

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the nine months ended September 30, 2015.

Domestic Economy

Pakistan's economic performance during the first quarter of FY16 remained largely positive, supported by low oil prices, external account stability and low interest rates. Headline inflation continued to reduce to 1.3% in September, mainly driven by decline in food and transport inflation, bringing Q1 FY16 average to 1.6%. There is also a nascent uptick in industrial growth.

The sharp drop in oil prices helped to reduce the trade deficit for 1QFY16 by 25% over the same period last year as imports declined by 17%, more than offsetting an 8% reduction in exports. Additionally, higher remittances and disbursement of CSF proceeds helped to reduce the current account deficit by 93% over Q1 FY15.

The 8th review under the IMF's EFF program was successfully completed, and the tranche of USD 504 million was disbursed at the end of September. The government also raised USD 500 million from the 10-year Eurobond issue at a coupon of 8.25%. Consequently, foreign exchange reserves crossed an all-time high of USD 20 billion in early October.

Positives of the quarter were dampened by spillover from global economic concerns. The devaluation of the Yuan triggered a round of competitive devaluations of regional currencies. The Rupee also weakened by 2.7% during the quarter, but has since stabilized. This was followed by sell-off in the capital markets, mainly by foreign investors, resulting in a 6% drop in the KSE100 Index during the quarter.

In its September monetary policy statement, the SBP further reduced the discount rate by 50bps to 6.5%, with the Target Rate at 6%. The benign inflation scenario, rising consumer confidence and expectations of higher economic activity in FY16 on the back of improving energy supply, were cited as the basis for the decision. While the floor rate on savings deposits has also been reduced to 4%, this will continue the squeeze on banking sector spreads.

Performance

HBL has delivered a pre-tax profit of Rs47.9 billion for the nine months ended September 30, 2015, a growth of 44% over the same period last year. Profit after tax reached Rs27.5 billion, an increase of 26% over the nine months of 2014. The lower growth in post-tax profit is due to the retrospective tax charge imposed in the Federal Budget earlier this year. Consequently, earnings per share for the nine months increased to Rs18.19 compared to Rs14.85 for the first nine months of 2014.

HBL's balance sheet has increased by 11% over December 2014 to Rs 2.1 trillion. Total CASA deposits grew by 7%, further improving the deposit mix as the ratio of current accounts has now risen to 35.3% from 34.2% in December 2014. The Bank was able to contain the decline in its overall margins to just 6 bps despite the average interest rate in 9M 2015 being 254 bps lower than for the same period last year. This was achieved through a 23% growth in average domestic current accounts over the corresponding period, a 6% growth in average domestic loans and an 80% increase in average PIB volumes. With a 20% growth in the average balance sheet over the comparable period of 2014, net interest income increased by 18% to Rs58.5 billion for the nine months ended September 30, 2015.

Nonmark-up income for the first nine months of 2015 increased to Rs 29.4 billion, a growth of 74% over the same period last year. During this period, the Bank recorded capital gains of Rs11.5 billion from both the equity and fixed income markets. Fees and commissions for this period also increased by 30% over the corresponding period of 2014, mainly due to growth in Bancassurance, card related fees, remittances and investment banking income.

Administrative expenses increased by 16% over the corresponding nine months of 2014, but declined slightly over the previous quarter. However, as a result of the strong revenue growth, the cost/income ratio for the period reduced to 41.0% compared to 46.8% in 9M 2014. Provisions increased over the first nine months of 2014, mainly as a result of aging of previously classified names as well as a conservative view taken by the Bank on certain borrowers. However, non-performing loans continued to decline in both the domestic and international books and in total have reduced by Rs1.6 billion in 2015. Consequently, the coverage has continued to increase and has risen to 87.8% as at September 2015, a significant strengthening over the December 2014 level of 83.2%.

Movement of Reserves

	Rs million
Unappropriated profit brought forward	89,047
Profit attributable to equity holders of the Bank	26,680
Transferred from surplus on revaluation of fixed assets – net of tax	45
Other comprehensive income – net of tax	22
	26,747
Appropriations	
Transferred to statutory reserves	(2,744)
Cash dividend paid – Final 2014	(8,068)
Cash dividend paid – 1 st Interim 2015	(5,134)
Cash dividend paid – 2 nd Interim 2015	(5,134)
	(21,080)
Unappropriated profit carried forward	94,714
Earnings per share (Rs)	18.19

Capital Ratios

The consolidated Capital Adequacy Ratio (CAR) increased from 16.2% in December 2014 to 16.6% in September 2015 due to strong internal capital generation. Tier 1 CAR also improved from 13.3% to 13.7% over the same period.

HBL's Return on Assets in 9M 2015 improved to 1.9% compared to 1.7% for the same period in 2014, while the Return on Equity improved from 20% to 21%.

Dividend

The Board of Directors, in its meeting held on October 21, 2015 has declared a third interim cash dividend of Rs3.5 per share (35%) for the quarter ended September 30, 2015.

