



CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2014

Directors' Review

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

Performance

The Bank remained focused on improving its core deposit mix and has been able to increase the ratio of CASA deposits to 78.5% as on September 30, 2014, a 3.5% improvement over the CASA ratio of 75% at year ended December 31, 2013. In absolute terms this represented a reduction in fixed deposits and bank borrowings of Rs. 89 billion, while a growth of Rs. 68 billion in CASA deposits helped to maintain the balance sheet size.

This improvement in the CASA ratio, coupled with a repositioning of some of the investment portfolio from short term to long term, and volumetric growth helped to propel the 22.9% growth in Net Interest Income. Net interest income increased to Rs. 48.3 billion for the nine months ended September 30, 2014 as against Rs. 39.3 billion during the same period last year. The non-mark up income increased by 30.5% to Rs. 13.5 billion for the nine months ended September 30, 2014, with healthy contributions from all segments of the bank. The post-tax profit of Rs.20.5 billion for the nine months ended September 30, 2014 represents a growth of 32.3%. This has resulted in an increase in earnings per share to Rs.13.97 for the nine months ended September 30, 2014 as against Rs. 10.56 for the nine months ended September 30, 2013.

Movement of Reserves

| | Rs. in million |
|--|----------------|
| Unappropriated profit brought forward | 67,436 |
| Profit attributable to equity holders of the Bank | 20,497 |
| Transferred from surplus on revaluation of fixed assets – net of tax | 78 |
| Transferred to statutory reserves | (2,050) |
| Cash dividend paid | (8,901) |
| Issued as bonus shares | (1,334) |
| Unappropriated profit carried forward | <u>75,726</u> |
| Earnings per share rupees (Basic & Diluted) | <u>13.97</u> |

Dividend

The Group has declared third interim cash dividend of Rs. 2.25 per share for the year ending December 31, 2014.

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

While Pakistan’s economy continues to face challenges, compounded by political uncertainties and cross border tensions, the Government is committed to improve the economy through a program of reforms and investor incentives. In the near term, key initiatives include the Government’s Privatization program, secondary offerings of Public Sector Enterprises, and the issuance of bonds/sukuks in the international markets. A continued focus on resolving the power sector issues and increased investment in power generation and transmission projects, especially by offshore investors, will also provide new opportunities in the near future.

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 Acknowledgement

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

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

On behalf of the Board.

Nauman K. Dar

President & Chief Executive Officer

October 24, 2014

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

| | Note | (Unaudited) September 30, 2014 (Rupees in '000) | (Audited) December 31, 2013 |
|--|------|--|-----------------------------------|
| ASSETS | | | |
| Cash and balances with treasury banks | | 108,579,892 | 130,021,065 |
| Balances with other banks | | 27,968,060 | 34,721,738 |
| Lendings to financial institutions | | 27,094,725 | 35,271,477 |
| Investments | 6 | 810,996,988 | 794,985,681 |
| Advances | 7 | 539,015,521 | 523,858,986 |
| Operating fixed assets | 8 | 24,588,445 | 22,978,009 |
| Deferred tax asset | | 4,325,791 | 5,550,304 |
| Other assets | | 64,637,390 | 65,270,545 |
| | | <u>1,607,206,812</u> | <u>1,612,657,805</u> |
| LIABILITIES | | | |
| Bills payable | | 20,024,512 | 19,348,470 |
| Borrowings | 9 | 56,849,266 | 105,289,762 |
| Deposits and other accounts | 10 | 1,344,303,600 | 1,316,990,511 |
| Sub-ordinated loan | 11 | 1,282,926 | 2,633,115 |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liability | | - | - |
| Other liabilities | | 44,416,383 | 39,106,941 |
| | | <u>1,466,876,687</u> | <u>1,483,368,799</u> |
| NET ASSETS | | <u>140,330,125</u> | <u>129,289,006</u> |
| REPRESENTED BY: | | | |
| Shareholders' equity | | | |
| Share capital | | 14,668,525 | 13,335,023 |
| Reserves | | 40,974,382 | 39,496,771 |
| Unappropriated profit | | 75,726,351 | 67,435,578 |
| | | 131,369,258 | 120,267,372 |
| Surplus on revaluation of assets - net of deferred tax | 12 | 8,960,867 | 9,021,634 |
| | | <u>140,330,125</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 NINE MONTHS ENDED SEPTEMBER 30, 2014

