

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED 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		122,085,042	122,271,268
Balances with other banks		30,494,223	53,025,792
Lendings to financial institutions		42,819,288	34,313,560
Investments	6	1,143,852,706	897,573,967
Advances	7	554,555,304	555,394,512
Operating fixed assets	8	27,168,908	24,874,238
Deferred tax asset		-	-
Other assets		56,609,735	81,742,917
		<u>1,977,585,206</u>	<u>1,769,196,254</u>
LIABILITIES			
Bills payable		24,306,986	21,955,683
Borrowings	9	257,600,962	99,630,517
Deposits and other accounts	10	1,473,326,386	1,447,215,445
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		2,774,980	1,850,325
Other liabilities		50,471,404	40,676,639
		<u>1,808,480,718</u>	<u>1,611,328,609</u>
NET ASSETS		<u>169,104,488</u>	<u>157,867,645</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		43,832,114	40,704,933
Unappropriated profit		87,836,085	81,707,742
		146,336,724	137,081,200
Surplus on revaluation of assets - net of deferred tax	11	22,767,764	20,786,445
		<u>169,104,488</u>	<u>157,867,645</u>
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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 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	107,577,569	99,322,101	35,086,568	34,337,091
Mark-up / return / profit / interest expensed	14	50,546,608	51,194,540	16,362,429	17,293,116
Net mark-up / profit / interest income		57,030,961	48,127,561	18,724,139	17,043,975
Provision against advances	7.2	2,577,898	751,630	1,029,696	670,508
Charge / (reversal) against off-balance sheet obligations		23,665	(137,474)	(20,165)	(21,593)
Provision / (reversal) for diminution in the value of investments	6.2	161,231	(108,382)	52,558	25,499
Bad debts written off directly		-	-	-	-
		2,762,794	505,774	1,062,089	674,414
Net mark-up / profit / interest income after provisions		54,268,167	47,621,787	17,662,050	16,369,561
Non mark-up / interest income					
Fee, commission and brokerage income		11,124,166	8,541,416	3,533,259	3,061,558
Dividend income		1,627,361	889,654	323,656	266,142
Income from dealing in foreign currencies		1,403,240	1,896,413	400,163	390,893
Gain on sale of securities		10,564,023	886,150	5,235,994	107,846
Unrealized (loss)/gain on held for trading securities		65,234	(9,148)	67,592	(23,692)
Other income		1,207,971	1,414,723	459,078	656,419
Total non-mark-up / interest income		25,991,995	13,619,208	10,019,742	4,459,166
		80,260,162	61,240,995	27,681,792	20,828,727
Non mark-up / interest expense					
Administrative expenses		33,887,890	28,838,292	11,644,653	9,795,554
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		927,435	645,922	322,342	217,998
Total non mark-up / interest expenses		35,108,191	29,682,886	11,997,454	10,087,965
Profit before taxation		45,151,971	31,558,109	15,684,338	10,740,762
Taxation					
current		15,227,299	9,776,851	5,504,406	3,509,743
prior		2,010,000	66,576	-	-
deferred		807,201	1,217,834	(14,024)	276,356
		18,044,500	11,061,261	5,490,382	3,786,099
Profit after taxation		27,107,471	20,496,848	10,193,956	6,954,663
------(Rupees)-----					
Basic and diluted earnings per share		18.48	13.97	6.95	4.74

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 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	27,107,471	20,496,848	10,193,956	6,954,663
Other comprehensive income				
Items to be reclassified to profit or loss in subsequent periods:				
Effect of translation of net investment in foreign branches	(130,681)	(572,074)	263,385	1,185,314
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>26,998,476</u>	<u>19,924,774</u>	<u>10,457,341</u>	<u>8,139,977</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	2,026,909	17,473	(1,810,042)	(525,914)
	<u>29,025,385</u>	<u>19,942,247</u>	<u>8,647,299</u>	<u>7,614,063</u>

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President and Chief Executive Officer