Future Outlook

Pakistan's positive trajectory has been maintained with continued successful IMF reviews, strengthening of the country's external credit ratings and a continuing trend of improving macroeconomic indicators. There is now optimism about improvement in the law and order situation throughout the country, particularly in Karachi. It is encouraging that the Government appears committed to the new taxation measures introduced in the last Federal Budget. However, there is a need for continued broadening of the tax base in order to make a meaningful impact on revenue mobilization and

contain the fiscal deficit. It is critical that investment in energy projects is accelerated along with progress on the China Pakistan Economic Corridor.

The full impact of the sustained monetary easing is now being acutely manifested in declining margins. However, the improving economy and expected investments in infrastructure represent growth 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

October 21, 2015

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

	Note	(Unaudited) September 30, 2015	(Audited) December 31, 2014
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		133,601,051	135,276,934
Balances with other banks		52,124,289	67,691,450
Lendings to financial institutions		42,819,288	34,313,560
Investments	6	1,182,124,054	924,307,285
Advances	7	583,299,483	595,295,176
Operating fixed assets	8	29,595,514	27,309,803
Deferred tax asset		-	-
Other assets		57,905,600	82,809,181
		<u>2,081,469,279</u>	<u>1,867,003,389</u>
LIABILITIES			
Bills payable		24,424,390	21,989,658
Borrowings	9	259,760,136	103,411,114
Deposits and other accounts	10	1,551,185,448	1,524,537,786
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		5,049,339	2,569,110
Other liabilities		60,592,526	44,393,146
		<u>1,901,011,839</u>	<u>1,696,900,814</u>
NET ASSETS		<u>180,457,440</u>	<u>170,102,575</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		46,615,849	43,550,188
Unappropriated profit		94,714,236	89,046,716
Total equity attributable to the equity holders of the Bank		155,998,610	147,265,429
Non-controlling interest		1,605,835	1,185,257
Surplus on revaluation of assets - net of deferred tax	11	22,852,995	21,651,889
		<u>180,457,440</u>	<u>170,102,575</u>
CONTINGENCIES AND COMMITMENTS			
	12		

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

President and Chief Executive Officer

Director

Director

Director

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

	Note	January 01 to September 30, 2015	January 01 to September 30, 2014	July 01 to September 30, 2015	July 01 to September 30, 2014
------(Rupees in '000)-----					
Mark-up / return / profit / interest earned	13	109,164,569	101,080,616	35,643,513	34,964,037
Mark-up / return / profit / interest expensed	14	50,708,846	51,749,111	16,481,532	17,494,892
Net mark-up / profit / interest income		58,455,723	49,331,505	19,161,981	17,469,145
Provision against advances	7.2	2,577,898	1,327,367	1,029,696	930,483
Charge / (reversal) against off-balance sheet obligations		23,665	(137,474)	(20,165)	(21,593)
Provision / (reversal) for diminution in the value of investments	6.3	116,329	(139,873)	80,893	28,852
Bad debts written off directly		-	-	-	-
		2,717,892	1,050,020	1,090,424	937,742
Net mark-up / profit / interest income after provisions		55,737,831	48,281,485	18,071,557	16,531,403
Non mark-up / interest income					
Fee, commission and brokerage income		11,705,704	9,019,779	3,718,867	3,340,539
Dividend income		1,338,137	700,946	301,533	154,525
Share of profit of associates and joint venture		1,849,223	1,906,506	622,533	638,706
Income from dealing in foreign currencies		1,701,482	2,140,744	505,971	480,468
Gain on sale of securities		11,420,841	1,465,867	5,565,321	92,536
Unrealized gain / (loss) on held for trading securities		65,234	(9,148)	67,592	(23,692)
Other income		1,316,062	1,628,514	488,027	749,695
Total non-mark-up / interest income		29,396,683	16,853,208	11,269,844	5,432,777
		85,134,514	65,134,693	29,341,401	21,964,180
Non mark-up / interest expense					
Administrative expenses		36,028,515	31,002,759	12,301,148	10,556,183
Other provisions / write offs - net		240,862	196,206	8,900	73,191
Other charges		52,004	2,466	21,559	1,222
Workers Welfare Fund		942,302	671,924	323,345	217,871
Total non mark-up / interest expenses		37,263,683	31,873,355	12,654,952	10,848,467
Profit before taxation		47,870,831	33,261,338	16,686,449	11,115,713
Taxation					
current		15,974,065	10,028,435	5,852,794	3,526,147
prior		2,010,000	66,576	-	-
deferred		2,381,014	1,270,579	483,590	283,030
		20,365,079	11,365,590	6,336,384	3,809,177
Profit after taxation		27,505,752	21,895,748	10,350,065	7,306,536
Attributable to:					
Equity holders of the Bank		26,680,142	21,787,418	10,049,286	7,300,901
Non-controlling interest		5,595	(76,487)	(7,773)	(27,884)
Minority investors of funds managed by HBL Asset Management Limited		820,015	184,817	308,552	33,519
		27,505,752	21,895,748	10,350,065	7,306,536
------(Rupees)-----					
Basic and diluted earnings per share		18.19	14.85	6.85	4.98

