

## Directors' Review

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

### Domestic Economy

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

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

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

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

### Performance

HBL has delivered a pre-tax profit of Rs29.5 billion for the six months ended June 30, 2015, representing a growth of 41.6% over the same period last year. Profit after tax reached Rs 16.9 billion, a growth of 25% over H1 2014. The lower growth in profit after tax is due to the retrospective application of several new tax provisions introduced in the Federal Budget. Consequently, earnings per share for the half year increased to Rs 11.53 as against Rs 9.23 for the first half of 2014.

In June 2015, HBL's Balance Sheet increased by 12.4% over December 2014. Total deposits grew by 5.4% despite continued shedding of expensive fixed deposits as the Bank remained focused on its strategy of growing current accounts which increased by 11.7%. The deposit mix has improved further as the ratio of Current Accounts has now risen from 33.9% in December 2014 to 35.9%. Average domestic current accounts for the first half of 2015 grew by 24% over the corresponding period and, along with a declining

rate environment, resulted in a 110 bps reduction in the cost of domestic deposits over H1 2014. Interest income was also supported by a 4% growth in average domestic loans and a near doubling of average PIBs as a result of the 2014 repositioning of the fixed income portfolio. Overall margins thus showed an increase of 15 bps, despite the steep reduction in the interest rate environment with KIBOR, on average, 218 bps lower than in H1 2014. With an expansion of 20% in the average Balance Sheet over the comparable period of 2014, net interest income increased by 23% to Rs38.3 billion for the six months ended June 30, 2015.

Non mark-up income increased by 76% to Rs16 billion for the half year ended June 30, 2015. In addition to capital gains of Rs 5.3 billion during H1 2015, fees and commissions increased significantly, growing by 41% over the previous year, as trade, remittances, Bancassurance and investment banking continued to make strong contributions.

Administrative expenses increased by 16.8% over the corresponding six months of 2014 due to continued investments by the Bank in its people, brand and technology. However, as a result of the strong revenue growth, the cost/income ratio reduced to 41% compared to 47.3% in H1 2014. Provisions increased mainly as a result of aging of previously classified names as well as a conservative view taken by the Bank on certain borrowers. Consequently, the coverage increased from 88.8% in December 2014 to 90.8% as of June 2015.

### Movement of Reserves

	Rs million
Unappropriated profit brought forward	81,708
Profit attributable to equity holders of the Bank	16,913
Transferred from surplus on revaluation of fixed assets – net of tax	29
Other comprehensive income – net of tax	22
	16,964
<b>Appropriations</b>	
Transferred to statutory reserves	(1,691)
Cash dividend paid – Final 2014	(8,068)
Cash dividend paid – 1 <sup>st</sup> Interim 2015	(5,134)
	(14,893)
Unappropriated profit carried forward	83,779
Earnings per share (Rs)	11.53

### Capital Ratios

The Capital Adequacy Ratio (CAR) reduced from 15.1% in December 2014 to 14.1% in June 2015 due to growth in Risk Assets. While Tier 1 CAR also declined from 13.0% to 12.2% over the same period, the capital position of the Bank remains robust.

HBL's Return on Assets in H1 2015 was 1.8%, while the Return on Equity was 20.9%.

## **Dividend**

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

## **Credit Ratings**

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

## **Future Outlook**

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

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

## **Appreciation and Acknowledgement**

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

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

On behalf of the Board

**Nauman K. Dar**

President & Chief Executive Officer

August 21, 2015

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

	Note	(Unaudited) June 30, 2015	(Audited) December 31, 2014
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		142,412,139	122,271,268
Balances with other banks		39,524,599	53,025,792
Lendings to financial institutions		16,142,461	34,313,560
Investments	6	1,126,688,203	897,573,967
Advances	7	562,853,056	555,394,512
Operating fixed assets	8	26,130,237	24,874,238
Deferred tax asset		-	-
Other assets		74,821,898	81,742,917
		<u>1,988,572,593</u>	<u>1,769,196,254</u>
<b>LIABILITIES</b>			
Bills payable		23,926,713	21,955,683
Borrowings	9	228,173,621	99,630,517
Deposits and other accounts	10	1,525,066,499	1,447,215,445
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		3,761,636	1,850,325
Other liabilities		42,052,951	40,676,639
		<u>1,822,981,420</u>	<u>1,611,328,609</u>
<b>NET ASSETS</b>		<u>165,591,173</u>	<u>157,867,645</u>
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		14,668,525	14,668,525
Reserves		42,549,334	40,704,933
Unappropriated profit		83,779,491	81,707,742
		140,997,350	137,081,200
Surplus on revaluation of assets - net of deferred tax	11	24,593,823	20,786,445
		<u>165,591,173</u>	<u>157,867,645</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		

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

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President and Chief Executive Officer

