

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

	Note	(Unaudited) March 31, 2014 (Rupees in '000)	(Audited) December 31, 2013
ASSETS			
Cash and balances with treasury banks		112,526,878	130,021,065
Balances with other banks		23,511,174	34,721,738
Lendings to financial institutions		6,517,383	35,271,477
Investments	6	868,987,723	794,985,681
Advances	7	515,224,957	523,858,986
Operating fixed assets	8	23,543,078	22,978,009
Deferred tax asset		4,013,754	5,550,304
Other assets		62,410,111	65,270,545
		<u>1,616,735,058</u>	<u>1,612,657,805</u>
LIABILITIES			
Bills payable		19,178,931	19,348,470
Borrowings	9	189,741,885	105,289,762
Deposits and other accounts	10	1,229,288,983	1,316,990,511
Sub-ordinated loans	11	2,463,243	2,633,115
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		44,268,487	39,106,941
		<u>1,484,941,529</u>	<u>1,483,368,799</u>
NET ASSETS		<u>131,793,529</u>	<u>129,289,006</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		13,335,023	13,335,023
Reserves		39,327,472	39,496,771
Unappropriated profit		68,387,022	67,435,578
		121,049,517	120,267,372
Surplus on revaluation of assets - net of deferred tax	12	10,744,012	9,021,634
		<u>131,793,529</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 THREE MONTHS ENDED MARCH 31, 2014

	Note	January 01 to March 31, 2014 (Rupees in '000)	January 01 to March 31, 2013 (Rupees in '000)
Mark-up / return / profit / interest earned	14	30,778,822	30,742,555
Mark-up / return / profit / interest expensed	15	16,898,974	17,945,380
Net mark-up / profit / interest income		<u>13,879,848</u>	<u>12,797,175</u>
Provision against advances	7.2	266,514	1,290,559
Charge against off-balance sheet obligations		1,411	31,952
Reversal against diminution in the value of investments	6.2	(122,016)	(7,230)
Bad debts written off directly		-	-
		<u>145,909</u>	<u>1,315,281</u>
Net mark-up / profit / interest income after provisions		<u>13,733,939</u>	<u>11,481,894</u>
Non mark-up / interest income			
Fee, commission and brokerage income		1,953,571	1,626,809
Dividend income		251,725	212,637
Income from dealing in foreign currencies		678,305	181,962
Gain on sale of securities		305,906	119,047
Unrealized gain / (loss) on held for trading securities		6,499	(16,938)
Other income		1,115,481	807,318
Total non-mark-up / interest income		<u>4,311,487</u>	<u>2,930,835</u>
		<u>18,045,426</u>	<u>14,412,729</u>
Non mark-up / interest expense			
Administrative expenses		9,211,757	7,166,551
Other provisions / write offs - net		114,005	(123,086)
Other charges		107	15,732
Workers' welfare fund		175,629	148,424
Total non mark-up / interest expenses		<u>9,501,498</u>	<u>7,207,621</u>
Profit before taxation		<u>8,543,928</u>	<u>7,205,108</u>
Taxation			
current		2,320,009	2,419,669
prior		150,260	118,787
deferred		595,701	89,559
		<u>3,065,970</u>	<u>2,628,015</u>
Profit after taxation		<u>5,477,958</u>	<u>4,577,093</u>
		----- (Rupees) -----	
Basic and diluted earnings per share	16	<u>4.11</u>	<u>3.43</u>

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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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2014

	January 01 to March 31, 2014	January 01 to March 31, 2013
	(Rupees in '000)	
Profit for the period	5,477,958	4,577,093
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods:		
Effect of translation of net investment in foreign branches	(2,050,597)	(898,728)
Comprehensive income transferred to equity	<u>3,427,361</u>	<u>3,678,365</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	1,744,167	(1,578,563)
	<u><u>5,171,528</u></u>	<u><u>2,099,802</u></u>

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President and Chief Executive Officer