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

	Reserves					Total	
	Share capital	Exchange translation reserve	Capital		Revenue		
			Statutory	Non - distributable capital reserve	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
Comprehensive income for the period							
Profit for the nine months ended September 30, 2014	-	-	-	-	-	20,496,848	20,496,848
Other comprehensive income							
- Effect of translation of net investment in foreign branches	-	(572,074)	-	-	-	-	(572,074)
	-	(572,074)	-	-	-	20,496,848	19,924,774
Transactions with owners, recorded directly in equity							
Final cash dividend paid at Rs. 2 per share for the year ended December 31, 2013	-	-	-	-	-	(2,667,005)	(2,667,005)
1st interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	(2,933,705)	(2,933,705)
2nd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	(3,300,418)	(3,300,418)
Issued as bonus shares	1,333,502	-	-	-	-	(1,333,502)	-
	1,333,502	-	-	-	-	(10,234,630)	(8,901,128)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	78,240	78,240
Transferred to statutory reserve	-	-	2,049,685	-	-	(2,049,685)	-
Balance as at September 30, 2014	14,668,525	12,619,121	22,281,449	-	6,073,812	75,726,351	131,369,258
Comprehensive income for the period							
Profit for the three months ended December 31, 2014	-	-	-	-	-	10,615,673	10,615,673
Other comprehensive income							
- Actuarial gains and losses - net	-	-	-	-	-	(287,084)	(287,084)
- Effect of translation of net investment in foreign branches	-	(1,331,016)	-	-	-	-	(1,331,016)
	-	(1,331,016)	-	-	-	10,328,589	8,997,573
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)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	14,787	14,787
Transferred to statutory reserve	-	-	1,061,567	-	-	(1,061,567)	-
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 nine months ended September 30, 2015	-	-	-	-	-	27,107,471	27,107,471
Other comprehensive income							
- Actuarial gains and losses - net	-	-	-	-	-	21,686	21,686
- Effect of translation of net investment in foreign branches	-	(130,681)	-	-	-	-	(130,681)
	-	(130,681)	-	-	-	27,129,157	26,998,476
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)
2nd Interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(18,335,657)	(18,335,657)
Gain on bargain purchase arising on acquisition of Barclays Bank PLC	-	-	-	547,115	-	-	547,115
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	45,590	45,590
Transferred to statutory reserve	-	-	2,710,747	-	-	(2,710,747)	-
Balance as at September 30, 2015	14,668,525	11,157,424	26,053,763	547,115	6,073,812	87,836,085	146,336,724

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

President and Chief Executive Officer

Director

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED 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	45,151,971	31,558,109
Dividend income	(1,627,361)	(889,654)
Gain on sale of securities	(10,564,023)	(886,150)
	(12,191,384)	(1,775,804)
	32,960,587	29,782,305
Adjustment for:		
Depreciation	1,824,458	1,344,807
Amortisation	392,308	323,598
Provision / (reversal) for diminution in the value of investments	161,231	(108,382)
Provision against advances	2,577,898	751,630
Unrealised loss/(gain) on held-for-trading securities	(65,234)	9,148
Exchange gain on sub-ordinated loan	-	(117,024)
Gain on sale of operating fixed assets - net	(22,764)	(19,841)
Workers Welfare Fund	927,435	645,922
Charge / (reversal) charge against off-balance sheet obligations	23,665	(137,474)
Other provisions / write offs - net	240,862	196,206
	6,059,859	2,888,590
	39,020,446	32,670,895
Decrease / (increase) in operating assets		
Lendings to financial institutions	(8,505,728)	8,176,752
Investments in held-for-trading securities	(19,478,861)	(51,837,097)
Advances	8,536,038	(15,908,165)
Other assets	24,429,646	392,559
	4,981,095	(59,175,951)
Increase / (decrease) in operating liabilities		
Bills payable	284,711	676,042
Borrowings	155,515,524	(48,440,496)
Deposits and other accounts	(1,587,122)	27,313,089
Other liabilities	2,901,913	4,750,255
	157,115,026	(15,701,110)
	201,116,567	(42,206,166)
Income tax paid	(16,247,605)	(9,676,053)
Net cash flows from / (used in) operating activities	184,868,962	(51,882,219)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(114,828,398)	(12,464,696)
Net investments in held-to-maturity securities	(76,768,036)	49,300,022
Dividend income received	1,404,550	766,670
Net cash inflow on acquisition	236,259	-
Fixed capital expenditure	(4,380,155)	(3,342,621)
Proceeds from sale of fixed assets	26,240	83,621
Exchange difference on translation of balances in foreign branches	(130,681)	(572,074)
Net cash flows (used in) / from investing activities	(194,440,221)	33,770,922
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	-	(1,233,165)
Dividend paid	(13,146,536)	(8,850,389)
Net cash flows used in financing activities	(13,146,536)	(10,083,554)
Increase in cash and cash equivalents during the period	(22,717,795)	(28,194,851)
Cash and cash equivalents at the beginning of the period	172,507,823	167,311,558
Effects of exchange rate changes on cash and cash equivalents	2,789,237	(2,568,755)
	175,297,060	164,742,803
Cash and cash equivalents at the end of the period	152,579,265	136,547,952

