

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the six months ended June 30, 2014.

Economy

Moody's investor services have upgraded the outlook on Pakistan's foreign currency government bond rating to "Stable". This decision is primarily based on stabilization in the country's external liquidity position which is supported by the Government's (GoP) strong commitment to reforms under an ongoing program with the International Monetary Fund (IMF). The continued implementation of structural reforms under the program would ensure additional tranche disbursements, further buffering Pakistan's foreign reserves. During the period under review, improvement was witnessed in some key macroeconomic indicators. The foreign exchange reserves improved to US\$ 14.6 billion as on July 04, 2014, resulting in appreciation in Pak Rupee of over 5% against US dollar during the period. The inflation as measured by CPI has come down to 8.2 % in June 2014 as against 9.2% in December 2013.

The State Bank of Pakistan (SBP) kept the discount rate unchanged at 10% during the period. The bullish tendency prevailed in the stock market as depicted by KSE 100 index which increased to 29,652 points as on June 30, 2014 up 17.4% as compared to December 31, 2013.

Performance

The Bank's focus on building its stable core deposit base is yielding good results and the CASA increased to 78% as on June 30, 2014 as against 75% in December 2013. The CASA deposits increased by Rs. 84 billion whereas high cost deposits reduced by Rs.27 billion. The total deposits are up by 4.3%. Advances increased by Rs. 13 billion.

The Bank has posted phenomenal growth of 43.5% in profit after tax for the period ended June 30, 2014 over corresponding period of June 30, 2013, contributed by both mark-up and non mark-up income. Net mark-up income increased by 22.2% to Rs. 31.2 billion as against Rs. 25.5 billion for corresponding period of last year. The increase in net mark-up income is attributable to change in deposit mix, volumetric growth and investment in long term bonds. The Bank continued its focus on non mark-up income which posted strong growth of 45.5% to Rs. 9.1 billion. The increase is in all areas including fee & commission and foreign exchange income. The pretax and after tax profit were at Rs. 20.8 billion and Rs. 13.5 billion respectively for the six months ended June 30, 2014 as against Rs. 14.6 billion and Rs. 9.4 billion respectively in the corresponding period last year resulting in increase of earnings per share to Rs. 9.23 as against Rs. 6.43 for corresponding period of last year.

Movement of Reserves

	Rs. in million
Unappropriated profit brought forward	67,436
Profit attributable to equity holders of the Bank	13,542
Transferred from surplus on revaluation of fixed assets – net of tax	63
Transfer to statutory reserves	(1,354)
Cash dividend	(5,601)
Issued as bonus shares	(1,333)
Unappropriated profit carried forward	<u>72,753</u>
Earnings per share rupees (Basic & Diluted)	<u>9.23</u>

Dividend

The Board has recommended second interim cash dividend of Rs. 2.25 per share for the year ending December 31, 2014. The effect of which is not reflected in the above appropriations.

Rating

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

Future Outlook

Despite continuing challenges, GoP's efforts to put the economy on track have started producing results as is apparent from improvement in foreign exchange reserves and decline in inflation. The GoP has managed to raise more than a billion dollars from issuance of next generation telecommunication licenses and raised two billion dollars from issuance of Pakistan Eurobonds. The improvement in overall economic outlook has been well appreciated by international community and is also reflected in Moody's rating.

Based on its balance sheet size, domestic leadership, presence "beyond borders" and product expertise, HBL is well positioned to positively contribute towards economic development of the country and capitalize on the untapped potential.

Appreciation and Acknowledgements

I would like to appreciate the efforts of our Regulators and GoP and in particular the Ministry of Finance and SBP for developing and strengthening the banking and financial service industry through improved regulatory and governance framework.

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

On behalf of the Board.

Nauman K. Dar

President & Chief Executive Officer

July 22, 2014

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014

	Note	(Unaudited) June 30, 2014 (Rupees in '000)	(Audited) December 31, 2013
ASSETS			
Cash and balances with treasury banks		149,360,585	130,021,065
Balances with other banks		27,365,362	34,721,738
Lendings to financial institutions		104,742,672	35,271,477
Investments	6	723,436,889	794,985,681
Advances	7	537,220,232	523,858,986
Operating fixed assets	8	24,206,433	22,978,009
Deferred tax asset		4,312,854	5,550,304
Other assets		71,961,626	65,270,545
		<u>1,642,606,653</u>	<u>1,612,657,805</u>
LIABILITIES			
Bills payable		22,699,420	19,348,470
Borrowings	9	70,213,947	105,289,762
Deposits and other accounts	10	1,374,226,595	1,316,990,511
Sub-ordinated loan	11	1,235,058	2,633,115
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		38,215,153	39,106,941
		<u>1,506,590,173</u>	<u>1,483,368,799</u>
NET ASSETS		<u>136,016,480</u>	<u>129,289,006</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	13,335,023
Reserves		39,093,602	39,496,771
Unappropriated profit		72,752,785	67,435,578
		126,514,912	120,267,372
Surplus on revaluation of assets - net of deferred tax	12	9,501,568	9,021,634
		<u>136,016,480</u>	<u>129,289,006</u>
CONTINGENCIES AND COMMITMENTS	13		

