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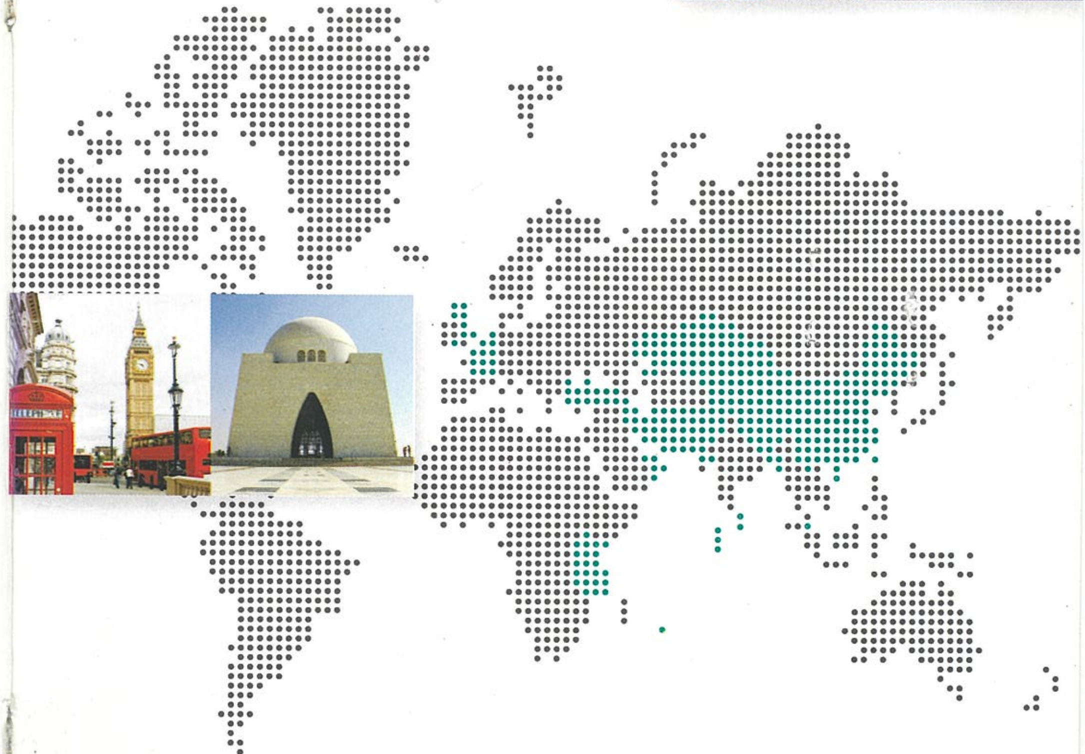

BANKING BEYOND BORDERS

HALF YEARLY REPORT

JUNE 30, 2014

Contents

Corporate Information

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Nauman K. Dar
President & CEO

Mr. Sajid Zahid
Director

Mr. R. Zakir Mahmood
Director

Mr. Moez Ahamed Jamal
Director

Mr. Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Chief Financial Officer

Mr. Ayaz Ahmed

Company Secretary

Ms. Nausheen Ahmad

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Head Office

Habib Bank Limited
Habib Bank Plaza
I. I. Chundrigar Road,
Karachi - 75650, Pakistan.
Phone : (92-21) 32418000 [50 lines]

Websites

Corporate Website
www.hbl.com

Internet Banking
www.hblibank.com

Registered Office

Habib Bank Limited
4th Floor, Habib Bank Tower,
Jinnah Avenue, Blue Area,
Islamabad, Pakistan.
Phone : (92-51) 2872203, (92-51) 2821183
Fax : (92-51) 2872205

Registrars

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shahrah-e-Faisal,
Karachi - 74400, Pakistan.
Customer Support Services
Tel: (Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

18 **ISLAMIC BANKING BUSINESS**

Financial figures of the Islamic Banking Business are as follows:

	Note	June 30, 2014	December 31, 2013
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		3,432,978	1,811,029
Balances with other banks		35	2,000,035
Due from Financial Institution		27,240,751	17,200,000
Investments		26,384,235	21,826,042
Islamic financing and related assets	18.1	8,022,542	7,285,755
Due from Head Office		3,972,632	-
Other assets		1,081,913	1,123,239
		70,135,086	51,246,100
LIABILITIES			
Bills payable		1,482	785
Due to financial institutions		470,000	179,000
Deposit and other accounts			
- Current Accounts		12,063,475	4,892,912
- Saving Accounts		30,183,194	22,675,944
- Term Deposits		11,655,623	12,899,973
- Deposits from financial institutions - remunerative		11,418,303	7,455,690
- Deposits from financial institutions - non - remunerative		1,969,344	72,695
Deferred tax liabilities		134,412	46,754
Due to Head Office		-	1,343,997
Other liabilities		565,982	520,207
		68,461,815	50,087,957
NET ASSETS		1,673,271	1,158,143
REPRESENTED BY:			
Islamic Banking Fund		250,000	250,000
Reserves		821,313	459,537
Unappropriated profit		352,336	361,777
		1,423,649	1,071,314
Surplus on revaluation of assets - net of deferred tax		249,622	86,829
		1,673,271	1,158,143

The commitment in respect of financial guarantees and letters of credit of Islamic Banking business amounting to Rs. 21.891 million (2013: Rs. 66.970 million) and Rs. 61.146 million (2013: Rs. 409.383 million) respectively.

18.1 **Islamic financing and related assets**

	Note	June 30, 2014	December 31, 2013
Murabaha	18.1.1	290,038	641,727
Ijarah	18.1.2	332,773	197,388
Musharaka		4,666,068	3,881,438
Istisnah Financing		70,000	858,472
Advance for Murabaha		364,519	909,307
Advance for Ijarah		3,182	161,514
Istisnah		1,271,741	527,704
Advance Against Diminishing Musharaka		1,009,221	108,205
Asset / Inventories		15,000	-
		8,022,542	7,285,755

18.1.1 This represents assets sold under Murabaha agreement.

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

19. **GENERAL**

19.1 The comparative figures have been re-arranged and reclassified for comparison purposes.

19.2 The amount corresponding to the policy given in note 4.5 to the unconsolidated financial statements for the year ended December 31, 2013, is Rs. 28.159 billion as at June 30, 2014 (December 31, 2013: Rs. 24.352 billion).

20. **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on July 22, 2014.

Nauman K. Dar	Agha Sher Shah	Moez Ahamed Jamal	Sajid Zahid
President and Chief Executive Officer	Director	Director	Director

16.2 **Key management personnel**

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

	For the six months ended June 30, 2014	June 30, 2013
	(Rupees in '000)	
Managerial remuneration (including allowances)	751,020	591,254
Contribution to provident and benevolent fund	14,043	11,850
Medical	24,408	21,533
	789,471	624,637
Number of persons	164	147

17 **SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

	For the six months ended June 30, 2014					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(17,314)	12,300	32,083	3,384	732	31,185
Inter segment revenue - net	35,711	(9,415)	(31,422)	-	5,126	-
Non-funded income	4,212	1,450	2,945	1,949	(1,497)	9,059
Net interest and non-markup income	22,609	4,335	3,606	5,333	4,361	40,244
Total expenses including provision (excluding impairment)	8,504	441	130	3,214	7,272	19,561
Impairment against investments	-	-	(80)	-	(54)	(134)
Inter segment administrative cost	4,440	888	128	489	(5,945)	-
Total expenses including provision	12,944	1,329	178	3,703	1,273	19,427
Profit before tax	9,665	3,006	3,428	1,630	3,088	20,817
Segment assets gross	150,798	356,082	816,643	243,424	108,901	1,675,848
Segment non-performing loans	4,368	21,347	-	9,923	4,448	40,086
Segment provision required including general provision	2,728	15,546	49	9,637	5,281	33,241
Segment liabilities including equity	1,008,412	174,407	34,209	166,477	259,102	1,642,607
Segment gross earnings on liability / asset %	9.97%	10.10%	9.73%	3.67%	4.80%	-
Segment cost of funds %	5.20%	7.73%	8.83%	0.81%	1.26%	-

	For the six months ended June 30, 2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(18,887)	11,816	30,505	2,426	(331)	25,529
Inter segment revenue - net	32,840	(9,395)	(28,319)	-	4,874	-
Non-funded income	3,425	1,233	1,508	1,203	(1,143)	6,226
Net interest and non-markup income	17,378	3,654	3,694	3,629	3,400	31,755
Total expenses including provision (excluding impairment)	7,883	1,378	100	2,976	4,837	17,174
Impairment against investments	-	-	(30)	-	(11)	(41)
Inter segment administrative cost	3,157	631	91	348	(4,227)	-
Total expenses including provision	11,040	2,009	161	3,324	599	17,133
Profit before tax	6,338	1,645	3,533	305	2,801	14,622
Segment assets gross	125,394	329,363	834,933	180,832	107,622	1,578,144
Segment non-performing loans	8,469	30,908	-	10,701	69	50,147
Segment provision required including general provision	8,021	25,635	279	9,254	1,011	44,200
Segment liabilities including equity	914,612	143,488	138,224	118,805	218,815	1,533,944
Segment gross earnings on liability / asset %	9.34%	9.65%	9.06%	4.90%	2.99%	-
Segment cost of funds %	5.58%	7.59%	8.16%	1.50%	0.96%	-

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the six months ended June 30, 2014.

Economy

Moody's investor services have upgraded the outlook on Pakistan's foreign currency government bond rating to "Stable". This decision is primarily based on stabilization in the country's external liquidity position which is supported by the Government's (GoP) strong commitment to reforms under an ongoing program with the International Monetary Fund (IMF). The continued implementation of structural reforms under the program would ensure additional tranche disbursements, further buffering Pakistan's foreign reserves. During the period under review, improvement was witnessed in some key macroeconomic indicators. The foreign exchange reserves improved to US$ 14.6 billion as on July 04, 2014, resulting in appreciation in Pak Rupee of over 5% against US dollar during the period. The inflation as measured by CPI has come down to 8.2 % in June 2014 as against 9.2% in December 2013.

The State Bank of Pakistan (SBP) kept the discount rate unchanged at 10% during the period. The bullish tendency prevailed in the stock market as depicted by KSE 100 index which increased to 29,652 points as on June 30, 2014 up 17.4% as compared to December 31, 2013.

Performance

The Bank's focus on building its stable core deposit base is yielding good results and the CASA increased to 76.7% as on June 30, 2014 as against 73.3% in December 2013. The CASA deposits increased by Rs. 85 billion whereas high cost deposits reduced by Rs.36 billion. The total deposits are up by 3.5%. Advances increased by Rs. 13 billion.

