

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the half year ended June 30, 2015.

Domestic Economy

Pakistan's economic indicators have shown improvement during FY15 on the back of a wide ranging reform program supported by the IMF. Primarily driven by historically low oil prices, inflation has remained benign, reaching a low of 2.1% in April 2015 and averaging 4.6% for FY15 compared to 8.6% in the previous fiscal year. GDP growth for FY15 improved to 4.2%, mainly supported by the agriculture and services sectors as slower growth in Large Scale Manufacturing dampened overall industrial growth.

Exports fell by 4% during FY15 as a result of lower cotton prices and sluggish domestic industrial production. However, falling oil and commodity prices resulted in a 1% reduction in imports, which restricted growth in the trade deficit to 3%. In conjunction with record remittances, which grew by over 16% to reach USD 18.4 billion, the current account deficit reduced by 27% over FY14, resulting in a balance of payments surplus of USD 2.6 billion for FY15.

The 7th review under the IMF's EFF facility was successfully completed, paving the way for the disbursement of the loan tranche of USD 506 million by end June 2015. The positive macroeconomic developments, capital flows from privatization, and the strengthened external stability on the back of higher CSF flows, IMF disbursements and high remittances, resulted in foreign exchange reserves reaching a record high of USD 18.7 billion by June 2015. In May 2015, S&P upgraded its Outlook on Pakistan from Neutral to Positive followed by Moody's upgrade of Pakistan's credit rating from Caa1 to B3. Improvements in external ratings and consequent increased investor interest in Pakistan has resulted in the KSE setting new records in 2015.

The macroeconomic stability provided a basis for the SBP to further reduce its policy rate by 100bps to 7.0%, a cumulative reduction of 300 bps since November, and to introduce changes in the interest rate structure which was a key benchmark under the IMF program. The newly introduced Target Rate is set at 50bps below the discount rate and has effectively become the benchmark for KIBOR. In addition the central bank reduced the width of the interest rate corridor by 50bps to 2.0% resulting in an increase in the floor rate on savings deposits to 4.5%.

Performance

HBL has delivered a pre-tax profit of Rs31.2 billion for the six months ended June 30, 2015, representing a growth of 41% over the same period last year. Profit after tax reached Rs 17.2 billion, a growth of 18% over H1 2014. The lower growth in profit after tax is due to the retrospective application of several new tax provisions introduced in the Federal Budget. Consequently, earnings per share for the half year increased to Rs11.34 as against Rs9.88 for the first half of 2014.

In June 2015, HBL's Balance Sheet crossed the Rs 2 trillion mark, an increase of 12% over December 2014. Total deposits grew by 5% despite continued shedding of expensive fixed deposits as the Bank remained focused on its strategy of growing current accounts which increased by 12%. The deposit mix has improved further as the ratio of Current Accounts has now risen from 34.2% in December 2014 to 36.5%. Average domestic current accounts for the first half of 2015 grew by 24% over the corresponding period and, along

with a declining rate environment, resulted in a 110 bps reduction in the cost of domestic deposits over H1 2014. Interest income was also supported by a 4% growth in average domestic loans and a near doubling of average PIBs as a result of the 2014 repositioning of the fixed income portfolio. Overall margins thus showed an increase of 12 bps, despite the steep reduction in the interest rate environment with KIBOR, on average, 218 bps lower than in H1 2014. With an expansion of 19% in the average Balance Sheet over the comparable period of 2014, net interest income increased by 23% to Rs39.3 billion for the six months ended June 30, 2015.

Non mark-up income increased by 60% to Rs18.1 billion for the half year ended June 30, 2015. In addition to capital gains of Rs 5.9 billion during H1 2015, fees and commissions increased significantly, growing by 43% over the previous year, as trade, remittances, Bancassurance and investment banking continued to make strong contributions.

Administrative expenses increased by 16% over the corresponding six months of 2014 due to continued investments by the Bank in its people, brand and technology. However, as a result of the strong revenue growth, the cost/income ratio reduced to 41.3% compared to 47.2% in H1 2014. Provisions increased mainly as a result of aging of previously classified names as well as a conservative view taken by the Bank on certain borrowers. Consequently, the coverage increased from 83.2% in December 2014 to 86.9% as of June 2015.

Movement of Reserves

	Rs million
Unappropriated profit brought forward	89,047
Profit attributable to equity holders of the Bank	16,631
Transferred from surplus on revaluation of fixed assets – net of tax	29
Other comprehensive income – net of tax	22
	16,682
Appropriations	
Transferred to statutory reserves	(1,717)
Cash dividend paid – Final 2014	(8,068)
Cash dividend paid – 1 st Interim 2015	(5,134)
	(14,919)
Unappropriated profit carried forward	90,810
Earnings per share (Rs)	11.34

Capital Ratios

The consolidated Capital Adequacy Ratio (CAR) reduced from 16.2% in December 2014 to 15.7% in June 2015 due to growth in Risk Assets. While Tier 1 CAR also declined from 13.3% to 12.8% over the same period, the capital position of the Bank remains robust.

HBL's Return on Assets in H1 2015 was 1.7%, while the Return on Equity reduced slightly to 19.7%.

Dividend

The Board of Directors, in its meeting held on August 21, 2015 has declared a second interim cash dividend of Rs. 3.5 per share (35%) for the quarter ended June 30, 2015.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively. In addition, Moody's also upgraded HBL's baseline credit assessment from caa1 to b3 and its local and foreign currency ratings from Caa1 to B3 and Caa2 to Caa1 respectively. Moody's rating actions were largely a consequence of their upgrade of Pakistan's credit rating, but also reflect their expectations of continued improvements in HBL's financial performance.

Future Outlook

The recent successful 8th review of the IMF, coupled with positive statements from external agencies provides a degree of optimism. The federal budget in June introduced new measures to broaden the tax base and it is imperative these are followed through. The government is projecting 5.1% real GDP growth for FY16 on the back of higher industrial growth and has set an ambitious PSDP budget of Rs 1.5 trillion targeting energy, infrastructure and relief projects. These projects, along with the China-Pakistan Economic Corridor are critical to achieving a step change in the country's macroeconomic trajectory and must now be accelerated on a priority basis.