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
NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 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 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
	<u>39,704,651</u>
LIABILITIES	
Bills payable	2,066,592
Borrowings	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 (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 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 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	September 30, 2015			December 31, 2014		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Restated Total
----- (Rupees in '000) -----							
Investments by type							
Held-for-trading (HFT)							
Federal Government Securities							
- Market Treasury Bills		63,256,885	-	63,256,885	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
		68,177,339	-	68,177,339	48,698,478	-	48,698,478
Held-to-maturity (HTM)							
Federal Government Securities							
- Market Treasury Bills		29,181,975	-	29,181,975	-	-	-
- Pakistan Investment Bonds		116,087,986	-	116,087,986	75,683,578	-	75,683,578
- 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		7,609,081	-	7,609,081	2,101,819	-	2,101,819
- Unlisted securities		5,789,457	-	5,789,457	5,493,233	-	5,493,233
Overseas Government securities							
		16,316,665	-	16,316,665	14,803,817	-	14,803,817
		176,842,483	-	176,842,483	100,074,447	-	100,074,447
Available-for-sale (AFS)							
Federal Government Securities							
- Market Treasury Bills		290,530,296	196,841,140	487,371,436	389,346,079	18,494,458	407,840,537
- 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)		57,966,922	-	57,966,922	45,689,461	-	45,689,461
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		14,242,574	-	14,242,574	11,184,454	-	11,184,454
- Unlisted securities		19,422,906	-	19,422,906	12,107,368	-	12,107,368
Overseas Government Securities							
		293,743	-	293,743	72,175	-	72,175
NIT Units		511,113	-	511,113	2,261,113	-	2,261,113
Preference shares		250,000	-	250,000	250,000	-	250,000
		662,794,461	196,841,140	859,635,601	665,016,141	53,533,982	718,550,123
Investment in Subsidiary Companies	6.3-6.5	15,015,037	-	15,015,037	8,993,797	-	8,993,797
Investment in Associates and Joint Venture		4,682,679	-	4,682,679	4,682,679	-	4,682,679
		927,511,999	196,841,140	1,124,353,139	827,465,542	53,533,982	880,999,524
Provision for diminution in the value of investments	6.2	(1,161,160)	-	(1,161,160)	(953,764)	-	(953,764)
Net investment		926,350,839	196,841,140	1,123,191,979	826,511,778	53,533,982	880,045,760
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	20,139,404	456,089	20,595,493	14,723,159	2,752,192	17,475,351
Total investments at market value		946,555,477	197,297,229	1,143,852,706	841,287,793	56,286,174	897,573,967

6.1 The market value of securities classified as Held-to-maturity as at September 30, 2015 amounted to Rs. 183,089.292 million (December 31, 2014: Rs. 104,935.785 million).

6.2 Movement in provision for diminution in the value of investments

	September 30, 2015	December 31, 2014
	(Rupees in '000)	
Opening balance	953,764	1,265,379
Charge for the period / year	219,687	104,594
Reversals for the period / year	-	(63,060)
Reversal on disposal during the period / year	(58,456)	(145,212)
Total reversals - net	161,231	(103,678)
Transfers in	46,165	-
Write offs	-	(207,937)
Closing balance	<u>1,161,160</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 Holding Limited, UK (HAHL) issued rights shares during the period.

6.5 Investment in Subsidiaries companies includes investment in HBL Mustehkum Sarmaya Fund, a mutual fund which was launched by HBL Asset Management Limited during the period.