The Bank has posted phenomenal growth of 38.7% in profit after tax for the period ended June 30, 2014 over corresponding period of June 30, 2013, contributed by both mark-up and non mark-up income. Net mark-up income increased by 21.8% to Rs. 31.9 billion as against Rs. 26.2 billion for corresponding period of last year. The increase in net mark-up income is attributable to change in deposit mix, volumetric growth and investment in long term bonds. The Bank continued its focus on non mark-up income which posted strong growth of 41.0% to Rs. 11.3 billion. The increase is in all areas including fee & commission and foreign exchange income. The pretax and after tax profit were at Rs. 22.1 billion and Rs. 14.6 billion respectively for the six months ended June 30, 2014 as against Rs. 15.9 billion and Rs. 10.5 billion respectively in the corresponding period last year resulting in increase of earnings per share to Rs. 9.88 as against Rs. 7.07 for corresponding period of last year.

Movement of Reserves

	Rs. in million
Unappropriated profit brought forward	73,749
Profit attributable to equity holders of the Bank	14,486
Transferred from surplus on revaluation of fixed assets – net of tax	63
Transfer to statutory reserves	(1,380)
Cash dividend	(5,601)
Issued as bonus shares	(1,333)
Derecognition of equity due to voluntary winding up of modaraba	(30)
Unappropriated profit carried forward	79,954
Earnings per share rupees (Basic & Diluted)	9.88

Dividend

The Board has recommended second interim cash dividend of Rs. 2.25 per share for the year ending December 31, 2014. The effect of which is not reflected in the above appropriations.

16 **RELATED PARTY TRANSACTIONS**

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

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

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

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

	June 30, 2014				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)				
Statement of financial position					
Deposits	2,792,388	245,849	3,936,712	-	443,360
Maximium Deposits During the period	2,792,388	441,585	3,936,712	-	729,432
Borrowings	2,357,178	-	169,230	4,199,337	-
Investments	-	12,809,315	4,842,838	-	-
Markup / Other Receivable	-	-	250,546	-	-
Mark-up / Other Payable	-	-	-	-	779,202
Placements	981,523	4,512,396	197,721	-	-
Overdrawn Nostro	567,073	-	758,605	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	20,491	33,203	955,539	-	-
Interest / Other Expense	27,239	-	225,297	5,586	257,100
Dividend income	-	-	235,160	54,885	-
Others					
Other contingencies	651,485	-	-	-	-
Securities Held as custodian	7,462,285	200,000	28,770,850	-	7,472,135

	December 31, 2013				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)				
Statement of financial position					
Deposits	3,450,508	600,663	7,164,508	149,228	1,105,198
Maximium Deposits During the period	4,208,820	902,439	7,737,354	149,228	3,833,229
Borrowings	2,514,137	329,127	737,272	-	-
Investments	-	13,116,177	4,748,101	-	-
Markup / Other Receivable	-	-	271,401	-	-
Mark-up / Other Payable	-	-	-	-	338,135
Placements	1,412,680	4,454,962	-	-	-
Overdrawn Nostro	548,068	491,180	640,686	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	100,350	573,561	1,649,160	-	-
Interest / Other Expense	337,613	33,699	720,112	-	485,180
Dividend income	-	6,500	240,441	73,816	-
Others					
Other contingencies	436,646	-	-	-	-
Securities Held as custodian	8,761,370	485,000	25,888,500	-	14,454,615

16.1 **Transaction with Government- related entities**

The Federal Government (GOP) through State Bank of Pakistan (SBP) holds 40.6% shareholding in the Bank and therefore entities which are owned and / or controlled by the GOP, or where the GOP may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transactions with Government-related entities, which are all conducted at arm's length basis. Such transactions include Investment [Treasury Bills / Sukuks, Pakistan Investment Bonds (PIBs)], Borrowing / Deposits, Lendings and Balance with treasury bank. The outstanding amount as at June 30, 2014 amounting to Rs.653,491 million for investments (December 31, 2013: Rs. 726,460 million), borrowings / deposits amounting to Rs. 189,897 million (December 31, 2013: Rs. 246,509 million), advances amounting to Rs. 121,330 million (December 31, 2013: Rs. 115,558 million) and Balance with treasury bank amounting to Rs. 85,342 million (December 31, 2013: Rs. 70,314 million).

13.8 Taxation

The income tax returns of the Bank have been submitted upto and including the Bank's financial year ended December 31, 2012. The tax authorities have also concluded the audit upto 2012 i.e. tax year 2013.

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

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 276.04 million.

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the six months ended	
	June 30, 2014	June 30, 2013
	(Rupees in '000)	
On loans and advances to:		
- Customers	25,564,650	22,223,290
- Financial institutions	116,423	128,372
On investments:		
- Available-for-sale	32,730,692	33,445,157
- Held-for-trading	1,095,183	957,504
- Held-to-maturity	3,431,652	2,471,620
On deposits with financial institutions	548,797	473,501
On lendings to financial institutions	1,599,393	790,417
	65,086,790	60,489,861

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

Deposits	28,960,005	28,916,193
Securities sold under repurchase agreement borrowings	2,694,559	4,852,604
Other short term borrowings	1,981,834	955,615
Long term borrowings	265,026	236,534
	33,901,424	34,960,946

Rating

JCR VIS Credit Rating Agency of Pakistan has reaffirmed entity rating of the Bank to "AAA/A-1+" (Triple A / A-One Plus) with 'Stable' outlook.

Future Outlook

Despite continuing challenges, GoP's efforts to put the economy on track have started producing results as is apparent from improvement in foreign exchange reserves and decline in inflation. The GoP has managed to raise more than a billion dollars from issuance of next generation telecommunication licenses and raised two billion dollars from issuance of Pakistan Eurobonds. The improvement in overall economic outlook has been well appreciated by international community and is also reflected in Moody's rating.

Based on its balance sheet size, domestic leadership, presence "beyond borders" and product expertise, HBL is well positioned to positively contribute towards economic development of the country and capitalize on the untapped potential.

Appreciation and Acknowledgement

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

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

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
July 22, 2014

Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2014

	Note	(Unaudited) June 30, 2014	(Audited) December 31, 2013
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		155,327,295	135,476,687
Balances with other banks		47,970,175	57,341,769
Lendings to financial institutions		104,742,672	35,271,477
Investments	6	751,839,628	826,062,308
Advances	7	576,955,820	563,700,737
Operating fixed assets	8	26,814,523	25,706,315
Deferred tax asset		3,808,645	5,103,072
Other assets		74,286,429	66,609,013
		1,741,745,187	1,715,271,378
LIABILITIES			
Bills payable		22,764,494	19,422,316
Borrowings	9	75,636,983	107,864,424
Deposits and other accounts	10	1,450,228,115	1,401,229,814
Sub-ordinated loan	11	1,235,058	2,633,115
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		43,304,027	41,687,455
		1,593,168,677	1,572,837,124
NET ASSETS		148,576,510	142,434,254
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	13,335,023
Reserves		42,477,821	43,550,373
Unappropriated profit		79,954,099	73,748,915
Total equity attributable to the equity holders of the Bank		137,100,445	130,634,311
Non-controlling interest		1,199,833	1,886,116
Surplus on revaluation of assets - net of deferred tax	12	10,276,232	9,913,827
		148,576,510	142,434,254
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

		June 30, 2014	December 31, 2013
		(Rupees in '000)	
13.2	**Transaction-related contingent liabilities**		
	Guarantees in favour of:		
	- Government	415,900	550,968
	- Financial institutions	2,464,340	1,894,819
	- Others	46,766,060	39,154,598
		49,646,300	41,600,385
13.3	**Trade-related commitments**		
	Credit cash	53,793,435	60,038,619
	Credit documentary acceptances	16,888,254	17,800,947
	Credit acceptances	37,733,751	46,375,108
		108,415,440	124,214,674
13.4	**Other contingencies**		
	Claims against the Bank not acknowledged as debts	35,465,567	33,824,701

13.5 **Commitments in respect of forward lending**

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

		June 30, 2014	December 31, 2013
		(Rupees in '000)	
13.6	**Commitments in respect of forward foreign and local exchange contracts**		
	Purchase	116,187,054	247,342,208
	Sale	116,538,344	247,527,601

The above commitments have maturities falling within one year.

	Commitments in respect of foreign currency options		
	Purchase	333,735	649,846
	Sale	333,735	649,846
	Commitments in respect of cross currency swaps		
	Purchase	1,142,886	1,121,412
	Sale	1,094,023	1,105,785
	Commitments in respect of foreign and local currency interest rate swaps		
	Purchase	197,609	245,757
	Sale	401,776	490,757
13.7	**Commitments for acquisition of fixed assets / intangibles**	1,535,091	943,750

12 **SURPLUS ON REVALUATION OF ASSETS - net of deferred tax**

	Note	June 30, 2014	December 31, 2013
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	12.1	9,466,422	9,529,875
- investments	12.2	35,146	(508,241)
Surplus on revaluation of assets - net of deferred tax		9,501,568	9,021,634

12.1 **Surplus on revaluation of fixed assets**

	June 30, 2014	December 31, 2013
Surplus on revaluation of fixed assets as at January 1	10,422,480	10,518,132
Surplus realised on disposal of revalued properties during the period / year - net of deferred tax	(33,741)	(1,269)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(29,712)	(59,823)
Related deferred tax liability of incremental depreciation charged during the period / year	(15,999)	(32,212)
Related deferred tax liability on disposal of revalued properties	(16,962)	(2,348)
Surplus on revaluation of fixed assets as at period / year end	10,326,066	10,422,480
Less: related deferred tax liability on:		
- revaluation as at January 1	892,605	927,165
- surplus realised on disposal of revalued properties during the period / year	(16,962)	(2,348)
- incremental depreciation charged during the period / year transferred to profit and loss account	(15,999)	(32,212)
	859,644	892,605
	9,466,422	9,529,875

12.2 **Surplus / (deficit) on revaluation of investments**

	June 30, 2014	December 31, 2013
Market Treasury Bills	(221,209)	(1,195,437)
Pakistan Investment Bonds	(1,091,208)	(492,676)
Government of Pakistan Sukuk and US Dollar / Euro Bonds	734,570	287,648
Listed Securities	425,127	476,306
NIT Units	29,576	22,288
Other Investments	176,712	116,081
	53,568	(785,790)
Related deferred tax (liability) / asset	(18,422)	277,549
	35,146	(508,241)

13 **CONTINGENCIES AND COMMITMENTS**

13.1 **Direct credit substitutes - financial guarantees**

	June 30, 2014	December 31, 2013
Guarantees in favour of:		
- Government	263,946	262,993
- Financial institutions	295,000	295,000
- Others	25,711,396	40,075,109
	26,270,342	40,633,102