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Note	January 01 to June 30, 2014	January 01 to June 30, 2013	April 01 to June 30, 2014	April 01 to June 30, 2013
------(Rupees in '000)-----					
Mark-up / return / profit / interest earned	14	65,086,790	60,489,861	34,069,586	29,747,306
Mark-up / return / profit / interest expensed	15	33,901,424	34,960,946	17,002,450	17,015,566
Net mark-up / profit / interest income		31,185,366	25,528,915	17,067,136	12,731,740
Provision against advances	7.2	81,122	1,346,671	(185,392)	56,112
(Reversal)/charge against off-balance sheet obligations		(115,881)	27,585	(117,292)	(4,367)
Reversal against diminution in the value of investments	6.2	(133,881)	(40,627)	(11,865)	(33,397)
Bad debts written off directly		-	-	-	-
		(168,640)	1,333,629	(314,549)	18,348
Net mark-up / profit / interest income after provisions		31,354,006	24,195,286	17,381,685	12,713,392
Non mark-up / interest income					
Fee, commission and brokerage income		5,223,122	3,996,158	2,949,168	2,127,652
Dividend income		623,512	385,667	371,787	173,030
Income from dealing in foreign currencies		1,160,620	299,073	482,315	117,111
Gain on sale of securities		778,304	545,896	472,398	426,849
Unrealized gain on held for trading securities		14,544	671	8,045	17,609
Other income		1,258,160	998,830	701,444	433,209
Total non-mark-up / interest income		9,058,262	6,226,295	4,985,157	3,295,460
		40,412,268	30,421,581	22,366,842	16,008,852
Non mark-up / interest expense					
Administrative expenses		19,042,738	15,626,144	9,830,981	8,459,593
Other provisions / write offs - net		123,015	(143,882)	9,010	(20,796)
Other charges		1,244	16,509	1,137	777
Workers' welfare fund		427,924	300,510	252,295	152,086
Total non mark-up / interest expenses		19,594,921	15,799,281	10,093,423	8,591,660
Profit before taxation		20,817,347	14,622,300	12,273,419	7,417,192
Taxation					
current		6,267,108	4,679,090	3,947,099	2,259,421
prior		66,576	1,257	(83,684)	(117,530)
deferred		941,478	505,991	345,777	416,432
		7,275,162	5,186,338	4,209,192	2,558,323
Profit after taxation		13,542,185	9,435,962	8,064,227	4,858,869
------(Rupees)-----					
Basic and diluted earnings per share		9.23	6.43	5.50	3.31

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
 CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
 FOR THE SIX MONTHS ENDED JUNE 30, 2014

	January 01 to June 30, 2014	January 01 to June 30, 2013	April 01 to June 30, 2014	April 01 to June 30, 2013
	----- (Rupees in '000) -----			
Profit for the period	13,542,185	9,435,962	8,064,227	4,858,869
Other comprehensive income				
Items to be reclassified to profit or loss in subsequent periods:				
Effect of translation of net investment in foreign branches	(1,757,388)	(601,763)	293,209	296,965
Comprehensive income transferred to equity	<u>11,784,797</u>	<u>8,834,199</u>	<u>8,357,436</u>	<u>5,155,834</u>
Components of comprehensive income not reflected in equity				
Items to be reclassified to profit or loss in subsequent periods:				
Surplus / (deficit) on revaluation of investments - net of tax	543,387	(264,938)	(1,200,780)	1,313,625
Items not to be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of fixed assets - net of tax	-	73,283	-	73,283
	<u><u>12,328,184</u></u>	<u><u>8,642,544</u></u>	<u><u>7,156,656</u></u>	<u><u>6,542,742</u></u>