Director

Director

Director

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

	Note	January 01 to June 30, 2015	January 01 to June 30, 2014	April 01 to June 30, 2015	April 01 to June 30, 2014
------(Rupees in '000)-----					
Mark-up / return / profit / interest earned	13	72,491,001	65,086,790	36,032,141	34,069,586
Mark-up / return / profit / interest expensed	14	34,184,179	33,901,424	16,533,427	17,002,450
Net mark-up / profit / interest income		38,306,822	31,185,366	19,498,714	17,067,136
Provision against advances	7.2	1,548,202	81,122	1,070,321	(185,392)
Charge / (reversal) against off-balance sheet obligations		43,830	(115,881)	71,422	(117,292)
Provision / (reversal) for diminution in the value of investments	6.2	108,673	(133,881)	(7,314)	(11,865)
Bad debts written off directly		-	-	-	-
		1,700,705	(168,640)	1,134,429	(314,549)
Net mark-up / profit / interest income after provisions		36,606,117	31,354,006	18,364,285	17,381,685
Non mark-up / interest income					
Fee, commission and brokerage income		7,590,907	5,378,078	4,355,290	2,862,241
Dividend income		1,303,705	623,512	811,045	371,787
Income from dealing in foreign currencies		1,003,077	1,505,520	397,057	827,215
Gain on sale of securities		5,328,029	778,304	3,103,541	472,398
Unrealized (loss)/gain on held for trading securities		(2,358)	14,544	1,395	8,045
Other income		748,893	758,304	424,418	443,471
Total non-mark-up / interest income		15,972,253	9,058,262	9,092,746	4,985,157
		52,578,370	40,412,268	27,457,031	22,366,842
Non mark-up / interest expense					
Administrative expenses		22,243,237	19,042,738	12,214,940	9,830,981
Other provisions / write offs - net		231,962	123,015	18,010	9,010
Other charges		30,445	1,244	27,966	1,137
Workers Welfare Fund		605,093	427,924	305,687	252,295
Total non mark-up / interest expenses		23,110,737	19,594,921	12,566,603	10,093,423
Profit before taxation		29,467,633	20,817,347	14,890,428	12,273,419
Taxation					
current		9,722,893	6,267,108	4,526,069	3,947,099
prior		2,010,000	66,576	1,873,653	(83,684)
deferred		821,225	941,478	1,017,090	345,777
Profit after taxation		12,554,118	7,275,162	7,416,812	4,209,192
		16,913,515	13,542,185	7,473,616	8,064,227
------(Rupees)-----					
Basic and diluted earnings per share		11.53	9.23	5.09	5.50

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

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President and Chief Executive Officer

Director

Director

Director

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

	January 01 to June 30, 2015	January 01 to June 30, 2014	April 01 to June 30, 2015	April 01 to June 30, 2014
	----- (Rupees in '000) -----			
Profit for the period	16,913,515	13,542,185	7,473,616	8,064,227
Other comprehensive income				
Items to be reclassified to profit or loss in subsequent periods:				
Effect of translation of net investment in foreign branches	(394,066)	(1,757,388)	(171,507)	293,209
Items not to be reclassified to profit or loss in subsequent periods:				
Effect of actuarial gain and losses - net of tax	21,686	-	21,686	-
Comprehensive income transferred to equity	<u>16,541,135</u>	<u>11,784,797</u>	<u>7,323,795</u>	<u>8,357,436</u>
Components of comprehensive income not reflected in equity				
Items to be reclassified to profit or loss in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net of tax	3,836,951	543,387	(1,332,772)	(1,200,780)
	<u>20,378,086</u>	<u>12,328,184</u>	<u>5,991,023</u>	<u>7,156,656</u>