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2014

	Share capital	Reserves				Total	
		Exchange translation reserve	Statutory	Revenue reserves			
				Reserve for issue of bonus shares	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 three months ended March 31, 2013	-	-	-	-	-	4,577,093	4,577,093
- Other comprehensive income							
Effect of translation of net investment in foreign branches	-	(898,728)	-	-	-	-	(898,728)
	-	(898,728)	-	-	-	4,577,093	3,678,365
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	-	-	-	-	-	14,894	14,894
Transferred to statutory reserves	-	-	457,709	-	-	(457,709)	-
Balance as at March 31, 2013	12,122,748	11,324,242	18,498,424	1,212,275	6,073,812	59,893,362	109,124,863
Total comprehensive income for the period							
Profit for the period ended December 31, 2013	-	-	-	-	-	17,333,397	17,333,397
- Other comprehensive income							
Effect of actuarial gain and losses	-	-	-	-	-	(103,025)	(103,025)
Effect of translation of net investment in foreign branches	-	1,866,953	-	-	-	-	1,866,953
	-	1,866,953	-	-	-	17,230,372	19,097,325
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)
Issued as bonus shares	1,212,275	-	-	(1,212,275)	-	-	-
	1,212,275	-	-	(1,212,275)	-	(8,001,014)	(8,001,014)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	46,198	46,198
Transferred to statutory reserves	-	-	1,733,340	-	-	(1,733,340)	-
Balance as at December 31, 2013	13,335,023	13,191,195	20,231,764	-	6,073,812	67,435,578	120,267,372
Total comprehensive income for the period							
Profit for the three months ended March 31, 2014	-	-	-	-	-	5,477,958	5,477,958
- Other comprehensive income							
Effect of translation of net investment in foreign branches	-	(2,050,597)	-	-	-	-	(2,050,597)
	-	(2,050,597)	-	-	-	5,477,958	3,427,361
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)
Issued as bonus shares	-	-	-	1,333,502	-	(1,333,502)	-
	-	-	-	1,333,502	-	(4,000,507)	(2,667,005)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	21,789	21,789
Transferred to statutory reserves	-	-	547,796	-	-	(547,796)	-
Balance as at March 31, 2014	13,335,023	11,140,598	20,779,560	1,333,502	6,073,812	68,387,022	121,049,517

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 THREE MONTHS ENDED MARCH 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,543,928	7,205,108
Dividend income	(251,725)	(212,637)
Gain on sale of securities	(305,906)	(119,047)
	<u>(557,631)</u>	<u>(331,684)</u>
	7,986,297	6,873,424
Adjustment for:		
Depreciation	406,900	326,080
Amortisation	93,360	59,902
Reversal against diminution in the value of investments	(122,016)	(7,230)
Provision against advances	266,514	1,290,559
Unrealised (gain) / loss on held for trading securities	(6,499)	16,938
Exchange (gain) / loss on sub-ordinated loans	(169,872)	64,515
Gain on sale of operating fixed assets - net	(2,562)	(16,143)
Loss on sale of non-banking asset - net	-	1,523
Miscellaneous provisions	115,416	(91,134)
	<u>581,241</u>	<u>1,645,010</u>
	8,567,538	8,518,434
Decrease / (increase) in operating assets		
Lendings to financial institutions	28,754,094	18,125,618
Investments - held for trading	(2,042,633)	13,182,911
Advances	8,367,515	6,872,078
Other assets	3,250,705	5,572,244
	<u>38,329,681</u>	<u>43,752,851</u>
(Decrease) / increase in operating liabilities		
Bills payable	(169,539)	(3,038,871)
Borrowings	84,452,123	(26,415,110)
Deposits and other accounts	(87,701,528)	37,878,401
Other liabilities	5,169,563	4,383,222
	<u>1,750,619</u>	<u>12,807,642</u>
	48,647,838	65,078,927
Income tax paid - net	<u>(2,820,560)</u>	<u>(2,645,587)</u>
Net cash flows from operating activities	45,827,278	62,433,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(68,839,973)	(84,723,953)
Dividend income received	97,741	100,880
Fixed capital expenditure	(1,076,559)	(693,407)
Proceeds from sale of fixed assets	13,792	22,455
Proceeds from sale of non-banking asset	-	38,500
Exchange adjustment on translation of balances in foreign branches	(2,050,597)	(898,728)
Net cash flows used in investing activities	<u>(71,855,596)</u>	<u>(86,154,253)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	<u>(2,676,433)</u>	<u>(4,547,667)</u>
Net cash flows used in financing activities	(2,676,433)	(4,547,667)
Decrease in cash and cash equivalents during the period	<u>(28,704,751)</u>	<u>(28,268,580)</u>
Cash and cash equivalents at beginning of the period	168,426,417	170,321,005
Effects of exchange rate changes on cash and cash equivalents	(3,683,614)	5,910,954
	164,742,803	176,231,959
Cash and cash equivalents at end of the period	<u>136,038,052</u>	<u>147,963,379</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 THREE MONTHS ENDED MARCH 31, 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 the interim condensed unconsolidated financial statements are consistent with those followed in the preparation of the unconsolidated financial statements for the year ended December 31, 2013.