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Reserves				Total	
	Share capital	Exchange translation reserve	Statutory	Revenue reserves		
				General		Unappropriated profit
------(Rupees in '000)-----						
Balance as at December 31, 2012	12,122,748	12,222,970	18,040,715	6,073,812	61,820,458	110,280,703
Total comprehensive income for the period						
Profit for the six months ended June 30, 2013	-	-	-	-	9,435,962	9,435,962
- Other comprehensive income						
Effect of translation of net investment in foreign branches	-	(601,763)	-	-	-	(601,763)
	-	(601,763)	-	-	9,435,962	8,834,199
Transactions with owners, recorded directly in equity						
Final cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	(4,849,099)	(4,849,099)
Issued as bonus shares	1,212,275	-	-	-	(1,212,275)	-
	1,212,275	-	-	-	(6,061,374)	(4,849,099)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	29,793	29,793
Transferred to statutory reserve	-	-	943,596	-	(943,596)	-
Balance as at June 30, 2013	13,335,023	11,621,207	18,984,311	6,073,812	64,281,243	114,295,596
Total comprehensive income for the period						
Profit for the six months ended December 31, 2013	-	-	-	-	12,474,528	12,474,528
- Other comprehensive income						
Effect of actuarial gain and losses	-	-	-	-	(103,025)	(103,025)
Effect of translation of net investment in foreign branches	-	1,569,988	-	-	-	1,569,988
	-	1,569,988	-	-	12,371,503	13,941,491
Transactions with owners, recorded directly in equity						
1st interim cash dividend paid at Rs. 4 per share	-	-	-	-	(5,334,009)	(5,334,009)
2nd interim cash dividend paid at Rs. 2 per share	-	-	-	-	(2,667,005)	(2,667,005)
	-	-	-	-	(8,001,014)	(8,001,014)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	31,299	31,299
Transferred to statutory reserve	-	-	1,247,453	-	(1,247,453)	-
Balance as at December 31, 2013	13,335,023	13,191,195	20,231,764	6,073,812	67,435,578	120,267,372
Profit for the six months ended June 30, 2014	-	-	-	-	13,542,185	13,542,185
- Other comprehensive income						
Effect of translation of net investment in foreign branches	-	(1,757,388)	-	-	-	(1,757,388)
	-	(1,757,388)	-	-	13,542,185	11,784,797
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)
Interim cash dividend paid at Rs. 2 per share	-	-	-	-	(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)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	63,453	63,453
Transferred to statutory reserve	-	-	1,354,219	-	(1,354,219)	-
Balance as at June 30, 2014	14,668,525	11,433,807	21,585,983	6,073,812	72,752,785	126,514,912

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

President and Chief Executive Officer

Director

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Director

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,817,347	14,622,300
Dividend income	(623,512)	(385,667)
Gain on sale of securities	(778,304)	(545,896)
	<u>(1,401,816)</u>	<u>(931,563)</u>
	19,415,531	13,690,737
Adjustment for:		
Depreciation	861,435	690,340
Amortisation	200,076	123,202
Reversal against diminution in the value of investments	(133,881)	(40,627)
Provision against advances	81,122	1,346,671
Unrealised gain on held for trading securities	(14,544)	(671)
Exchange (gain) / loss on sub-ordinated loans	(164,892)	125,490
Gain on sale of operating fixed assets - net	(7,911)	(18,688)
Loss on sale of non-banking asset - net	-	1,523
Miscellaneous provisions	7,134	(116,297)
	<u>828,539</u>	<u>2,110,943</u>
	20,244,070	15,801,680
Decrease / (increase) in operating assets		
Lendings to financial institutions	(69,471,195)	11,858,176
Investments - held for trading	6,916,354	7,608,866
Advances	(13,442,368)	17,570,446
Other assets	(4,612,634)	2,704,916
	<u>(80,609,843)</u>	<u>39,742,404</u>
(Decrease) / increase in operating liabilities		
Bills payable	3,350,950	6,880,481
Borrowings	(35,075,815)	(30,483,385)
Deposits and other accounts	57,236,084	39,697,356
Other liabilities	(823,808)	(2,883,929)
	<u>24,687,411</u>	<u>13,210,523</u>
	(35,678,362)	68,754,607
Income tax paid - net	(8,477,989)	(8,727,923)
Net cash flows (used in) / from operating activities	<u>(44,156,351)</u>	<u>60,026,684</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	66,398,525	(50,213,083)
Dividend income received	566,356	403,361
Fixed capital expenditure	(2,352,088)	(1,359,863)
Proceeds from sale of fixed assets	70,064	23,360
Proceeds from sale of non-banking asset	-	38,500
Exchange adjustment on translation of balances in foreign branches	(1,757,388)	(601,763)
Net cash flows from / (used in) investing activities	<u>62,925,469</u>	<u>(51,709,488)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	(1,233,165)	(1,245,744)
Dividend paid	(5,552,809)	(4,822,646)
Net cash flows used in financing activities	<u>(6,785,974)</u>	<u>(6,068,390)</u>
Increase in cash and cash equivalents during the period	11,983,144	2,248,806
Cash and cash equivalents at beginning of the period	168,407,060	170,321,005
Effects of exchange rate changes on cash and cash equivalents	(3,664,257)	5,910,954
	<u>164,742,803</u>	<u>176,231,959</u>
Cash and cash equivalents at end of the period	<u><u>176,725,947</u></u>	<u><u>178,480,765</u></u>

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

President and Chief Executive Officer

Director

Director

Director

HABIB BANK LIMITED
NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

1 STATUS AND NATURE OF BUSINESS

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 Principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on all three stock exchanges in Pakistan.

2 STATEMENT OF COMPLIANCE

These condensed interim unconsolidated financial statements have been prepared in accordance with the framework as referred to in the annual unconsolidated financial statements. The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all the disclosures required for annual financial statements, and these condensed interim unconsolidated financial statements should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2013.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those followed in the preparation of the unconsolidated financial statements for the year ended December 31, 2013.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2013.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by Bank are consistent with that disclosed in the unconsolidated financial statements for the year ended December 31, 2013.