The changes in the interest rate structure will further compress banking sector spreads which have been under pressure. However, the improving economy provides opportunities which HBL will be able to leverage with its extensive network, product range and its strong and highly liquid balance sheet.

Appreciation and Acknowledgement

We would like to place on record, our appreciation of the efforts of our regulators and the Government of Pakistan, in particular the Ministry of Finance, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, for developing and strengthening the banking and financial services sector through continuous improvement in the regulatory and governance framework.

On behalf of the Board and the management, we would also like to take this opportunity to thank our customers and shareholders for entrusting us with their confidence. We assure them that we remain committed to maintaining the highest standards and a strong culture of good corporate governance and compliance in all our endeavors. We would also like to acknowledge the efforts and dedication demonstrated by the employees towards the growth of HBL.

On behalf of the Board

Nauman K. Dar

President & Chief Executive Officer

August 21, 2015

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2015

	Note	(Unaudited) June 30, 2015	(Audited) December 31, 2014
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		159,596,555	135,276,934
Balances with other banks		54,600,927	67,691,450
Lendings to financial institutions		16,142,461	34,313,560
Investments	6	1,161,291,932	924,307,285
Advances	7	594,385,601	595,295,176
Operating fixed assets	8	28,593,769	27,309,803
Deferred tax asset		-	-
Other assets		76,030,006	82,809,181
		2,090,641,251	1,867,003,389
LIABILITIES			
Bills payable		24,024,787	21,989,658
Borrowings	9	231,000,152	103,411,114
Deposits and other accounts	10	1,603,179,753	1,524,537,786
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		5,672,879	2,569,110
Other liabilities		49,004,350	44,393,146
		1,912,881,921	1,696,900,814
NET ASSETS		177,759,330	170,102,575
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		45,564,471	43,550,188
Unappropriated profit		90,809,598	89,046,716
Total equity attributable to the equity holders of the Bank		151,042,594	147,265,429
Non-controlling interest		1,226,935	1,185,257
Surplus on revaluation of assets - net of deferred tax	11	25,489,801	21,651,889
		177,759,330	170,102,575
CONTINGENCIES AND COMMITMENTS	12		

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2015

	Note	January 01 to June 30, 2015	January 01 to June 30, 2014	April 01 to June 30, 2015	April 01 to June 30, 2014
------(Rupees in '000)-----					
Mark-up / return / profit / interest earned	13	73,521,056	66,218,359	36,593,142	34,653,879
Mark-up / return / profit / interest expensed	14	34,227,314	34,254,219	16,497,635	17,177,366
Net mark-up / profit / interest income		39,293,742	31,964,140	20,095,507	17,476,513
Provision against advances	7.2	1,548,202	396,884	1,065,463	(24,520)
Charge / (reversal) against off-balance sheet obligations		43,830	(115,881)	71,422	(117,292)
Provision / (reversal) for diminution in the value of investments	6.3	35,436	(168,725)	(64,943)	(46,732)
Bad debts written off directly		-	-	-	-
		1,627,468	112,278	1,071,942	(188,544)
Net mark-up / profit / interest income after provisions		37,666,274	31,851,862	19,023,565	17,665,057
Non mark-up / interest income					
Fee, commission and brokerage income		7,986,837	5,577,460	4,616,438	2,889,958
Dividend income		1,036,604	546,421	617,872	286,801
Share of profit of associates and joint venture		1,226,690	1,267,800	568,605	645,386
Income from dealing in foreign currencies		1,195,511	1,660,276	490,052	900,509
Gain on sale of securities		5,855,520	1,373,331	3,600,482	644,781
Unrealized (loss) / gain on held for trading securities		(2,358)	14,544	1,395	8,045
Other income		828,035	878,819	421,342	507,599
Total non-mark-up / interest income		18,126,839	11,318,651	10,316,186	5,883,079
		55,793,113	43,170,513	29,339,751	23,548,136
Non mark-up / interest expense					
Administrative expenses		23,727,367	20,446,576	13,099,099	10,554,317
Other provisions / write offs - net		231,962	123,015	18,010	9,010
Other charges		30,445	1,244	27,966	1,137
Workers Welfare Fund		618,957	454,053	313,408	266,222
Total non mark-up / interest expenses		24,608,731	21,024,888	13,458,483	10,830,686
Profit before taxation		31,184,382	22,145,625	15,881,268	12,717,450
Taxation					
current		10,121,271	6,502,288	4,718,680	4,011,570
prior		2,010,000	66,576	1,873,653	(83,684)
deferred		1,897,424	987,549	2,104,303	327,258
		14,028,695	7,556,413	8,696,636	4,255,144
Profit after taxation		17,155,687	14,589,212	7,184,632	8,462,306
Attributable to:					
Equity holders of the Bank		16,630,856	14,486,517	6,757,729	8,437,946
Non-controlling interest		13,368	(48,603)	10,594	(40,717)
Minority investors of funds managed by HBL Asset Management Limited		511,463	151,298	416,309	65,077
		17,155,687	14,589,212	7,184,632	8,462,306
------(Rupees)-----					
Basic and diluted earnings per share		11.34	9.88	4.61	5.75

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2015

	January 01 to June 30, 2015	January 01 to June 30, 2014	April 01 to June 30, 2015	April 01 to June 30, 2014
------(Rupees in '000)-----				
Profit for the period	17,155,687	14,589,212	7,184,632	8,462,306
Other comprehensive income				
Share of minority investors of funds managed by HBL Asset Management Limited transferred to other liabilities	(511,463)	(151,298)	(416,309)	(65,077)
Items to be reclassified to profit or loss in subsequent periods:				
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(231,833)	(2,462,647)	211,721	443,408
Items not to be reclassified to profit or loss in subsequent periods:				
Effect of actuarial gain and losses - net of tax	21,686	-	21,686	-
Comprehensive income transferred to equity	<u>16,434,077</u>	<u>11,975,267</u>	<u>7,001,730</u>	<u>8,840,637</u>
Components of comprehensive income not reflected in equity				
Items to be reclassified to profit or loss in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net of tax	3,867,166	425,782	(913,797)	(1,123,459)
	<u>20,301,243</u>	<u>12,401,049</u>	<u>6,087,933</u>	<u>7,717,178</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	20,272,394	12,487,445	5,985,960	7,717,350
Non-controlling interest	41,678	(65,515)	70,173	(10,378)
Minority investors of HBL Funds	(12,829)	(20,881)	31,800	10,206
	<u>20,301,243</u>	<u>12,401,049</u>	<u>6,087,933</u>	<u>7,717,178</u>