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2014

	Note	January 01 to June 30, 2014	January 01 to June 30, 2013	April 01 to June 30, 2014	April 01 to June 30, 2013
		(Rupees in '000)			
Mark-up / return / profit / interest earned	14	66,218,359	61,560,148	34,653,879	30,256,432
Mark-up / return / profit /interest expensed	15	34,254,219	35,318,334	17,177,366	17,201,572
Net mark-up / profit / interest income		31,964,140	26,241,814	17,476,513	13,054,860
Provision against advances	7.2	396,884	1,221,408	(24,520)	(63,700)
(Reversal) /charge against off-balance sheet obligations		(115,881)	27,585	(117,292)	(4,367)
Reversal against diminution in the value of investments	6.3	(168,725)	(52,138)	(46,732)	(43,836)
Bad debts written off directly		-	-	-	-
		112,278	1,196,855	(188,544)	(111,903)
Net mark-up / profit / interest income after provisions		31,851,862	25,044,959	17,665,057	13,166,763
Non mark-up / interest income					
Fee, commission and brokerage income		5,422,504	4,373,388	2,976,885	2,318,998
Dividend income		546,421	235,025	286,801	33,766
Share of profit of associates and joint venture		1,267,800	892,215	645,386	489,848
Income from dealing in foreign currencies		1,315,376	468,153	555,609	205,121
Gain on sale of securities		1,373,331	837,818	644,781	600,228
Unrealized gain / (loss) on held for trading securities		14,544	71,144	8,045	(14,366)
Other income		1,378,675	1,147,467	765,572	529,707
Total non-mark-up / interest income		11,318,651	8,025,210	5,883,079	4,163,302
		43,170,513	33,070,169	23,548,136	17,330,065
Non mark-up / interest expense					
Administrative expenses		20,446,576	17,016,245	10,554,317	9,230,108
Other provisions / write offs - net		123,015	(143,882)	9,010	(20,796)
Other charges		1,244	16,509	1,137	777
Workers' welfare fund		454,053	312,433	266,222	156,761
Total non mark-up / interest expenses		21,024,888	17,201,305	10,830,686	9,366,850
Profit before taxation		22,145,625	15,868,864	12,717,450	7,963,215
Taxation					
current		6,502,288	4,874,398	4,011,570	2,323,136
prior		66,576	1,257	(83,684)	(117,530)
deferred		987,549	472,710	327,258	335,125
		7,556,413	5,348,365	4,255,144	2,540,731
Profit after taxation		14,589,212	10,520,499	8,462,306	5,422,484
Attributable to:					
Equity holders of the Bank		14,486,517	10,376,763	8,437,946	5,353,913
Non-controlling interest		(48,603)	43,104	(40,717)	28,794
Minority investor of HBL funds		151,298	100,632	65,077	39,777
		14,589,212	10,520,499	8,462,306	5,422,484
		(Rupees)			
Basic and diluted earnings per share		9.88	7.07	5.75	3.65

The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Nauman K. Dar	Agha Sher Shah	Moez Ahamed Jamal	Sajid Zahid
President and Chief Executive Officer	Director	Director	Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2014

	January 01 to June 30, 2014	January 01 to June 30, 2013	April 01 to June 30, 2014	April 01 to June 30, 2013
	(Rupees in '000)			
Profit for the period	14,589,212	10,520,499	8,462,306	5,422,484
Other comprehensive income				
Minority share of HBL funds transferred to other liabilities	(151,298)	(100,632)	(65,077)	(39,777)
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	(2,462,647)	(821,803)	443,408	317,318
Comprehensive income transferred to equity	11,975,267	9,598,064	8,840,637	5,700,025
Components of comprehensive income not reflected in equity				
Items to be reclassified to profit or loss in subsequent periods:				
Surplus / (deficit) on revaluation of investments - net of tax	425,782	(56,671)	(1,123,459)	1,553,399
Items not to be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of fixed assets - net of tax	-	73,283	-	73,283
	12,401,049	9,614,676	7,717,178	7,326,707
Total comprehensive income attributable to:				
Equity holders of the Bank	12,487,445	9,559,751	7,717,350	7,220,286
Non-controlling interest	(65,515)	(1,800)	(10,378)	49,974
Minority investor of HBL funds	(20,881)	56,725	10,206	56,447
	12,401,049	9,614,676	7,717,178	7,326,707

The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

9 **BORROWINGS**

	June 30, 2014	December 31, 2013
	(Rupees in '000)	
Secured		
Borrowings from SBP under:		
Export refinance scheme	12,040,692	17,584,707
Long term financing facility - locally manufactured and imported plant & machinery	6,593,827	5,464,963
Long term finance - export oriented projects	280,283	480,741
Refinance facility for modernization of SMEs	1,839	4,608
Financing facility for Storage of Agricultural Produce	6,115	9,169
Scheme for revival of SMEs and Agricultural activities in flood affected areas	3,900	9,170
Repurchase agreement borrowings	7,249,452	50,072,621
	26,176,108	73,625,979
Unsecured		
In Pakistan:		
Interbank call money borrowings	26,881,193	13,726,623
Outside Pakistan:		
Overdrawn nostro accounts	701,048	2,051,589
Borrowings of overseas branches	16,455,598	15,885,571
	17,156,646	17,937,160
	44,037,839	31,663,783
	70,213,947	105,289,762

10 **DEPOSITS AND OTHER ACCOUNTS**

	June 30, 2014	December 31, 2013
Customers		
Current accounts - non-remunerative	459,831,427	373,276,540
Savings chequing account	594,732,919	603,492,831
Fixed deposits	298,957,893	321,062,655
	1,353,522,239	1,297,832,026
Financial institutions		
Current accounts - non-remunerative	12,461,763	6,279,959
Savings chequing account	4,537,417	4,551,714
Fixed deposits	3,705,176	8,326,812
	20,704,356	19,158,485
	1,374,226,595	1,316,990,511

11 **SUB-ORDINATED LOAN**

This represents the balance of the loan from "International Finance Corporation" (IFC) amounting to US $ 50 million originated in 2007. The last instalment of US $ 12.5 million is due in December 2014. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtness of the Bank (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the SBP. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

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

	June 30, 2014 Balance outstanding	June 30, 2014 Maximum total amount of advances including temporary advances outstanding **	June 30, 2014 Limit sanctioned during the period	December 31, 2013 Balance outstanding	December 31, 2013 Maximum total amount of advances including temporary advances outstanding **	December 31, 2013 Limit sanctioned during the year
	(Rupees in '000)					
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons:						
- in respect of directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	1,950,500	2,002,700	221,160	1,800,700	1,843,700	491,638
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	344,100	351,200	36,850	360,200	382,200	36,440
Debts due by companies or firms in which the directors of the Bank / Parent are interested as directors, partners, advisors or in the case of private companies as members	1,440,491	1,840,441	-	1,033,786	2,553,045	673,786
Debts due by Subsidiary company	19,921	33,387	-	48,416	48,416	-

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

* (These represent staff loans given by the Bank to its executives as per their terms of employment).
** (Maximum amount has been arrived at by reference to month end balance).

8 **FIXED ASSETS**

	June 30, 2014	December 31, 2013
	(Rupees in '000)	
Capital work-in-progress	1,176,854	884,039
Intangible assets	864,097	744,783
Tangible fixed assets	22,165,482	21,349,187
	24,206,433	22,978,009

8.1 **Additions to fixed assets**

The following additions have been made to tangible and intangible fixed assets during the period:

	For the six months ended June 30, 2014	For the six months ended June 30, 2013
	(Rupees in '000)	
Capital work-in-progress	1,494,487	833,397
Intangible assets	319,390	474,097
Tangible fixed assets		
Land	-	191,153
Building	146,679	443,843
Machinery	63,291	-
Furniture, fixtures and office equipments	1,288,382	688,337
Leasehold Improvements	237,536	221,708
Vehicles	36,062	55,056
	3,585,827	2,907,591

8.2 **Disposal of fixed assets**

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

	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Tangible fixed assets		
Land	8,000	-
Building	55,221	-
Furniture, fixtures and office equipments	574,626	156,245
Leasehold Improvements	257	3,374
Vehicles	14,272	21,044
	652,376	180,663

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2014

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	Share capital	Exchange translation reserve	Statutory reserves: Joint venture and subsidiaries	Statutory reserves: Bank	Revenue reserves: General	Revenue reserves: Unappropriated profit	Subtotal	Non-controlling interest	Total
	Attributable to shareholders of the Bank – Reserves								
	(Rupees in '000)								
Balance as at December 31, 2012	12,122,748	14,911,820	353,007	18,040,715	6,073,812	67,215,111	118,717,213	1,227,207	119,944,420
Total comprehensive income for the period									
Profit for the six months ended June 30, 2013	-	-	-	-	-	10,477,395	10,477,395	43,104	10,520,499
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(100,632)	(100,632)	-	(100,632)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(788,110)	-	-	-	-	(788,110)	(33,693)	(821,803)
	-	(788,110)	-	-	-	10,376,763	9,588,653	9,411	9,598,064
Transactions with owners, recorded directly in equity									
Final cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	-	(4,849,099)	(4,849,099)	-	(4,849,099)
Issued as bonus shares	1,212,275	-	-	-	-	(1,212,275)	-	-	-
	1,212,275	-	-	-	-	(6,061,374)	(4,849,099)	-	(4,849,099)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	29,793	29,793	-	29,793
Transferred to statutory reserves	-	-	14,068	943,596	-	(957,664)	-	-	-
Non-controlling interest acquired in HAIB during the period	-	-	-	-	-	-	-	632,572	632,572
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	(7,582)	(7,582)
Balance as at June 30, 2013	13,335,023	14,123,710	367,075	18,984,311	6,073,812	70,602,629	123,486,560	1,861,608	125,348,168
Total comprehensive income for the period									
Profit for the six months ended December 31, 2013	-	-	-	-	-	12,625,352	12,625,352	(118,756)	12,506,596
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(138,992)	(138,992)	-	(138,992)
- Other comprehensive income									
Effect of actuarial gain and losses	-	-	-	-	-	(103,025)	(103,025)	-	(103,025)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	2,734,296	-	-	-	-	2,734,296	191,823	2,926,119
	-	2,734,296	-	-	-	12,383,335	15,117,631	73,067	15,190,698
Transactions with owners, recorded directly in equity									
1st interim cash dividend paid at Rs. 4 per share	-	-	-	-	-	(5,334,009)	(5,334,009)	-	(5,334,009)
2nd interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	(2,667,005)	(2,667,005)	-	(2,667,005)
Cash dividend at Rs. 1.475 per certificate by modaraba	-	-	-	-	-	-	-	(52,713)	(52,713)
	-	-	-	-	-	(8,001,014)	(8,001,014)	(52,713)	(8,053,727)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	31,134	31,134	-	31,134
Transferred to statutory reserves	-	-	19,716	1,247,453	-	(1,267,169)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	4,154	4,154
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
Total comprehensive income for the period									
Profit for the six months ended June 30, 2014	-	-	-	-	-	14,637,815	14,637,815	(48,603)	14,589,212
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	(151,298)	(151,298)	-	(151,298)
- Other comprehensive income									
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(2,445,242)	-	-	-	-	(2,445,242)	(17,405)	(2,462,647)
	-	(2,445,242)	-	-	-	14,486,517	12,041,275	(66,008)	11,975,267
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)
Interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	(2,933,705)	(2,933,705)	-	(2,933,705)
Issued as bonus shares	1,333,502	-	-	-	-	(1,333,502)	-	-	-
	1,333,502	-	-	-	-	(6,934,212)	(5,600,710)	-	(5,600,710)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	63,377	63,377	-	63,377
Transferred to statutory reserves	-	-	26,032	1,354,219	-	(1,380,251)	-	-	-
Derecognition of equity due to voluntary winding up of modaraba	-	-	(7,561)	-	-	(30,247)	(37,808)	(620,768)	(658,576)
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	493	493
Balance as at June 30, 2014	14,668,525	14,412,764	405,262	21,585,983	6,073,812	79,954,099	137,100,445	1,199,833	138,300,278