- 3.1 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. 25.556 billion as at March 31, 2014 (December 31, 2013: Rs. 24.352 billion).

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	Note	March 31, 2014			December 31, 2013		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Investments by type							
----- (Rupees in '000) -----							
Held-for-trading (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		3,002,958	-	3,002,958	11,942,763	-	11,942,763
- Market Treasury Bills		34,371,223	-	34,371,223	23,209,005	-	23,209,005
Fully paid-up ordinary shares							
- Listed companies		19,665	-	19,665	5,878	-	5,878
Overseas Government Securities							
		106,568	-	106,568	300,135	-	300,135
		37,500,414	-	37,500,414	35,457,781	-	35,457,781
Held-to-Maturity Securities (HTM)							
Federal Government Securities							
- Pakistan Investment Bonds		71,449,801	-	71,449,801	36,857,744	-	36,857,744
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		690,868	-	690,868	738,666	-	738,666
Debt Instruments and Corporate Debt Instruments / Units							
- Listed securities		3,171,898	-	3,171,898	2,329,538	-	2,329,538
- Unlisted securities		6,435,755	-	6,435,755	6,381,489	-	6,381,489
Overseas Government securities							
		15,454,136	-	15,454,136	14,161,147	-	14,161,147
		97,202,458	-	97,202,458	60,468,584	-	60,468,584
Available-for-Sale Securities (AFS)							
Federal Government Securities							
- Market Treasury Bills		405,201,544	117,420,071	522,621,615	533,321,012	48,151,773	581,472,785
- Pakistan Investment Bonds		132,496,602	-	132,496,602	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)		31,359,822	-	31,359,822	22,676,455	-	22,676,455
Overseas Government Securities							
		591,980	-	591,980	600,771	-	600,771
Fully paid-up ordinary shares							
- Listed companies		7,473,254	-	7,473,254	5,539,588	-	5,539,588
- Unlisted companies		715,459	-	715,459	768,100	-	768,100
Debt Instruments and Corporate Debt Instruments / Units							
- Listed securities		6,888,173	7,689,758	14,577,931	13,747,597	2,163,371	15,910,968
- Unlisted securities		11,589,631	-	11,589,631	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
		597,002,578	125,109,829	722,112,407	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							
		4,755,298	-	4,755,298	4,755,297	-	4,755,297
		743,077,977	125,109,829	868,187,806	746,754,314	50,315,144	797,069,458
Provision for diminution / impairment in the value of investments including associates							
	6.2	(1,105,807)	-	(1,105,807)	(1,265,379)	-	(1,265,379)
Net investment							
		741,972,170	125,109,829	867,081,999	745,488,935	50,315,144	795,804,079
Surplus /(deficit) on revaluation of held for trading securities							
		6,499	-	6,499	(32,608)	-	(32,608)
Surplus /(deficit) on revaluation of available for sale securities							
	12.2	1,997,768	(98,543)	1,899,225	(663,713)	(122,077)	(785,790)
Total investments at market value							
		743,976,437	125,011,286	868,987,723	744,792,614	50,193,067	794,985,681

6.1 The market value of securities classified as "held-to-maturity" as at March 31, 2014 amounted to Rs. 98,963.782 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:

	March 31, 2014	December 31, 2013
	(Rupees in '000)	
Opening balance	1,265,379	1,473,880
Charge for the period / year	-	4,772
Reversals	(63,060)	(74,480)
Impairment charge on listed securities	31,434	55,171
Impairment reversal on listed securities	(90,390)	(198,093)
Total reversals - net	(122,016)	(212,630)
Write offs	(37,556)	-
Other movement	-	4,129
Closing balance	<u>1,105,807</u>	<u>1,265,379</u>