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President and Chief Executive Officer

Director

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HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2015

	Attributable to shareholders of the Bank							Non-controlling interest	Total	
	Share capital	Exchange translation reserve	Capital		Non-distributable capital reserve - gain on bargain purchase	Revenue				
			Statutory reserves			Revenue reserves	Unappropriated profit			
			Joint venture and subsidiaries	Bank						Subtotal
(Rupees in '000)										
Balance as at December 31, 2013	13,335,023	16,858,006	386,791	20,231,764	-	6,073,812	73,748,915	130,634,311	1,886,116	132,520,427
Total comprehensive income for the period										
Profit for the six months ended June 30, 2014	-	-	-	-	-	-	14,637,815	14,637,815	(48,603)	14,589,212
Minority share of HBL Funds transferred to other liabilities	-	-	-	-	-	-	(151,298)	(151,298)	-	(151,298)
- Other comprehensive income										
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(2,445,242)	-	-	-	-	-	(2,445,242)	(17,405)	(2,462,647)
	-	(2,445,242)	-	-	-	-	14,486,517	12,041,275	(66,008)	11,975,267
Transactions with owners, recorded directly in equity										
Final cash dividend paid at Rs. 2 per share for the year ended December 31, 2013	-	-	-	-	-	-	(2,667,005)	(2,667,005)	-	(2,667,005)
1st interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	-	(2,933,705)	(2,933,705)	-	(2,933,705)
Issued as bonus shares	1,333,502	-	-	-	-	-	(1,333,502)	-	-	-
	1,333,502	-	-	-	-	-	(6,934,212)	(5,600,710)	-	(5,600,710)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	63,377	63,377	-	63,377
Transferred to statutory reserves	-	-	26,032	1,354,219	-	-	(1,380,251)	-	-	-
Derecognition of equity due to voluntary winding up of modaraba	-	-	(7,561)	-	-	-	(30,247)	(37,808)	(620,768)	(658,576)
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	493	493
Balance as at June 30, 2014	14,668,525	14,412,764	405,262	21,585,983	-	6,073,812	79,954,099	137,100,445	1,199,833	138,300,278
Total comprehensive income for the period										
Profit for the six months ended December 31, 2014	-	-	-	-	-	-	17,317,223	17,317,223	(86,845)	17,230,378
Minority share of HBL Funds transferred to other liabilities	-	-	-	-	-	-	(78,625)	(78,625)	-	(78,625)
- Other comprehensive income										
Effect of actuarial gain and losses	-	-	-	-	-	-	(287,084)	(287,084)	-	(287,084)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(215,190)	-	-	-	-	-	(215,190)	(118,161)	(333,351)
	-	(215,190)	-	-	-	-	16,951,514	16,736,324	(205,006)	16,531,318
Transactions with owners, recorded directly in equity										
2nd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
3rd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
	-	-	-	-	-	-	(6,600,836)	(6,600,836)	-	(6,600,836)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	29,496	29,496	-	29,496
Transferred to statutory reserves	-	-	23,706	1,757,033	-	-	(1,780,739)	-	-	-
Exchange translation realized on sale of branch to subsidiary	-	(493,182)	-	-	-	-	493,182	-	-	-
Non-controlling interest acquired in HAIB during the period	-	-	-	-	-	-	-	-	189,366	189,366
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	1,064	1,064
	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2014	14,668,525	13,704,392	428,968	23,343,016	-	6,073,812	89,046,716	147,265,429	1,185,257	148,450,686
Total comprehensive income for the period										
Profit for the six months ended June 30, 2015	-	-	-	-	-	-	17,142,319	17,142,319	13,368	17,155,687
Minority share of HBL Funds transferred to other liabilities	-	-	-	-	-	-	(511,463)	(511,463)	-	(511,463)
- Other comprehensive income										
Effect of actuarial gain and losses	-	-	-	-	-	-	21,686	21,686	-	21,686
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(250,073)	-	-	-	-	-	(250,073)	18,240	(231,833)
	-	(250,073)	-	-	-	-	16,652,542	16,402,469	31,608	16,434,077
Transactions with owners, recorded directly in equity										
Final cash dividend paid at Rs. 5.5 per share for the year ended December 31, 2014	-	-	-	-	-	-	(8,067,689)	(8,067,689)	-	(8,067,689)
1st Interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
	-	-	-	-	-	-	(13,201,673)	(13,201,673)	-	(13,201,673)
Gain on Bargain Purchase Option on acquisition of Barclays Bank PLC	-	-	-	-	547,115	-	-	547,115	-	547,115
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	29,254	29,254	-	29,254
Transferred to statutory reserves	-	-	25,889	1,691,352	-	-	(1,717,241)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	10,070	10,070
Balance as at June 30, 2015	14,668,525	13,454,319	454,857	25,034,368	547,115	6,073,812	90,809,598	151,042,594	1,226,935	152,269,529