The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2014

	June 30, 2014	June 30, 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,145,625	15,868,864
Dividend income and share of profit of associates and joint venture	(1,814,221)	(1,127,240)
Gain on sale of securities	(1,373,331)	(837,818)
	(3,187,552)	(1,965,058)
	18,958,073	13,903,806
Adjustment for:		
Depreciation	902,020	728,454
Amortisation	200,460	123,824
Reversal against diminution in the value of investments	(168,725)	(52,138)
Provision against advances	396,884	1,221,408
Unrealised gain on held for trading securities	(14,544)	(71,144)
Exchange (gain) / loss on sub-ordinated loans / Goodwill - net	(90,318)	186,657
Gain on sale of operating fixed assets - net	(4,475)	(21,887)
Loss on sale of non-banking asset - net	-	1,523
Miscellaneous provisions	7,134	(116,297)
	1,228,436	2,000,400
	20,186,509	15,904,206
Decrease / (increase) in operating assets		
Lendings to financial institutions	(69,471,195)	11,858,176
Investments - held for trading	7,044,595	8,321,609
Advances	(13,651,967)	17,137,928
Other assets	(5,538,525)	2,649,674
	(81,617,092)	39,967,387
(Decrease) / increase in operating liabilities		
Bills payable	3,342,178	6,842,036
Borrowings	(32,227,441)	(30,382,703)
Deposits and other accounts	48,998,301	43,852,808
Other liabilities	894,752	(1,736,056)
	21,007,790	18,576,085
	(40,422,793)	74,447,678
Income tax paid - net	(8,800,510)	(8,970,011)
Net cash flows (used in) / from operating activities	(49,223,303)	65,477,667
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	70,728,272	(59,694,414)
Dividend income received	523,034	251,525
Fixed capital expenditure	(2,355,487)	(1,444,077)
Proceeds from sale of fixed assets	74,700	27,177
Proceeds from sale of non-banking asset	-	38,500
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(2,445,242)	(788,110)
Net cash flows from / (used in) investing activities	66,525,277	(61,609,399)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exchange adjustment on translation of non-controlling interest in subsidiary	(17,405)	(43,088)
Repayment of subordinated loan	(1,233,165)	(1,828,913)
Dividend paid	(5,572,390)	(4,824,923)
Net cash flows used in financing activities	(6,822,960)	(6,696,924)
Increase / (decrease) in cash and cash equivalents during the period	10,479,014	(2,828,656)
Cash and cash equivalents at beginning of the period	197,833,594	200,668,136
Effects of exchange rate changes on cash and cash equivalents	(5,015,138)	4,541,413
	192,818,456	205,209,549
Cash and cash equivalents at end of the period	203,297,470	202,380,893

The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Nauman K. Dar	Agha Sher Shah	Moez Ahamed Jamal	Sajid Zahid
President and Chief Executive Officer	Director	Director	Director

7.1 **Classification of non-performing loans is as follows:**

Category of classification	June 30, 2014								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	695,057	-	695,057	-	-	-	695,057	-	695,057
Substandard	6,655,141	1,045,212	7,700,353	1,641,535	279,717	1,921,252	5,013,606	765,495	5,779,101
Doubtful	1,896,757	812,103	2,708,860	926,870	344,486	1,271,356	969,887	467,617	1,437,504
Loss*	20,917,001	8,064,457	28,981,458	18,796,438	7,742,778	26,539,216	2,120,563	321,679	2,442,242
	30,163,956	9,921,772	40,085,728	21,364,843	8,366,981	29,731,824	8,799,113	1,554,791	10,353,904
General provision	-	-	-	1,012,250	1,191,976	2,204,226	-	-	-
	30,163,956	9,921,772	40,085,728	22,377,093	9,558,957	31,936,050	8,799,113	1,554,791	10,353,904

* This includes Government guaranteed non-performing loan amounting to Rs. 1,065.738 million.

Category of classification	December 31, 2013								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	760,673	-	760,673	-	-	-	760,673	-	760,673
Substandard	6,429,774	1,080,436	7,510,210	1,323,148	260,394	1,583,542	5,106,626	820,042	5,926,668
Doubtful	1,840,361	974,400	2,814,761	898,672	431,161	1,329,833	941,689	543,239	1,484,928
Loss	25,408,417	8,526,962	33,935,379	24,155,820	8,273,278	32,429,098	1,252,597	253,684	1,506,281
	34,439,225	10,581,798	45,021,023	26,377,640	8,964,833	35,342,473	8,061,585	1,616,965	9,678,550
General provision	-	-	-	952,974	906,729	1,859,703	-	-	-
	34,439,225	10,581,798	45,021,023	27,330,614	9,871,562	37,202,176	8,061,585	1,616,965	9,678,550

7.2 **Particulars of provision against advances**

	June 30, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	35,342,473	1,859,703	37,202,176	39,605,305	2,085,855	41,691,160
Exchange adjustment / other movement	(387,658)	(58,425)	(446,083)	630,301	16,246	646,547
Charge for the period / year	2,054,560	428,408	2,482,968	5,251,915	641,395	5,893,310
Reversals	(1,825,343)	(25,460)	(1,850,803)	(2,861,250)	(883,793)	(3,745,043)
Net charge against advances	229,217	402,948	632,165	2,390,665	(242,398)	2,148,267
Write off	(927,837)	-	(927,837)	(412,583)	-	(412,583)
Transfer to / from special category	(3,807,693)	-	(3,807,693)	(5,729,343)	-	(5,729,343)
Write off in special category	(165,635)	-	(165,635)	(227,793)	-	(227,793)
Reversal in special category	(551,043)	-	(551,043)	(914,079)	-	(914,079)
Net movement in separate category	(4,524,371)	-	(4,524,371)	(6,871,215)	-	(6,871,215)
Closing balance	29,731,824	2,204,226	31,936,050	35,342,473	1,859,703	37,202,176

7.3 In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the State Bank of Pakistan (SBP), the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at June 30, 2014 would have been higher and profit before tax would have been lower by Rs. 950.30 million. Increase in retained earnings net of tax amounting to Rs. 617.70 million would not be available for the distribution of cash and stock dividend to shareholders.

7.4 Exposure amounting to Rs. 8.576 billion relating to Pakistan International Airlines, which is guaranteed by the Government of Pakistan, has not been classified as non performing, in accordance with a relaxation given by SBP. However, markup income has been suspended on this amount and is not reflected in these condensed interim unconsolidated financial statements.

6.2 **Particulars of provision held against diminution in value of investments**

The analysis of total provision held is as follows:

	June 30, 2014	December 31, 2013
	(Rupees in '000)	
Opening balance	1,265,379	1,473,880
Charge for the period / year	1,518	4,772
Reversals	(63,060)	(74,480)
Impairment charge on listed securities	38,610	55,171
Impairment reversal on listed securities	(110,949)	(198,093)
Total reversals - net	(133,881)	(212,630)
Write offs	(207,937)	-
Other movement	-	4,129
Closing balance	923,561	1,265,379

6.3 The Bank has made further investment in Jubilee General Insurance Company Limited during the period, consequently, shareholding has increased to 17.84% as at June 30, 2014 (December 31, 2013: 17.20%).

7 ADVANCES

	Note	June 30, 2014	December 31, 2013
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		400,327,940	405,396,451
Outside Pakistan		91,490,937	92,650,654
		491,818,877	498,047,105
Net investment in finance lease - in Pakistan		5,713,295	5,496,069
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		9,815,283	11,191,546
Payable outside Pakistan		61,808,827	46,326,442
		71,624,110	57,517,988
Provision against advances	7.2	(31,936,050)	(37,202,176)
		537,220,232	523,858,986

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2014

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 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 given in its consolidated financial statements for the year ended December 31, 2013 except for the voluntary winding up of First Habib Bank Modaraba (FHBM) as explained in note 6.2 of these condensed interim consolidated financial statements.

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. The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all the disclosures required for annual financial statements, and these condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013.

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, 2013.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2013.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by Group are consistent with that disclosed in the consolidated financial statements for the year ended December 31, 2013.