| | Note | January 01 to September 30, 2014 | January 01 to September 30, 2013 | July 01 to September 30, 2014 | July 01 to September 30, 2013 |
|---|------|--|--|-------------------------------------|-------------------------------------|
| ------(Rupees in '000)----- | | | | | |
| Mark-up / return / profit / interest earned | 14 | 99,478,745 | 89,401,707 | 34,391,955 | 28,911,846 |
| Mark-up / return / profit / interest expensed | 15 | 51,194,540 | 50,123,561 | 17,293,116 | 15,162,615 |
| Net mark-up / profit / interest income | | 48,284,205 | 39,278,146 | 17,098,839 | 13,749,231 |
| Provision against advances | 7.2 | 751,630 | 935,184 | 670,508 | (411,487) |
| (Reversal)/charge against off-balance sheet obligations | | (137,474) | 33,203 | (21,593) | 5,618 |
| (Reversal) /charge against diminution in the value of investments | 6.3 | (108,382) | (133,855) | 25,499 | (93,228) |
| Bad debts written off directly | | - | - | - | - |
| | | 505,774 | 834,532 | 674,414 | (499,097) |
| Net mark-up / profit / interest income after provisions | | 47,778,431 | 38,443,614 | 16,424,425 | 14,248,328 |
| Non mark-up / interest income | | | | | |
| Fee, commission and brokerage income | | 7,806,893 | 5,930,002 | 2,583,771 | 1,933,844 |
| Dividend income | | 889,654 | 740,751 | 266,142 | 355,084 |
| Income from dealing in foreign currencies | | 1,729,460 | 1,019,305 | 568,840 | 720,232 |
| Gain on sale of securities | | 886,150 | 1,178,625 | 107,846 | 632,729 |
| Unrealized loss on held for trading securities | | (9,148) | (21,246) | (23,692) | (21,917) |
| Other income | | 2,159,555 | 1,466,517 | 901,395 | 467,687 |
| Total non-mark-up / interest income | | 13,462,564 | 10,313,954 | 4,404,302 | 4,087,659 |
| | | 61,240,995 | 48,757,568 | 20,828,727 | 18,335,987 |
| Non mark-up / interest expense | | | | | |
| Administrative expenses | | 28,838,292 | 24,692,231 | 9,795,554 | 9,066,087 |
| Other provisions / write offs - net | | 196,206 | (126,181) | 73,191 | 17,701 |
| Other charges | | 2,466 | 17,079 | 1,222 | 570 |
| Workers' welfare fund | | 645,922 | 486,866 | 217,998 | 186,356 |
| Total non mark-up / interest expenses | | 29,682,886 | 25,069,995 | 10,087,965 | 9,270,714 |
| Profit before taxation | | 31,558,109 | 23,687,573 | 10,740,762 | 9,065,273 |
| Taxation | | | | | |
| current | | 9,776,851 | 7,121,567 | 3,509,743 | 2,442,477 |
| prior | | 66,576 | (14,157) | - | (15,414) |
| deferred | | 1,217,834 | 1,084,307 | 276,356 | 578,316 |
| | | 11,061,261 | 8,191,717 | 3,786,099 | 3,005,379 |
| Profit after taxation | | 20,496,848 | 15,495,856 | 6,954,663 | 6,059,894 |
| ------(Rupees)----- | | | | | |
| Basic and diluted earnings per share | | 13.97 | 10.56 | 4.74 | 4.13 |

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 STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

| | January 01 to September 30, 2014 | January 01 to September 30, 2013 | July 01 to September 30, 2014 | July 01 to September 30, 2013 |
|--|--|--|-------------------------------------|-------------------------------------|
| | ------(Rupees in '000)----- | | | |
| Profit for the period | 20,496,848 | 15,495,856 | 6,954,663 | 6,059,894 |
| Other comprehensive income | | | | |
| Items to be reclassified to profit or loss in subsequent periods: | | | | |
| Effect of translation of net investment in foreign branches | (572,074) | 1,015,568 | 1,185,314 | 1,617,331 |
| Comprehensive income transferred to equity | <u>19,924,774</u> | <u>16,511,424</u> | <u>8,139,977</u> | <u>7,677,225</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 | 17,473 | (3,159,244) | (525,914) | (2,894,306) |
| Items not to be reclassified to profit or loss in subsequent periods: | | | | |
| Surplus on revaluation of fixed assets - net of tax | - | 73,283 | - | - |
| | <u>19,942,247</u> | <u>13,425,463</u> | <u>7,614,063</u> | <u>4,782,919</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
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