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

*Signature*

President and Chief Executive Officer

Director

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Director

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

	Reserves						Total
	Share capital	Exchange translation reserve	Capital		Revenue		
			Statutory	Non - distributable capital reserve - gain on bargain purchase	General	Unappropriated profit	
-----[Rupees in '000]-----							
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						13,542,185	13,542,185
Profit for the six months ended June 30, 2014	-	-	-	-	-	13,542,185	13,542,185
- Other comprehensive income							
Effect of translation of net investment in foreign branches	-	(1,757,388)	-	-	-	-	(1,757,388)
	-	(1,757,388)	-	-	-	13,542,185	11,784,797
Transactions with owners, recorded directly in equity							
Final cash dividend paid at Rs. 2 per share for the year ended December 31, 2013	-	-	-	-	-	(2,667,005)	(2,667,005)
1st interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	(2,933,705)	(2,933,705)
Issued as bonus shares	1,333,502	-	-	-	-	(1,333,502)	-
	1,333,502	-	-	-	-	(6,934,212)	(5,600,710)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	63,453	63,453
Transferred to statutory reserve	-	-	1,354,219	-	-	(1,354,219)	-
Balance as at June 30, 2014	14,668,525	11,433,807	21,585,983	-	6,073,812	72,752,785	126,514,912
Total comprehensive income for the period						17,570,336	17,570,336
Profit for the six months ended December 31, 2014	-	-	-	-	-	17,570,336	17,570,336
- Other comprehensive income							
Effect of actuarial gain and losses	-	-	-	-	-	(287,084)	(287,084)
Effect of translation of net investment in foreign branches	-	(145,702)	-	-	-	-	(145,702)
	-	(145,702)	-	-	-	17,283,252	17,137,550
Transactions with owners, recorded directly in equity							
2nd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	(3,300,418)	(3,300,418)
3rd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	(3,300,418)	(3,300,418)
	-	-	-	-	-	(6,600,836)	(6,600,836)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	29,574	29,574
Transferred to statutory reserve	-	-	1,757,033	-	-	(1,757,033)	-
Balance as at December 31, 2014	14,668,525	11,288,105	23,343,016	-	6,073,812	81,707,742	137,081,200
Profit for the six months ended June 30, 2015	-	-	-	-	-	16,913,515	16,913,515
- Other comprehensive income							
Effect of actuarial gain and losses	-	-	-	-	-	21,686	21,686
Effect of translation of net investment in foreign branches	-	(394,066)	-	-	-	-	(394,066)
	-	(394,066)	-	-	-	16,935,201	16,541,135
Transactions with owners, recorded directly in equity							
Final cash dividend paid at Rs. 5.5 per share for the year ended December 31, 2014	-	-	-	-	-	(8,067,689)	(8,067,689)
1st Interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(13,201,673)	(13,201,673)
Gain on Bargain Purchase Option on acquisition of Barclays Bank PLC	-	-	-	547,115	-	-	547,115
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	29,573	29,573
Transferred to statutory reserve	-	-	1,691,352	-	-	(1,691,352)	-
Balance as at June 30, 2015	14,668,525	10,894,039	25,034,368	547,115	6,073,812	83,779,491	140,997,350

The annexed notes 1 to 19 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 SIX MONTHS ENDED JUNE 30, 2015

	June 30, 2015	June 30, 2014
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	29,467,633	20,817,347
Dividend income	(1,303,705)	(623,512)
Gain on sale of securities	(5,328,029)	(778,304)
	<u>(6,631,734)</u>	<u>(1,401,816)</u>
	22,835,899	19,415,531
Adjustment for:		
Depreciation	1,124,528	861,435
Amortisation	260,825	200,076
Provision / (reversal) for diminution in the value of investments	108,673	(133,881)
Provision against advances	1,548,202	81,122
Unrealised loss/(gain) on held for trading securities	2,358	(14,544)
Exchange gain on sub-ordinated loans	-	(164,892)
Gain on sale of operating fixed assets - net	(17,459)	(7,911)
Workers Welfare Fund	605,093	427,924
Charge / (reversal) charge against off-balance sheet obligations	43,830	(115,881)
Other provisions / write offs - net	231,962	123,015
	<u>3,908,012</u>	<u>1,256,463</u>
	26,743,911	20,671,994
Decrease / (increase) in operating assets		
Lendings to financial institutions	18,171,099	(69,471,195)
Investments in held for trading securities	(15,963,971)	6,916,354
Advances	1,267,982	(13,442,368)
Other assets	5,800,523	(4,612,634)
	<u>9,275,633</u>	<u>(80,609,843)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(95,562)	3,350,950
Borrowings	126,088,183	(35,075,815)
Deposits and other accounts	50,152,991	57,236,084
Other liabilities	(734,978)	(1,251,732)
	<u>175,410,634</u>	<u>24,259,487</u>
	211,430,178	(35,678,362)
Income tax paid	(10,543,469)	(8,477,989)
Net cash flows from / (used in) operating activities	<u>200,886,709</u>	<u>(44,156,351)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(131,115,153)	101,188,674
Net investments in held to maturity securities	(49,300,022)	(34,790,149)
Dividend income received	1,307,024	566,356
Net cash inflow on acquisition	236,259	-
Fixed capital expenditure	(2,510,071)	(2,352,088)
Proceeds from sale of fixed assets	20,935	70,064
Exchange adjustment on translation of balances in foreign branches	(394,066)	(1,757,388)
Net cash flows (used in) / from investing activities	<u>(181,755,094)</u>	<u>62,925,469</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of subordinated loan	-	(1,233,165)
Dividend paid	(12,491,937)	(5,552,809)
Net cash flows used in financing activities	<u>(12,491,937)</u>	<u>(6,785,974)</u>
Increase in cash and cash equivalents during the period	6,639,678	11,983,144
Cash and cash equivalents at the beginning of the period	174,260,522	168,407,060
Effects of exchange rate changes on cash and cash equivalents	1,036,538	(3,664,257)
	<u>175,297,060</u>	<u>164,742,803</u>
Cash and cash equivalents at the end of the period	<u>181,936,738</u>	<u>176,725,947</u>

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

*Signature*

President and Chief Executive Officer

Director

Director

Director

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

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

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

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

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

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

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

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

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

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

June 14, 2015  
Rupees in '000

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

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

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

## 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, 2014 except as stated in Note 3.1 below:

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

Consequently, the Bank's investments in certain mutual funds managed by HBL Asset Management Limited (a wholly owned subsidiary) which were previously accounted for as investments in associates are now accounted for as investment in subsidiaries. The funds that have been consolidated and the impact on these condensed interim unconsolidated financial statements has been disclosed in Note 6.3.