7 ADVANCES

	Note	September 30, 2015	December 31, 2014
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		446,525,004	450,443,893
Outside Pakistan		99,644,651	96,819,124
		<u>546,169,655</u>	<u>547,263,017</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		7,732,055	27,430,375
Payable outside Pakistan		54,320,370	35,009,946
		62,052,425	62,440,321
Provision against advances	7.2	<u>(62,998,993)</u>	<u>(60,850,286)</u>
		<u>554,555,304</u>	<u>555,394,512</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	8,287,031	58,834,692	48,997,592	7,881,449	56,879,041	1,550,069	405,582	1,955,651
	57,904,941	11,067,658	68,972,599	50,562,276	9,514,918	60,077,194	7,342,665	1,552,740	8,895,405
General provision	-	-	-	1,330,823	1,590,976	2,921,799	-	-	-
	57,904,941	11,067,658	68,972,599	51,893,099	11,105,894	62,998,993	7,342,665	1,552,740	8,895,405

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

	September 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	5,220,495	480,872	5,701,367	4,491,878	636,014	5,127,892
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	2,120,581	457,317	2,577,898	355,994	584,070	940,064
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	-	-	-
Acquisition of Modaraba assets	-	-	-	109,890	-	109,890
Exchange adjustment / other movement	182,742	54,992	237,734	(343,671)	(37,570)	(381,241)
Closing balance	60,077,194	2,921,799	62,998,993	58,444,083	2,406,203	60,850,286

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 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)	2,266,600	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 Bank / 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
Debts due by Subsidiary company	78,914	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**

	September 30, 2015	December 31, 2014
	(Rupees in '000)	
Capital work-in-progress	1,604,322	1,119,170
Intangible assets	596,674	843,040
Tangible fixed assets	24,967,912	22,912,028
	<u>27,168,908</u>	<u>24,874,238</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	485,152	631,397
Intangible assets	145,943	458,436
Tangible fixed assets		
Land	809,327	46,698
Building	438,698	261,442
Machinery	129,341	81,181
Furniture, fixtures and office equipments	2,029,242	1,765,420
Leasehold Improvements	432,308	337,416
Vehicles	76,528	38,740
	<u>4,546,539</u>	<u>3,620,730</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	248,067	638,759
Leasehold Improvements	150,830	2,739
Vehicles	14,613	24,938
	<u>413,510</u>	<u>729,657</u>

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
		<u>216,543,655</u>	<u>77,150,731</u>
Unsecured			
In Pakistan:			
Interbank call money borrowings		13,171,204	9,238,070
Outside Pakistan:			
Overdrawn nostro accounts		1,420,466	787,697
Borrowings of overseas branches	9.1	26,465,637	12,454,019
		<u>27,886,103</u>	<u>13,241,716</u>
		<u>41,057,307</u>	<u>22,479,786</u>
		<u>257,600,962</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**

	September 30, 2015	December 31, 2014
	(Rupees in '000)	
Customers		
Current accounts - non-remunerative	495,218,319	468,368,418
Savings accounts	717,407,911	656,174,379
Fixed deposits	<u>242,051,645</u>	<u>291,630,878</u>
	<u>1,454,677,875</u>	<u>1,416,173,675</u>
Financial institutions		
Current accounts - non-remunerative	12,541,008	22,128,144
Savings accounts	2,896,266	4,092,718
Fixed deposits	<u>3,211,237</u>	<u>4,820,908</u>
	<u>18,648,511</u>	<u>31,041,770</u>
	<u>1,473,326,386</u>	<u>1,447,215,445</u>

11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

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

Surplus arising on revaluation of:

- fixed assets	11.1	9,382,932	9,428,522
- investments	11.2	13,384,832	11,357,923
Surplus on revaluation of assets - net of deferred tax		<u>22,767,764</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		(45,590)	(59,286)
Related deferred tax liability on incremental depreciation charged during the period / year		(24,548)	(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>10,218,934</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		(24,548)	(31,923)
		<u>836,002</u>	<u>860,550</u>
		<u>9,382,932</u>	<u>9,428,522</u>

