year in respect of employees benefit and contribution plan	-	-	-	1,219	1,219

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Quarter ended September 30, 2011

Description	Entity having significant influence over the Bank	Associates	Key management personnel	Other related parties	Total
----- (Rupees in '000) -----					
Transactions during the period					
Certificates of deposit issued	-	-	648	883,478	884,126
Certificates of deposit matured	-	-	209	204,200	204,409
Dividend received	-	-	-	-	-
Insurance premium paid	1,698	-	-	-	1,698
Purchase of fixed assets	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-
Purchase of marketable securities	201,831	-	21,604	17,297	240,732
Sale of marketable securities	156,929	-	29,616	2,312	188,857
Income from loans and advances	-	-	4	-	4
Brokerage, commission and fee earned	565	-	24	159	748
Sale of term finance certificates	-	40,536	-	-	40,536
Purchase of term finance certificates	-	40,544	-	-	40,544
Group shared services (see note 17.1)	3,848	-	-	-	3,848
Investment in mutual fund units	-	224,959	-	-	224,959
Redemption of mutual fund units	-	213,205	-	-	213,205
Return on certificates of deposit	-	-	4,154	2	4,156
Sale of government securities	14,110	-	-	45,247	59,357
Purchase of government securities	-	-	-	-	-
Borrowings - secured & unsecured	-	90,000	-	-	90,000
Repayment of borrowings - secured & unsecured	-	179,217	-	-	179,217
Markup on borrowings-secured & unsecured	-	1,054	-	-	1,054
Rent expense	3,949	-	-	-	3,949
Reimbursement of rent	-	-	-	15	15
Remuneration from IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund, IGI Money Market Fund & IGI Aggressive Income Fund	-	17,531	-	-	17,531
Initial and annual Listing fee paid on behalf of IGI Capital Protected Fund	-	95	-	-	95
Sales load- IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund & IGI Money Market Fund	-	1,903	-	-	1,903
Charge for the year in respect of employees benefit and contribution plan	-	-	-	1,154	1,154

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
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17.1 Group shared services

IGI Bank has entered into an arrangement with its subsidiaries and other associated undertakings to share various administrative, human resource and related costs on agreed terms.

18 SEGMENTAL ANALYSIS

The Group's activities are broadly categorized into four primary business segments namely financing activities, investment activities, brokerage activities and asset management services.

Financing activities

Financing activities include providing long-term and short-term financing facilities to corporate and individual customers including lease financing.

Investment activities

Investment activities include money market activities, investment in government securities, advisory services, capital market activities and the management of the Group's liquidity.

Brokerage activities

Brokerage activities include brokerage services offered to retail and institutional clients.

Asset management services

Asset management services include the services provided for the management of collective investment schemes.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
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Quarter ended September 30, 2012

	Financing activities	Investing activities	Brokerage activities	Asset management services	Total
----- (Rupees in '000) -----					
Income from investments	-	101,503	-	138	101,641
Income from loans and advances	2,610	-	-	-	2,610
Income from lease finance	6,880	-	-	-	6,880
Income from lendings - secured	4,026	-	-	-	4,026
Remuneration from funds under management - net	-	-	-	14,078	14,078
Income from fees, commission and brokerage	-	6,973	10,183	-	17,156
Total income for reportable segments	13,516	108,476	10,183	14,216	146,391
Finance costs	(27,953)	(57,319)	(91)	(2)	(85,365)
Administrative and general expenses (excluding depreciation and amortization)	(2,813)	(5,801)	(8,687)	(11,183)	(28,484)
Depreciation and amortization	(297)	(2,387)	(1,334)	(317)	(4,335)
Provision for bad and doubtful debts specific - net	(149,657)	-	-	-	(149,657)
Provision against other assets	(50)	-	-	-	(50)
Impairment charge against investments	-	(94,150)	-	-	(94,150)
Segment result	(167,254)	(51,181)	71	2,714	(215,650)
Other operating income					11,569
Unallocated administrative expenses					(31,348)
Unallocated other operating expenses					(903)
Loss before taxation					(236,332)
Segment assets	664,269	2,137,332	144,740	109,312	3,055,653
Unallocated assets					1,329,745
					4,385,398
Segment liabilities	1,187,741	1,921,834	118,824	16,145	3,244,544
Unallocated liabilities					158,849
					3,403,393
Capital expenditure - tangible	95	761	-	43	899
Capital expenditure - intangible	-	-	-	-	-

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Quarter ended September 30, 2011

	Financing activities	Investing activities	Brokerage activities	Asset management services	Total
----- (Rupees in '000) -----					
Income from investments	-	192,100	-	115	192,215
Income from loans and advances	6,784	-	-	-	6,784
Income from lease finance	6,230	-	-	-	6,230
Income from lendings - secured	6,893	-	5,424	-	12,317
Remuneration from funds under management - net	-	-	-	11,264	11,264
Income from fees, commission and brokerage	-	8,798	12,533	-	21,331
Total income for reportable segments	19,907	200,898	17,957	11,379	250,141
Finance costs	(36,639)	(167,762)	(29,157)	(1)	(233,559)
Administrative and general expenses (excluding depreciation and amortization)	(3,154)	(7,141)	(11,521)	(7,876)	(29,692)
Depreciation and amortization	(272)	(2,745)	(2,036)	(225)	(5,278)
Provision for bad and doubtful debts specific - net	(16,705)	-	-	-	(16,705)
Provision against other assets	(306)	-	-	-	(306)
Segment result	<u>(37,169)</u>	<u>23,250</u>	<u>(24,757)</u>	<u>3,277</u>	<u>(35,399)</u>
Other operating income					38,360
Unallocated administrative expenses					(37,641)
Unallocated other operating expenses					(565)
Loss before Taxation					<u>(35,245)</u>
Segment assets	<u>1,256,826</u>	<u>4,560,326</u>	<u>1,048,254</u>	<u>109,732</u>	6,975,138
Unallocated assets					1,426,357
					<u>8,401,495</u>
Segment liabilities	<u>1,405,616</u>	<u>4,819,288</u>	<u>673,586</u>	<u>16,122</u>	6,914,612
Unallocated liabilities					483,175
					<u>7,397,787</u>
Capital expenditure - tangible	<u>25</u>	<u>252</u>	<u>254</u>	<u>30</u>	561
Capital expenditure - intangible	<u>-</u>	<u>-</u>	<u>125</u>	<u>-</u>	125

19 DATE OF AUTHORIZATION OF ISSUE

The financial statements were approved by the Board of Directors and authorized for issue on October 22, 2012.

20 GENERAL

Figures have been rounded off to the nearest thousand rupees.

SYED BABAR ALI
Chairman

TARIQ HASAN QURAISHI
Managing Director & Chief Executive