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

President and Chief Executive Officer

Director

Director

Director

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

	January 01 to September 30, 2015	January 01 to September 30, 2014	July 01 to September 30, 2015	July 01 to September 30, 2014
	------(Rupees in '000)-----			
Profit for the period	27,505,752	21,895,748	10,350,065	7,306,536
Other comprehensive income				
Share of minority investors of funds managed by HBL Asset Management Limited (AML) transferred to other liabilities	(820,015)	(184,817)	(308,552)	(33,519)
Items to be reclassified to profit or loss in subsequent periods:				
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(208,433)	(1,205,610)	23,400	1,257,037
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial gains and losses - net	21,686	-	-	-
Comprehensive income transferred to equity	<u>26,498,990</u>	<u>20,505,321</u>	<u>10,064,913</u>	<u>8,530,054</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	1,246,575	(88,681)	(2,620,591)	(514,463)
	<u>27,745,565</u>	<u>20,416,640</u>	<u>7,444,322</u>	<u>8,015,591</u>
Total comprehensive income / (loss) attributable to:				
Equity holders of the Bank	27,851,768	20,535,077	7,579,374	8,047,632
Non-controlling interest	21,185	(106,009)	(20,493)	(40,494)
Minority investors of funds managed by HBL AML	(127,388)	(12,428)	(114,559)	8,453
	<u>27,745,565</u>	<u>20,416,640</u>	<u>7,444,322</u>	<u>8,015,591</u>

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

President and Chief Executive Officer

Director

Director

Director

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

	Attributable to shareholders of the Bank							Subtotal	Non-controlling interest	Total
	Share capital	Exchange translation reserve	Reserves			Revenue				
			Capital		Non-distributable capital reserve	Revenue reserves	Unappropriated profit			
			Joint venture and subsidiaries	Bank						
(Rupees in '000)										
Balance as at December 31, 2013	13,335,023	16,858,006	386,791	20,231,764	-	6,073,812	73,748,915	130,634,311	1,886,116	132,520,427
Comprehensive income for the period										
Profit for the nine months ended September 30, 2014	-	-	-	-	-	-	21,972,235	21,972,235	(76,487)	21,895,748
Minority share of funds managed by HBL AML transferred to other liabilities	-	-	-	-	-	-	(184,817)	(184,817)	-	(184,817)
Other comprehensive income										
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(1,175,382)	-	-	-	-	-	(1,175,382)	(30,228)	(1,205,610)
	-	(1,175,382)	-	-	-	-	21,787,418	20,612,036	(106,715)	20,505,321
Transactions with owners, recorded directly in equity										
Final cash dividend paid at Rs. 2 per share for the year ended December 31, 2013	-	-	-	-	-	-	(2,667,005)	(2,667,005)	-	(2,667,005)
1st interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	-	(2,933,705)	(2,933,705)	-	(2,933,705)
2nd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
Issued as bonus shares	1,333,502	-	-	-	-	-	(1,333,502)	-	-	-
	1,333,502	-	-	-	-	-	(10,234,630)	(8,901,128)	-	(8,901,128)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	78,125	78,125	-	78,125
Transferred to statutory reserves	-	-	-	2,049,685	-	-	(2,088,836)	-	-	-
Derecognition of equity due to voluntary winding up of modaraba	-	-	(7,561)	-	-	-	(30,247)	(37,808)	(620,768)	(658,576)
Non-controlling interest acquired in HABL during the period	-	-	-	-	-	-	-	-	52,821	52,821
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	703	703
Balance as at September 30, 2014	14,668,525	15,682,624	418,381	22,281,449	-	6,073,812	83,260,745	142,385,536	1,212,157	143,597,693
Comprehensive income for the period										
Profit for the three months ended December 31, 2014	-	-	-	-	-	-	9,982,803	9,982,803	(58,961)	9,923,842
Minority share of funds managed by HBL AML transferred to other liabilities	-	-	-	-	-	-	(45,106)	(45,106)	-	(45,106)
Other comprehensive income										
- Actuarial gains and losses - net	-	-	-	-	-	-	(287,084)	(287,084)	-	(287,084)
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(1,485,050)	-	-	-	-	-	(1,485,050)	(105,338)	(1,590,388)
	-	(1,485,050)	-	-	-	-	9,650,613	8,165,563	(164,299)	8,001,264
Transactions with owners, recorded directly in equity										
3rd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
	-	-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	14,748	14,748	-	14,748
Transferred to statutory reserves	-	-	10,587	1,061,567	-	-	(1,072,154)	-	-	-
Exchange translation gain realized on sale of branch to subsidiary	-	(493,182)	-	-	-	-	493,182	-	-	-
Non-controlling interest acquired in HABL during the period	-	-	-	-	-	-	-	-	136,545	136,545
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	854	854
Balance as at December 31, 2014	14,668,525	13,704,392	428,968	23,343,016	-	6,073,812	89,046,716	147,265,429	1,185,257	148,450,686
Comprehensive income for the period										
Profit for the nine months ended September 30, 2015	-	-	-	-	-	-	27,500,157	27,500,157	5,595	27,505,752
Minority share of funds managed by HBL AML transferred to other liabilities	-	-	-	-	-	-	(820,015)	(820,015)	-	(820,015)
Other comprehensive income										
- Actuarial gains and losses - net	-	-	-	-	-	-	21,686	21,686	-	21,686
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(225,574)	-	-	-	-	-	(225,574)	17,141	(208,433)
	-	(225,574)	-	-	-	-	26,701,828	26,476,254	22,736	26,498,990
Transactions with owners, recorded directly in equity										
Final cash dividend paid at Rs. 5.5 per share for the year ended December 31, 2014	-	-	-	-	-	-	(8,067,689)	(8,067,689)	-	(8,067,689)
1st Interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
2nd Interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
	-	-	-	-	-	-	(18,335,657)	(18,335,657)	-	(18,335,657)
Gain on bargain purchase arising on acquisition of Barclays Bank PLC	-	-	-	-	547,115	-	-	547,115	-	547,115
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	45,469	45,469	-	45,469
Transferred to statutory reserves	-	-	33,373	2,710,747	-	-	(2,744,120)	-	-	-
Non-controlling interest acquired in HABL during the period	-	-	-	-	-	-	-	-	399,392	399,392
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	(1,550)	(1,550)
Balance as at September 30, 2015	14,668,525	13,478,818	462,341	26,053,763	547,115	6,073,812	94,714,236	155,998,610	1,605,835	157,604,445