| Share capital | Reserves | | | | Total | |
|--|------------------------------|------------|------------------|-----------------------|--------------|--------------|
| | 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 nine months ended September 30, 2013 | - | - | - | - | 15,495,856 | 15,495,856 |
| - Other comprehensive income | | | | | | |
| Effect of translation of net investment in foreign branches | - | 1,015,568 | - | - | - | 1,015,568 |
| | - | 1,015,568 | - | - | 15,495,856 | 16,511,424 |
| 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) |
| 1st interim cash dividend paid at Rs. 4 per share | - | - | - | - | (5,334,009) | (5,334,009) |
| Issued as bonus shares | 1,212,275 | - | - | - | (1,212,275) | - |
| | 1,212,275 | - | - | - | (11,395,383) | (10,183,108) |
| Transferred from surplus on revaluation of fixed assets - net of tax | - | - | - | - | 41,557 | 41,557 |
| Transferred to statutory reserve | - | - | 1,549,586 | - | (1,549,586) | - |
| Balance as at September 30, 2013 | 13,335,023 | 13,238,538 | 19,590,301 | 6,073,812 | 64,412,902 | 116,650,576 |
| Total comprehensive income for the period | | | | | | |
| Profit for the three months ended December 31, 2013 | - | - | - | - | 6,414,634 | 6,414,634 |
| - Other comprehensive income | | | | | | |
| Effect of actuarial gain and losses | - | - | - | - | (103,025) | (103,025) |
| Effect of translation of net investment in foreign branches | - | (47,343) | - | - | - | (47,343) |
| | - | (47,343) | - | - | 6,311,609 | 6,264,266 |
| Transactions with owners, recorded directly in equity | | | | | | |
| 2nd interim cash dividend paid at Rs. 2 per share | - | - | - | - | (2,667,005) | (2,667,005) |
| Transferred from surplus on revaluation of fixed assets - net of tax | - | - | - | - | 19,535 | 19,535 |
| Transferred to statutory reserve | - | - | 641,463 | - | (641,463) | - |
| 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 nine months ended September 30, 2014 | - | - | - | - | 20,496,848 | 20,496,848 |
| - Other comprehensive income | | | | | | |
| Effect of translation of net investment in foreign branches | - | (572,074) | - | - | - | (572,074) |
| | - | (572,074) | - | - | 20,496,848 | 19,924,774 |
| 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) |
| 1st Interim cash dividend paid at Rs. 2 per share | - | - | - | - | (2,933,705) | (2,933,705) |
| 2nd Interim cash dividend paid at Rs. 2.25 per share | - | - | - | - | (3,300,418) | (3,300,418) |
| Issued as bonus shares | 1,333,502 | - | - | - | (1,333,502) | - |
| | 1,333,502 | - | - | - | (10,234,630) | (8,901,128) |
| Transferred from surplus on revaluation of fixed assets - net of tax | - | - | - | - | 78,240 | 78,240 |
| Transferred to statutory reserve | - | - | 2,049,685 | - | (2,049,685) | - |
| Balance as at September 30, 2014 | 14,668,525 | 12,619,121 | 22,281,449 | 6,073,812 | 75,726,351 | 131,369,258 |

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 CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