7 ADVANCES

	Note	March 31, 2014	December 31, 2013
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		396,722,191	405,396,451
Outside Pakistan		<u>92,135,783</u>	<u>92,650,654</u>
		488,857,974	498,047,105
Net investment in finance lease - in Pakistan		5,571,548	5,496,069
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		10,173,433	11,191,546
Payable outside Pakistan		<u>45,623,169</u>	<u>46,326,442</u>
		55,796,602	57,517,988
Provision against advances	7.2	<u>(35,001,167)</u>	<u>(37,202,176)</u>
		<u>515,224,957</u>	<u>523,858,986</u>

7.1 Classification of non-performing loans is as follows:

Category of classification	March 31, 2014								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	982,660	-	982,660	-	-	-	982,660	-	982,660
Substandard*	6,557,292	1,261,924	7,819,216	1,352,447	249,380	1,601,827	5,204,845	1,012,544	6,217,389
Doubtful	2,060,685	994,724	3,055,409	1,008,834	529,851	1,538,685	1,051,851	464,873	1,516,724
Loss	23,158,158	8,084,091	31,242,249	22,019,780	7,859,804	29,879,584	1,138,378	224,287	1,362,665
	32,758,795	10,340,739	43,099,534	24,381,061	8,639,035	33,020,096	8,377,734	1,701,704	10,079,438
General provision	-	-	-	955,888	1,025,183	1,981,071	-	-	-
	32,758,795	10,340,739	43,099,534	25,336,949	9,664,218	35,001,167	8,377,734	1,701,704	10,079,438

* 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

	March 31, 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	(487,205)	(48,816)	(536,021)	630,301	16,246	646,547
Charge for the period / year	973,594	190,295	1,163,889	5,251,915	641,395	5,893,310
Reversals	(611,304)	(20,111)	(631,415)	(2,861,250)	(883,793)	(3,745,043)
Net charge against advances	362,290	170,184	532,474	2,390,665	(242,398)	2,148,267
Write off	(614,172)	-	(614,172)	(412,583)	-	(412,583)
Transfer to / from special category	(1,204,836)	-	(1,204,836)	(5,729,343)	-	(5,729,343)
Write off in special category	(112,494)	-	(112,494)	(227,793)	-	(227,793)
Reversal in special category	(265,960)	-	(265,960)	(914,079)	-	(914,079)
Net movement in separate category	(1,583,290)	-	(1,583,290)	(6,871,215)	-	(6,871,215)
Closing balance	33,020,096	1,981,071	35,001,167	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 March 31, 2014 would have been higher and profit before tax would have been lower by Rs. 1,033.86 million. Increase in retained earnings net of tax amounting to Rs. 672.01 million would not be available for the distribution of cash and stock dividend to shareholders.

7.4 Exposure amounting to Rs. 8.571 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.**

	March 31, 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)	1,842,000	1,890,400	102,946	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	339,400	351,200	15,000	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	1,584,757	1,345,267	1,333,008	1,033,786	2,553,045	673,786
Debts due by Subsidiary company	4,107	31,084	-	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**

	March 31, 2014	December 31, 2013
(Rupees in '000)		
Capital work-in-progress	1,078,713	884,039
Intangible assets	714,174	744,783
Tangible fixed assets	21,750,191	21,349,187
	<u>23,543,078</u>	<u>22,978,009</u>

8.1 **Additions to fixed assets**

	For the three months ended	
	March 31, 2014	March 31, 2013
(Rupees in '000)		
The following additions have been made to tangible and intangible fixed assets during the period:		
Capital work-in-progress	1,041,269	647,655
Intangible assets	62,751	427,804
Tangible fixed assets		
Building including related machinery	82,038	80,273
Furniture, fixtures and office equipments	711,121	506,536
Vehicles	29,786	36,750
	<u>1,926,965</u>	<u>1,699,018</u>