6. INVESTMENTS

Investments by type	Note	June 30, 2014			December 31, 2013		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----							
Held-for-trading (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		13,081,844	-	13,081,844	11,942,763	-	11,942,763
- Market Treasury Bills		14,643,652	-	14,643,652	23,209,005	-	23,209,005
Fully paid-up ordinary shares							
- Listed companies		34,631	-	34,631	5,878	-	5,878
Overseas Government Securities							
		781,300	-	781,300	300,135	-	300,135
		28,541,427	-	28,541,427	35,457,781	-	35,457,781
Held-to-Maturity Securities (HTM)							
Federal Government Securities							
- Pakistan Investment Bonds		71,427,760	-	71,427,760	36,857,744	-	36,857,744
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		692,688	-	692,688	738,666	-	738,666
Debt Instruments and Corporate Debt Instruments / Units							
- Listed securities		2,688,315	-	2,688,315	2,329,538	-	2,329,538
- Unlisted securities		7,201,952	-	7,201,952	6,381,489	-	6,381,489
Overseas Government securities							
		13,248,018	-	13,248,018	14,161,147	-	14,161,147
		95,258,733	-	95,258,733	60,468,584	-	60,468,584
Available-for-Sale Securities (AFS)							
Federal Government Securities							
- Market Treasury Bills		386,886,267	297,879	387,184,146	533,321,012	48,151,773	581,472,785
- Pakistan Investment Bonds		139,768,714	-	139,768,714	50,570,687	-	50,570,687
- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	425,000
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		26,830,432	-	26,830,432	22,676,455	-	22,676,455
Overseas Government Securities							
		696,819	-	696,819	600,771	-	600,771
Fully paid-up ordinary shares							
- Listed companies		7,888,700	-	7,888,700	5,539,588	-	5,539,588
- Unlisted companies		715,467	-	715,467	768,100	-	768,100
Debt Instruments and Corporate Debt Instruments / Units							
- Listed securities		6,745,438	7,302,667	14,048,105	13,747,597	2,163,371	15,910,968
- Unlisted securities		11,206,418	-	11,206,418	11,545,100	-	11,545,100
NIT Units							
		11,113	-	11,113	11,113	-	11,113
Preference shares							
		250,000	-	250,000	250,000	-	250,000
		581,424,368	7,600,546	589,024,914	639,455,423	50,315,144	689,770,567
Investment in Subsidiary Companies							
		6,617,229	-	6,617,229	6,617,229	-	6,617,229
Investment in Associates and Joint Venture							
		4,850,035	-	4,850,035	4,755,297	-	4,755,297
		716,691,792	7,600,546	724,292,338	746,754,314	50,315,144	797,069,458
Provision for diminution / impairment in the value of investments including associates	6.2	(923,561)	-	(923,561)	(1,265,379)	-	(1,265,379)
Net investment							
		715,768,231	7,600,546	723,368,777	745,488,935	50,315,144	795,804,079
Surplus /(deficit) on revaluation of held for trading securities		14,544	-	14,544	(32,608)	-	(32,608)
Surplus /(deficit) on revaluation of available for sale securities	12.2	(1,463)	55,031	53,568	(663,713)	(122,077)	(785,790)
Total investments at market value							
		715,781,312	7,655,577	723,436,889	744,792,614	50,193,067	794,985,681

6.1 The market value of securities classified as "held-to-maturity" as at June 30, 2014 amounted to Rs. 95,671,869 million (2013: Rs. 61,382,087 million).

6.2 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

	June 30, 2014	December 31, 2013
	(Rupees in '000)	
Opening balance	1,265,379	1,473,880
Charge for the period / year	1,518	4,772
Reversals	(63,060)	(74,480)
Impairment charge on listed securities	38,610	55,171
Impairment reversal on listed securities	(110,949)	(198,093)
Total reversals - net	(133,881)	(212,630)
Write offs	(207,937)	-
Other movement	-	4,129
Closing balance	<u>923,561</u>	<u>1,265,379</u>

6.3 The Bank has made further investment in Jubilee General Insurance Company Limited during the period, consequently, shareholding has increased to 17.84% as at June 30, 2014 (December 31, 2013: 17.20%).