| | September 30, 2014 | September 30, 2013 |
|--|---------------------------|---------------------------|
| | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 31,558,109 | 23,687,573 |
| Dividend income | (889,654) | (740,751) |
| Gain on sale of securities | (886,150) | (1,178,625) |
| | <u>(1,775,804)</u> | <u>(1,919,376)</u> |
| | 29,782,305 | 21,768,197 |
| Adjustment for: | | |
| Depreciation | 1,344,807 | 1,120,626 |
| Amortisation | 323,598 | 127,468 |
| Reversal against diminution in the value of investments | (108,382) | (133,855) |
| Provision against advances | 751,630 | 935,184 |
| Unrealised loss on held for trading securities | 9,148 | 21,246 |
| Exchange (gain) / loss on sub-ordinated loans | (117,024) | 365,618 |
| Gain on sale of operating fixed assets - net | (19,841) | (26,552) |
| Loss on sale of non-banking asset - net | - | 1,523 |
| Miscellaneous provisions | 58,732 | (92,978) |
| | <u>2,242,668</u> | <u>2,318,280</u> |
| | 32,024,973 | 24,086,477 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | 8,176,752 | 8,128,505 |
| Investments - held for trading | (51,837,097) | 21,473,954 |
| Advances | (15,908,165) | 7,227,705 |
| Other assets | 392,559 | (5,177,243) |
| | <u>(59,175,951)</u> | <u>31,652,921</u> |
| (Decrease) / increase in operating liabilities | | |
| Bills payable | 676,042 | 2,746,007 |
| Borrowings | (48,440,496) | (138,064,097) |
| Deposits and other accounts | 27,313,089 | 43,110,631 |
| Other liabilities | 5,396,177 | 3,049,845 |
| | <u>(15,055,188)</u> | <u>(89,157,614)</u> |
| | (42,206,166) | (33,418,216) |
| Income tax paid - net | (9,676,053) | (10,292,270) |
| Net cash flows used in operating activities | <u>(51,882,219)</u> | <u>(43,710,486)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net investments | 36,835,326 | 22,417,260 |
| Dividend income received | 766,670 | 655,678 |
| Fixed capital expenditure | (3,342,621) | (2,385,436) |
| Proceeds from sale of fixed assets | 83,621 | 31,224 |
| Proceeds from sale of non-banking asset | - | 38,500 |
| Exchange adjustment on translation of balances in foreign branches | (572,074) | 1,015,568 |
| Net cash flows from investing activities | <u>33,770,922</u> | <u>21,772,794</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of subordinated loan | (1,233,165) | (1,245,744) |
| Dividend paid | (8,850,389) | (9,764,896) |
| Net cash flows used in financing activities | <u>(10,083,554)</u> | <u>(11,010,640)</u> |
| Decrease in cash and cash equivalents during the period | (28,194,851) | (32,948,332) |
| Cash and cash equivalents at beginning of the period | 167,311,558 | 170,031,055 |
| Effects of exchange rate changes on cash and cash equivalents | (2,568,755) | 6,200,904 |
| | <u>164,742,803</u> | <u>176,231,959</u> |
| Cash and cash equivalents at end of the period | <u><u>136,547,952</u></u> | <u><u>143,283,627</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 NINE MONTHS ENDED SEPTEMBER 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 | September 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 | | 10,566,467 | - | 10,566,467 | 11,942,763 | - | 11,942,763 |
| - Market Treasury Bills | | 76,220,996 | - | 76,220,996 | 23,209,005 | - | 23,209,005 |
| Fully paid-up ordinary shares | | | | | | | |
| - Listed companies | | 18,070 | - | 18,070 | 5,878 | - | 5,878 |
| Overseas Government Securities | | | | | | | |
| | | 489,345 | - | 489,345 | 300,135 | - | 300,135 |
| | | 87,294,878 | - | 87,294,878 | 35,457,781 | - | 35,457,781 |
| Held-to-Maturity Securities (HTM) | | | | | | | |
| Federal Government Securities | | | | | | | |
| - Pakistan Investment Bonds | | 71,544,351 | - | 71,544,351 | 36,857,744 | - | 36,857,744 |
| - Government of Pakistan Bonds / Sukuk / (US Dollar / Euro) | | 719,384 | - | 719,384 | 738,666 | - | 738,666 |
| Debt Instruments and Corporate Debt Instruments / Units | | | | | | | |
| - Listed securities | | 2,202,049 | - | 2,202,049 | 2,329,538 | - | 2,329,538 |
| - Unlisted securities | | 6,501,949 | - | 6,501,949 | 6,381,489 | - | 6,381,489 |
| Overseas Government securities | | | | | | | |
| | | 14,683,675 | - | 14,683,675 | 14,161,147 | - | 14,161,147 |
| | | 95,651,408 | - | 95,651,408 | 60,468,584 | - | 60,468,584 |
| Available-for-Sale Securities (AFS) | | | | | | | |
| Federal Government Securities | | | | | | | |
| - Market Treasury Bills | | 387,587,648 | 1,287,212 | 388,874,860 | 533,321,012 | 48,151,773 | 581,472,785 |
| - Pakistan Investment Bonds | | 161,117,324 | - | 161,117,324 | 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) | | 29,874,023 | - | 29,874,023 | 22,676,455 | - | 22,676,455 |
| Overseas Government Securities | | | | | | | |
| - Fully paid-up ordinary shares | | 740,294 | - | 740,294 | 600,771 | - | 600,771 |
| - Listed companies | | 9,168,011 | - | 9,168,011 | 5,539,588 | - | 5,539,588 |
| - Unlisted companies | | 1,555,565 | - | 1,555,565 | 768,100 | - | 768,100 |
| Debt Instruments and Corporate Debt Instruments / Units | | | | | | | |
| - Listed securities | | 12,147,581 | - | 12,147,581 | 13,747,597 | 2,163,371 | 15,910,968 |
| - Unlisted securities | | 10,873,438 | - | 10,873,438 | 11,545,100 | - | 11,545,100 |
| NIT Units | | 2,261,113 | - | 2,261,113 | 11,113 | - | 11,113 |
| Preference shares | | 250,000 | - | 250,000 | 250,000 | - | 250,000 |
| | | 615,999,997 | 1,287,212 | 617,287,209 | 639,455,423 | 50,315,144 | 689,770,567 |
| Investment in Subsidiary Companies | 6.2 | 7,120,659 | - | 7,120,659 | 6,617,229 | - | 6,617,229 |
| Investment in Associates and Joint Venture | 6.4 | 5,362,680 | - | 5,362,680 | 4,755,297 | - | 4,755,297 |
| | | 811,429,622 | 1,287,212 | 812,716,834 | 746,754,314 | 50,315,144 | 797,069,458 |
| Provision for diminution / impairment in the value of investments including associates | 6.3 | (949,060) | - | (949,060) | (1,265,379) | - | (1,265,379) |
| Net investment | | 810,480,562 | 1,287,212 | 811,767,774 | 745,488,935 | 50,315,144 | 795,804,079 |
| Deficit on revaluation of held for trading securities | | (9,148) | - | (9,148) | (32,608) | - | (32,608) |
| Deficit on revaluation of available for sale securities | 12.2 | (773,293) | 11,655 | (761,638) | (663,713) | (122,077) | (785,790) |
| Total investments at market value | | <u>809,698,121</u> | <u>1,298,867</u> | <u>810,996,988</u> | <u>744,792,614</u> | <u>50,193,067</u> | <u>794,985,681</u> |

6.1 The market value of securities classified as "held-to-maturity" as at September 30, 2014 amounted to Rs. 96,208.090 million (2013: Rs. 61,382.087 million).

6.2 The Bank has invested GBP 2.9 million to acquire 1,950,729 right shares of the Bank's subsidiary, Habib Allied International Bank Plc, UK (HAIB), consequently the shareholding of the Bank has increased to 88.24 % from 88.07%.