## 4 ACCOUNTING ESTIMATES

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

## 5 FINANCIAL RISK MANAGEMENT

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



## 6 INVESTMENTS

	Note	June 30, 2015			December 31, 2014		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Restated Total
Investments by type		----- (Rupees in '000) -----					
Held-for-trading (HFT)							
<i>Federal Government Securities</i>							
- Pakistan Investment Bonds		4,656,154	-	4,656,154	5,669,613	-	5,669,613
- Market Treasury Bills		58,828,299	-	58,828,299	42,471,309	-	42,471,309
<i>Overseas Government Securities</i>		1,177,996	-	1,177,996	557,556	-	557,556
		64,662,449	-	64,662,449	48,698,478	-	48,698,478
Held-to-Maturity (HTM)	6.1						
<i>Federal Government Securities</i>							
- Market Treasury Bills		28,586,740	-	28,586,740	-	-	-
- Pakistan Investment Bonds		97,392,317	-	97,392,317	75,683,578	-	75,683,578
- Government of Pakistan Guaranteed Bonds		1,857,579	-	1,857,579	1,992,000	-	1,992,000
<i>Debentures and Corporate Debt Instruments / Units</i>							
- Listed securities		2,063,322	-	2,063,322	2,101,819	-	2,101,819
- Unlisted securities		5,144,001	-	5,144,001	5,493,233	-	5,493,233
<i>Overseas Government securities</i>		14,330,510	-	14,330,510	14,803,817	-	14,803,817
		149,374,469	-	149,374,469	100,074,447	-	100,074,447
Available-for-Sale (AFS)							
<i>Federal Government Securities</i>							
- Market Treasury Bills		358,439,381	157,548,954	515,988,335	389,346,079	18,494,458	407,840,537
- Pakistan Investment Bonds		249,144,728	3,117,812	252,262,540	187,548,334	35,039,524	222,587,858
- Government of Pakistan Guaranteed Bonds		3,397,500	-	3,397,500	3,397,500	-	3,397,500
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		58,147,803	-	58,147,803	45,689,461	-	45,689,461
<i>Overseas Government Securities</i>		61,635	-	61,635	72,175	-	72,175
<i>Fully paid-up ordinary shares</i>							
- Listed companies		12,105,261	-	12,105,261	15,324,333	-	15,324,333
- Unlisted companies		1,268,849	-	1,268,849	1,232,824	-	1,232,824
<i>Debentures and Corporate Debt Instruments / Units</i>							
- Listed securities		14,055,116	-	14,055,116	11,184,454	-	11,184,454
- Unlisted securities		9,088,210	-	9,088,210	8,709,868	-	8,709,868
<i>NIT Units</i>		4,061,113	-	4,061,113	2,261,113	-	2,261,113
<i>Preference shares</i>		250,000	-	250,000	250,000	-	250,000
		710,019,596	160,666,766	870,686,362	665,016,141	53,533,982	718,550,123
Investment in Subsidiary Companies	6.3 / 6.4	15,015,037	-	15,015,037	8,993,797	-	8,993,797
Investment in Associates and Joint Venture	6.4	4,682,679	-	4,682,679	4,682,679	-	4,682,679
		943,754,230	160,666,766	1,104,420,996	827,465,542	53,533,982	880,999,524
Provision for diminution in the value of investments	6.2	(1,108,602)	-	(1,108,602)	(953,764)	-	(953,764)
Net investment		942,645,628	160,666,766	1,103,312,394	826,511,778	53,533,982	880,045,760
(Deficit) / surplus on revaluation of held for trading securities		(2,358)	-	(2,358)	52,856	-	52,856
Surplus on revaluation of available for sale securities	11.2	22,350,425	1,027,742	23,378,167	14,723,159	2,752,192	17,475,351
Total investments at market value		964,993,695	161,694,508	1,126,688,203	841,287,793	56,286,174	897,573,967

6.1 The market value of securities classified as Held-to-Maturity as at June 30, 2015 amounted to Rs. 155,729.344 million (December 31, 2014: Rs. 104,935.785 million).