7 ADVANCES

	Note	June 30, 2014	December 31, 2013
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		400,327,940	405,396,451
Outside Pakistan		<u>91,490,937</u>	<u>92,650,654</u>
		491,818,877	498,047,105
Net investment in finance lease - in Pakistan		5,713,295	5,496,069
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		9,815,283	11,191,546
Payable outside Pakistan		<u>61,808,827</u>	<u>46,326,442</u>
		71,624,110	57,517,988
Provision against advances	7.2	<u>(31,936,050)</u>	<u>(37,202,176)</u>
		<u>537,220,232</u>	<u>523,858,986</u>

7.1 Classification of non-performing loans is as follows:

Category of classification	June 30, 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	695,057	-	695,057	-	-	-	695,057	-	695,057
Substandard	6,655,141	1,045,212	7,700,353	1,641,535	279,717	1,921,252	5,013,606	765,495	5,779,101
Doubtful	1,896,757	812,103	2,708,860	926,870	344,486	1,271,356	969,887	467,617	1,437,504
Loss*	20,917,001	8,064,457	28,981,458	18,796,438	7,742,778	26,539,216	2,120,563	321,679	2,442,242
	30,163,956	9,921,772	40,085,728	21,364,843	8,366,981	29,731,824	8,799,113	1,554,791	10,353,904
General provision	-	-	-	1,012,250	1,191,976	2,204,226	-	-	-
	30,163,956	9,921,772	40,085,728	22,377,093	9,558,957	31,936,050	8,799,113	1,554,791	10,353,904

* This includes Government guaranteed non-performing loan amounting to Rs. 1,065.738 million.

Category of classification	December 31, 2013								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	760,673	-	760,673	-	-	-	760,673	-	760,673
Substandard	6,429,774	1,080,436	7,510,210	1,323,148	260,394	1,583,542	5,106,626	820,042	5,926,668
Doubtful	1,840,361	974,400	2,814,761	898,672	431,161	1,329,833	941,689	543,239	1,484,928
Loss	25,408,417	8,526,962	33,935,379	24,155,820	8,273,278	32,429,098	1,252,597	253,684	1,506,281
	34,439,225	10,581,798	45,021,023	26,377,640	8,964,833	35,342,473	8,061,585	1,616,965	9,678,550
General provision	-	-	-	952,974	906,729	1,859,703	-	-	-
	34,439,225	10,581,798	45,021,023	27,330,614	9,871,562	37,202,176	8,061,585	1,616,965	9,678,550

7.2 Particulars of provision against advances

	June 30, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	35,342,473	1,859,703	37,202,176	39,605,305	2,085,855	41,691,160
Exchange adjustment / other movement	(387,658)	(58,425)	(446,083)	630,301	16,246	646,547
Charge for the period / year	2,054,560	428,408	2,482,968	5,251,915	641,395	5,893,310
Reversals	(1,825,343)	(25,460)	(1,850,803)	(2,861,250)	(883,793)	(3,745,043)
Net charge against advances	229,217	402,948	632,165	2,390,665	(242,398)	2,148,267
Write off	(927,837)	-	(927,837)	(412,583)	-	(412,583)
Transfer to / from special category	(3,807,693)	-	(3,807,693)	(5,729,343)	-	(5,729,343)
Write off in special category	(165,635)	-	(165,635)	(227,793)	-	(227,793)
Reversal in special category	(551,043)	-	(551,043)	(914,079)	-	(914,079)
Net movement in separate category	(4,524,371)	-	(4,524,371)	(6,871,215)	-	(6,871,215)
Closing balance	29,731,824	2,204,226	31,936,050	35,342,473	1,859,703	37,202,176

7.3 In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the State Bank of Pakistan (SBP), the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at June 30, 2014 would have been higher and profit before tax would have been lower by Rs. 950.30 million. Increase in retained earnings net of tax amounting to Rs. 617.70 million would not be available for the distribution of cash and stock dividend to shareholders.

7.4 Exposure amounting to Rs. 8.576 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 SBP. However, markup income has been suspended on this amount and is not reflected in these condensed interim unconsolidated financial statements.

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

	June 30, 2014			December 31, 2013		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
------(Rupees in '000)-----						
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons:						
- in respect of directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	1,950,500	2,002,700	221,160	1,800,700	1,843,700	491,638
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	344,100	351,200	36,850	360,200	382,200	36,440
Debts due by companies or firms in which the directors of the Bank / Parent are interested as directors, partners, advisors or in the case of private companies as members	1,440,491	1,840,441	-	1,033,786	2,553,045	673,786
Debts due by Subsidiary company	19,921	33,387	-	48,416	48,416	-

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

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

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

8 **FIXED ASSETS**

	June 30, 2014	December 31, 2013
	(Rupees in '000)	
Capital work-in-progress	1,176,854	884,039
Intangible assets	864,097	744,783
Tangible fixed assets	22,165,482	21,349,187
	<u>24,206,433</u>	<u>22,978,009</u>

8.1 **Additions to fixed assets**

	For the six months ended	
	June 30, 2014	June 30, 2013
	(Rupees in '000)	
The following additions have been made to tangible and intangible fixed assets during the period:		
Capital work-in-progress	1,494,487	833,397
Intangible assets	319,390	474,097
Tangible fixed assets		
Land	-	191,153
Building	146,679	443,843
Machinery	63,291	-
Furniture, fixtures and office equipments	1,288,382	688,337
Leasehold Improvements	237,536	221,708
Vehicles	36,062	55,056
	<u>3,585,827</u>	<u>2,907,591</u>