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

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

	September 30, 2015	September 30, 2014
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	47,870,831	33,261,338
Dividend income	(1,338,137)	(700,946)
Share of profit of associates and joint venture	(1,849,223)	(1,906,506)
Gain on sale of securities	(11,420,841)	(1,465,867)
	<u>(14,608,201)</u>	<u>(4,073,319)</u>
	33,262,630	29,188,019
Adjustment for:		
Depreciation	1,878,746	1,407,071
Amortisation	392,532	324,205
Provision / (reversal) for diminution in the value of investments	116,329	(139,873)
Provision against advances	2,577,898	1,327,367
Unrealised (gain) / loss on held-for-trading securities	(65,234)	9,148
Exchange (gain) / loss on Goodwill	(26,391)	96,679
Exchange gain on sub-ordinated loan	-	(117,024)
Gain on sale of operating fixed assets - net	(22,571)	(36,297)
Workers Welfare Fund	942,302	671,924
Charge /(reversal) against off-balance sheet obligations	23,665	(137,474)
Other provisions / write offs - net	240,862	196,206
	<u>6,058,138</u>	<u>3,601,932</u>
	39,320,768	32,789,951
Decrease / (increase) in operating assets		
Lendings to financial institutions	(8,505,728)	8,176,752
Investments in held-for-trading securities	(19,478,859)	(51,708,856)
Advances	19,692,523	(18,340,877)
Other assets	23,950,817	532,796
	<u>15,658,753</u>	<u>(61,340,185)</u>
Increase / (decrease) in operating liabilities		
Bills payable	368,140	616,170
Borrowings	153,894,101	(43,489,526)
Deposits and other accounts	(1,050,401)	17,925,439
Other liabilities	8,869,488	4,321,716
	<u>162,081,328</u>	<u>(20,626,201)</u>
	217,060,849	(49,176,435)
Income tax paid	(16,801,352)	(10,146,255)
Net cash flows from / (used in) operating activities	<u>200,259,497</u>	<u>(59,322,690)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(117,299,326)	74,214,736
Net investments in held-to-maturity securities	(83,880,893)	(36,134,959)
Dividend income received	1,169,658	587,385
Net cash inflow on acquisition	236,259	-
Fixed capital expenditure	(4,399,317)	(3,356,376)
Proceeds from sale of fixed assets	26,047	104,114
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(225,574)	(1,175,382)
Net cash flows (used in) / from investing activities	<u>(204,373,146)</u>	<u>34,239,518</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Exchange difference on translation of non-controlling interest in subsidiary	17,141	(30,228)
Repayment of subordinated loan	-	(1,233,165)
Dividend paid	(13,146,536)	(8,869,992)
Net cash flows used in financing activities	<u>(13,129,395)</u>	<u>(10,133,385)</u>
Decrease in cash and cash equivalents during the period	<u>(17,243,044)</u>	<u>(35,216,557)</u>
Cash and cash equivalents at the beginning of the period	198,348,655	196,251,945
Effects of exchange rate changes on cash and cash equivalents	4,619,729	(3,433,489)
	<u>202,968,384</u>	<u>192,818,456</u>
Cash and cash equivalents at the end of the period	<u>185,725,340</u>	<u>157,601,899</u>

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

President and Chief Executive Officer

Director

Director

Director

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

1 THE GROUP AND ITS OPERATIONS

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

Subsequent to the transfer of the entire banking business of Habib Allied International Limited (HAIB) into Habibsons, the PRA/FCA has formally de-authorized HAIB as a banking company. Consequently the name has been formally amended to Habib Allied Holding Limited (HAHL).

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 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 as at the close of business on June 14, 2015. These balances are detailed below:

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

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. No intangible assets have been recognised as allowed by SBP vide their letter BPRD (R&P-02)/625-113/2015/18066 dated August 18, 2015.