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

The analysis of total provision held is as follows:

	June 30, 2015	December 31, 2014
	(Rupees in '000)	
Opening balance	953,764	1,265,379
Charge for the period / year	128,400	104,594
Reversals for the period / year	-	(63,060)
Reversal on disposal during the period / year	(19,727)	(145,212)
Total reversals - net	108,673	(103,678)
Transfers in	46,165	-
Write offs	-	(207,937)
Closing balance	<u>1,108,602</u>	<u>953,764</u>

6.3 The following funds have been accounted for as subsidiaries pursuant to the adoption of IFRS10 as explained in note 3.1 of these condensed interim unconsolidated financial statements:

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

Had IFRS 10 not been adopted, investments in subsidiaries would have been lower by Rs.680 million (December 31, 2014: Rs. 680 million) and investments in associates would have been increased by Rs.680 million (December 31, 2014: Rs. 680 million).

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

7 ADVANCES

	Note	June 30, 2015	December 31, 2014
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		468,485,320	450,443,893
Outside Pakistan		<u>97,737,951</u>	<u>96,819,124</u>
		566,223,271	547,263,017
Net investment in finance lease - in Pakistan		7,605,020	6,541,460
Bills discounted and purchased (excluding Government Treasury bills)			
Payable in Pakistan		<u>23,449,654</u>	<u>27,430,375</u>
Payable outside Pakistan		<u>27,987,528</u>	<u>35,009,946</u>
		51,437,182	62,440,321
Provision against advances	7.2	<u>(62,412,417)</u>	<u>(60,850,286)</u>
		<u>562,853,056</u>	<u>555,394,512</u>

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7.1 Classification of non-performing advances is as follows:

Category of classification	June 30, 2015								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	1,084,941	-	1,084,941	-	-	-	1,084,941	-	1,084,941
Substandard	4,732,665	2,002,625	6,735,290	1,224,917	541,665	1,766,582	3,507,748	1,460,960	4,968,708
Doubtful	1,332,049	1,171,908	2,503,957	666,025	544,370	1,210,395	666,024	627,538	1,293,562
Loss*	51,138,672	7,266,332	58,405,004	49,590,388	7,004,617	56,595,005	1,548,284	261,715	1,809,999
	58,288,327	10,440,865	68,729,192	51,481,330	8,090,652	59,571,982	6,806,997	2,350,213	9,157,210
General provision	-	-	-	1,267,537	1,572,898	2,840,435	-	-	-
	58,288,327	10,440,865	68,729,192	52,748,867	9,663,550	62,412,417	6,806,997	2,350,213	9,157,210

Category of classification	December 31, 2014								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	554,199	-	554,199	-	-	-	554,199	-	554,199
Substandard	6,775,792	962,186	7,737,978	1,675,263	288,228	1,963,491	5,100,529	673,958	5,774,487
Doubtful	2,414,009	754,054	3,168,063	1,207,005	373,567	1,580,572	1,207,004	380,487	1,587,491
Loss*	49,502,426	7,572,589	57,075,015	47,750,592	7,149,428	54,900,020	1,751,834	423,161	2,174,995
	59,246,426	9,288,829	68,535,255	50,632,860	7,811,223	58,444,083	8,613,566	1,477,606	10,091,172
General provision	-	-	-	1,137,628	1,268,575	2,406,203	-	-	-
	59,246,426	9,288,829	68,535,255	51,770,488	9,079,798	60,850,286	8,613,566	1,477,606	10,091,172

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

7.2 Particulars of provision against advances

	June 30, 2015			December 31, 2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	58,444,083	2,406,203	60,850,286	59,694,061	1,859,703	61,553,764
Charge for the period / year	3,335,331	419,163	3,754,494	4,491,878	636,014	5,127,892
Reversals for the period / year	(2,190,134)	(16,158)	(2,206,292)	(4,135,884)	(51,944)	(4,187,828)
Net charge against advances	1,145,197	403,005	1,548,202	355,994	584,070	940,064
Write off	(763,554)	-	(763,554)	(1,372,191)	-	(1,372,191)
Transfer in due to acquisition of Barclays	746,503	3,287	749,790	-	-	-
Acquisition of Modaraba assets	-	-	-	109,890	-	109,890
Exchange adjustment / other movement	(247)	27,940	27,693	(343,671)	(37,570)	(381,241)
Closing balance	59,571,982	2,840,435	62,412,417	58,444,083	2,406,203	60,850,286

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

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

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75 Particulars of advances  
to directors, associated companies, etc

	June 30, 2015			December 31, 2014		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
----- (Rupees in '000) -----						
Debts due by directors or executives of the 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)	2,195,800	2,195,800	331,289	2,014,300	2,034,200	455,839
- in respect of key management personnel / Companies in which key management personnel or their close family members are interested	475,500	475,500	78,751	412,700	419,800	97,873
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	3,293,784	3,542,997	-	1,160,705	1,901,741	1,833,008
Debts due by Subsidiary company	82,513	82,513	-	51,009	159,962	-

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)