11.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills		1,607,997	371,647
Pakistan Investment Bonds		17,426,980	14,774,097
Government of Pakistan Sukuk and US Dollar / Euro Bonds		480,919	(206,481)
Listed Securities		985,285	2,063,647
Other Investments		94,312	472,441
		<u>20,595,493</u>	<u>17,475,351</u>
Related deferred tax liability		(7,210,661)	(6,117,428)
		<u>13,384,832</u>	<u>11,357,923</u>

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	24,414,605
		<u>24,719,715</u>	<u>24,984,015</u>

12.2 Transaction-related contingent liabilities	September 30, 2015	December 31, 2014
	(Rupees in '000)	
Guarantees in favour of:		
- Government	878,159	294,415
- Financial institutions	371,286	2,956,884
- Others	98,733,584	52,186,802
	<u>99,983,029</u>	<u>55,438,101</u>

12.3 Trade-related commitments

Credit cash	96,193,566	73,356,926
Credit documentary acceptances	11,750,213	14,838,610
Credit acceptances	32,661,181	28,786,059
	<u>140,604,960</u>	<u>116,981,595</u>

12.4 Other contingencies

Claims against the Bank not acknowledged as debts	<u>39,486,939</u>	<u>37,606,753</u>
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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.

12.6 Commitments in respect of forward foreign exchange contracts	September 30, 2015	December 31, 2014
	(Rupees in '000)	
Purchase	151,471,182	170,017,119
Sale	151,371,248	170,839,112
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,	September 30,
	2015	2014
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	33,790,332	37,719,483
- Financial institutions	8,164	119,779
<i>On investments in:</i>		
- Available-for-sale securities	56,149,243	48,305,860
- Held-for-trading securities	2,868,465	2,135,242
- Held-to-maturity securities	9,418,313	5,913,232
On deposits with financial institutions	1,607,607	870,993
On lendings to financial institutions	3,735,445	3,429,037
Compensation received on delayed tax refund	-	828,475
	<u>107,577,569</u>	<u>99,322,101</u>

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

<i>On:</i>		
Deposits	37,265,837	44,457,431
Securities sold under repurchase agreement borrowings	8,887,517	3,047,790
Other short term borrowings	3,714,403	3,287,939
Long term borrowings	678,851	401,380
	<u>50,546,608</u>	<u>51,194,540</u>

15 **RELATED PARTY TRANSACTIONS**

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 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 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:

	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	521,701	1,746,154	83,323	197,304
Maximum Deposits During the period	4,358,769	2,729,425	3,235,203	83,323	250,352
Borrowings	-	465,717	-	-	-
Investments	-	21,779,183	4,675,483	7,197	-
Markup / Other Receivable	8,138	2,743	124,517	-	-
Mark-up / Other Payable	10,775	181	2,524	-	869,453
Placements / lendings	-	3,292,005	-	-	-
Nostro balances	104,592	-	-	-	-
Overdrawn nostro balances	-	1,093,235	-	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	55,314	306,210	1,695,185	-	-
Interest / Other Expense	106,286	69,881	610,974	152	632,678
Dividend income	-	-	422,276	34,666	-
Others					
Other contingencies	698,846	18,597	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	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 includes President and direct reports of the President.

	For the nine months ended	
	September 30, 2015	September 30, 2014
(Rupees in '000)		
Managerial remuneration (including allowances)	535,135	348,671
Contribution to provident and benevolent fund	11,381	8,306
Medical	15,915	11,309
	<u>562,431</u>	<u>368,286</u>
Number of persons	<u>23</u>	<u>21</u>

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the nine months ended September 30, 2015						
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
----- (Rupees in million) -----						
Net interest income - External	(16,676)	14,582	52,912	5,419	794	57,031
Inter segment revenue - net	44,515	(9,467)	(42,050)	-	7,002	-
Non-funded income	7,840	3,101	10,370	3,217	1,465	25,993
Net interest and non-markup income	35,679	8,216	21,232	8,636	9,261	83,024
Total expenses including provision	15,609	1,177	265	7,012	13,808	37,871
Inter segment administrative cost	8,294	1,659	239	914	(11,106)	-
Total expenses including provision	23,903	2,836	504	7,926	2,702	37,871
Profit before tax	11,776	5,380	20,728	710	6,559	45,153
Segment gross earnings on liability / asset %	8.66%	9.02%	9.61%	3.76%	5.28%	-
Segment cost of funds %	3.87%	6.03%	6.90%	1.23%	1.79%	-