6.3 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

| | September 30, 2014 | December 31, 2013 |
|--|-----------------------|----------------------|
| | (Rupees in '000) | |
| Opening balance | 1,265,379 | 1,473,880 |
| Charge for the period / year | 2,397 | 4,772 |
| Reversals | (63,060) | (74,480) |
| Impairment charge on listed securities | 66,138 | 55,171 |
| Impairment reversal on listed securities | (113,857) | (198,093) |
| Total reversals - net | (108,382) | (212,630) |
| Write offs | (207,937) | - |
| Other movement | - | 4,129 |
| Closing balance | <u>949,060</u> | <u>1,265,379</u> |

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

| | September 30, 2014 | December 31, 2013 |
|---|-----------------------|----------------------|
| | Shareholding % | |
| Jubilee General Insurance Company Limited | 17.84% | 17.20% |
| Diamond Trust Bank Kenya Limited | 11.97% | 11.91% |

7 ADVANCES

| | Note | September 30, 2014 | December 31, 2013 |
|---|------|-----------------------|----------------------|
| | | (Rupees in '000) | |
| Loans, cash credits, running finances, etc. | | | |
| In Pakistan | | 399,129,164 | 405,396,451 |
| Outside Pakistan | | 96,952,913 | 92,650,654 |
| | | <u>496,082,077</u> | <u>498,047,105</u> |
| Net investment in finance lease - in Pakistan | | 5,920,979 | 5,496,069 |
| Bills discounted and purchased (excluding Government treasury bills) | | | |
| Payable in Pakistan | | 9,939,631 | 11,191,546 |
| Payable outside Pakistan | | 60,569,010 | 46,326,442 |
| | | 70,508,641 | 57,517,988 |
| Provision against advances | 7.2 | <u>(33,496,176)</u> | <u>(37,202,176)</u> |
| | | <u>539,015,521</u> | <u>523,858,986</u> |

7.1 Classification of non-performing loans is as follows:

| Category of classification | September 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 | 1,184,947 | - | 1,184,947 | - | - | - | 1,184,947 | - | 1,184,947 |
| Substandard | 4,980,197 | 899,706 | 5,879,903 | 1,227,655 | 296,891 | 1,524,546 | 3,752,542 | 602,815 | 4,355,357 |
| Doubtful | 2,516,433 | 820,250 | 3,336,683 | 1,250,327 | 416,368 | 1,666,695 | 1,266,106 | 403,882 | 1,669,988 |
| Loss* | 21,879,556 | 8,384,940 | 30,264,496 | 19,938,122 | 7,978,896 | 27,917,018 | 1,941,434 | 406,044 | 2,347,478 |
| | 30,561,133 | 10,104,896 | 40,666,029 | 22,416,104 | 8,692,155 | 31,108,259 | 8,145,029 | 1,412,741 | 9,557,770 |
| General provision | - | - | - | 1,034,115 | 1,353,802 | 2,387,917 | - | - | - |
| | 30,561,133 | 10,104,896 | 40,666,029 | 23,450,219 | 10,045,957 | 33,496,176 | 8,145,029 | 1,412,741 | 9,557,770 |

* 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

| | September 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 | (101,123) | 20,979 | (80,144) | 630,301 | 16,246 | 646,547 |
| Charge for the period / year | 3,708,703 | 568,238 | 4,276,941 | 5,251,915 | 641,395 | 5,893,310 |
| Reversals | (2,218,938) | (61,003) | (2,279,941) | (2,861,250) | (883,793) | (3,745,043) |
| Net charge against advances | 1,489,765 | 507,235 | 1,997,000 | 2,390,665 | (242,398) | 2,148,267 |
| Write off | (1,089,333) | - | (1,089,333) | (412,583) | - | (412,583) |
| Transfer to / from special category | (3,105,224) | - | (3,105,224) | (5,729,343) | - | (5,729,343) |
| Write off in special category | (182,929) | - | (182,929) | (227,793) | - | (227,793) |
| Reversal in special category | (1,245,370) | - | (1,245,370) | (914,079) | - | (914,079) |
| Net movement in separate category | (4,533,523) | - | (4,533,523) | (6,871,215) | - | (6,871,215) |
| Closing balance | 31,108,259 | 2,387,917 | 33,496,176 | 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 September 30, 2014 would have been higher and profit before tax would have been lower by Rs. 883.63 million. Increase in retained earnings net of tax amounting to Rs. 574.36 million would not be available for the distribution of cash and stock dividend to shareholders.

7.4 Exposure amounting to Rs. 8.653 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.

| | September 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) | 2,034,200 | 2,034,200 | 362,052 | 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 | 364,900 | 364,900 | 61,208 | 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 | 1,472,938 | 1,774,244 | 1,833,008 | 1,033,786 | 2,553,045 | 673,786 |
| Debts due by Subsidiary company | 159,962 | 159,962 | - | 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 OPERATING FIXED ASSETS

| | September 30, 2014 | December 31, 2013 |
|--------------------------|--------------------|-------------------|
| | (Rupees in '000) | |
| Capital work-in-progress | 1,234,126 | 884,039 |
| Intangible assets | 879,621 | 744,783 |
| Tangible fixed assets | 22,474,698 | 21,349,187 |
| | <u>24,588,445</u> | <u>22,978,009</u> |