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

8	OPERATING FIXED ASSETS	June 30, 2015	December 31, 2014
		(Rupees in '000)	
	Capital work-in-progress	1,948,481	1,119,170
	Intangible assets	683,605	843,040
	Tangible fixed assets	23,498,151	22,912,028
		<u>26,130,237</u>	<u>24,874,238</u>
81	Additions to operating fixed assets	For the six months ended	
		June 30, 2015	June 30, 2014
		(Rupees in '000)	
	The following additions have been made to operating fixed assets during the period		
	<i>Capital work-in-progress</i>	1,682,941	1,494,487
	<i>Intangible assets</i>	101,390	319,390
	<i>Tangible fixed assets</i>		
	Land	230,304	-
	Building	156,947	146,679
	Machinery	40,173	63,291
	Furniture, fixtures and office equipments	840,553	1,288,382
	Leasehold improvements	249,226	237,536
	Vehicles	66,919	36,062
		<u>3,368,453</u>	<u>3,585,827</u>
82	Disposal of operating fixed assets		
	The following disposals have been made from operating fixed assets during the period		
	<i>Tangible fixed assets</i>		
	Land	-	8,000
	Building	-	55,221
	Furniture, fixtures and office equipments	185,850	574,626
	Leasehold improvements	145,996	257
	Vehicles	13,453	14,272
		<u>345,299</u>	<u>652,376</u>

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9 BORROWINGS

	Note	June 30, 2015	December 31, 2014
(Rupees in '000)			
Secured			
Borrowings from SBP under:			
Export refinance scheme		17,288,356	14,504,562
Long term financing facility - locally manufactured and imported plant & machinery		5,191,390	6,468,165
Long term finance - export oriented projects		42,566	133,651
Financing facility for storage of agricultural produce		-	3,061
Repurchase agreement borrowings		161,562,728	56,041,292
		<u>184,085,040</u>	<u>77,150,731</u>
Unsecured			
In Pakistan:			
Interbank call money borrowings		19,508,894	9,238,070
Outside Pakistan:			
Overdrawn nostro accounts		840,527	787,697
Borrowings of overseas branches	9.1	23,739,160	12,454,019
		<u>24,579,687</u>	<u>13,241,716</u>
		<u>44,088,581</u>	<u>22,479,786</u>
		<u>228,173,621</u>	<u>99,630,517</u>

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

10 DEPOSITS AND OTHER ACCOUNTS

Customers			
Current accounts - non-remunerative		530,811,130	468,368,418
Savings accounts		710,567,168	656,174,379
Fixed deposits		<u>259,757,858</u>	<u>291,630,878</u>
		<u>1,501,136,156</u>	<u>1,416,173,675</u>
Financial institutions			
Current accounts - non-remunerative		17,173,752	22,128,144
Savings accounts		2,687,696	4,092,718
Fixed deposits		4,068,895	4,820,908
		<u>23,930,343</u>	<u>31,041,770</u>
		<u>1,525,066,499</u>	<u>1,447,215,445</u>

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11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

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

Surplus arising on revaluation of:

- fixed assets	11.1	9,398,949	9,428,522
- investments	11.2	15,194,874	11,357,923
Surplus on revaluation of assets - net of deferred tax		<u>24,593,823</u>	<u>20,786,445</u>

11.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1		10,289,072	10,422,480
Recognized during the period / year		-	8,504
Realised on disposal during the period / year - net of deferred tax		-	(33,741)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(29,573)	(59,286)
Related deferred tax liability on incremental depreciation charged during the period / year		(15,924)	(31,923)
Related deferred tax liability on surplus realised on disposal		-	(16,962)
Surplus on revaluation of fixed assets as at period / year end		<u>10,243,575</u>	<u>10,289,072</u>

Less: related deferred tax liability on:

- revaluation as at January 1		860,550	892,605
- revaluation recognised during the period / year		-	16,830
- surplus realised on disposal during the period / year		-	(16,962)
- incremental depreciation charged during the period / year		(15,924)	(31,923)
		<u>844,626</u>	<u>860,550</u>
		<u>9,398,949</u>	<u>9,428,522</u>

11.2 Surplus on revaluation of investments

Market Treasury Bills		1,600,435	371,647
Pakistan Investment Bonds		18,079,178	14,774,097
Government of Pakistan Sukuk and US Dollar / Euro Bonds		1,154,766	(206,481)
Listed Securities		2,059,406	2,063,647
NIT Units		389,973	433,394
Other Investments		94,409	39,047
		<u>23,378,167</u>	<u>17,475,351</u>
Related deferred tax liability		(8,183,293)	(6,117,428)
		<u>15,194,874</u>	<u>11,357,923</u>

12 CONTINGENCIES AND COMMITMENTS

12.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government		254,484	274,410
- Financial institutions		295,000	295,000
- Others		32,049,950	24,414,605
		<u>32,599,434</u>	<u>24,984,015</u>