8.2 **Disposal of fixed assets**

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

	March 31, 2014	March 31, 2013
Tangible fixed assets		
Building including related machinery	11,004	203
Furniture, fixtures and office equipments	539,353	72,791
Vehicles	3,812	20,220
	<u>554,169</u>	<u>93,214</u>

9 **BORROWINGS**

	March 31, 2014	December 31, 2013
	(Rupees in '000)	
Secured		
Borrowings from SBP under:		
Export refinance scheme	13,743,699	17,584,707
Long term financing facility - locally manufactured and imported plant & machinery	6,720,547	5,464,963
Long term finance - export oriented projects	366,274	480,741
Refinance facility for modernization of SMEs	3,685	4,608
Financing facility for Storage of Agricultural Produce	7,642	9,169
Scheme for revival of SMEs and Agricultural activities in flood affected areas	9,070	9,170
Repurchase agreement borrowings	126,089,745	50,072,621
	<u>146,940,662</u>	<u>73,625,979</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings	24,767,649	13,726,623
Outside Pakistan:		
Overdrawn nostro accounts	1,135,045	2,051,589
Borrowings of overseas branches and subsidiaries	16,898,529	15,885,571
	<u>18,033,574</u>	<u>17,937,160</u>
	<u>42,801,223</u>	<u>31,663,783</u>
	<u>189,741,885</u>	<u>105,289,762</u>

10 **DEPOSITS AND OTHER ACCOUNTS**

Customers

Current accounts - non-remunerative	375,921,532	373,276,540
Savings chequing account	581,980,793	603,492,831
Fixed deposits	<u>252,464,096</u>	<u>321,062,655</u>
	<u>1,210,366,421</u>	<u>1,297,832,026</u>

Financial institutions

Current accounts - non-remunerative	13,463,027	6,279,959
Savings chequing account	3,142,609	4,551,714
Fixed deposits	<u>2,316,926</u>	<u>8,326,812</u>
	<u>18,922,562</u>	<u>19,158,485</u>
	<u>1,229,288,983</u>	<u>1,316,990,511</u>

11 **SUB-ORDINATED LOAN**

This represents that balance of the loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million originated in 2007. Two instalments of US \$ 12.5 million each have been paid in June 2013 and December 2013 respectively and the balance is due during the year. 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	March 31, 2014	December 31, 2013
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(Rupees in '000)

Surplus arising on revaluation of:

- fixed assets	12.1	9,508,086	9,529,875
- investments	12.2	1,235,926	(508,241)
Surplus on revaluation of assets - net of deferred tax		<u>10,744,012</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		(6,864)	(1,269)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(14,925)	(59,823)
Related deferred tax liability of incremental depreciation charged during the period / year		(8,036)	(32,212)
Related deferred tax liability on disposal of revalued properties		<u>(3,696)</u>	<u>(2,348)</u>
Surplus on revaluation of fixed assets as at period / year end		10,388,959	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		(3,696)	(2,348)
- incremental depreciation charged during the period / year transferred to profit and loss account		<u>(8,036)</u>	<u>(32,212)</u>
		880,873	892,605
		<u>9,508,086</u>	<u>9,529,875</u>

12.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills		(502,796)	(1,195,437)
Pakistan Investment Bonds		1,023,091	(492,676)
Government of Pakistan Sukuk and US Dollar / Euro Bonds		799,140	287,648
Listed Securities		428,672	476,306
NIT Units		26,249	22,288
Other Investments		124,869	116,081
		1,899,225	(785,790)
Related deferred tax (liability) / asset		<u>(663,299)</u>	<u>277,549</u>
		<u>1,235,926</u>	<u>(508,241)</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government		263,931	262,993
- Financial institutions		295,000	295,000
- Others		20,682,440	40,075,109
		<u>21,241,371</u>	<u>40,633,102</u>

	March 31, 2014	December 31, 2013
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	485,551	550,968
- Financial institutions	2,305,269	1,894,819
- Others	38,044,429	39,154,598
	<u>40,835,249</u>	<u>41,600,385</u>
13.3 Trade-related commitments		
Credit cash	50,399,091	60,038,619
Credit documentary acceptances	16,636,555	17,800,947
Credit acceptances	34,253,902	46,375,108
	<u>101,289,548</u>	<u>124,214,674</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>35,458,024</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.