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

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

	June 14, 2015 Rupees in '000
Carrying value of net assets acquired	7,197,874
Cash consideration	(6,163,643)
Contingent consideration	(487,116)
Purchase consideration	(6,650,759)
Gain on bargain purchase	<u>547,115</u>

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

2 STATEMENT OF COMPLIANCE

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

3 ACCOUNTING POLICIES

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

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

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

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6. INVESTMENTS	Note	September 30, 2015			December 31, 2014		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
Investments by type							
----- (Rupees in '000) -----							
Held-for-trading (HFT)							
Federal Government Securities							
- Market Treasury Bills		63,256,883	-	63,256,883	42,471,309	-	42,471,309
- Pakistan Investment Bonds		3,762,946	-	3,762,946	5,669,613	-	5,669,613
Fully paid-up ordinary shares							
- Listed companies		13,340	-	13,340	-	-	-
Overseas Government Securities							
		1,144,168	-	1,144,168	557,556	-	557,556
		68,177,337	-	68,177,337	48,698,478	-	48,698,478
Held-to-maturity (HTM)							
6.1							
Federal Government Securities							
- Market Treasury Bills		29,181,975	-	29,181,975	-	-	-
- Pakistan Investment Bonds		116,187,905	-	116,187,905	75,781,905	-	75,781,905
- Government of Pakistan Guaranteed Bonds		1,857,319	-	1,857,319	1,992,000	-	1,992,000
Debentures and Corporate Debt Instruments / Units							
- Listed securities		26,352,954	-	26,352,954	13,576,257	-	13,576,257
- Unlisted securities		5,789,457	-	5,789,457	5,493,233	-	5,493,233
Overseas Government securities							
		20,008,991	-	20,008,991	18,654,313	-	18,654,313
		199,378,601	-	199,378,601	115,497,708	-	115,497,708
Available-for-sale (AFS)							
Federal Government Securities							
- Market Treasury Bills		290,590,865	196,841,140	487,432,005	389,406,077	18,494,458	407,900,535
- Pakistan Investment Bonds		265,359,652	-	265,359,652	187,548,334	35,039,524	222,587,858
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		59,675,201	-	59,675,201	47,294,174	-	47,294,174
Fully paid-up ordinary shares							
- Listed companies		13,671,772	-	13,671,772	15,324,333	-	15,324,333
- Unlisted companies		545,483	-	545,483	1,232,824	-	1,232,824
Debentures and Corporate Debt Instruments / Units							
- Listed securities		30,674,342	-	30,674,342	17,992,021	-	17,992,021
- Unlisted securities		12,835,803	-	12,835,803	6,325,967	-	6,325,967
Overseas Government Securities							
		2,213,388	-	2,213,388	3,426,462	-	3,426,462
NIT Units							
		511,113	-	511,113	2,261,113	-	2,261,113
Preference shares							
		250,000	-	250,000	250,000	-	250,000
Investments of mutual funds							
		10,835,880	-	10,835,880	6,679,874	-	6,679,874
		687,163,499	196,841,140	884,004,639	677,741,179	53,533,982	731,275,161
Investment in Associates and Joint Venture							
	6.4.1	11,170,015	-	11,170,015	11,615,806	-	11,615,806
		965,889,452	196,841,140	1,162,730,592	853,553,171	53,533,982	907,087,153
Provision for diminution in the value of investments	6.3	(1,359,647)	-	(1,359,647)	(1,197,153)	-	(1,197,153)
Net investment							
		964,529,805	196,841,140	1,161,370,945	852,356,018	53,533,982	905,890,000
Surplus on revaluation of held-for-trading securities		65,234	-	65,234	52,856	-	52,856
Surplus on revaluation of available-for-sale securities	11.2	20,204,459	456,089	20,660,548	15,475,135	2,752,192	18,227,327
Surplus on revaluation of investments of associates		27,327	-	27,327	137,102	-	137,102
Total investments at market value							
		984,826,825	197,297,229	1,182,124,054	868,021,111	56,286,174	924,307,285

6.1 The market value of securities classified as Held-to-maturity as at September 30, 2015 amounted to Rs. 205,525.985 million (December 31, 2014: Rs. 120,290.496 million).

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

6.3 Movement in provision for diminution in the value of investments

	September 30, 2015	December 31, 2014
	(Rupees in '000)	
Opening balance	1,197,153	1,532,339
Charge for the period / year	265,642	118,489
Reversals for the period / year	(3,094)	(80,357)
Reversal on disposal during the period / year	(146,219)	(154,039)
Total charge /(reversal) - net	116,329	(115,907)
Derecognition of provision due to voluntary winding up of Modaraba	-	(11,342)
Write offs	-	(207,937)
Transfers in	46,165	-
Closing balance	<u>1,359,647</u>	<u>1,197,153</u>

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

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

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

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

Had these funds not been consolidated, total assets and total liabilities of the Group as at September 30, 2015 would both have been lower by Rs. 620 million and hence there would have been no impact on net assets. Profit after taxation for the nine months ended September 30, 2015 would have been lower by Rs. 137 million.