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	June 30, 2015	December 31, 2014
	(Rupees in '000)	
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	1,372,795	294,415
- Financial institutions	2,519,754	2,956,884
- Others	64,012,767	52,186,802
	<u>67,905,316</u>	<u>55,438,101</u>
12.3 Trade-related commitments		
Credit cash	74,547,752	73,356,926
Credit documentary acceptances	16,873,236	14,838,610
Credit acceptances	37,607,968	28,786,059
	<u>129,028,956</u>	<u>116,981,595</u>
12.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>37,462,814</u>	<u>37,606,753</u>

12.5 Commitments in respect of forward lending

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

	June 30, 2015	December 31, 2014
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	154,032,091	170,017,119
Sale	154,129,224	170,839,112
Commitments in respect of options		
Purchase	147,300	3,170,666
Sale	147,300	3,170,666
Commitments in respect of cross currency swaps		
Purchase	1,393,652	1,390,469
Sale	1,363,340	1,353,623
Commitments in respect of interest rate swaps		
Purchase	135,705	167,472
Sale	4,635,705	330,805
12.7 Commitments for acquisition of fixed assets / intangibles	1,433,905	1,082,541
12.8 Taxation		

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

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

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## 13 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the six months ended	
	June 30, 2015	June 30, 2014
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	23,656,647	25,102,043
- Financial institutions	7,368	116,423
<i>On investments in:</i>		
- Available-for-sale securities	37,329,503	32,730,692
- Held-for-trading securities	1,790,937	1,095,183
- Held-to-maturity securities	5,813,863	3,431,652
On deposits with financial institutions	1,067,664	548,797
On lendings to financial institutions	2,825,019	1,599,393
Compensation received on tax refund	-	462,607
	72,491,001	65,086,790

## 14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

<i>On:</i>		
Deposits	25,879,402	28,960,005
Securities sold under repurchase agreement borrowings	5,505,062	2,694,559
Other short term borrowings	2,413,666	1,981,834
Long term borrowings	386,049	265,026
	34,184,179	33,901,424

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The Aga Khan Fund for Economic Development (AKFED), S.A, Switzerland holds 51% shares of the Bank. The Bank has related party relationships 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 related parties, other than those under terms of employment, are executed on an arm's length basis i.e. substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk. Details of advances to related parties are included in note 7.5 to these condensed interim unconsolidated financial statements. Contributions to and accruals in respect of staff retirement and other benefit schemes are made in accordance with the actuarial valuations / terms of the contribution plan.

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

	June 30, 2015				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Rs. in 000					
Statement of financial position					
Deposits	4,058,914	530,426	5,003,911	76,005	53,271
Maximum Deposits During the period	4,230,961	2,687,368	5,003,911	76,185	78,635
Borrowings	-	260,669	1,181,135	-	-
Investments	-	21,394,595	4,675,482	7,197	-
Markup / Other Receivable	15,705	-	165,933	-	-
Mark-up / Other Payable	9,870	926	2,546	-	733,803
Placements / lendings	-	2,757,647	-	-	-
Nostro balances	70,112	589,032	-	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	22,530	326,209	1,258,512	-	-
Interest / Other Expense	43,453	33,027	367,523	152	246,991
Dividend income	-	-	341,454	34,666	-
Others					
Other contingencies	948,173	303,127	5,126	-	-
Securities Held as custodian	12,945,795	1,411,100	32,513,460	-	4,649,495
	December 31, 2014				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Rs. in 000					
Statement of financial position					
Deposits	3,914,395	442,840	2,963,040	-	116,266
Maximum Deposits During the period	3,914,395	442,840	3,936,712	-	729,432
Borrowings	2,536,471	332,401	-	2,160,385	-
Investments	-	15,291,297	4,675,482	7,197	-
Markup / Other Receivable	-	-	277,663	-	-
Mark-up / Other Payable	8,352	13	5,906	18,326	961,746
Placements / lendings	89,035	6,150,516	-	-	-
Nostro balances	173,250	-	692,192	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	93,836	412,393	1,953,136	-	-
Interest / Other Expense	189,224	9,723	656,432	289,873	406,016
Dividend income	-	6,500	267,518	54,885	-
Others					
Other contingencies	541,418	-	-	-	-
Securities Held as custodian	10,027,505	888,000	35,292,700	-	5,377,465

#### 15.1 Key management personnel

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

	For the six months ended	
	June 30, 2015	June 30, 2014
(Rupees in '000)		
Managerial remuneration (including allowances)	919,436	751,020
Contribution to provident and benevolent fund	17,307	14,043
Medical	30,697	24,408
	<u>967,440</u>	<u>789,471</u>
Number of persons	<u>179</u>	<u>164</u>