	March 31, 2014	December 31, 2013
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	163,973,014	247,342,208
Sale	164,520,489	247,527,601
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	612,972	649,846
Sale	612,972	649,846
Commitments in respect of cross currency swaps		
Purchase	1,130,487	1,121,412
Sale	1,092,649	1,105,785
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	229,903	245,757
Sale	434,069	490,757
13.7 Commitments for acquisition of fixed assets / intangibles	1,120,656	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. 587.7 million.

14 **MARK-UP / RETURN / PROFIT EARNED / INTEREST EARNED**

	For the three months ended	
	March 31, 2014	March 31, 2013
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	12,052,324	11,210,489
- Financial institutions	15,233	29,124
<i>On investments:</i>		
- Available-for-sale	16,311,049	17,203,810
- Held-for-trading	388,006	464,049
- Held-to-maturity	1,203,620	1,232,612
On deposits with financial institutions	275,628	246,155
On lendings to financial institutions	532,962	356,316
	<u>30,778,822</u>	<u>30,742,555</u>

15 **MARK-UP / RETURN / PROFIT EXPENSED / INTEREST EXPENSED**

Deposits	14,956,881	14,330,493
Securities sold under repurchase agreement borrowings	1,039,409	3,040,448
Other short term borrowings	778,943	459,403
Long term borrowings	123,741	115,036
	<u>16,898,974</u>	<u>17,945,380</u>

16 **BASIC AND DILUTED EARNINGS PER SHARE**

	For the three months ended	
	March 31, 2014	March 31, 2013
Profit for the period attributable to equityholders of the Bank	5,477,958	4,577,093
	(Rupees in '000)	
	(Number)	
Weighted average number of ordinary shares	1,333,502,280	1,333,502,280
	(Rupees)	
	4.11	3.43

The shareholders have approved the issue of 10% bonus shares in the Annual General Meeting held on March 29, 2014. The Bank has created a reserve for issue of bonus shares in these condensed interim unconsolidated financial statements as the shares have not been issued as at March 31, 2014. Had the effect of these shares been taken, the Earning per Share for the period ended March 31, 2014 would have been Rs. 3.73 (2013: Rs. 3.12)

17 **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:

	March 31, 2014				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	Rs. in 000 -----				
Statement of financial position					
Deposits	2,484,819	291,422	2,820,295	-	627,229
Maximum Deposits During the period	2,666,731	441,585	3,163,455		729,432
Borrowings	2,233,286	1,121,842	632,713	4,335,307	-
Investments	-	12,790,539	4,748,101	-	-
Markup / Other Receivable	-	107,963	-	-	-
Mark-up / Other Payable	-	-	-	-	674,784
Placements / Lendings	883,654	3,832,119	-	-	-
Overdrawn Nostro	-	-	-	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	20,488	18,015	229,945	-	-
Interest / Other Expense	14,357	-	150,040	-	255,764
Dividend income	-	-	39,393	-	-
Others					
Other contingencies	295,959	-	-	-	-
Securities Held as custodian	8,749,485	580,000	36,230,620	-	7,689,680
	December 31, 2013				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	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 / Lendings	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

17.1 Key management personnel

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

	For the three months ended	
	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Managerial remuneration (including allowances)	338,304	274,830
Contribution to provident and benevolent fund	6,453	5,710
Medical	11,231	9,787
	355,988	290,327
Number of persons	152	141