7 ADVANCES

	Note	September 30, 2015	December 31, 2014
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		446,525,005	450,443,893
Outside Pakistan		124,849,438	127,200,670
		<u>571,374,443</u>	<u>577,644,563</u>
Net investment in finance lease - in Pakistan		9,332,217	6,541,460
Bills discounted and purchased (excluding Market Treasury Bills)			
Payable in Pakistan		20,556,950	27,430,375
Payable outside Pakistan		50,460,387	49,859,655
		71,017,337	77,290,030
Provision against advances	7.2	<u>(68,424,514)</u>	<u>(66,180,877)</u>
		<u>583,299,483</u>	<u>595,295,176</u>

7.1 Classification of non-performing advances is as follows:

Category of classification	September 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	2,077,340	-	2,077,340	-	-	-	2,077,340	-	2,077,340
Substandard	4,475,565	563,806	5,039,371	1,162,504	133,480	1,295,984	3,313,061	430,326	3,743,387
Doubtful	804,375	2,216,821	3,021,196	402,180	1,499,989	1,902,169	402,195	716,832	1,119,027
Loss*	50,547,661	17,217,781	67,765,442	48,997,592	13,035,433	62,033,025	1,550,069	4,182,348	5,732,417
	57,904,941	19,998,408	77,903,349	50,562,276	14,668,902	65,231,178	7,342,665	5,329,506	12,672,171
General provision	-	-	-	1,330,823	1,862,513	3,193,336	-	-	-
	57,904,941	19,998,408	77,903,349	51,893,099	16,531,415	68,424,514	7,342,665	5,329,506	12,672,171

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

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

7.2 Particulars of provision against advances

	September 30, 2015			December 31, 2014		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	63,506,795	2,674,082	66,180,877	64,571,332	2,150,383	66,721,715
Charge for the period / year	5,220,496	480,871	5,701,367	5,263,354	636,014	5,899,368
Reversals for the period / year	(3,099,914)	(23,555)	(3,123,469)	(4,135,884)	(51,944)	(4,187,828)
Net charge against advances	2,120,582	457,316	2,577,898	1,127,470	584,070	1,711,540
Write off	(1,416,715)	-	(1,416,715)	(1,372,191)	-	(1,372,191)
Transfer in due to acquisition of Barclays	746,503	3,287	749,790	-	-	-
Net movement due to derecognition of Modaraba assets	-	-	-	(11,092)	-	(11,092)
Exchange adjustment / other movements	274,013	58,651	332,664	(808,724)	(60,371)	(869,095)
Closing balance	65,231,178	3,193,336	68,424,514	63,506,795	2,674,082	66,180,877

7.3 Exposure amounting to Rs. 1.996 billion (December 31, 2014: Rs. 8.610 billion) relating to Pakistan International Airlines, which is guaranteed by the Government of Pakistan has not been classified as non performing, in accordance with a relaxation given by the SBP. However, markup income on this amount has been suspended and is not reflected in these condensed interim consolidated financial statements.

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

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

	September 30, 2015			December 31, 2014		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
------(Rupees in '000)-----						
Debts due by Directors or executives of the Group or any of them either severally or jointly with any other persons:						
- in respect of Directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	2,266,600	2,266,600	506,145	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	64,700	69,800	24,651	66,700	71,000	12,630
Debts due by companies or firms in which the Directors of the Group / Parent are interested as directors, partners, advisors or in the case of private companies as members						
	2,547,109	4,153,342	1,413,737	1,160,705	1,901,741	1,833,008

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

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

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

8 OPERATING FIXED ASSETS	Note	September 30, 2015 (Rupees in '000)	December 31, 2014 (Rupees in '000)
Capital work-in-progress		1,604,322	1,119,394
Intangible assets			
- Goodwill	8.3	1,958,688	1,932,297
- Computer software		598,181	844,915
Tangible fixed assets		25,434,323	23,413,197
		<u>29,595,514</u>	<u>27,309,803</u>

8.1 Additions to operating fixed assets	For the nine months ended	
	September 30, 2015	September 30, 2014
	(Rupees in '000)	
The following additions have been made to operating fixed assets during the period:		
Capital work-in-progress	484,928	350,206
Intangible assets	146,225	459,167
Tangible fixed assets		
Land	809,327	46,698
Building	438,698	261,442
Machinery	129,341	81,181
Furniture, fixtures and office equipments	2,033,454	1,799,237
Leasedhold Improvements	432,308	337,416
Vehicles	76,528	38,740
	<u>4,550,809</u>	<u>3,374,087</u>

8.2 Disposal of operating fixed assets	For the nine months ended	
	September 30, 2015	September 30, 2014
	(Rupees in '000)	
The following disposals have been made from operating fixed assets during the period:		
Tangible fixed assets		
Land	-	8,000
Building	-	55,221
Furniture, fixtures and office equipments	251,391	651,416
Leasedhold Improvements	150,830	2,739
Vehicles	14,613	24,938
	<u>416,834</u>	<u>742,314</u>