8.1 Additions to operating fixed assets

| | For the nine months ended | |
|---|---------------------------|--------------------|
| | September 30, 2014 | September 30, 2013 |
| | (Rupees in '000) | |
| The following additions have been made to operating fixed assets during the period: | | |
| Capital work-in-progress | 1,901,329 | 1,269,932 |
| Intangible assets | 458,436 | 553,277 |
| Tangible fixed assets | | |
| Land | 46,698 | 227,213 |
| Building | 261,442 | 571,387 |
| Machinery | 81,181 | - |
| Furniture, fixtures and office equipments | 1,765,420 | 1,165,971 |
| Leasehold Improvements | 337,416 | 337,459 |
| Vehicles | 38,740 | 65,586 |
| | <u>4,890,662</u> | <u>4,190,825</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 | 10,396 |
| Building | 55,221 | 6,801 |
| Furniture, fixtures and office equipments | 638,759 | 345,919 |
| Leasehold Improvements | 2,739 | 7,407 |
| Vehicles | 24,938 | 26,596 |
| | <u>729,657</u> | <u>397,119</u> |

9 **BORROWINGS**

| | September 30, 2014 | December 31, 2013 |
|--|-----------------------|----------------------|
| | (Rupees in '000) | |
| Secured | | |
| Borrowings from SBP under: | | |
| Export refinance scheme | 11,990,856 | 17,584,707 |
| Long term financing facility - locally manufactured and imported plant & machinery | 6,728,590 | 5,464,963 |
| Long term finance - export oriented projects | 193,568 | 480,741 |
| Refinance facility for modernization of SMEs | 1,839 | 4,608 |
| Financing facility for Storage of Agricultural Produce | 4,588 | 9,169 |
| Scheme for revival of SMEs and Agricultural activities in flood affected areas | - | 9,170 |
| Repurchase agreement borrowings | 1,287,212 | 50,072,621 |
| | <u>20,206,653</u> | <u>73,625,979</u> |
| Unsecured | | |
| In Pakistan: | | |
| Interbank call money borrowings | 23,152,196 | 13,726,623 |
| Outside Pakistan: | | |
| Overdrawn nostro accounts | 1,106,421 | 2,051,589 |
| Borrowings of overseas branches | 12,383,996 | 15,885,571 |
| | <u>13,490,417</u> | <u>17,937,160</u> |
| | <u>36,642,613</u> | <u>31,663,783</u> |
| | <u>56,849,266</u> | <u>105,289,762</u> |

10 **DEPOSITS AND OTHER ACCOUNTS**

Customers

| | | |
|-------------------------------------|----------------------|----------------------|
| Current accounts - non-remunerative | 421,967,423 | 373,276,540 |
| Savings chequing account | 617,633,513 | 603,492,831 |
| Fixed deposits | <u>286,340,316</u> | <u>321,062,655</u> |
| | <u>1,325,941,252</u> | <u>1,297,832,026</u> |

Financial institutions

| | | |
|-------------------------------------|----------------------|----------------------|
| Current accounts - non-remunerative | 12,721,931 | 6,279,959 |
| Savings chequing account | 3,275,151 | 4,551,714 |
| Fixed deposits | <u>2,365,266</u> | <u>8,326,812</u> |
| | <u>18,362,348</u> | <u>19,158,485</u> |
| | <u>1,344,303,600</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.

| | September 30, 2014 | December 31, 2013 |
|---|-------------------------------|------------------------------|
| | (Rupees in '000) | |
| 13.2 Transaction-related contingent liabilities | | |
| Guarantees in favour of: | | |
| - Government | 410,000 | 550,968 |
| - Financial institutions | 2,414,290 | 1,894,819 |
| - Others | 52,997,211 | 39,154,598 |
| | <u>55,821,501</u> | <u>41,600,385</u> |
| 13.3 Trade-related commitments | | |
| Credit cash | 79,431,027 | 60,038,619 |
| Credit documentary acceptances | 21,370,781 | 17,800,947 |
| Credit acceptances | 38,698,567 | 46,375,108 |
| | <u>139,500,375</u> | <u>124,214,674</u> |
| 13.4 Other contingencies | | |
| Claims against the Bank not acknowledged as debts | <u>37,211,555</u> | <u>33,824,701</u> |
| 13.5 Commitments in respect of forward lending | | |
| The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn. | | |
| | September 30, 2014 | December 31, 2013 |
| | (Rupees in '000) | |
| 13.6 Commitments in respect of forward foreign and local exchange contracts | | |
| Purchase | 96,459,902 | 247,342,208 |
| Sale | 96,758,287 | 247,527,601 |
| The above commitments have maturities falling within one year. | | |
| Commitments in respect of foreign currency options | | |
| Purchase | 744,567 | 649,846 |
| Sale | 744,567 | 649,846 |
| Commitments in respect of cross currency swaps | | |
| Purchase | 1,145,152 | 1,121,412 |
| Sale | 1,113,171 | 1,105,785 |
| Commitments in respect of foreign and local currency interest rate swaps | | |
| Purchase | 205,268 | 245,757 |
| Sale | 368,602 | 490,757 |
| 13.7 Commitments for acquisition of fixed assets / intangibles | 1,139,230 | 943,750 |

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. 72.175 million.