8.2 **Disposal of fixed assets**

The following disposals have been made from tangible fixed assets during the period:		
Tangible fixed assets		
Land	8,000	-
Building	55,221	-
Furniture, fixtures and office equipments	574,626	156,245
Leasehold Improvements	257	3,374
Vehicles	14,272	21,044
	<u>652,376</u>	<u>180,663</u>

9 **BORROWINGS**

	June 30, 2014	December 31, 2013
	(Rupees in '000)	
Secured		
Borrowings from SBP under:		
Export refinance scheme	12,040,692	17,584,707
Long term financing facility - locally manufactured and imported plant & machinery	6,593,827	5,464,963
Long term finance - export oriented projects	280,283	480,741
Refinance facility for modernization of SMEs	1,839	4,608
Financing facility for Storage of Agricultural Produce	6,115	9,169
Scheme for revival of SMEs and Agricultural activities in flood affected areas	3,900	9,170
Repurchase agreement borrowings	7,249,452	50,072,621
	<u>26,176,108</u>	<u>73,625,979</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings	26,881,193	13,726,623
Outside Pakistan:		
Overdrawn nostro accounts	701,048	2,051,589
Borrowings of overseas branches	16,455,598	15,885,571
	<u>17,156,646</u>	<u>17,937,160</u>
	<u>44,037,839</u>	<u>31,663,783</u>
	<u>70,213,947</u>	<u>105,289,762</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

Customers

Current accounts - non-remunerative	459,831,427	373,276,540
Savings chequing account	594,732,919	603,492,831
Fixed deposits	<u>298,957,893</u>	<u>321,062,655</u>
	<u>1,353,522,239</u>	<u>1,297,832,026</u>

Financial institutions

Current accounts - non-remunerative	12,461,763	6,279,959
Savings chequing account	4,537,417	4,551,714
Fixed deposits	3,705,176	8,326,812
	<u>20,704,356</u>	<u>19,158,485</u>
	<u>1,374,226,595</u>	<u>1,316,990,511</u>

11 **SUB-ORDINATED LOAN**

This represents the balance of the loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million originated in 2007. The last instalment of US \$ 12.5 million is due in December 2014. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the Bank (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the SBP. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Note	June 30, 2014	December 31, 2013
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(Rupees in '000)

Surplus arising on revaluation of:

- fixed assets	12.1	9,466,422	9,529,875
- investments	12.2	35,146	(508,241)
Surplus on revaluation of assets - net of deferred tax		<u>9,501,568</u>	<u>9,021,634</u>

12.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1		10,422,480	10,518,132
Surplus realised on disposal of revalued properties during the period / year - net of deferred tax		(33,741)	(1,269)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(29,712)	(59,823)
Related deferred tax liability of incremental depreciation charged during the period / year		(15,999)	(32,212)
Related deferred tax liability on disposal of revalued properties		<u>(16,962)</u>	<u>(2,348)</u>
Surplus on revaluation of fixed assets as at period / year end		10,326,066	10,422,480

Less: related deferred tax liability on:

- revaluation as at January 1		892,605	927,165
- surplus realised on disposal of revalued properties during the period / year		(16,962)	(2,348)
- incremental depreciation charged during the period / year transferred to profit and loss account		<u>(15,999)</u>	<u>(32,212)</u>
		859,644	892,605
		<u>9,466,422</u>	<u>9,529,875</u>

12.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills		(221,209)	(1,195,437)
Pakistan Investment Bonds		(1,091,208)	(492,676)
Government of Pakistan Sukuk and US Dollar / Euro Bonds		734,570	287,648
Listed Securities		425,127	476,306
NIT Units		29,576	22,288
Other Investments		176,712	116,081
		53,568	(785,790)
Related deferred tax (liability) / asset		<u>(18,422)</u>	<u>277,549</u>
		<u>35,146</u>	<u>(508,241)</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government		263,946	262,993
- Financial institutions		295,000	295,000
- Others		25,711,396	40,075,109
		<u>26,270,342</u>	<u>40,633,102</u>

	June 30, 2014	December 31, 2013
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	415,900	550,968
- Financial institutions	2,464,340	1,894,819
- Others	46,766,060	39,154,598
	<u>49,646,300</u>	<u>41,600,385</u>

13.3 Trade-related commitments

Credit cash	53,793,435	60,038,619
Credit documentary acceptances	16,888,254	17,800,947
Credit acceptances	37,733,751	46,375,108
	<u>108,415,440</u>	<u>124,214,674</u>

13.4 Other contingencies

Claims against the Bank not acknowledged as debts	<u>35,465,567</u>	<u>33,824,701</u>
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13.5 Commitments in respect of forward lending

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

	June 30, 2014	December 31, 2013
	(Rupees in '000)	

13.6 Commitments in respect of forward foreign and local exchange contracts

Purchase	116,187,054	247,342,208
Sale	116,538,344	247,527,601

The above commitments have maturities falling within one year.