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

HABIB BANK LIMITED
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2015

	June 30, 2015	June 30, 2014
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	31,184,382	22,145,625
Dividend income	(1,036,604)	(546,421)
Share of profit of associates and joint venture	(1,226,690)	(1,267,800)
Gain on sale of securities	(5,855,520)	(1,373,331)
	(8,118,814)	(3,187,552)
	23,065,568	18,958,073
Adjustment for:		
Depreciation	1,161,088	902,020
Amortisation	261,230	200,460
Provision / (reversal) for diminution in the value of investments	35,436	(168,725)
Provision against advances	1,548,202	396,884
Unrealised loss / (gain) on held for trading securities	2,358	(14,544)
Exchange loss / (gain) on Goodwill	(42,312)	74,574
Exchange gain on sub-ordinated loan	-	(164,892)
Gain on sale of operating fixed assets - net	(17,459)	(4,475)
Workers Welfare Fund	618,957	454,053
Charge / (reversal) against off-balance sheet obligations	43,830	(115,881)
Other provisions / write offs - net	231,962	123,015
	3,843,292	1,682,489
	26,908,860	20,640,562
Increase / decrease in operating assets		
Lendings to financial institutions	18,171,099	(69,471,195)
Investments in held for trading securities	(15,963,971)	7,044,595
Advances	9,636,101	(13,651,967)
Other assets	5,566,052	(5,538,525)
	17,409,281	(81,617,092)
Increase / (decrease) in operating liabilities		
Bills payable	(31,463)	3,342,178
Borrowings	125,134,117	(32,227,441)
Deposits and other accounts	50,943,904	48,998,301
Other liabilities	1,984,657	440,699
	178,031,215	20,553,737
	222,349,356	(40,422,793)
Income tax paid	(10,918,764)	(8,800,510)
Net cash flows from / (used in) operating activities	211,430,592	(49,223,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(131,068,359)	104,151,859
Net investments in held to maturity securities	(55,238,625)	(33,423,587)
Dividend income received	1,104,757	523,034
Net cash inflow on acquisition	236,259	-
Fixed capital expenditure	(2,532,691)	(2,355,487)
Proceeds from sale of fixed assets	20,935	74,700
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(250,073)	(2,445,242)
Net cash flows (used in) / from investing activities	(187,727,797)	66,525,277
CASH FLOWS FROM FINANCING ACTIVITIES		
Exchange adjustment on translation of non-controlling interest in subsidiary	18,240	(17,405)
Repayment of subordinated loan	-	(1,233,165)
Dividend paid	(12,491,937)	(5,572,390)
Net cash flows used in financing activities	(12,473,697)	(6,822,960)
Increase in cash and cash equivalents during the period	11,229,098	10,479,014
Cash and cash equivalents at the beginning of the period	200,790,710	197,833,594
Effects of exchange rate changes on cash and cash equivalents	2,177,674	(5,015,138)
	202,968,384	192,818,456
Cash and cash equivalents at the end of the period	214,197,482	203,297,470

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2015

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking and asset management related services in Pakistan and overseas. The Bank's Registered office is at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad and its Principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on all three stock exchanges in Pakistan. The Group consists of the Bank, its subsidiaries and associates, as disclosed in Note 1 of the consolidated financial statements for the year ended December 31, 2014 and also includes HBL Mustahekum Sarmaya Fund, a mutual fund which was launched by HBL Asset Management Limited during the period and is consolidated in line with the requirements of International Financial Reporting Standard 10 (IFRS 10): "Consolidated Financial Statements".

During the period, the Government of Pakistan has sold its entire shareholding in the Bank to domestic and international investors through a secondary offering of shares via the domestic stock exchanges.

1.1 Acquisition of Barclays Bank PLC - Pakistan Branch Business (Barclays)

During the current period, the Bank has acquired the Pakistan branch business of Barclays Bank PLC, a commercial bank. This is effective from the close of business on June 14, 2015 under an agreement dated March 11, 2015.

The proposal for the acquisition and the scheme for amalgamation was approved by the Board of Directors through resolutions dated January 16, 2015, February 07, 2015 and March 27, 2015 and by the shareholders of the Bank in their Extraordinary General Meeting held on April 25, 2015. The State Bank of Pakistan, through its letter BPRD (R&P-02)/625-110/2015/12499 dated June 1, 2015, has also approved the scheme of amalgamation and granted sanction order for the amalgamation of Barclays with and into the Bank. Subsequent to the acquisition, the Bank has incorporated the balances relating to Barclays at their carrying values as appearing in the audited financial statements of Barclays on the close of business on June 14, 2015. These balances are detailed below:

	June 14, 2015
	Rupees in '000
ASSETS	
Cash and balances with treasury banks	4,985,464
Balances with other banks	1,414,438
Investments - net	21,615,276
Advances - net	10,274,728
Operating fixed assets	134,757
Deferred tax assets - net	974,231
Other assets - net	305,757
	39,704,651
LIABILITIES	
Bills payable	2,066,592
Borrowings from financial institutions	2,454,921
Deposits and other accounts	27,698,063
Other liabilities	287,201
	32,506,777
Net assets acquired	7,197,874

International Financial Reporting Standard 3, (IFRS - 3) "Business Combinations", requires that all identified assets (including intangible assets) and liabilities acquired in a business combination should be carried at their fair values on the acquirer's balance sheet and any intangible assets acquired in the business combination should be separately recognized and carried at their fair values. IFRS - 3 allows the acquirer a maximum period of one year from the date of acquisition to finalize the determination of the fair values of the assets and liabilities and to determine the value of any intangibles separately identified. The fair valuation exercise of the recorded assets and liabilities will be completed within the period specified under IFRS - 3. However, management does not expect the fair values of the assets and liabilities transferred to be materially different from the carrying values.

The net assets of Barclays as appearing in the audited financial statements of Barclays as of June 14, 2015 were recognised by the Bank along with a contingent consideration of Rs 487 million based on potential realization of certain assets.

The acquisition of Barclays is a bargain purchase as the value of the net assets acquired as at the acquisition date exceeds the consideration paid by the Bank. The total gain on bargain purchase arising on the acquisition of Barclays amounts to Rs. 547 million. Details of carrying values of the net assets acquired, purchase consideration and gain on bargain purchase are as follows:

June 14, 2015
Rupees in '000

Carrying value of net assets acquired	7,197,874
Cash consideration	(6,163,643)
Contingent consideration	(487,116)
Purchase consideration	(6,650,759)
Gain on bargain purchase	<u>547,115</u>

Under IFRS-3 a bargain purchase represents an economic gain which should be immediately recognized by the acquirer as income. However, the amount of bargain purchase gain has not been taken to the profit and loss account as the SBP, through its letter BPRD (R&P-02)/625-113/2015/18066 dated August 18, 2015 has recommended that the amount of gain should be routed directly into equity as a Non-distributable Capital Reserve (NCR). The NCR may become available for distribution through a stock dividend only with prior approval of the SBP. The Bank, before distribution of the gain as a stock dividend, may adjust any subsequent provisions/deficit, assessed by the Bank or recommended by Banking Inspection Department of the SBP, in the acquired Pakistan branch business of Barclays, against the NCR.

- 1.2 During the quarter, HBL Asset Management Limited has made a binding offer for purchase of 100% of the shares of PICIC Asset Management Company Limited from NIB Bank, subject to finalization of a Share Purchase Agreement and receipt of shareholder and regulatory approvals.