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

9 **BORROWINGS**

	Note	September 30, 2015	December 31, 2014
(Rupees in '000)			
Secured			
Borrowings from SBP under:			
Export refinance scheme		15,349,282	14,504,562
Long term financing facility - locally manufactured and imported plant & machinery		3,896,021	6,468,165
Long term finance - export oriented projects		28,137	133,651
Financing facility for storage of agricultural produce		-	3,061
Refinance facility for modernization of SMEs		6,000	-
Repurchase agreement borrowings		197,264,215	56,041,292
		216,543,655	77,150,731
Unsecured			
In Pakistan:			
Interbank call money borrowings		13,171,204	9,238,070
Outside Pakistan:			
Overdrawn nostro accounts		1,069,871	569,105
Borrowings of overseas branches and subsidiaries	9.1	28,975,406	16,453,208
		30,045,277	17,022,313
		43,216,481	26,260,383
		259,760,136	103,411,114

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**

	September 30, 2015	December 31, 2014
(Rupees in '000)		
Customers		
Current accounts - non-remunerative	530,571,175	496,598,562
Savings accounts	722,983,486	664,749,424
Fixed deposits	275,060,327	329,292,130
	1,528,614,988	1,490,640,116
Financial institutions		
Current accounts - non-remunerative	16,478,824	24,986,975
Savings accounts	2,896,266	4,092,718
Fixed deposits	3,195,370	4,817,977
	22,570,460	33,897,670
	1,551,185,448	1,524,537,786

11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

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

Surplus arising on revaluation of:

- fixed assets	11.1	9,381,332	9,426,801
- investments	11.2	13,471,663	12,225,088
Surplus on revaluation of assets - net of deferred tax		22,852,995	21,651,889

11.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1		10,286,364	10,419,565
Recognized during the period / year		-	8,504
Realised on disposal during the period / year - net of deferred tax		-	(33,741)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(45,469)	(59,132)
Related deferred tax liability on incremental depreciation charged during the period / year		(24,506)	(31,870)
Related deferred tax liability on surplus realised on disposal		-	(16,962)
Surplus on revaluation of fixed assets as at period / year end		10,216,389	10,286,364

Less: related deferred tax liability on:

- revaluation as at January 1		859,563	891,565
- revaluation recognised during the period / year		-	16,830
- surplus realised on disposal during the period / year		-	(16,962)
- incremental depreciation charged during the period / year		(24,506)	(31,870)
		835,057	859,563
		9,381,332	9,426,801

11.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills		1,612,646	371,559
Pakistan Investment Bonds		17,443,108	14,774,097
Government of Pakistan Sukuk and US Dollar / Euro Bonds		491,942	(188,839)
Listed Securities		1,040,803	2,738,272
Other Investments		72,049	532,238
		20,660,548	18,227,327
Surplus on revaluation of investments of associates		27,327	137,102
Related deferred tax liability		(7,216,212)	(6,139,341)
		13,471,663	12,225,088

12 CONTINGENCIES AND COMMITMENTS

12.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government		255,029	274,410
- Financial institutions		295,000	295,000
- Others		24,169,686	24,353,007
		24,719,715	24,922,417

	September 30, 2015	December 31, 2014
	(Rupees in '000)	
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	878,159	294,415
- Financial institutions	2,531,683	2,956,884
- Others	98,733,584	53,659,253
	<u>102,143,426</u>	<u>56,910,552</u>
12.3 Trade-related commitments		
Credit cash	97,262,488	73,669,574
Credit documentary acceptances	11,760,422	14,838,610
Credit acceptances	34,309,111	29,323,479
	<u>143,332,021</u>	<u>117,831,663</u>
12.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>39,488,961</u>	<u>37,608,696</u>
12.5 Commitments in respect of forward lending		
The Group makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	September 30, 2015	December 31, 2014
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	156,975,904	175,592,647
Sale	156,871,847	176,427,323
Commitments in respect of options		
Purchase	-	3,170,666
Sale	-	3,170,666
Commitments in respect of cross currency swaps		
Purchase	1,914,567	1,390,469
Sale	1,906,396	1,353,623
Commitments in respect of interest rate swaps		
Purchase	139,349	167,472
Sale	5,639,349	330,805
12.7 Commitments for acquisition of fixed assets / intangibles	1,366,071	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 the tax year 2008 (financial year 2007) and earlier for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in the tax year in which such doubtful debts are written off.