Commitments in respect of foreign currency options

Purchase	333,735	649,846
Sale	333,735	649,846

Commitments in respect of cross currency swaps

Purchase	1,142,886	1,121,412
Sale	1,094,023	1,105,785

Commitments in respect of foreign and local currency interest rate swaps

Purchase	197,609	245,757
Sale	401,776	490,757

13.7 Commitments for acquisition of fixed assets / intangibles	1,535,091	943,750
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13.8 Taxation

The income tax returns of the Bank have been submitted upto and including the Bank's financial year ended December 31, 2012. The tax authorities have also concluded the audit upto 2012 i.e. tax year 2013.

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

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 276.04 million.

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the six months ended	
	June 30, 2014	June 30, 2013
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	25,564,650	22,223,290
- Financial institutions	116,423	128,372
<i>On investments:</i>		
- Available-for-sale	32,730,692	33,445,157
- Held-for-trading	1,095,183	957,504
- Held-to-maturity	3,431,652	2,471,620
On deposits with financial institutions	548,797	473,501
On lendings to financial institutions	1,599,393	790,417
	<u>65,086,790</u>	<u>60,489,861</u>

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

Deposits	28,960,005	28,916,193
Securities sold under repurchase agreement borrowings	2,694,559	4,852,604
Other short term borrowings	1,981,834	955,615
Long term borrowings	265,026	236,534
	<u>33,901,424</u>	<u>34,960,946</u>

16 RELATED PARTY TRANSACTIONS

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

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

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

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

	June 30, 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	2,792,388	245,849	3,936,712	-	443,360
Maximum Deposits During the period	2,792,388	441,585	3,936,712	-	729,432
Borrowings	2,357,178	-	169,230	4,199,337	-
Investments	-	12,809,315	4,842,838	-	-
Markup / Other Receivable	-	-	250,546	-	-
Mark-up / Other Payable	-	-	-	-	779,202
Placements	981,523	4,512,396	197,721	-	-
Overdrawn Nostro	567,073	-	758,605	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	20,491	33,203	955,539	-	-
Interest / Other Expense	27,239	-	225,297	5,586	257,100
Dividend income	-	-	235,160	54,885	-
Others					
Other contingencies	651,485	-	-	-	-
Securities Held as custodian	7,462,285	200,000	28,770,850	-	7,472,135
December 31, 2013					
Individual and companies related through					
Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties	
----- Rs. in 000 -----					
Statement of financial position					
Deposits	3,450,508	600,663	7,164,508	149,228	1,105,198
Maximum Deposits During the period	4,208,820	902,439	7,737,354	149,228	3,833,229
Borrowings	2,514,137	329,127	737,272	-	-
Investments	-	13,116,177	4,748,101	-	-
Markup / Other Receivable	-	-	271,401	-	-
Mark-up / Other Payable	-	-	-	-	338,135
Placements	1,412,680	4,454,962	-	-	-
Overdrawn Nostro	548,068	491,180	640,686	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	100,350	573,561	1,649,160	-	-
Interest / Other Expense	337,613	33,699	720,112	-	485,180
Dividend income	-	6,500	240,441	73,816	-
Others					
Other contingencies	436,646	-	-	-	-
Securities Held as custodian	8,761,370	485,000	25,888,500	-	14,454,615

16.1 Transaction with Government- related entities

The Federal Government (GOP) through State Bank of Pakistan (SBP) holds 40.6% shareholding in the Bank and therefore entities which are owned and / or controlled by the GOP, or where the GOP may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transactions with Government-related entities, which are all conducted at arm's length basis. Such transactions include Investment [Treasury Bills / Sukuks, Pakistan Investment Bonds (PIBs)], Borrowing / Deposits, Lendings and Balance with treasury bank. The outstanding amount as at June 30, 2014 amounting to Rs.653,491 million for investments (December 31, 2013: Rs. 726,460 million), borrowings / deposits amounting to Rs. 189,897 million (December 31, 2013: Rs. 246,509 million), advances amounting to Rs. 121,330 million (December 31, 2013: Rs. 115,558 million) and Balance with treasury bank amounting to Rs. 85,342 million (December 31, 2013: Rs. 70,314 million).

16.2 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, 2014	June 30, 2013
	(Rupees in '000)	
Managerial remuneration (including allowances)	751,020	591,254
Contribution to provident and benevolent fund	14,043	11,850
Medical	24,408	21,533
	<u>789,471</u>	<u>624,637</u>
Number of persons	<u>164</u>	<u>147</u>