*[Signature]*

## 16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2015					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Net interest income - External	(11,590)	9,809	35,751	3,426	911	38,307
Inter segment revenue - net	31,434	(6,564)	(28,438)	(895)	4,463	-
Non-funded income	5,180	1,944	5,798	2,120	930	15,972
Net interest and non-markup income	25,024	5,189	13,111	4,651	6,304	54,279
Total expenses including provision	10,132	1,495	159	3,989	9,036	24,811
Inter segment administrative cost	5,564	1,113	160	613	(7,450)	-
Total expenses including provision	15,696	2,608	319	4,602	1,586	24,811
Profit before tax	9,328	2,581	12,792	49	4,718	29,468
Segment gross earnings on liability / asset %	9.14%	9.25%	9.75%	3.73%	5.46%	-
Segment cost of funds %	4.06%	6.39%	7.32%	1.24%	2.00%	-

	As on June 30, 2015					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Segment assets gross	180,678	375,371	1,038,149	299,204	159,164	2,052,566
Segment non-performing advances	13,618	44,465	-	10,441	205	68,729
Segment provision required including general provision	12,933	39,737	68	9,664	1,591	63,993
Inter Segment Assets / (Liabilities)	903,649	(162,620)	(834,207)	(95,767)	188,945	-
Segment liabilities including equity	1,071,395	173,015	203,942	193,565	346,656	1,988,573

	For the six months ended June 30, 2014					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Net interest income - External	(17,314)	12,300	32,083	3,384	732	31,185
Inter segment revenue - net	35,711	(9,415)	(30,242)	(99)	4,045	-
Non-funded income	4,212	1,450	2,945	1,949	(1,497)	9,059
Net interest and non-markup income	22,609	4,335	4,786	5,234	3,280	40,244
Total expenses including provision	8,504	441	50	3,214	7,218	19,427
Inter segment administrative cost	4,440	888	(954)	489	(4,863)	-
Total expenses including provision	12,944	1,329	(904)	3,703	2,355	19,427
Profit before tax	9,665	3,006	5,690	1,531	925	20,817
Segment gross earnings on liability / asset %	9.97%	10.10%	9.73%	3.67%	4.80%	-
Segment cost of funds %	5.20%	7.73%	8.83%	0.81%	1.26%	-

	As on December 31, 2014					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Segment assets gross	171,776	379,376	859,117	295,934	125,226	1,831,429
Segment non-performing advances	12,367	46,685	-	9,289	194	68,535
Segment provision required including general provision	10,634	41,204	87	9,080	1,228	62,233
Inter Segment Assets / (Liabilities)	831,234	(162,369)	(780,270)	(83,942)	195,347	-
Segment liabilities including equity	992,375	175,804	78,759	202,912	319,346	1,769,196

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17 ISLAMIC BANKING BUSINESS

Financial figures of the Islamic Banking business are as follows:

	Note	June 30, 2015	December 31, 2014
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		4,192,478	3,026,837
Balances with other banks		35	35
Due from Financial Institutions		59,693,749	55,081,889
Investments		43,332,042	33,752,058
Islamic financing and related assets	17.1	24,257,873	10,539,537
Due from Head Office		3,253,945	12,984,581
Other assets		2,856,387	1,103,532
		<u>137,586,509</u>	<u>116,488,469</u>
<b>LIABILITIES</b>			
Bills payable		1,817	2,400
Due to financial institutions		5,069,790	75,161
Deposit and other accounts			
- Current Accounts		22,674,658	16,592,062
- Saving Accounts		55,192,938	46,325,718
- Term Deposits		42,994,697	24,538,054
- Deposits from financial institutions - remunerative		7,083,187	22,288,991
- Deposits from financial institutions - non - remunerative		-	3,387,438
Deferred tax liabilities		195,017	133,044
Other liabilities		1,185,163	843,034
		<u>134,397,267</u>	<u>114,185,902</u>
<b>NET ASSETS</b>		<u>3,189,242</u>	<u>2,302,567</u>
<b>REPRESENTED BY:</b>			
Islamic Banking Fund		250,000	250,000
Unappropriated profit		2,577,068	1,805,485
		<u>2,827,068</u>	<u>2,055,485</u>
Surplus on revaluation of assets - net of deferred tax		362,174	247,082
		<u>3,189,242</u>	<u>2,302,567</u>

Commitments in respect of financial guarantees and letters of credit of the Islamic Banking business amounted to Rs. 85.845 million (2014: Rs. 87.066 million) and Rs. 101.465 million (2014: Rs. 69.783 million) respectively.

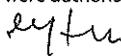
17.1 Islamic financing and related assets			
Murabaha		134,268	91,835
Ijarah		766,911	785,934
Musharaka		16,438,658	4,914,056
Istisnah Financing		24,905	133,116
Advance for Murabaha		1,193,836	168,265
Advance for Ijarah		75,492	50,000
Istisnah		4,662,498	2,241,685
Advance Against Diminishing Musharaka		921,194	836,853
Salam		75,000	-
Asset / Inventories		75,000	1,427,682
Provision against financings		(109,889)	(109,889)
		<u>24,257,873</u>	<u>10,539,537</u>

18. GENERAL

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

19. DATE OF AUTHORISATION FOR ISSUE

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



President and Chief Executive Officer

Director

Director

Director