2 STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with the framework as referred to in the annual consolidated financial statements for the year ended December 31, 2014. The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all the disclosures required for annual financial statements, and these condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2014 except as stated in Note 3.1 below:

- 3.1 The Group has adopted International Financial Reporting Standard 10 (IFRS 10): "Consolidated Financial Statements" pursuant to its notification by the Securities and Exchange Commission of Pakistan effective for annual periods beginning on or after January 1, 2015.

Consequently, the Group's investments in certain mutual funds managed by HBL Asset Management Limited (a wholly owned subsidiary) which were previously accounted for as investments in associates are now accounted for as investment in subsidiaries. Accordingly, the financial information of these funds has been consolidated on a line by line basis. Comparative information has not been restated as the impact of consolidation on the net assets and profit and loss account of the Group is not considered material. The funds that have been consolidated and the impact on these condensed interim consolidated financial statements has been disclosed in Note 6.4.1.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2014.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2014.

6. INVESTMENTS

Investments by type	Note	June 30, 2015			December 31, 2014		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----							
Held-for-trading (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		4,656,154	-	4,656,154	5,669,613	-	5,669,613
- Market Treasury Bills		58,828,299	-	58,828,299	42,471,309	-	42,471,309
Overseas Government Securities							
		1,177,996	-	1,177,996	557,556	-	557,556
		64,662,449	-	64,662,449	48,698,478	-	48,698,478
Held-to-Maturity (HTM)							
Federal Government Securities							
- Market Treasury Bills		28,586,740	-	28,586,740	-	-	-
- Pakistan Investment Bonds		97,491,261	-	97,491,261	75,781,905	-	75,781,905
- Government of Pakistan Guaranteed Bonds		1,857,579	-	1,857,579	1,992,000	-	1,992,000
Debentures and Corporate Debt Instruments / Units							
- Listed securities		19,534,498	-	19,534,498	13,576,257	-	13,576,257
- Unlisted securities		5,144,001	-	5,144,001	5,493,233	-	5,493,233
Overseas Government securities							
		18,122,254	-	18,122,254	18,654,313	-	18,654,313
		170,736,333	-	170,736,333	115,497,708	-	115,497,708
Available-for-Sale (AFS)							
Federal Government Securities							
- Market Treasury Bills		358,499,949	157,548,954	516,048,903	389,406,077	18,494,458	407,900,535
- Pakistan Investment Bonds		249,144,728	3,117,812	252,262,540	187,548,334	35,039,524	222,587,858
- Government of Pakistan Guaranteed Bonds		3,397,500	-	3,397,500	3,397,500	-	3,397,500
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		59,775,288	-	59,775,288	47,294,174	-	47,294,174
Overseas Government Securities							
Fully paid-up ordinary shares		1,138,761	-	1,138,761	3,426,462	-	3,426,462
- Listed companies		12,105,261	-	12,105,261	15,324,333	-	15,324,333
- Unlisted companies		1,268,849	-	1,268,849	1,232,824	-	1,232,824
Debentures and Corporate Debt Instruments / Units							
- Listed securities		30,399,716	-	30,399,716	17,992,021	-	17,992,021
- Unlisted securities		2,468,847	-	2,468,847	2,928,467	-	2,928,467
NIT Units							
Preference shares		4,061,113	-	4,061,113	2,261,113	-	2,261,113
Investments of mutual funds		250,000	-	250,000	250,000	-	250,000
		8,708,467	-	8,708,467	6,679,874	-	6,679,874
		731,218,479	160,666,766	891,885,245	677,741,179	53,533,982	731,275,161
Investment in Associates and Joint Venture							
	6.4.1	10,870,588	-	10,870,588	11,615,806	-	11,615,806
		977,487,849	160,666,766	1,138,154,615	853,553,171	53,533,982	907,087,153
Provision for diminution in the value of investments	6.3	(1,278,754)	-	(1,278,754)	(1,197,153)	-	(1,197,153)
Net investment							
		976,209,095	160,666,766	1,136,875,861	852,356,018	53,533,982	905,890,000
(Deficit) / surplus on revaluation of held for trading securities		(2,358)	-	(2,358)	52,856	-	52,856
Surplus on revaluation of available for sale securities	11.2	23,365,465	1,027,742	24,393,207	15,475,135	2,752,192	18,227,327
Surplus on revaluation of investments of associates		25,222	-	25,222	137,102	-	137,102
Total investments at market value							
		999,597,424	161,694,508	1,161,291,932	868,021,111	56,286,174	924,307,285

6.1 The market value of securities classified as Held-to-Maturity as at June 30, 2015 amounted to Rs. 177,090.803 million (December 31, 2014: Rs. 120,290.496 million).

6.2 The Bank's subsidiaries, Habib Finance International Limited, Hong Kong (wholly owned) and Habib Allied International Bank Plc, UK (HAIB) issued rights shares during the period.

6.3 Movement in provision held against diminution in the value of investments

The analysis of total provision held is as follows:

	June 30, 2015	December 31, 2014
	(Rupees in '000)	
Opening balance	1,197,153	1,532,339
Charge for the period / year	141,593	118,489
Reversals for the period / year	(3,094)	(80,357)
Reversal on disposal during the period / year	(103,063)	(154,039)
Total charge /(reversal) - net	35,436	(115,907)
Derecognition of provision due to voluntary winding up of Modaraba	-	(11,342)
Write offs	-	(207,937)
Transfers in	46,165	-
Closing balance	<u>1,278,754</u>	<u>1,197,153</u>

6.4 These financial statements include results of the following associates and joint venture for the periods listed:

	Based on the financial information as on
Diamond Trust Bank Kenya Limited	March 31, 2015
Himalayan Bank Limited, Nepal	March 31, 2015
Kyrgyz Investment and Credit Bank	March 31, 2015
Jubilee Life Insurance Company Limited	March 31, 2015
Jubilee General Insurance Company Limited	March 31, 2015
HBL Money Market Fund	June 30, 2015

6.4.1 The following funds have been consolidated pursuant to the adoption of IFRS10 as explained in note 3.1 of these condensed interim consolidated financial statements:

HBL Islamic Stock Fund
HBL Islamic Money Market Fund
HBL Pension Equity Sub Fund
HBL Pension Debt Sub Fund
HBL Pension Money Market Sub Fund
HBL Islamic Pension Equity Sub Fund
HBL Islamic Pension Debt Sub Fund
HBL Islamic Pension Money Market Sub Fund

Had these funds not been consolidated, total assets and total liabilities of the Group as at June 30, 2015 would both have been lower by Rs. 604 million and hence there would have been no impact on net assets. Profit after taxation for the six months ended June 30, 2015 would have been lower by Rs. 30 million.