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2014					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Net interest income - External	(8,943)	5,561	15,682	1,613	(33)	13,880
Inter segment revenue - net	17,449	(4,426)	(15,359)	-	2,336	-
Non-funded income	1,792	674	1,372	837	(364)	4,311
Net interest and non-markup income	10,298	1,809	1,695	2,450	1,939	18,191
Total expenses including provision (excluding impairment)	4,067	207	68	1,736	3,691	9,769
Impairment against investments	-	-	(59)	-	(63)	(122)
Inter segment administrative cost	2,272	454	65	250	(3,041)	-
Total expenses including provision	6,339	661	74	1,986	587	9,647
Profit before tax	3,959	1,148	1,621	464	1,352	8,544
Segment assets gross	125,451	290,274	833,352	215,663	188,463	1,653,203
Segment non-performing loans	5,341	3,405	-	10,357	23,997	43,100
Segment provision required including general provision	4,133	1,370	54	8,619	22,292	36,468
Segment liabilities including equity	934,918	124,451	155,626	159,939	241,801	1,616,735
Segment gross earnings on liability / asset %	9.60%	9.71%	9.47%	3.47%	4.46%	-
Segment cost of funds %	5.27%	7.74%	8.60%	0.89%	1.17%	-
	----- (Rupees in million) -----					
	For the three months ended March 31, 2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
Net interest income - External	(9,355)	6,029	15,128	1,169	(174)	12,797
Inter segment revenue - net	15,876	(4,645)	(13,710)	-	2,479	-
Non-funded income	1,605	600	649	635	(558)	2,931
Net interest and non-markup income	8,126	1,984	2,067	1,804	1,747	15,728
Total expenses including provision (excluding impairment)	3,745	1,116	53	1,656	1,960	8,530
Impairment against investments	-	-	(5)	-	(2)	(7)
Inter segment administrative cost	1,392	278	40	153	(1,863)	-
Total expenses including provision	5,137	1,394	88	1,809	95	8,523
Profit before tax	2,989	590	1,979	(5)	1,652	7,205
Segment assets gross	124,380	352,418	823,400	174,281	98,662	1,573,141
Segment non-performing loans	8,870	34,016	-	10,216	75	53,177
Segment provision required including general provision	8,002	26,033	343	9,185	1,116	44,679
Segment liabilities including equity	944,887	124,133	139,642	114,241	205,559	1,528,462
Segment gross earnings on liability / asset %	9.12%	9.72%	9.05%	4.69%	3.07%	-
Segment cost of funds %	5.56%	7.49%	8.06%	1.51%	0.95%	-

19 ISLAMIC BANKING BUSINESS

Financial figures of the Islamic Banking Business are as follows:

	Note	March 31, 2014	December 31, 2013
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		1,824,216	1,811,029
Balances with other banks		35	2,000,035
Due from Financial Institution		9,900,000	17,200,000
Investments		32,300,058	21,826,042
Islamic financing and related assets	19.1	6,745,596	7,285,755
Due from Head Office		794,503	-
Other assets		1,188,880	1,123,239
		<u>52,753,288</u>	<u>51,246,100</u>
LIABILITIES			
Bills payable		1,051	785
Due to financial institutions		52,811	179,000
Deposit and other accounts			
- Current Accounts		7,013,667	4,892,912
- Saving Accounts		23,825,192	22,675,944
- Term Deposits		11,736,652	12,899,973
- Deposits from financial institutions - remunerative		7,704,266	7,455,690
- Deposits from financial institutions - non - remunerative		126,210	72,695
Deferred tax liabilities		127,610	46,754
Due to Head Office		-	1,343,997
Other liabilities		703,753	520,207
		<u>51,291,212</u>	<u>50,087,957</u>
NET ASSETS		<u>1,462,076</u>	<u>1,158,143</u>
REPRESENTED BY:			
Islamic Banking Fund		250,000	250,000
Reserves		821,313	459,537
Unappropriated profit		153,774	361,777
		<u>1,225,087</u>	<u>1,071,314</u>
Surplus on revaluation of assets - net of deferred tax		236,989	86,829
		<u>1,462,076</u>	<u>1,158,143</u>

The commitment in respect of financial guarantees and letters of credit of Islamic Banking business amounting to Rs. 66.820 million (2013: Rs. 66.970 million) and Rs. 204.467 million (2013: Rs. 409.383 million) respectively.

19.1 Islamic financing and related assets

Murabaha	19.1.1	369,453	641,727
Ijarah	19.1.2	354,572	197,388
Musharaka		4,397,774	3,881,438
Istisnah Financing		72,810	858,472
Advance for Murabaha		530,946	909,307
Advance for Ijarah		7,521	161,514
Istisnah		635,425	527,704
Advance Against Diminishing Musharaka		227,095	108,205
Asset / Inventories		150,000	-
		<u>6,745,596</u>	<u>7,285,755</u>

19.1.1 This represents assets sold under Murabaha agreement.

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

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on April 25, 2014.

President and Chief Executive Officer

Director

Director

Director