6. INVESTMENTS

Investments by type

	Note	June 30, 2014 Held by Group	June 30, 2014 Given as collateral	June 30, 2014 Total	December 31, 2013 Held by Group	December 31, 2013 Given as collateral	December 31, 2013 Total
		(Rupees in '000)					
Held-for-trading (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		13,081,844	-	13,081,844	11,942,763	-	11,942,763
- Market Treasury Bills		14,643,652	-	14,643,652	23,209,005	-	23,209,005
Fully paid-up ordinary shares							
- Listed companies		34,631	-	34,631	5,878	-	5,878
Overseas Government Securities		781,300	-	781,300	300,135	-	300,135
Investments of Mutual Funds		-	-	-	128,241	-	128,241
		28,541,427	-	28,541,427	35,586,022	-	35,586,022
Held-to-Maturity Securities (HTM)	6.1						
Federal Government Securities							
- Pakistan Investment Bonds		71,527,716	-	71,527,716	36,957,274	-	36,957,274
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		692,688	-	692,688	738,666	-	738,666
Debentures and Corporate Debt Instruments / Units							
- Listed securities		12,850,341	-	12,850,341	15,981,315	-	15,981,315
- Unlisted securities		7,201,952	-	7,201,952	6,440,729	-	6,440,729
Overseas Government securities		21,506,823	-	21,506,823	20,237,949	-	20,237,949
		113,779,520	-	113,779,520	80,355,933	-	80,355,933
Available-for-Sale Securities (AFS)							
Federal Government Securities							
- Market Treasury Bills		386,886,267	297,879	387,184,146	533,321,012	48,151,773	581,472,785
- Pakistan Investment Bonds		139,768,714	-	139,768,714	50,570,687	-	50,570,687
- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	425,000
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		27,744,251	-	27,744,251	22,676,455	-	22,676,455
Overseas Government Securities		4,163,544	-	4,163,544	6,080,334	-	6,080,334
Fully paid-up ordinary shares							
- Listed companies		7,888,700	-	7,888,700	5,545,079	-	5,545,079
- Unlisted companies		719,904	-	719,904	772,840	-	772,840
Debentures and Corporate Debt Instruments / Units							
- Listed securities		13,981,408	7,302,667	21,284,075	22,942,991	2,163,371	25,106,362
- Unlisted securities	6.2	5,011,833	-	5,011,833	4,926,991	-	4,926,991
NIT Units		11,113	-	11,113	11,113	-	11,113
Preference shares		250,000	-	250,000	250,000	-	250,000
Investments of mutual funds		5,070,560	-	5,070,560	4,056,718	-	4,056,718
		591,921,294	7,600,546	599,521,840	651,579,220	50,315,144	701,894,364
Investment in Associates and Joint Venture		10,282,104	-	10,282,104	9,652,402	-	9,652,402
		744,524,345	7,600,546	752,124,891	777,173,577	50,315,144	827,488,721
Provision for diminution / impairment in the value of investments including associates	6.3	(1,144,335)	-	(1,144,335)	(1,532,339)	-	(1,532,339)
Net investment		743,380,010	7,600,546	750,980,556	775,641,238	50,315,144	825,956,382
Surplus / (deficit) on revaluation of held for trading securities	12.2	14,544	-	14,544	(12,815)	-	(12,815)
Surplus / (deficit) on revaluation of available for sale securities	12.2	636,979	55,031	692,010	98,900	(122,077)	(23,177)
Surplus on revaluation of investment of associates	12.2	152,518	-	152,518	141,918	-	141,918
Total investments at market value		744,184,051	7,655,577	751,839,628	775,869,241	50,193,067	826,062,308

6.1 The market value of securities classified as "held-to-maturity" as at June 30, 2014 amounted to Rs. 120,593.854 million (2013: Rs. 81,284.503 million).

6.2 The certificate holders of FHBM, in an Extraordinary General Meeting held on March 27, 2014 passed a resolution for the voluntary winding up of FHBM and appointed a liquidator. Consequently, the Bank has derecognised the assets and liabilities of the former subsidiary in the consolidated financial statements. The impact on net assets as at June 30, 2014 is Rs. 658.576 million. The investment of Habib Bank Financial Services Limited in FHBM units, amounting to Rs. 30 million, has been shown as available for sale investment.

6. INVESTMENTS

Investments by type

	Note	June 30, 2014 Held by bank	June 30, 2014 Given as collateral	June 30, 2014 Total	December 31, 2013 Held by bank	December 31, 2013 Given as collateral	December 31, 2013 Total
		(Rupees in '000)					
Held-for-trading (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		13,081,844	-	13,081,844	11,942,763	-	11,942,763
- Market Treasury Bills		14,643,652	-	14,643,652	23,209,005	-	23,209,005
Fully paid-up ordinary shares							
- Listed companies		34,631	-	34,631	5,878	-	5,878
Overseas Government Securities		781,300	-	781,300	300,135	-	300,135
		28,541,427	-	28,541,427	35,457,781	-	35,457,781
Held-to-Maturity Securities (HTM)	6.1						
Federal Government Securities							
- Pakistan Investment Bonds		71,427,760	-	71,427,760	36,857,744	-	36,857,744
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		692,688	-	692,688	738,666	-	738,666
Debentures and Corporate Debt Instruments / Units							
- Listed securities		2,688,315	-	2,688,315	2,329,538	-	2,329,538
- Unlisted securities		7,201,952	-	7,201,952	6,381,489	-	6,381,489
Overseas Government securities		13,248,018	-	13,248,018	14,161,147	-	14,161,147
		95,258,733	-	95,258,733	60,468,584	-	60,468,584
Available-for-Sale Securities (AFS)							
Federal Government Securities							
- Market Treasury Bills		386,886,267	297,879	387,184,146	533,321,012	48,151,773	581,472,785
- Pakistan Investment Bonds		139,768,714	-	139,768,714	50,570,687	-	50,570,687
- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	425,000
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		26,830,432	-	26,830,432	22,676,455	-	22,676,455
Overseas Government Securities		696,819	-	696,819	600,771	-	600,771
Fully paid-up ordinary shares							
- Listed companies		7,888,700	-	7,888,700	5,539,588	-	5,539,588
- Unlisted companies		715,467	-	715,467	768,100	-	768,100
Debentures and Corporate Debt Instruments / Units							
- Listed securities		6,745,438	7,302,667	14,048,105	13,747,597	2,163,371	15,910,968
- Unlisted securities		11,206,418	-	11,206,418	11,545,100	-	11,545,100
NIT Units		11,113	-	11,113	11,113	-	11,113
Preference shares		250,000	-	250,000	250,000	-	250,000
		581,424,368	7,600,546	589,024,914	639,455,423	50,315,144	689,770,567
Investment in Subsidiary Companies		6,617,229	-	6,617,229	6,617,229	-	6,617,229
Investment in Associates and Joint Venture		4,850,035	-	4,850,035	4,755,297	-	4,755,297
		716,691,792	7,600,546	724,292,338	746,754,314	50,315,144	797,069,458
Provision for diminution / impairment in the value of investments including associates	6.2	(923,561)	-	(923,561)	(1,265,379)	-	(1,265,379)
Net investment		715,768,231	7,600,546	723,368,777	745,488,935	50,315,144	795,804,079
Surplus /(deficit) on revaluation of held for trading securities		14,544	-	14,544	(32,608)	-	(32,608)
Surplus /(deficit) on revaluation of available for sale securities	12.2	(1,463)	55,031	53,568	(663,713)	(122,077)	(785,790)
Total investments at market value		715,781,312	7,655,577	723,436,889	744,792,614	50,193,067	794,985,681

6.1 The market value of securities classified as "held-to-maturity" as at June 30, 2014 amounted to Rs. 95,671.869 million (2013: Rs. 61.382,087 million).

Notes to the Condensed Interim Unconsolidated Financial Statement (Unaudited)

For the six months ended June 30, 2014

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking and asset management related services in Pakistan and overseas. The Bank's Registered office is at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad and Principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on all three stock exchanges in Pakistan.

2 STATEMENT OF COMPLIANCE

These condensed interim unconsolidated financial statements have been prepared in accordance with the framework as referred to in the annual unconsolidated financial statements. The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all the disclosures required for annual financial statements, and these condensed interim unconsolidated financial statements should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2013.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those followed in the preparation of the unconsolidated financial statements for the year ended December 31, 2013.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2013.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by Bank are consistent with that disclosed in the unconsolidated financial statements for the year ended December 31, 2013.

6.3 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

	June 30, 2014	December 31, 2013
	(Rupees in '000)	
Opening balance	1,532,339	1,755,518
Charge for the period / year	1,518	14,645
Reversals	(87,139)	(76,214)
Impairment charge on listed securities	38,610	55,171
Impairment reversal on listed securities	(121,714)	(218,908)
Total reversals - net	(168,725)	(225,306)
Derecognition of provision due to voluntary winding up of modaraba	(11,325)	-
Write offs	(207,954)	-
Other movement	-	2,127
Closing balance	1,144,335	1,532,339

6.4 These financial statements include results of following period of our associates and joint venture:

	Based on the financial information as on
Diamond Trust Bank Limited, Kenya	March 31, 2014
Himalayan Bank Limited, Nepal	March 31, 2014
Kyrgyz Investment and Credit Bank	June 30, 2014
Jubilee Life Insurance Co. Ltd.	March 31, 2014
Jubilee General Insurance Co. Ltd.	March 31, 2014
HBL Money Market Fund	June 30, 2014
HBL Islamic Stock Fund	June 30, 2014
HBL Islamic Money Market Fund	June 30, 2014
HBL Pension Equity Sub Fund	June 30, 2014
HBL Pension Debt Sub Fund	June 30, 2014
HBL Pension Money Market Sub Fund	June 30, 2014
HBL Islamic Pension Equity Sub Fund	June 30, 2014
HBL Islamic Pension Debt Sub Fund	June 30, 2014
HBL Islamic Pension Money Market Sub Fund	June 30, 2014

6.5 The Group has made further investment in Jubilee General Insurance Company Limited during the period, consequently, shareholding has increased to 17.84% as at June 30, 2014 (December 31, 2013: 17.20%).

7 ADVANCES

	Note	June 30, 2014	December 31, 2013
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		400,327,940	406,203,223
Outside Pakistan		124,590,812	128,264,928
		524,918,752	534,468,151
Net investment in finance lease - in Pakistan		5,713,295	5,496,069
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		9,815,283	11,191,546
Payable outside Pakistan		73,602,473	54,915,098
		83,417,756	66,106,644
Provision against advances	7.2	(37,093,983)	(42,370,127)
		576,955,820	563,700,737

7.1 **Classification of non-performing loans is as follows:**

Category of classification	June 30, 2014								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	695,057	-	695,057	-	-	-	695,057	-	695,057
Substandard	6,655,141	1,045,212	7,700,353	1,641,535	279,717	1,921,252	5,013,606	765,495	5,779,101
Doubtful	1,896,757	812,103	2,708,860	926,870	344,486	1,271,356	969,887	467,617	1,437,504
Loss*	20,917,001	19,307,214	40,224,215	18,796,438	12,613,006	31,409,444	2,120,563	6,694,208	8,814,771
	30,163,956	21,164,529	51,328,485	21,364,843	13,237,209	34,602,052	8,799,113	7,927,320	16,726,433
General provision	-	-	-	1,012,250	1,479,681	2,491,931	-	-	-
	30,163,956	21,164,529	51,328,485	22,377,093	14,716,890	37,093,983	8,799,113	7,927,320	16,726,433

* This includes Government guaranteed non-performing loan amounting to Rs. 1,065.738 million.