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

| | <u>For the nine months ended</u> | |
|---|----------------------------------|----------------------|
| | <u>September 30,</u> | <u>September 30,</u> |
| | <u>2014</u> | <u>2013</u> |
| | (Rupees in '000) | |
| <i>On loans and advances to:</i> | | |
| - Customers | 38,704,602 | 33,892,511 |
| - Financial institutions | 119,779 | 174,469 |
| <i>On investments:</i> | | |
| - Available-for-sale | 48,305,860 | 48,621,287 |
| - Held-for-trading | 2,135,242 | 1,205,292 |
| - Held-to-maturity | 5,913,232 | 3,656,107 |
| On deposits with financial institutions | 870,993 | 725,508 |
| On lendings to financial institutions | 3,429,037 | 1,126,533 |
| | <u>99,478,745</u> | <u>89,401,707</u> |

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

| | | |
|---|-------------------|-------------------|
| Deposits | 44,457,431 | 42,434,808 |
| Securities sold under repurchase agreement borrowings | 3,047,790 | 5,894,156 |
| Other short term borrowings | 3,287,939 | 1,437,714 |
| Long term borrowings | 401,380 | 356,883 |
| | <u>51,194,540</u> | <u>50,123,561</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:

| | September 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 | 3,173,883 | 207,194 | 2,065,411 | - | 397,693 |
| Maximum Deposits During the period | 3,173,883 | 441,585 | 3,936,712 | - | 729,432 |
| Borrowings | 2,890,903 | 455,134 | - | 3,507,689 | - |
| Investments | - | 13,348,083 | 5,355,483 | - | - |
| Markup / Other Receivable | - | - | 123,497 | - | - |
| Mark-up / Other Payable | - | - | - | - | 878,758 |
| Placements | 307,101 | 4,683,714 | - | - | - |
| Overdrawn Nostro | - | - | 820,792 | - | - |
| Impairment provision | - | - | 577,384 | - | - |
| Profit and Loss Account | | | | | |
| Interest / Other Income | 50,151 | 158,787 | 1,314,765 | - | - |
| Interest / Other Expense | 30,814 | - | 476,033 | 7,890 | 386,469 |
| Dividend income | - | - | 267,518 | 54,885 | - |
| Others | | | | | |
| Other contingencies | 684,506 | - | - | - | - |
| Securities Held as custodian | 10,951,250 | - | 31,508,900 | - | 7,899,320 |
| 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) holds 41.5% out of which 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 / Sukuku, Pakistan Investment Bonds (PIBs)], Borrowing / Deposits, Lendings and Balance with treasury bank. The outstanding amount as at September 30, 2014 amounting to Rs. 737,815 million for investments (December 31, 2013: Rs. 726,460 million), borrowings / deposits amounting to Rs. 174,376 million (December 31, 2013: Rs. 246,509 million), advances amounting to Rs. 101,369 million (December 31, 2013: Rs. 115,558 million) and Balance with treasury bank amounting to Rs. 43,437 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 nine months ended | |
|--|---------------------------|--------------------|
| | September 30, 2014 | September 30, 2013 |
| | (Rupees in '000) | |
| Managerial remuneration (including allowances) | 1,151,600 | 921,584 |
| Contribution to provident and benevolent fund | 21,902 | 18,205 |
| Medical | 37,836 | 32,676 |
| | <u>1,211,338</u> | <u>972,465</u> |
| Number of persons | 166 | 151 |

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

| | For the nine months ended September 30, 2014 | | | | | |
|---|--|--------------------------------|----------|-----------------------------|--------------------------------|-----------|
| | Retail banking | Corporate / commercial banking | Treasury | International banking group | Head Office / support services | Total |
| | (Rupees in million) | | | | | |
| Net interest income - External | (26,569) | 18,241 | 49,942 | 5,225 | 1,445 | 48,284 |
| Inter segment revenue - net | 54,630 | (14,123) | (48,569) | - | 8,062 | - |
| Non-funded income | 6,262 | 2,188 | 3,765 | 2,736 | (1,488) | 13,463 |
| Net interest and non-markup income | 34,323 | 6,306 | 5,138 | 7,961 | 8,019 | 61,747 |
| Total expenses including provision (excluding impairment) | 12,993 | 900 | 228 | 5,070 | 11,106 | 30,297 |
| Impairment against investments | - | - | (66) | - | (42) | (108) |
| Inter segment administrative cost | 6,621 | 1,324 | 191 | 729 | (8,865) | - |
| Total expenses including provision | 19,614 | 2,224 | 353 | 5,799 | 2,199 | 30,189 |
| Profit before tax | 14,709 | 4,082 | 4,785 | 2,162 | 5,820 | 31,558 |
| Segment assets gross | 123,089 | 355,975 | 797,302 | 241,180 | 124,479 | 1,642,025 |
| Segment non-performing loans | 3,242 | 19,477 | - | 10,105 | 7,842 | 40,666 |
| Segment provision required including general provision | 1,040 | 14,899 | 57 | 10,083 | 8,739 | 34,818 |
| Segment liabilities including equity | 977,523 | 159,137 | 27,264 | 177,367 | 265,916 | 1,607,207 |
| Segment gross earnings on liability / asset % | 10.02% | 10.08% | 9.72% | 3.71% | 5.43% | - |
| Segment cost of funds % | 5.24% | 7.79% | 8.87% | 0.92% | 1.19% | - |

| | For the nine months ended September 30, 2013 | | | | | |
|---|--|--------------------------------|----------|-----------------------------|--------------------------------|-----------|
| | Retail banking | Corporate / commercial banking | Treasury | International banking group | Head Office / support services | Total |
| | (Rupees in million) | | | | | |
| Net interest income - External | (27,471) | 17,918 | 45,152 | 3,975 | (296) | 39,278 |
| Inter segment revenue - net | 48,616 | (13,572) | (42,269) | - | 7,225 | - |
| Non-funded income | 5,103 | 1,888 | 3,569 | 2,047 | (2,293) | 10,314 |
| Net interest and non-markup income | 26,248 | 6,234 | 6,452 | 6,022 | 4,636 | 49,592 |
| Total expenses including provision (excluding impairment) | 11,916 | 1,395 | 79 | 4,663 | 7,972 | 26,025 |
| Impairment against investments | - | - | (114) | - | (6) | (120) |
| Inter segment administrative cost | 5,421 | 1,084 | 156 | 597 | (7,258) | - |
| Total expenses including provision | 17,337 | 2,479 | 121 | 5,260 | 708 | 25,905 |
| Profit before tax | 8,911 | 3,755 | 6,331 | 762 | 3,928 | 23,687 |
| Segment assets gross | 129,056 | 333,302 | 716,667 | 235,106 | 61,735 | 1,475,866 |
| Segment non-performing loans | 8,836 | 30,858 | - | 10,878 | 72 | 50,644 |
| Segment provision required including general provision | 8,112 | 25,352 | 185 | 9,533 | 1,022 | 44,204 |
| Segment liabilities including equity | 919,115 | 130,886 | 28,592 | 131,974 | 221,095 | 1,431,662 |
| Segment gross earnings on liability / asset % | 9.29% | 9.89% | 9.22% | 5.36% | 2.71% | - |
| Segment cost of funds % | 5.45% | 7.52% | 8.14% | 1.60% | 0.96% | - |

18 ISLAMIC BANKING BUSINESS

Financial figures of the Islamic Banking Business are as follows:

| | Note | September 30, 2014 | December 31, 2013 |
|---|------|-----------------------|----------------------|
| (Rupees in '000) | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 3,042,362 | 1,811,029 |
| Balances with other banks | | 35 | 2,000,035 |
| Due from Financial Institution | | 20,110,720 | 17,200,000 |
| Investments | | 28,454,567 | 21,826,042 |
| Islamic financing and related assets | 18.1 | 9,499,078 | 7,285,755 |
| Due from Head Office | | 2,666,147 | - |
| Other assets | | 762,849 | 1,123,239 |
| | | <u>64,535,758</u> | <u>51,246,100</u> |
| LIABILITIES | | | |
| Bills payable | | 1,116 | 785 |
| Due to financial institutions | | 50,000 | 179,000 |
| Deposit and other accounts | | | |
| - Current Accounts | | 11,850,847 | 4,892,912 |
| - Saving Accounts | | 30,056,939 | 22,675,944 |
| - Term Deposits | | 13,123,610 | 12,899,973 |
| - Deposits from financial institutions - remunerative | | 6,471,596 | 7,455,690 |
| - Deposits from financial institutions - non - remunerative | | 139,741 | 72,695 |
| Deferred tax liabilities | | 82,089 | 46,754 |
| Due to Head Office | | - | 1,343,997 |
| Other liabilities | | 868,508 | 520,207 |
| | | <u>62,644,446</u> | <u>50,087,957</u> |
| NET ASSETS | | <u>1,891,312</u> | <u>1,158,143</u> |
| REPRESENTED BY: | | | |
| Islamic Banking Fund | | 250,000 | 250,000 |
| Reserves | | 821,313 | 459,537 |
| Unappropriated profit | | 667,547 | 361,777 |
| | | <u>1,738,860</u> | <u>1,071,314</u> |
| Surplus on revaluation of assets - net of deferred tax | | 152,452 | 86,829 |
| | | <u>1,891,312</u> | <u>1,158,143</u> |

The commitment in respect of financial guarantees and letters of credit of Islamic Banking business amounting to Rs. 86.035 million (2013: Rs. 66.970 million) and Rs. 18.925 million (2013: Rs. 409.383 million) respectively.

18.1 Islamic financing and related assets

| | | | |
|---------------------------------------|--------|------------------|------------------|
| Murabaha | 18.1.1 | 31,993 | 641,727 |
| Ijarah | 18.1.2 | 310,654 | 197,388 |
| Musharaka | | 4,637,418 | 3,881,438 |
| Istisnah Financing | | 65,892 | 858,472 |
| Advance for Murabaha | | 183,561 | 909,307 |
| Advance for Ijarah | | 23,481 | 161,514 |
| Istisnah | | 741,950 | 527,704 |
| Advance Against Diminishing Musharaka | | 1,711,644 | 108,205 |
| Asset / Inventories | | 1,792,485 | - |
| | | <u>9,499,078</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. 27.457 billion as at September 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 October 24, 2014.

President and Chief Executive Officer

Director

Director

Director