As on September 30, 2015						
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
----- (Rupees in million) -----						
Segment assets gross	152,525	373,733	1,062,496	295,477	158,202	2,042,433
Segment non-performing advances	13,925	43,779	-	11,068	201	68,973
Segment provision required including general provision	12,363	39,540	-	11,106	1,631	64,640
Inter Segment Assets / (Liabilities)	892,424	(164,917)	(824,608)	(90,277)	187,378	-
Segment liabilities including equity	1,032,585	169,276	237,888	193,723	344,113	1,977,585

For the nine months ended September 30, 2014						
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
----- (Rupees in million) -----						
Net interest income - External	(26,726)	18,241	49,942	5,225	1,445	48,127
Inter segment revenue - net	54,630	(14,123)	(48,569)	-	8,062	-
Non-funded income	6,419	2,188	3,765	2,736	(1,488)	13,620
Net interest and non-markup income	34,323	6,306	5,138	7,961	8,019	61,747
Total expenses including provision	12,993	900	162	5,070	11,064	30,189
Inter segment administrative cost	6,621	1,324	191	729	(8,865)	-
Total expenses including provision	19,614	2,224	353	5,799	2,199	30,189
Profit before tax	14,709	4,082	4,785	2,162	5,820	31,558
Segment gross earnings on liability / asset %	10.02%	10.08%	9.72%	3.71%	5.43%	-
Segment cost of funds %	5.24%	7.79%	8.87%	0.92%	1.19%	-

As at 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	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

17 **ISLAMIC BANKING BUSINESS**

Financial figures of the Islamic Banking business are as follows:

	Note	September 30, 2015	December 31, 2014
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		6,007,139	3,026,837
Balances with other banks		-	35
Due from Financial Institutions		53,142,334	55,081,889
Investments		45,612,175	33,752,058
Islamic financing and related assets	17.1	22,115,044	10,539,537
Due from Head Office		-	12,984,581
Other assets		1,656,145	1,103,532
		<u>128,532,837</u>	<u>116,488,469</u>
LIABILITIES			
Bills payable		2,189	2,400
Due to financial institutions		1,567,500	75,161
Deposit and other accounts			
- Current Accounts		23,162,336	16,592,062
- Saving Accounts		50,785,453	46,325,718
- Term Deposits		34,974,975	24,538,054
- Deposits from financial institutions - remunerative		6,720,999	22,288,991
- Deposits from financial institutions - non - remunerative		305,412	3,387,438
Deferred tax liabilities		51,271	133,044
Due to Head Office		5,749,265	-
Other liabilities		1,423,822	843,034
		<u>124,743,222</u>	<u>114,185,902</u>
		<u>3,789,615</u>	<u>2,302,567</u>
NET ASSETS			
REPRESENTED BY:			
Islamic Banking Fund		250,000	250,000
Unappropriated profit		3,444,398	1,805,485
		<u>3,694,398</u>	<u>2,055,485</u>
Surplus on revaluation of assets - net of deferred tax		95,217	247,082
		<u>3,789,615</u>	<u>2,302,567</u>

Commitments in respect of financial guarantees and letters of credit of the Islamic Banking business amounted to Rs. 75.960 million (2014: Rs. 87.066 million) and Rs. 178.727 million (2014: Rs. 69.783 million) respectively.

17.1 **Islamic financing and related assets**

	September 30, 2015	December 31, 2014
(Rupees in '000)		
Murabaha	313,650	91,835
Ijarah	778,293	785,934
Musharaka	12,462,036	4,914,056
Istisnah Financing	24,546	133,116
Advance for Murabaha	59,402	168,265
Advance for Ijarah	25,514	50,000
Istisnah	5,712,851	2,241,685
Advance Against Diminishing Musharaka	1,249,157	836,853
Salam	-	-
Asset / Inventories	1,599,484	1,427,682
Provision against financings	(109,889)	(109,889)
	<u>22,115,044</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. 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 unconsolidated 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