Category of classification	December 31, 2013								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	764,334	-	764,334	-	-	-	764,334	-	764,334
Substandard	6,429,774	1,080,436	7,510,210	1,323,148	260,394	1,583,542	5,106,626	820,042	5,926,668
Doubtful	1,844,431	974,400	2,818,831	900,550	431,161	1,331,711	943,881	543,239	1,487,120
Loss	25,535,645	18,887,145	44,422,790	24,274,924	13,029,567	37,304,491	1,260,721	5,857,578	7,118,299
	34,574,184	20,941,981	55,516,165	26,498,622	13,721,122	40,219,744	8,075,562	7,220,859	15,296,421
General provision	-	-	-	952,973	1,197,410	2,150,383	-	-	-
	34,574,184	20,941,981	55,516,165	27,451,595	14,918,532	42,370,127	8,075,562	7,220,859	15,296,421

7.2 **Particulars of provision against advances**

	June 30, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	40,219,744	2,150,383	42,370,127	43,734,511	2,235,695	45,970,206
Exchange adjustment / other movement	(589,481)	(61,400)	(650,881)	1,119,288	47,615	1,166,903
Charge for the period / year	2,370,322	428,408	2,798,730	5,714,234	750,866	6,465,100
Reversals	(1,825,343)	(25,460)	(1,850,803)	(3,064,490)	(883,793)	(3,948,283)
Net charge against advances	544,979	402,948	947,927	2,649,744	(132,927)	2,516,817
Write off	(927,837)	-	(927,837)	(412,584)	-	(412,584)
Derecognition of provision due to voluntary winding up of modaraba	(120,982)	-	(120,982)	-	-	-
Transfer to / from special category	(3,807,693)	-	(3,807,693)	(5,729,343)	-	(5,729,343)
Write off in special category	(165,635)	-	(165,635)	(227,793)	-	(227,793)
Reversal in special category	(551,043)	-	(551,043)	(914,079)	-	(914,079)
Net movement in separate category	(4,524,371)	-	(4,524,371)	(6,871,215)	-	(6,871,215)
Closing balance	34,602,052	2,491,931	37,093,983	40,219,744	2,150,383	42,370,127

7.3 In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the State Bank of Pakistan (SBP), the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at June 30, 2014 would have been higher and profit before tax would have been lower by Rs. 950.30 million. Increase in retained earnings net of tax amounting to Rs. 617.70 million would not be available for the distribution of cash and stock dividend to shareholders.

7.4 Exposure amounting to Rs. 8.576 billion relating to Pakistan International Airlines, which is guaranteed by the Government of Pakistan, has not been classified as non performing, in accordance with a relaxation given by SBP. However, markup income has been suspended on this amount and is not reflected in these condensed interim consolidated financial statements.

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2014

	June 30, 2014	June 30, 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,817,347	14,622,300
Dividend income	(623,512)	(385,667)
Gain on sale of securities	(778,304)	(545,896)
	(1,401,816)	(931,563)
	19,415,531	13,690,737
Adjustment for:		
Depreciation	861,435	690,340
Amortisation	200,076	123,202
Reversal against diminution in the value of investments	(133,881)	(40,627)
Provision against advances	81,122	1,346,671
Unrealised gain on held for trading securities	(14,544)	(671)
Exchange (gain) / loss on sub-ordinated loans	(164,892)	125,490
Gain on sale of operating fixed assets - net	(7,911)	(18,688)
Loss on sale of non-banking asset - net	-	1,523
Miscellaneous provisions	7,134	(116,297)
	828,539	2,110,943
	20,244,070	15,801,680
Decrease / (increase) in operating assets		
Lendings to financial institutions	(69,471,195)	11,858,176
Investments - held for trading	6,916,354	7,608,866
Advances	(13,442,368)	17,570,446
Other assets	(4,612,634)	2,704,916
	(80,609,843)	39,742,404
(Decrease) / increase in operating liabilities		
Bills payable	3,350,950	6,880,481
Borrowings	(35,075,815)	(30,483,385)
Deposits and other accounts	57,236,084	39,697,356
Other liabilities	(823,808)	(2,883,929)
	24,687,411	13,210,523
	(35,678,362)	68,754,607
Income tax paid - net	(8,477,989)	(8,727,923)
Net cash flows (used in) / from operating activities	(44,156,351)	60,026,684
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	66,398,525	(50,213,083)
Dividend income received	566,356	403,361
Fixed capital expenditure	(2,352,088)	(1,359,863)
Proceeds from sale of fixed assets	70,064	23,360
Proceeds from sale of non-banking asset	-	38,500
Exchange adjustment on translation of balances in foreign branches	(1,757,388)	(601,763)
Net cash flows from / (used in) investing activities	62,925,469	(51,709,488)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	(1,233,165)	(1,245,744)
Dividend paid	(5,552,809)	(4,822,646)
Net cash flows used in financing activities	(6,785,974)	(6,068,390)
Increase in cash and cash equivalents during the period	11,983,144	2,248,806
Cash and cash equivalents at beginning of the period	168,407,060	170,321,005
Effects of exchange rate changes on cash and cash equivalents	(3,664,257)	5,910,954
	164,742,803	176,231,959
Cash and cash equivalents at end of the period	176,725,947	178,480,765

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Nauman K. Dar	Agha Sher Shah	Moez Ahamed Jamal	Sajid Zahid
President and Chief Executive Officer	Director	Director	Director

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2014

	Share capital	Reserves: Exchange translation reserve	Reserves: Statutory	Revenue reserves: General	Revenue reserves: Unappropriated profit	Total
	(Rupees in '000)					
Balance as at December 31, 2012	12,122,748	12,222,970	18,040,715	6,073,812	61,820,458	110,280,703
Total comprehensive income for the period						
Profit for the six months ended June 30, 2013	-	-	-	-	9,435,962	9,435,962
- Other comprehensive income						
Effect of translation of net investment in foreign branches	-	(601,763)	-	-	-	(601,763)
	-	(601,763)	-	-	9,435,962	8,834,199
Transactions with owners, recorded directly in equity						
Final cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	(4,849,099)	(4,849,099)
Issued as bonus shares	1,212,275	-	-	-	(1,212,275)	-
	1,212,275	-	-	-	(6,061,374)	(4,849,099)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	29,793	29,793
Transferred to statutory reserve	-	-	943,596	-	(943,596)	-
Balance as at June 30, 2013	13,335,023	11,621,207	18,984,311	6,073,812	64,281,243	114,295,596
Total comprehensive income for the period						
Profit for the six months ended December 31, 2013	-	-	-	-	12,474,528	12,474,528
- Other comprehensive income						
Effect of actuarial gain and losses	-	-	-	-	(103,025)	(103,025)
Effect of translation of net investment in foreign branches	-	1,569,988	-	-	-	1,569,988
	-	1,569,988	-	-	12,371,503	13,941,491
Transactions with owners, recorded directly in equity						
1st interim cash dividend paid at Rs. 4 per share	-	-	-	-	(5,334,009)	(5,334,009)
2nd interim cash dividend paid at Rs. 2 per share	-	-	-	-	(2,667,005)	(2,667,005)
	-	-	-	-	(8,001,014)	(8,001,014)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	31,299	31,299
Transferred to statutory reserve	-	-	1,247,453	-	(1,247,453)	-
Balance as at December 31, 2013	13,335,023	13,191,195	20,231,764	6,073,812	67,435,578	120,267,372
Total comprehensive income for the period						
Profit for the six months ended June 30, 2014	-	-	-	-	13,542,185	13,542,185
- Other comprehensive income						
Effect of translation of net investment in foreign branches	-	(1,757,388)	-	-	-	(1,757,388)
	-	(1,757,388)	-	-	13,542,185	11,784,797
Transactions with owners, recorded directly in equity						
Final cash dividend paid at Rs. 2 per share for the year ended December 31, 2013	-	-	-	-	(2,667,005)	(2,667,005)
Interim cash dividend paid at Rs. 2 per share	-	-	-	-	(2,933,705)	(2,933,705)
Issued as bonus shares	1,333,502	-	-	-	(1,333,502)	-
	1,333,502	-	-	-	(6,934,212)	(5,600,710)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	63,453	63,453
Transferred to statutory reserve	-	-	1,354,219	-	(1,354,219)	-
Balance as at June 30, 2014	14,668,525	11,433,807	21,585,983	6,073,812	72,752,785	126,514,912

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Nauman K. Dar	Agha Sher Shah	Moez Ahamed Jamal	Sajid Zahid
President and Chief Executive Officer	Director	Director	Director

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

	June 30, 2014: Balance outstanding	June 30, 2014: Maximum total amount of advances including temporary advances outstanding **	June 30, 2014: Limit sanctioned during the period	December 31, 2013: Balance outstanding	December 31, 2013: Maximum total amount of advances including temporary advances outstanding **	December 31, 2013: 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)	1,950,500	2,002,700	221,160	1,800,700	1,843,700	491,638
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	664,280	671,380	36,850	686,173	724,785	36,440
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	1,440,491	1,840,441	1,333,008	1,033,786	2,553,045	673,786

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 Group to its executives as per their terms of employment).
** (Maximum amount has been arrived at by reference to month end balance).