7 ADVANCES

	Note	June 30, 2015	December 31, 2014
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		468,485,320	450,443,893
Outside Pakistan		124,319,871	127,200,670
		<u>592,805,191</u>	<u>577,644,563</u>
Net investment in finance lease - in Pakistan		7,605,020	6,541,460
Bills discounted and purchased (excluding Government Treasury bills)			
Payable in Pakistan		23,449,654	27,430,375
Payable outside Pakistan		38,366,807	49,859,655
		61,816,461	77,290,030
Provision against advances	7.2	<u>(67,841,071)</u>	<u>(66,180,877)</u>
		<u>594,385,601</u>	<u>595,295,176</u>

7.1 Classification of non-performing advances is as follows:

Category of classification	June 30, 2015								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Specific provision									
Other assets especially mentioned	1,084,941	-	1,084,941	-	-	-	1,084,941	-	1,084,941
Substandard	4,732,665	2,002,625	6,735,290	1,224,917	541,665	1,766,582	3,507,748	1,460,960	4,968,708
Doubtful	1,332,049	1,171,908	2,503,957	666,025	544,370	1,210,395	666,024	627,538	1,293,562
Loss*	51,138,672	16,625,292	67,763,964	49,590,388	12,159,526	61,749,914	1,548,284	4,465,766	6,014,050
	58,288,327	19,799,825	78,088,152	51,481,330	13,245,561	64,726,891	6,806,997	6,554,264	13,361,261
General provision	-	-	-	1,267,537	1,846,643	3,114,180	-	-	-
	58,288,327	19,799,825	78,088,152	52,748,867	15,092,204	67,841,071	6,806,997	6,554,264	13,361,261

Category of classification	December 31, 2014								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Specific provision									
Other assets especially mentioned	554,199	-	554,199	-	-	-	554,199	-	554,199
Substandard	6,775,792	962,186	7,737,978	1,675,263	288,228	1,963,491	5,100,529	673,958	5,774,487
Doubtful	2,414,009	754,054	3,168,063	1,207,005	373,567	1,580,572	1,207,004	380,487	1,587,491
Loss*	49,502,426	18,564,800	68,067,226	47,750,592	12,212,140	59,962,732	1,751,834	6,352,660	8,104,494
	59,246,426	20,281,040	79,527,466	50,632,860	12,873,935	63,506,795	8,613,566	7,407,105	16,020,671
General provision	-	-	-	1,137,628	1,536,454	2,674,082	-	-	-
	59,246,426	20,281,040	79,527,466	51,770,488	14,410,389	66,180,877	8,613,566	7,407,105	16,020,671

* This includes Government guaranteed non-performing loan amounting to Rs. 1,065.738 million (December 31, 2014: Rs. 1,065.738 million).

7.2 Particulars of provision against advances

	June 30, 2015			December 31, 2014		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	63,506,795	2,674,082	66,180,877	64,571,332	2,150,383	66,721,715
Charge for the period / year	3,335,331	419,163	3,754,494	5,263,354	636,014	5,899,368
Reversals for the period / year	(2,190,134)	(16,158)	(2,206,292)	(4,135,884)	(51,944)	(4,187,828)
Net charge against advances	1,145,197	403,005	1,548,202	1,127,470	584,070	1,711,540
Write off	(763,554)	-	(763,554)	(1,372,191)	-	(1,372,191)
Transfer in due to acquisition of Barclays	746,503	3,287	749,790	-	-	-
Net movement of derecognition and acquisition of Modaraba assets	-	-	-	(11,092)	-	(11,092)
Exchange adjustment / other movements	91,950	33,806	125,756	(808,724)	(60,371)	(869,095)
Closing balance	64,726,891	3,114,180	67,841,071	63,506,795	2,674,082	66,180,877

7.3 Exposure amounting to Rs. 8.554 billion (December 31, 2014: Rs. 8.610 billion) relating to Pakistan International Airlines, which is guaranteed by the Government of Pakistan has not been classified as non performing, in accordance with a relaxation given by the SBP. However, markup income on this amount has been suspended and is not reflected in these condensed interim consolidated financial statements.

7.4 As per regulation R-8 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan (SBP), the Bank has availed the benefit of Forced Sale value (FSV) against non-performing advances (excluding consumer housing finance portfolio). Had the benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at June 30, 2015 would have been higher by Rs. 447.045 million (December 31, 2014: Rs. 650.595 million). The FSV benefit taken would not be available for the distribution of cash or stock dividend to shareholders.

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

	June 30, 2015			December 31, 2014		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
----- (Rupees in '000) -----						
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons:						
- in respect of directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	2,195,800	2,195,800	331,289	2,014,300	2,034,200	455,839
- in respect of key management personnel / Companies in which key management personnel or their close family members are interested	475,500	475,500	78,751	412,700	717,915	97,873
Debts due by companies or firms in which the directors of the Group / Parent are interested as directors, partners, advisors or in the case of private companies as members	3,293,784	3,542,997	-	1,160,705	1,901,741	1,833,008

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

* (These represent staff advances given by the Group to its executives as per their terms of employment).