13 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the nine months ended	
	September 30, 2015	September 30, 2014
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	34,611,992	38,890,176
- Financial institutions	8,164	119,779
<i>On investments in:</i>		
- Available-for-sale securities	56,402,382	48,760,044
- Held-for-trading securities	2,868,465	2,135,242
- Held-to-maturity securities	9,650,384	5,971,215
On deposits with financial institutions	1,799,008	946,648
On lendings to financial institutions	3,824,174	3,429,037
Compensation received on delayed tax refunds	-	828,475
	<u>109,164,569</u>	<u>101,080,616</u>

14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

<i>On:</i>		
Deposits	37,409,669	44,968,990
Securities sold under repurchase agreement borrowings	8,887,517	3,047,790
Other short term borrowings	3,732,809	3,330,951
Long term borrowings	678,851	401,380
	<u>50,708,846</u>	<u>51,749,111</u>

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

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

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

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

	September 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	3,737,039	-	1,746,154	83,323	197,304
Maximum Deposits During the period	4,358,769	-	3,235,203	83,323	250,352
Borrowings	-	-	-	-	-
Investments	-	-	9,066,721	1,553,243	-
Markup / Other Receivable	8,138	-	124,517	-	-
Mark-up / Other Payable	10,775	-	2,524	-	869,453
Placements / lendings	-	-	-	-	-
Nostro balances	104,592	-	-	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	55,314	-	3,328,283	216,124	-
Interest / Other Expense	106,286	-	610,974	152	632,678
Others					
Other contingencies	698,846	-	5,264	-	-
Securities Held as custodian	13,424,250	1,904,600	34,031,840	-	4,487,150
December 31, 2014					
Individual and companies related through					
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	----- Rs. in 000 -----				
Statement of financial position					
Deposits	3,914,395	-	3,133,203	113,168	116,266
Maximum Deposits During the period	3,996,836	-	4,077,656	113,168	729,432
Borrowings	3,281,763	-	-	2,160,385	-
Investments	-	-	9,750,032	1,425,498	-
Markup / Other Receivable	-	-	277,663	-	-
Mark-up / Other Payable	8,352	-	5,906	18,326	961,746
Placements / Lendings	89,035	-	-	-	-
Nostro balances	173,250	-	692,192	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	93,836	-	4,027,765	371,658	-
Interest / Other Expense	189,224	-	656,432	289,873	406,016
Others					
Other contingencies	541,418	-	-	-	-
Securities Held as custodian	10,027,505	888,000	35,292,700	-	5,377,465

15.1 Key management personnel

Key Management Personnel includes President, direct reports of the President and Chief Executive of subsidiaries.

	For the nine months ended	
	September 30, 2015	September 30, 2014
	(Rupees in '000)	
Managerial remuneration (including allowances)	553,751	364,516
Contribution to provident and benevolent fund	11,840	8,581
Medical	16,872	12,127
	<u>582,463</u>	<u>385,224</u>
Number of persons	26	24

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2015					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	----- (Rupees in million) -----					
Net interest income - External	(16,676)	14,582	52,912	6,430	1,208	58,456
Inter segment revenue - net	44,515	(9,467)	(42,050)	(991)	7,993	-
Non-funded income	7,836	3,101	10,370	5,229	2,861	29,397
Net interest and non-markup income	35,675	8,216	21,232	10,668	12,062	87,853
Total expenses including provision	15,703	1,177	265	8,742	14,096	39,983
Inter segment administrative cost	8,294	1,659	239	914	(11,106)	-
Total expenses including provision	23,997	2,836	504	9,656	2,990	39,983
Profit before tax	11,678	5,380	20,728	1,012	9,072	47,870
Segment gross earnings on liability / asset %	8.66%	9.02%	9.61%	4.90%	5.99%	-
Segment cost of funds %	3.87%	6.03%	6.90%	1.41%	1.79%	-
	As at September 30, 2015					Total
Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services		
	----- (Rupees in million) -----					
Segment assets gross	152,525	373,733	1,060,600	394,189	170,717	2,151,764
Segment non-performing advances	13,925	43,779	-	19,998	201	77,903
Segment provision required including general provision	12,363	39,801	-	16,531	1,600	70,295
Inter Segment Assets / (Liabilities)	892,424	(164,917)	(822,712)	(77,738)	172,943	-
Segment liabilities including equity	1,032,585	169,276	237,888	299,659	342,061	2,081,469
	For the nine months ended September 30, 2014					Total
Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services		
	----- (Rupees in million) -----					
Net interest income - External	(26,726)	18,241	48,290	6,182	3,344	49,331
Inter segment revenue - net	54,630	(14,123)	(46,917)	-	6,410	-
Non-funded income	6,419	2,188	3,765	4,560	(78)	16,854
Net interest and non-markup income	34,323	6,306	5,138	10,742	9,676	66,185
Total expenses including provision	12,993	900	162	7,551	11,317	32,923
Inter segment administrative cost	6,621	1,324	191	729	(8,865)	-
Total expenses including provision	19,614	2,224	353	8,280	2,452	32,923
Profit before tax	14,709	4,082	4,785	2,462	7,224	33,262
Segment gross earnings on liability / asset %	10.02%	10.08%	9.72%	4.95%	6.35%	-
Segment cost of funds %	5.24%	7.79%	8.87%	1.20%	1.19%	-

As on December 31, 2014

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

17 ISLAMIC BANKING BUSINESS

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

18 GENERAL

18.1 Comparative figures have been re-arranged and reclassified for comparison purposes. An amount of Rs. 901.476 million has been reclassified to Fee, commission and brokerage income from Other income and Markup earned.

19 DATE OF AUTHORISATION FOR ISSUE

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

President and Chief Executive Officer

Director

Director

Director