8 **FIXED ASSETS**

	Note	June 30, 2014	December 31, 2013
		(Rupees in '000)	
Capital work-in-progress		1,177,245	885,436
Intangible assets			
- Goodwill	8.3	2,075,315	2,149,889
- Computer software		866,366	746,703
Tangible fixed assets		22,695,597	21,924,287
		26,814,523	25,706,315

8.1 **Additions to fixed assets**

The following additions have been made to tangible and intangible fixed assets during the period:

	For the six months ended June 30, 2014	For the six months ended June 30, 2013
	(Rupees in '000)	
Capital work-in-progress	1,494,487	833,397
Intangible assets	320,121	474,097
Tangible fixed assets		
Land	-	191,153
Building	149,304	513,109
Machinery	63,291	-
Furniture, fixtures and office equipments	1,313,397	715,657
Leasehold Improvements	237,536	221,708
Vehicles	36,062	57,425
	3,614,198	3,006,546

8.2 **Disposal of fixed assets**

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

	June 30, 2014	June 30, 2013
Tangible fixed assets		
Land	8,000	-
Building	55,221	-
Furniture, fixtures and office equipments	599,663	157,160
Leasehold Improvements	257	3,374
Vehicles	14,272	21,689
	677,413	182,223

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

9 BORROWINGS

	June 30, 2014	December 31, 2013
	(Rupees in '000)	
Secured		
Borrowings from SBP under:		
Export refinance scheme	12,040,692	17,584,707
Long term financing facility - locally manufactured and imported plant & machinery	6,593,827	5,464,963
Long term finance - export oriented projects	280,283	480,741
Refinance facility for modernization of SMEs	1,839	4,608
Financing facility for Storage of Agricultural Produce	6,115	9,169
Scheme for revival of SMEs and Agricultural activities in flood affected areas	3,900	9,170
Repurchase agreement borrowings	7,249,452	50,072,621
	26,176,108	73,625,979
Unsecured		
In Pakistan:		
Interbank call money borrowings	26,881,193	13,726,623
Outside Pakistan:		
Overdrawn nostro accounts	573,088	1,203,173
Borrowings of overseas branches and subsidiaries	22,006,594	19,308,649
	22,579,682	20,511,822
	49,460,875	34,238,445
	75,636,983	107,864,424

10 DEPOSITS AND OTHER ACCOUNTS

Customers		
Current accounts - non-remunerative	488,946,051	402,564,215
Savings chequing account	603,825,565	611,241,490
Fixed deposits	334,254,409	365,989,421
	1,427,026,025	1,379,795,126
Financial institutions		
Current accounts - non-remunerative	15,006,570	8,926,506
Savings chequing account	4,537,417	4,551,714
Fixed deposits	3,658,103	7,956,468
	23,202,090	21,434,688
	1,450,228,115	1,401,229,814

11 SUB-ORDINATED LOAN

This represents the balance of the loan from "International Finance Corporation" (IFC) amounting to US $ 50 million originated in 2007. The last instalment of US $ 12.5 million is due in December 2014. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtness of the Group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the SBP. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2014

	January 01 to June 30, 2014	January 01 to June 30, 2013	April 01 to June 30, 2014	April 01 to June 30, 2013
	(Rupees in '000)			
Profit for the period	13,542,185	9,435,962	8,064,227	4,858,869
Other comprehensive income				
Items to be reclassified to profit or loss in subsequent periods:				
Effect of translation of net investment in foreign branches	(1,757,388)	(601,763)	293,209	296,965
Comprehensive income transferred to equity	11,784,797	8,834,199	8,357,436	5,155,834
Components of comprehensive income not reflected in equity				
Items to be reclassified to profit or loss in subsequent periods:				
Surplus / (deficit) on revaluation of investments - net of tax	543,387	(264,938)	(1,200,780)	1,313,625
Items not to be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of fixed assets - net of tax	-	73,283	-	73,283
	12,328,184	8,642,544	7,156,656	6,542,742

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

= -81122 - (-185,392)
= 81122 + 185392
= 266514

Nauman K. Dar	Agha Sher Shah	Moez Ahamed Jamal	Sajid Zahid
President and Chief Executive Officer	Director	Director	Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2014

	Note	January 01 to June 30, 2014	January 01 to June 30, 2013	April 01 to June 30, 2014	April 01 to June 30, 2013
		-----(Rupees in '000)-----			
Mark-up / return / profit / interest earned	14	65,086,790	60,489,861	34,069,586	29,747,306
Mark-up / return / profit /interest expensed	15	33,901,424	34,960,946	17,002,450	17,015,566
Net mark-up / profit / interest income		31,185,366	25,528,915	17,067,136	12,731,740
Provision against advances	7.2	81,122	1,346,671	(185,392)	56,112
(Reversal)/charge against off-balance sheet obligations		(115,881)	27,585	(117,292)	(4,367)
Reversal against diminution in the value of investments	6.2	(133,881)	(40,627)	(11,865)	(33,397)
Bad debts written off directly		-	-	-	-
		(168,640)	1,333,629	(314,549)	18,348
Net mark-up / profit / interest income after provisions		31,354,006	24,195,286	17,381,685	12,713,392
Non mark-up / interest income					
Fee, commission and brokerage income		5,223,122	3,996,158	2,949,168	2,127,652
Dividend income		623,512	385,667	371,787	173,030
Income from dealing in foreign currencies		1,160,620	299,073	482,315	117,111
Gain on sale of securities		778,304	545,896	472,398	426,849
Unrealized gain on held for trading securities		14,544	671	8,045	17,609
Other income		1,258,160	998,830	701,444	433,209
Total non-mark-up / interest income		9,058,262	6,226,295	4,985,157	3,295,460
		40,412,268	30,421,581	22,366,842	16,008,852
Non mark-up / interest expense					
Administrative expenses		19,042,738	15,626,144	9,830,981	8,459,593
Other provisions / write offs - net		123,015	(143,882)	9,010	(20,796)
Other charges		1,244	16,509	1,137	777
Workers' welfare fund		427,924	300,510	252,295	152,086
Total non mark-up / interest expenses		19,594,921	15,799,281	10,093,423	8,591,660
Profit before taxation		20,817,347	14,622,300	12,273,419	7,417,192
Taxation					
current		6,267,108	4,679,090	3,947,099	2,259,421
prior		66,576	1,257	(83,684)	(117,530)
deferred		941,478	505,991	345,777	416,432
		7,275,162	5,186,338	4,209,192	2,558,323
Profit after taxation		13,542,185	9,435,962	8,064,227	4,858,869
		-----(Rupees)-----			
Basic and diluted earnings per share		9.23	6.43	5.50	3.31

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Nauman K. Dar	Agha Sher Shah	Moez Ahamed Jamal	Sajid Zahid
President and Chief Executive Officer	Director	Director	Director

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	Note	June 30, 2014	December 31, 2013
		(Rupees in '000)	
Surplus arising on revaluation of:			
- fixed assets	12.1	9,464,623	9,528,000
- investments	12.2	811,609	385,827
Surplus on revaluation of assets - net of deferred tax		10,276,232	9,913,827

12.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	10,419,565	10,514,994
Surplus realised on disposal of revalued properties during the period / year - net of deferred tax	(33,741)	(1,269)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(29,636)	(59,658)
Related deferred tax liability of incremental depreciation charged during the period / year	(15,972)	(32,154)
Related deferred tax liability on disposal of revalued properties	(16,962)	(2,348)
Surplus on revaluation of fixed assets as at period / year end	10,323,254	10,419,565
Less: related deferred tax liability on:		
- revaluation as at January 1	891,565	926,067
- surplus realised on disposal of revalued properties during the period / year	(16,962)	(2,348)
- incremental depreciation charged during the period / year transferred to profit and loss account	(15,972)	(32,154)
	858,631	891,565
	9,464,623	9,528,000

12.2 Surplus on revaluation of investments

Market Treasury Bills	(220,325)	(1,197,179)
Pakistan Investment Bonds	(1,091,208)	(492,676)
Government of Pakistan Sukuk and US Dollar / Euro Bonds	732,865	287,648
Listed Securities	1,065,687	1,258,245
NIT Units	29,576	22,288
Other Investments	175,415	98,497
	692,010	(23,177)
Surplus on revaluation of investment of associates	152,518	141,918
Related deferred tax (liability) / asset	(32,919)	267,086
	811,609	385,827

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:		
- Government	263,946	262,993
- Financial institutions	295,000	295,000
- Others	25,691,475	40,017,999
	26,250,421	40,575,992

		June 30, 2014	December 31, 2013
		(Rupees in '000)	
13.2	**Transaction-related contingent liabilities**		
	Guarantees in favour of:		
	- Government	415,900	550,968
	- Financial institutions	2,464,340	1,894,819
	- Others	49,253,848	39,344,089
		52,134,088	41,789,876
13.3	**Trade-related commitments**		
	Credit cash	54,470,933	60,418,378
	Credit documentary acceptances	17,008,021	17,855,293
	Credit acceptances	38,260,449	48,660,293
		109,739,403	126,933,964
13.4	**Other contingencies**		
	Claims against the Group not acknowledged as debts	35,467,479	33,826,739

13.5 **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.

		June 30, 2014	December 31, 2013
		(Rupees in '000)	
13.6	**Commitments in respect of forward foreign and local exchange contracts**		
	Purchase	126,644,172	261,889,315
	Sale	126,991,930	262,090,382

The above commitments have maturities falling within one year.

	Commitments in respect of foreign currency options		
	Purchase	333,735	649,846
	Sale	333,735	649,846
	Commitments in respect of cross currency swaps		
	Purchase	1,142,886	1,121,412
	Sale	1,094,023	1,105,785
	Commitments in respect of foreign and local currency interest rate swaps		
	Purchase	197,609	245,757
	Sale	401,776	490,757
13.7	**Commitments for acquisition of fixed assets / intangibles**	1,535,091	943,750

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2014

	Note	(Unaudited) June 30, 2014	(Audited) December 31, 2013
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		149,360,585	130,021,065
Balances with other banks		27,365,362	34,721,738
Lendings to financial institutions		104,742,672	35,271,477
Investments	6	723,436,889	794,985,681
Advances	7	537,220,232	523,858,986
Operating fixed assets	8	24,206,433	22,978,009
Deferred tax asset		4,312,854	5,550,304
Other assets		71,961,626	65,270,545
		1,642,606,653	1,612,657,805
LIABILITIES			
Bills payable		22,699,420	19,348,470
Borrowings	9	70,213,947	105,289,762
Deposits and other accounts	10	1,374,226,595	1,316,990,511
Sub-ordinated loan	11	1,235,058	2,633,115
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		38,215,153	39,106,941
		1,506,590,173	1,483,368,799
NET ASSETS		136,016,480	129,289,006
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	13,335,023
Reserves		39,093,602	39,496,771
Unappropriated profit		72,752,785	67,435,578
		126,514,912	120,267,372
Surplus on revaluation of assets - net of deferred tax	12	9,501,568	9,021,634
		136,016,480	129,289,006
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

132,652,743

Nauman K. Dar	Agha Sher Shah	Moez Ahamed Jamal	Sajid Zahid
President and Chief Executive Officer	Director	Director	Director

Auditors' Report

To the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Habib Bank Limited (the Bank) as at 30 June 2014 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarters ended 30 June 2014 and 30 June 2013 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been subject to the review and therefore, we do not express a conclusion thereon.

Ernst and Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement Partner: Omer Chughtai

Date: July 22, 2014
Karachi

13.8 **Taxation**

The income tax returns of the Bank have been submitted upto and including the Bank's financial year ended December 31, 2012. The tax authorities have also concluded the audit upto 2012 i.e. tax year 2013.

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

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 276.04 million.