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2014					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Net interest income - External	(17,314)	12,300	32,083	3,384	732	31,185
Inter segment revenue - net	35,711	(9,415)	(31,422)	-	5,126	-
Non-funded income	4,212	1,450	2,945	1,949	(1,497)	9,059
Net interest and non-markup income	22,609	4,335	3,606	5,333	4,361	40,244
Total expenses including provision (excluding impairment)	8,504	441	130	3,214	7,272	19,561
Impairment against investments	-	-	(80)	-	(54)	(134)
Inter segment administrative cost	4,440	888	128	489	(5,945)	-
Total expenses including provision	12,944	1,329	178	3,703	1,273	19,427
Profit before tax	9,665	3,006	3,428	1,630	3,088	20,817
Segment assets gross	150,798	356,082	816,643	243,424	108,901	1,675,848
Segment non-performing loans	4,368	21,347	-	9,923	4,448	40,086
Segment provision required including general provision	2,728	15,546	49	9,637	5,281	33,241
Segment liabilities including equity	1,008,412	174,407	34,209	166,477	259,102	1,642,607
Segment gross earnings on liability / asset %	9.97%	10.10%	9.73%	3.67%	4.80%	-
Segment cost of funds %	5.20%	7.73%	8.83%	0.81%	1.26%	-
	For the six months ended June 30, 2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	----- (Rupees in million) -----					
Net interest income - External	(18,887)	11,816	30,505	2,426	(331)	25,529
Inter segment revenue - net	32,840	(9,395)	(28,319)	-	4,874	-
Non-funded income	3,425	1,233	1,508	1,203	(1,143)	6,226
Net interest and non-markup income	17,378	3,654	3,694	3,629	3,400	31,755
Total expenses including provision (excluding impairment)	7,883	1,378	100	2,976	4,837	17,174
Impairment against investments	-	-	(30)	-	(11)	(41)
Inter segment administrative cost	3,157	631	91	348	(4,227)	-
Total expenses including provision	11,040	2,009	161	3,324	599	17,133
Profit before tax	6,338	1,645	3,533	305	2,801	14,622
Segment assets gross	125,394	329,363	834,933	180,832	107,622	1,578,144
Segment non-performing loans	8,469	30,908	-	10,701	69	50,147
Segment provision required including general provision	8,021	25,635	279	9,254	1,011	44,200
Segment liabilities including equity	914,612	143,488	138,224	118,805	218,815	1,533,944
Segment gross earnings on liability / asset %	9.34%	9.65%	9.06%	4.90%	2.99%	-
Segment cost of funds %	5.58%	7.59%	8.16%	1.50%	0.96%	-

18 ISLAMIC BANKING BUSINESS

Financial figures of the Islamic Banking Business are as follows:

	Note	June 30, 2014	December 31, 2013
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		3,432,978	1,811,029
Balances with other banks		35	2,000,035
Due from Financial Institution		27,240,751	17,200,000
Investments		26,384,235	21,826,042
Islamic financing and related assets	18.1	8,022,542	7,285,755
Due from Head Office		3,972,632	-
Other assets		1,081,913	1,123,239
		<u>70,135,086</u>	<u>51,246,100</u>
LIABILITIES			
Bills payable		1,482	785
Due to financial institutions		470,000	179,000
Deposit and other accounts			
- Current Accounts		12,063,475	4,892,912
- Saving Accounts		30,183,194	22,675,944
- Term Deposits		11,655,623	12,899,973
- Deposits from financial institutions - remunerative		11,418,303	7,455,690
- Deposits from financial institutions - non - remunerative		1,969,344	72,695
Deferred tax liabilities		134,412	46,754
Due to Head Office		-	1,343,997
Other liabilities		565,982	520,207
		<u>68,461,815</u>	<u>50,087,957</u>
NET ASSETS		<u>1,673,271</u>	<u>1,158,143</u>
REPRESENTED BY:			
Islamic Banking Fund		250,000	250,000
Reserves		821,313	459,537
Unappropriated profit		352,336	361,777
		<u>1,423,649</u>	<u>1,071,314</u>
Surplus on revaluation of assets - net of deferred tax		249,622	86,829
		<u>1,673,271</u>	<u>1,158,143</u>

The commitment in respect of financial guarantees and letters of credit of Islamic Banking business amounting to Rs. 21.891 million (2013: Rs. 66.970 million) and Rs. 61.146 million (2013: Rs. 409.383 million) respectively.

18.1 Islamic financing and related assets

Murabaha	18.1.1	290,038	641,727
Ijarah	18.1.2	332,773	197,388
Musharaka		4,666,068	3,881,438
Istisnah Financing		70,000	858,472
Advance for Murabaha		364,519	909,307
Advance for Ijarah		3,182	161,514
Istisnah		1,271,741	527,704
Advance Against Diminishing Musharaka		1,009,221	108,205
Asset / Inventories		15,000	-
		<u>8,022,542</u>	<u>7,285,755</u>

18.1.1 This represents assets sold under Murabaha agreement.

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

19. GENERAL

19.1 The comparative figures have been re-arranged and reclassified for comparison purposes.

19.2 The amount corresponding to the policy given in note 4.5 to the unconsolidated financial statements for the year ended December 31, 2013, is Rs. 28.159 billion as at June 30, 2014 (December 31, 2013: Rs. 24.352 billion).

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on July 22, 2014.