** (The maximum amount has been arrived at by reference to month end balance).

8 OPERATING FIXED ASSETS	Note	June 30, 2015 (Rupees in '000)	December 31, 2014 (Rupees in '000)
Capital work-in-progress		1,948,481	1,119,394
Intangible assets			
- Goodwill	8.3	1,974,609	1,932,297
- Computer software		685,317	844,915
Tangible fixed assets		23,985,362	23,413,197
		<u>28,593,769</u>	<u>27,309,803</u>

8.1 Additions to operating fixed assets

For the six months ended	
June 30, 2015	June 30, 2014
(Rupees in '000)	

The following additions have been made to operating fixed assets during the period:

Capital work-in-progress	1,682,941	1,494,487
Intangible assets	101,672	320,121
Tangible fixed assets		
Land	230,304	-
Building	156,967	149,304
Machinery	40,173	63,291
Furniture, fixtures and office equipments	848,180	1,313,397
Leasedhold Improvements	249,226	237,536
Vehicles	66,919	36,062
	<u>3,376,382</u>	<u>3,614,198</u>

8.2 Disposal of operating fixed assets

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

Tangible fixed assets

Land	-	8,000
Building	-	55,221
Furniture, fixtures and office equipments	185,850	599,663
Leasedhold Improvements	145,996	257
Vehicles	13,453	14,272
	<u>345,299</u>	<u>677,413</u>

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

9 **BORROWINGS**

Note

**June 30,
2015** **December 31,
2014**
(Rupees in '000)

Secured

Borrowings from SBP under:

Export refinance scheme	17,288,356	14,504,562
Long term financing facility - locally manufactured and imported plant & machinery	5,191,390	6,468,165
Long term finance - export oriented projects	42,566	133,651
Financing facility for storage of agricultural produce	-	3,061

Repurchase agreement borrowings	161,562,728	56,041,292
	<u>184,085,040</u>	<u>77,150,731</u>

Unsecured

In Pakistan:

Interbank call money borrowings	19,508,894	9,238,070
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Outside Pakistan:

Overdrawn nostro accounts	596,235	569,105
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Borrowings of overseas branches and subsidiaries	26,809,983	16,453,208
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9.1

	<u>27,406,218</u>	<u>17,022,313</u>
	<u>46,915,112</u>	<u>26,260,383</u>
	<u>231,000,152</u>	<u>103,411,114</u>

- 9.1 This includes a loan from International Finance Corporation amounting to US \$ 150 million (December 31, 2014: Nil). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR+ 5% is payable bi-annually commencing from June 2015.

10 **DEPOSITS AND OTHER ACCOUNTS**

Customers

Current accounts - non-remunerative	563,368,488	496,598,562
Savings accounts	718,669,958	664,749,424
Fixed deposits	<u>292,626,627</u>	<u>329,292,130</u>
	<u>1,574,665,073</u>	<u>1,490,640,116</u>

Financial institutions

Current accounts - non-remunerative	21,770,481	24,986,975
Savings accounts	2,687,696	4,092,718
Fixed deposits	4,056,503	4,817,977
	<u>28,514,680</u>	<u>33,897,670</u>
	<u>1,603,179,753</u>	<u>1,524,537,786</u>

11 **SURPLUS ON REVALUATION OF ASSETS - net of deferred tax**

Note	June 30, 2015	December 31, 2014
	(Rupees in '000)	
Surplus arising on revaluation of:		
- fixed assets	9,397,547	9,426,801
- investments	16,092,254	12,225,088
Surplus on revaluation of assets - net of deferred tax	<u>25,489,801</u>	<u>21,651,889</u>

11.1 **Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets as at January 1	10,286,364	10,419,565
Recognized during the period / year	-	8,504
Realised on disposal during the period / year - net of deferred tax	-	(33,741)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(29,254)	(59,132)
Related deferred tax liability on incremental depreciation charged during the period / year	(15,813)	(31,870)
Related deferred tax liability on surplus realised on disposal	-	(16,962)
Surplus on revaluation of fixed assets as at period / year end	<u>10,241,297</u>	<u>10,286,364</u>

Less: related deferred tax liability on:

- revaluation as at January 1	859,563	891,565
- revaluation recognised during the period / year	-	16,830
- surplus realised on disposal during the period / year	-	(16,962)
- incremental depreciation charged during the period / year	(15,813)	(31,870)
	<u>843,750</u>	<u>859,563</u>
	<u>9,397,547</u>	<u>9,426,801</u>

11.2 **Surplus on revaluation of investments**

Market Treasury Bills	1,628,651	371,559
Pakistan Investment Bonds	18,091,895	14,774,097
Government of Pakistan Sukuk and US Dollar / Euro Bonds	1,197,548	(188,839)
Listed Securities	2,652,741	2,738,272
NIT Units	389,973	433,394
Other Investments	432,399	98,844
	<u>24,393,207</u>	<u>18,227,327</u>
Surplus on revaluation of investments of associates	25,222	137,102
Related deferred tax liability	(8,326,175)	(6,139,341)
	<u>16,092,254</u>	<u>12,225,088</u>

12 **CONTINGENCIES AND COMMITMENTS**

12.1 **Direct credit substitutes - financial guarantees**

Guarantees in favour of:

- Government	254,484	274,410
- Financial institutions	295,000	295,000
- Others	31,979,526	24,353,007
	<u>32,529,010</u>	<u>24,922,417</u>

	June 30, 2015	December 31, 2014
	(Rupees in '000)	
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	1,372,795	294,415
- Financial institutions	4,684,090	2,956,884
- Others	64,012,767	53,659,253
	<u>70,069,652</u>	<u>56,910,552</u>

12.3 Trade-related commitments

Credit cash	74,550,177	73,669,574
Credit documentary acceptances	21,894,305	14,838,610
Credit acceptances	40,258,190	29,323,479
	<u>136,702,672</u>	<u>117,831,663</u>

12.4 Other contingencies

Claims against the Group not acknowledged as debts	<u>37,464,783</u>	<u>37,608,696</u>
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12.5 Commitments in respect of forward lending

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

	June 30, 2015	December 31, 2014
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	158,449,416	175,592,647
Sale	158,543,023	176,427,323
The above commitments have maturities falling within one year.		
Commitments in respect of options		
Purchase	147,300	3,170,666
Sale	147,300	3,170,666
Commitments in respect of cross currency swaps		
Purchase	1,393,652	1,390,469
Sale	1,363,340	1,353,623
Commitments in respect of interest rate swaps		
Purchase	135,705	167,472
Sale	4,635,705	330,805
12.7 Commitments for acquisition of fixed assets / intangibles	1,433,905	1,082,541

12.8 Taxation

The income tax returns of the Bank have been submitted upto and including the financial year 2013. The tax authorities have concluded the audit of years 2002 through 2013.

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

13 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the six months ended	
	June 30, 2015	June 30, 2014
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	24,326,678	25,837,586
- Financial institutions	7,368	116,423
<i>On investments in:</i>		
- Available-for-sale securities	37,348,487	32,842,195
- Held-for-trading securities	1,790,937	1,095,183
- Held-to-maturity securities	5,960,499	3,489,636
On deposits with financial institutions	1,262,068	775,336
On lendings to financial institutions	2,825,019	1,599,393
Compensation received on tax refunds	-	462,607
	<u>73,521,056</u>	<u>66,218,359</u>

14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

<i>On:</i>		
Deposits	25,904,131	29,256,839
Securities sold under repurchase agreement borrowings	5,505,062	2,694,559
Other short term borrowings	2,432,072	2,037,795
Long term borrowings	386,049	265,026
	<u>34,227,314</u>	<u>34,254,219</u>

15 **RELATED PARTY TRANSACTIONS**

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

Banking transactions with related parties, other than those under terms of employment, are executed on an arm's length basis i.e. substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk. Details of advances to related parties are included in note 7.5 to these condensed interim consolidated financial statements.

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

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

	June 30, 2015				
	Individual and companies related through				
Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties	
----- Rs. in 000 -----					
Statement of financial position					
Deposits	4,058,914	-	5,003,911	76,005	53,271
Maximum Deposits During the period	4,230,961	-	5,003,911	76,185	78,635
Borrowings	-	-	1,181,135	-	-
Investments	-	-	8,797,775	1,520,657	-
Markup / Other Receivable	15,705	-	165,933	-	-
Mark-up / Other Payable	9,870	-	2,546	-	733,803
Placements / Lendings	-	-	-	-	-
Nostro balances	70,112	-	-	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	22,530	-	2,300,280	184,922	-
Interest / Other Expense	43,453	-	367,523	152	246,991
Others					
Other contingencies	948,173	-	5,126	-	-
Securities Held as custodian	12,945,795	1,411,100	32,513,460	-	4,649,495
December 31, 2014					
Individual and companies related through					
Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties	
----- Rs. in 000 -----					
Statement of financial position					
Deposits	3,914,395	-	3,133,203	113,168	116,266
Maximum Deposits During the period	3,996,836	-	4,077,656	113,168	729,432
Borrowings	3,281,763	-	-	2,160,385	-
Investments	-	-	-	1,425,498	-
Markup / Other Receivable	-	-	277,663	-	-
Mark-up / Other Payable	8,352	-	5,906	18,326	961,746
Placements / Lendings	89,035	-	-	-	-
Nostro balances	173,250	-	692,192	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	93,836	-	4,027,765	371,658	-
Interest / Other Expense	189,224	-	656,432	289,873	406,016
Others					
Other contingencies	541,418	-	-	-	-
Securities Held as custodian	10,027,505	888,000	35,292,700	-	5,377,465

15.1 Key management personnel

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

	For the six months ended	
	June 30, 2015	June 30, 2014
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,112,601	929,784
Contribution to provident and benevolent fund	17,815	14,318
Medical	35,005	29,184
	<u>1,165,421</u>	<u>973,286</u>
Number of persons	202	183

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2015					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(11,590)	9,809	35,751	4,134	1,190	39,294
Inter segment revenue - net	31,434	(6,564)	(28,438)	(895)	4,463	-
Non-funded income	5,180	1,944	5,798	3,496	1,709	18,127
Net interest and non-markup income	25,024	5,189	13,111	6,735	7,362	57,421
Total expenses including provision	10,132	1,495	159	5,137	9,314	26,237
Inter segment administrative cost	5,564	1,113	160	613	(7,450)	-
Total expenses including provision	15,696	2,608	319	5,750	1,864	26,237
Profit before tax	9,328	2,581	12,792	985	5,498	31,184
Segment gross earnings on liability / asset %	9.14%	9.25%	9.75%	4.93%	6.09%	-
Segment cost of funds %	4.06%	6.39%	7.32%	1.43%	2.00%	-
	As on June 30, 2015					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Segment assets gross	180,678	375,371	1,037,810	400,889	165,516	2,160,264
Segment non-performing advances	13,618	44,465	-	19,800	205	78,088
Segment provision required including general provision	12,933	39,737	68	15,092	1,793	69,623
Inter Segment Assets / (Liabilities)	903,649	(162,620)	(833,868)	(89,304)	182,143	-
Segment liabilities including equity	1,071,395	173,015	203,942	296,241	346,048	2,090,641
	For the six months ended June 30, 2014					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(17,314)	12,300	32,083	4,017	878	31,964
Inter segment revenue - net	35,711	(9,415)	(31,323)	(99)	5,126	-
Non-funded income	4,212	1,450	2,945	3,075	(363)	11,319
Net interest and non-markup income	22,609	4,335	3,705	6,993	5,641	43,283
Total expenses including provision	8,504	441	50	4,758	7,384	21,137
Inter segment administrative cost	4,440	888	128	489	(5,945)	-
Total expenses including provision	12,944	1,329	178	5,247	1,439	21,137
Profit before tax	9,665	3,006	3,527	1,746	4,202	22,146
Segment gross earnings on liability / asset %	9.97%	10.10%	9.73%	4.87%	6.00%	-
Segment cost of funds %	5.20%	7.73%	8.83%	1.09%	1.26%	-

As on December 31, 2014

	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	----- (Rupees in million) -----					
Segment assets gross	171,776	379,376	854,694	392,862	136,132	1,934,840
Segment non-performing advances	12,367	46,685	-	20,281	194	79,527
Segment provision required including general provision	10,634	41,204	87	14,410	1,502	67,837
Inter Segment Assets / (Liabilities)	831,234	(162,369)	(775,847)	(86,098)	193,080	-
Segment liabilities including equity	992,375	175,804	78,759	292,354	327,711	1,867,003

17 ISLAMIC BANKING BUSINESS

The Statement of the Financial Position of the Islamic Banking Business is disclosed in note no. 17 to the condensed interim unconsolidated financial statements for the period ended June 30, 2015.

18 GENERAL

- 18.1 Comparative figures have been re-arranged and reclassified for comparison purposes. An amount of Rs. 499.856 million has been reclassified from Other income to Fee, commission and brokerage income.

19 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on August 21, 2015.

President and Chief Executive Officer

Director

Director

Director