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

	For the six months ended	
	June 30, 2014	June 30, 2013
	(Rupees in '000)	
On loans and advances to:		
- Customers	26,300,193	22,923,626
- Financial institutions	116,423	128,372
On investments:		
- Available-for-sale	32,842,195	33,654,447
- Held-for-trading	1,095,183	957,504
- Held-to-maturity	3,489,636	2,547,161
On deposits with financial institutions	775,336	558,620
On lendings to financial institutions	1,599,393	790,418
	66,218,359	61,560,148

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

Deposits	29,256,839	29,227,933
Securities sold under repurchase agreement borrowings	2,694,559	4,852,604
Other short term borrowings	2,037,795	1,001,264
Long term borrowings	265,026	236,533
	34,254,219	35,318,334

16 RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development (AKFED), S.A, Switzerland holds 51% shares of the Bank. The Group has related party relationship with its 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 the related parties are executed on arm's length basis i.e. substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other then those under terms of employment. 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 valuation / terms of the contribution plan.

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

	June 30, 2014				
		Individual and companies related through			
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)				
Statement of financial position					
Deposits	3,996,836	-	4,077,656	-	443,360
Maximium Deposits during the period	3,996,836	-	4,077,656	-	729,432
Borrowings	3,517,400	-	169,230	4,199,337	-
Investments	-	-	8,490,872	1,366,371	-
Markup / Other Receivable	-	-	250,546	-	-
Mark-up / Other Payable	-	-	-	-	779,202
Placements	981,523	-	-	197,721	-
Overdrawn Nostro	567,073	-	758,605	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	20,491	-	2,037,393	185,946	-
Interest / Other Expense	27,239	-	225,297	5,586	257,100
Others					
Other contingencies	651,485	-	-	-	-
Securities Held as custodian	7,462,285	200,000	28,770,850	-	7,472,135

	December 31, 2013				
		Individual and companies related through			
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)				
Statement of financial position					
Deposits	3,450,508	-	7,467,809	159,678	1,105,198
Maximium Deposits during the period	4,208,820	-	7,942,206	159,678	3,833,229
Borrowings	3,094,280	-	737,272	-	-
Investments	-	-	7,860,459	1,356,483	-
Markup / Other Receivable	-	-	272,262	-	-
Mark-up / Other Payable	-	-	-	-	338,135
Placements	1,412,680	-	736,717	-	-
Overdrawn Nostro	548,068	-	640,686	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	100,350	-	3,184,368	250,857	-
Interest / Other Expense	337,613	-	732,687	-	485,180
Others					
Other contingencies	436,646	-	-	-	-
Securities Held as custodian	8,761,370	485,000	25,888,500	-	14,454,615

16.1 Transaction with Government- related entities

The Federal Government (GOP) through State Bank of Pakistan (SBP) holds 40.6% shareholding in the Bank and therefore entities which are owned and / or controlled by the GOP, or where the GOP may exercise significant influence, are related parties of the Group.

The Group in the ordinary course of business enters into transactions with Government-related entities, which are all conducted at arm's length basis. Such transactions include Investments [Treasury Bills / Sukuks, Pakistan Investment Bonds (PIBs)], Borrowing / Deposits, Lendings and Balance with treasury bank. The outstanding amount as at June 30, 2014 amounting to Rs.654,504 million for investments (December 31, 2013: Rs. 726,558 million), borrowings / deposits amounting to Rs. 189,897 million (December 31, 2013: Rs. 246,509 million), advances amounting to Rs. 121,330 million (December 31, 2013: Rs. 115,558 million) and Balance with treasury bank amounting to Rs. 85,342 million (December 31, 2013: Rs. 70,314 million).

Rating

JCR VIS Credit Rating Agency of Pakistan has reaffirmed entity rating of the Bank to "AAA/A-1+" (Triple A / A-One Plus) with 'Stable' outlook.

Future Outlook

Despite continuing challenges, GoP's efforts to put the economy on track have started producing results as is apparent from improvement in foreign exchange reserves and decline in inflation. The GoP has managed to raise more than a billion dollars from issuance of next generation telecommunication licenses and raised two billion dollars from issuance of Pakistan Eurobonds. The improvement in overall economic outlook has been well appreciated by international community and is also reflected in Moody's rating.

Based on its balance sheet size, domestic leadership, presence "beyond borders" and product expertise, HBL is well positioned to positively contribute towards economic development of the country and capitalize on the untapped potential.

Appreciation and Acknowledgement

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

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

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
July 22, 2014

Director's Review

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

Economy

Moody's investor services have upgraded the outlook on Pakistan's foreign currency government bond rating to "Stable". This decision is primarily based on stabilization in the country's external liquidity position which is supported by the Government's (GoP) strong commitment to reforms under an ongoing program with the International Monetary Fund (IMF). The continued implementation of structural reforms under the program would ensure additional tranche disbursements, further buffering Pakistan's foreign reserves. During the period under review, improvement was witnessed in some key macroeconomic indicators. The foreign exchange reserves improved to US$ 14.6 billion as on July 04, 2014, resulting in appreciation in Pak Rupee of over 5% against US dollar during the period. The inflation as measured by CPI has come down to 8.2 % in June 2014 as against 9.2% in December 2013.

The State Bank of Pakistan (SBP) kept the discount rate unchanged at 10% during the period. The bullish tendency prevailed in the stock market as depicted by KSE 100 index which increased to 29,652 points as on June 30, 2014 up 17.4% as compared to December 31, 2013.

Performance

The Bank's focus on building its stable core deposit base is yielding good results and the CASA increased to 78% as on June 30, 2014 as against 75% in December 2013. The CASA deposits increased by Rs. 84 billion whereas high cost deposits reduced by Rs.27 billion. The total deposits are up by 4.3%. Advances increased by Rs. 13 billion.

The Bank has posted phenomenal growth of 43.5% in profit after tax for the period ended June 30, 2014 over corresponding period of June 30, 2013, contributed by both mark-up and non mark-up income. Net mark-up income increased by 22.2% to Rs. 31.2 billion as against Rs. 25.5 billion for corresponding period of last year. The increase in net mark-up income is attributable to change in deposit mix, volumetric growth and investment in long term bonds. The Bank continued its focus on non mark-up income which posted strong growth of 45.5% to Rs. 9.1 billion. The increase is in all areas including fee & commission and foreign exchange income. The pretax and after tax profit were at Rs. 20.8 billion and Rs. 13.5 billion respectively for the six months ended June 30, 2014 as against Rs. 14.6 billion and Rs. 9.4 billion respectively in the corresponding period last year resulting in increase of earnings per share to Rs. 9.23 as against Rs. 6.43 for corresponding period of last year.

Movement of Reserves

Movement of Reserves	Rs. in million
Unappropriated profit brought forward	67,436
Profit attributable to equity holders of the Bank	13,542
Transferred from surplus on revaluation of fixed assets – net of tax	63
Transfer to statutory reserves	(1,354)
Cash dividend	(5,601)
Issued as bonus shares	(1,333)
Unappropriated profit carried forward	72,753
Earnings per share rupees (Basic & Diluted)	9.23

Dividend

The Board has recommended second interim cash dividend of Rs. 2.25 per share for the year ending December 31, 2014. The effect of which is not reflected in the above appropriations.

16.2 **Key management personnel**

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

	For the six months ended June 30, 2014	June 30, 2013
	(Rupees in '000)	
Managerial remuneration (including allowances)	929,784	776,889
Contribution to provident and benevolent fund	14,318	12,177
Medical	29,184	23,865
	973,286	812,931
Number of persons	183	169

17 **SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

	For the six months ended June 30, 2014					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(17,314)	12,300	32,083	4,017	878	31,964
Inter segment revenue - net	35,711	(9,415)	(31,422)	-	5,126	-
Non-funded income	4,212	1,450	2,945	3,075	(363)	11,319
Net interest and non-markup income	22,609	4,335	3,606	7,092	5,641	43,283
Total expenses including provision (excluding impairment)	8,504	441	130	4,758	7,473	21,306
Impairment against investments	-	-	(80)	-	(89)	(169)
Inter segment administrative cost	4,440	888	128	489	(5,945)	-
Total expenses including provision	12,944	1,329	178	5,247	1,439	21,137
Profit before tax	9,665	3,006	3,428	1,845	4,202	22,146
Segment assets gross	150,798	356,081	812,220	351,724	109,571	1,780,394
Segment non-performing loans	4,368	21,348	-	21,165	4,447	51,328
Segment provision required including general provision	2,728	15,676	49	14,742	5,454	38,649
Segment liabilities including equity	1,008,412	174,407	34,209	255,759	268,958	1,741,745
Segment gross earnings on liability / asset %	9.97%	10.10%	9.73%	4.87%	6.00%	-
Segment cost of funds %	5.20%	7.73%	8.83%	1.09%	1.26%	-

	For the six months ended June 30, 2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(18,887)	11,816	30,505	2,975	(167)	26,242
Inter segment revenue - net	32,840	(9,395)	(28,319)	-	4,874	-
Non-funded income	3,425	1,233	1,508	2,401	(542)	8,025
Net interest and non-markup income	17,378	3,654	3,694	5,376	4,165	34,267
Total expenses including provision (excluding impairment)	7,883	1,378	100	4,090	4,998	18,449
Impairment against investments	-	-	(30)	-	(21)	(51)
Inter segment administrative cost	3,157	631	91	348	(4,227)	-
Total expenses including provision	11,040	2,009	161	4,438	750	18,398
Profit before tax	6,338	1,645	3,533	938	3,415	15,869
Segment assets gross	125,394	329,363	830,780	291,639	103,699	1,680,875
Segment non-performing loans	8,469	30,908	-	19,505	208	59,090
Segment provision required including general provision	8,021	25,635	279	13,290	1,394	48,619
Segment liabilities including equity	914,612	143,488	138,224	206,971	228,961	1,632,256
Segment gross earnings on liability / asset %	9.34%	9.64%	9.06%	4.54%	3.74%	-
Segment cost of funds %	5.58%	7.59%	8.16%	1.18%	0.96%	-

18 **ISLAMIC BANKING BUSINESS**

The Statement of the financial position of the Islamic Banking Business is disclosed in note no. 18 to the condensed interim unconsolidated financial statements for the period ended June 30, 2014.

19 **GENERAL**

19.1 The comparative figures have been re-arranged and reclassified for comparison purposes.

19.2 The amount corresponding to the policy given in note 4.5 to the consolidated financial statements for the year ended December 31, 2013, is Rs. 28.159 billion as at June 30, 2014 (December 31, 2013: Rs. 24.352 billion).

20 **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on July 22, 2014.

Nauman K. Dar	Agha Sher Shah	Moez Ahamed Jamal	Sajid Zahid
President and Chief Executive Officer	Director	Director	Director

CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS