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BANKING BEYOND BORDERS
QUARTERLY REPORT
SEPTEMBER 30, 2014

Contents

Corporate Information	2
Condensed Interim Consolidated Financial Statements (Unaudited)	3
Directors' Review	4
Condensed Interim Consolidated Statement of Financial Position	6
Condensed Interim Consolidated Profit & Loss Account	7
Condensed Interim Consolidated Statement of Comprehensive Income	8
Condensed Interim Consolidated Statement of Changes in Equity	9
Condensed Interim Consolidated Cash Flow Statement	10
Notes to the Condensed Interim Consolidated Financial Statements	11
Condensed Interim Unconsolidated Financial Statements (Unaudited)	23
Directors' Review	24
Condensed Interim Unconsolidated Statement of Financial Position	26
Condensed Interim Unconsolidated Profit & Loss Account	27
Condensed Interim Unconsolidated Statement of Comprehensive Income	28
Condensed Interim Unconsolidated Statement of Changes in Equity	29
Condensed Interim Unconsolidated Cash Flow Statement	30
Notes to the Condensed Interim Unconsolidated Financial Statements	31

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.hbllibank.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

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18 ISLAMIC BANKING BUSINESS

Financial figures of the Islamic Banking Business are as follows:

Note	September 30, 2014	December 31, 2013
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	3,042,362	1,811,029
Balances with other banks	35	2,000,035
Due from Financial Institution	20,110,720	17,200,000
Investments	28,454,567	21,826,042
Islamic financing and related assets	18.1 9,499,078	7,285,755
Due from Head Office	2,666,147	-
Other assets	762,849	1,123,239
	64,535,758	51,246,100
LIABILITIES		
Bills payable	1,116	785
Due to financial institutions	50,000	179,000
Deposit and other accounts		
- Current Accounts	11,850,847	4,892,912
- Saving Accounts	30,056,939	22,675,944
- Term Deposits	13,123,610	12,899,973
- Deposits from financial institutions - remunerative	6,471,596	7,455,690
- Deposits from financial institutions - non - remunerative	139,741	72,695
Deferred tax liabilities	82,089	46,754
Due to Head Office	-	1,343,997
Other liabilities	868,508	520,207
	62,644,446	50,087,957
NET ASSETS	1,891,312	1,158,143
REPRESENTED BY:		
Islamic Banking Fund	250,000	250,000
Reserves	821,313	459,537
Unappropriated profit	667,547	361,777
	1,738,860	1,071,314
Surplus on revaluation of assets - net of deferred tax	152,452	86,829
	1,891,312	1,158,143

The commitment in respect of financial guarantees and letters of credit of Islamic Banking business amounting to Rs. 86.035 million (2013: Rs. 66.970 million) and Rs. 18.925 million (2013: Rs. 409.383 million) respectively.

Note	September 30, 2014	December 31, 2013
	(Rupees in '000)	
18.1 Islamic financing and related assets		
Murabaha	18.1.1 31,993	641,727
Ijarah	18.1.2 310,654	197,388
Musharaka	4,637,418	3,881,438
Istisnah Financing	65,892	858,472
Advance for Murabaha	183,561	909,307
Advance for Ijarah	23,481	161,514
Istisnah	741,950	527,704
Advance Against Diminishing Musharaka	1,711,644	108,205
Asset / Inventories	1,792,485	-
	9,499,078	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. 27.457 billion as at September 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 October 24, 2014.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Nauman K. Dar
President and Chief Executive Officer

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Director's Review

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

Performance

The Bank remained focused on improving its core deposit mix and has been able to increase the ratio of CASA deposits to 77.2% as on September 30, 2014, a 4% improvement over the CASA ratio of 73.2% at year ended December 31, 2013. In absolute terms this represented a reduction in fixed deposits and bank borrowings of Rs. 93.7 billion, while a growth of Rs. 68 billion in CASA deposits helped to maintain the balance sheet size.

This improvement in the CASA ratio, coupled with a repositioning of some of the investment portfolio from short term to long term, and volumetric growth helped to propel the 22.4% growth in Net Interest Income. Net interest income increased to Rs. 49.5 billion for the nine months ended September 30, 2014 as against Rs. 40.4 billion during the same period last year. The non-mark up income increased by 29.9% to Rs. 16.7 billion for the nine months ended September 30, 2014, with healthy contributions from all segments of the bank. The post-tax profit of Rs.21.9 billion for the nine months ended September 30, 2014 represents a growth of 31.0%. This has resulted in an increase in earnings per share to Rs.14.85 for the nine months ended September 30, 2014 as against Rs. 11.30 for the nine months ended September 30, 2013.

Movement of Reserves

Rupees in million

Unappropriated profit brought forward	73,749
Profit attributable to equity holders of the Bank	21,787
Transferred from surplus on revaluation of fixed assets – net of tax	78
Transferred to statutory reserves	(2,088)
Cash dividend paid	(8,901)
Issued as bonus shares	(1,334)
Derecognition of equity due to voluntary winding up of modaraba	(30)
Unappropriated profit carried forward	83,261
Earnings per share rupees (Basic & Diluted)	14.85

Dividend

The Group has declared third interim cash dividend of Rs. 2.25 per share for the year ending December 31, 2014.

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

While Pakistan's economy continues to face challenges, compounded by political uncertainties and cross border tensions, the Government is committed to improve the economy through a program of reforms and investor incentives. In the near term, key initiatives include the Government's Privatization program, secondary offerings of Public Sector Enterprises, and the issuance of bonds/sukuks in the international markets. A continued focus on resolving the power sector issues and increased investment in power generation and transmission projects, especially by offshore investors, will also provide new opportunities in the near future.

16.2 Key management personnel

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

	For the nine months ended	
	September 30, 2014	September 30, 2013
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,151,600	921,584
Contribution to provident and benevolent fund	21,902	18,205
Medical	37,836	32,676
	1,211,338	972,465
Number of persons	166	151

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2014				
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services
	(Rupees in million)				
Net interest income - External	(26,569)	18,241	49,942	5,225	1,445
Inter segment revenue - net	54,630	(14,123)	(48,569)	-	8,062
Non-funded income	6,262	2,188	3,765	2,736	(1,488)
Net interest and non-markup income	34,323	6,306	5,138	7,961	8,019
Total expenses including provision (excluding impairment)	12,993	900	228	5,070	11,106
Impairment against investments	-	-	(66)	-	(42)
Inter segment administrative cost	6,621	1,324	191	729	(8,865)
Total expenses including provision	19,614	2,224	353	5,799	2,199
Profit before tax	14,709	4,082	4,785	2,162	5,820
Segment assets gross	123,089	355,975	797,302	241,180	124,479
Segment non-performing loans	3,242	19,477	-	10,105	7,842
Segment provision required including general provision	1,040	14,899	57	10,083	8,739
Segment liabilities including equity	977,523	159,137	27,264	177,367	265,916
Segment gross earnings on liability / asset %	10.02%	10.08%	9.72%	3.71%	5.43%
Segment cost of funds %	5.24%	7.79%	8.87%	0.92%	1.19%

	For the nine months ended September 30, 2013				
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services
	(Rupees in million)				
Net interest income - External	(27,471)	17,918	45,152	3,975	(296)
Inter segment revenue - net	48,616	(13,572)	(42,269)	-	7,225
Non-funded income	5,103	1,888	3,569	2,047	(2,293)
Net interest and non-markup income	26,248	6,234	6,452	6,022	4,636
Total expenses including provision (excluding impairment)	11,916	1,395	79	4,663	7,972
Impairment against investments	-	-	(114)	-	(6)
Inter segment administrative cost	5,421	1,084	156	597	(7,258)
Total expenses including provision	17,337	2,479	121	5,260	708
Profit before tax	8,911	3,755	6,331	762	3,928
Segment assets gross	129,056	333,302	716,667	235,106	61,735
Segment non-performing loans	8,836	30,858	-	10,878	72
Segment provision required including general provision	8,112	25,352	185	9,533	1,022
Segment liabilities including equity	919,115	130,886	28,592	131,974	221,095
Segment gross earnings on liability / asset %	9.29%	9.89%	9.22%	5.36%	2.71%
Segment cost of funds %	5.45%	7.52%	8.14%	1.60%	0.96%

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 than 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:

	September 30, 2014				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)				
Statement of financial position					
Deposits	3,173,883	207,194	2,065,411	-	397,693
Maximum Deposits During the period	3,173,883	441,585	3,936,712	-	729,432
Borrowings	2,890,903	455,134	-	3,507,689	-
Investments	-	13,348,083	5,355,483	-	-
Markup / Other Receivable	-	-	123,497	-	-
Mark-up / Other Payable	-	-	-	-	878,758
Placements	307,101	4,683,714	-	-	-
Overdrawn Nostro	-	-	820,792	-	-
Impairment provision	-	-	577,384	-	-
Profit and Loss Account					
Interest / Other Income	50,151	158,787	1,314,765	-	-
Interest / Other Expense	30,814	-	476,033	7,890	386,469
Dividend income	-	-	267,518	54,885	-
Others					
Other contingencies	684,506	-	-	-	-
Securities Held as custodian	10,951,250	-	31,508,900	-	7,899,320

	December 31, 2013				
	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
Maximum Deposits During the period	4,208,820	902,439	7,737,354	149,228	3,833,229
Borrowings	2,514,137	329,127	737,272	-	-
Investments	-	13,116,177	4,748,101	-	-
Markup / Other Receivable	-	-	271,401	-	-
Mark-up / Other Payable	-	-	-	-	338,135
Placements	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) holds 41.5% out of which 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 / Sukus, Pakistan Investment Bonds (PIBs)], Borrowing / Deposits, Lendings and Balance with treasury bank. The outstanding amount as at September 30, 2014 amounting to Rs. 737,815 million for investments (December 31, 2013: Rs. 726,460 million), borrowings / deposits amounting to Rs. 174,376 million (December 31, 2013: Rs. 246,509 million), advances amounting to Rs. 101,369 million (December 31, 2013: Rs. 115,558 million) and Balance with treasury bank amounting to Rs. 43,437 million (December 31, 2013: Rs. 70,314 million).

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 Government of Pakistan and in particular the Ministry of Finance and State Bank of Pakistan for developing and strengthening the banking and financial service industry through improved regulatory and governance framework.

On behalf of the Board and the Management, I would also like to take this opportunity to thank our customers and 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
October 24, 2014

Condensed Interim Consolidated Statement of Financial Position

As at September 30, 2014

	Note	(Unaudited) September 30, 2014 (Rupees in '000)	(Audited) December 31, 2013 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks		117,041,333	135,476,687
Balances with other banks		40,560,566	57,341,769
Lendings to financial institutions		27,094,725	35,271,477
Investments	6	843,118,536	826,062,308
Advances	7	580,714,247	563,700,737
Operating fixed assets	8	27,166,919	25,706,315
Deferred tax asset		3,811,732	5,103,072
Other assets		66,052,845	66,609,013
		<u>1,705,560,903</u>	<u>1,715,271,378</u>
LIABILITIES			
Bills payable		20,038,486	19,422,316
Borrowings	9	64,374,898	107,864,424
Deposits and other accounts	10	1,419,155,253	1,401,229,814
Sub-ordinated loan	11	1,282,926	2,633,115
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		47,364,626	41,687,455
		<u>1,552,216,189</u>	<u>1,572,837,124</u>
		<u>153,344,714</u>	<u>142,434,254</u>
NET ASSETS			
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	13,335,023
Reserves		44,456,266	43,550,373
Unappropriated profit		83,260,745	73,748,915
Total equity attributable to the equity holders of the Bank		142,385,536	130,634,311
Non-controlling interest		1,212,157	1,886,116
Surplus on revaluation of assets - net of deferred tax	12	9,747,021	9,913,827
		<u>153,344,714</u>	<u>142,434,254</u>
CONTINGENCIES AND COMMITMENTS			
	13		

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

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. 72.175 million.

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the nine months ended	
	September 30, 2014	September 30, 2013
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	38,704,602	33,892,511
- Financial institutions	119,779	174,469
<i>On investments:</i>		
- Available-for-sale	48,305,860	48,621,287
- Held-for-trading	2,135,242	1,205,292
- Held-to-maturity	5,913,232	3,656,107
On deposits with financial institutions	870,993	725,508
On lendings to financial institutions	3,429,037	1,126,533
	<u>99,478,745</u>	<u>89,401,707</u>

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

Deposits	44,457,431	42,434,808
Securities sold under repurchase agreement borrowings	3,047,790	5,894,156
Other short term borrowings	3,287,939	1,437,714
Long term borrowings	401,380	356,883
	<u>51,194,540</u>	<u>50,123,561</u>

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the nine months ended September 30, 2014

	September 30, 2014 (Rupees in '000)	December 31, 2013 (Rupees in '000)
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	410,000	550,968
- Financial institutions	2,414,290	1,894,819
- Others	52,997,211	39,154,598
	<u>55,821,501</u>	<u>41,600,385</u>
13.3 Trade-related commitments		
Credit cash	79,431,027	60,038,619
Credit documentary acceptances	21,370,781	17,800,947
Credit acceptances	38,698,567	46,375,108
	<u>139,500,375</u>	<u>124,214,674</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>37,211,555</u>	<u>33,824,701</u>
13.5 Commitments in respect of forward lending		
The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	September 30, 2014 (Rupees in '000)	December 31, 2013 (Rupees in '000)
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	96,459,902	247,342,208
Sale	96,758,287	247,527,601
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	744,567	649,846
Sale	744,567	649,846
Commitments in respect of cross currency swaps		
Purchase	1,145,152	1,121,412
Sale	1,113,171	1,105,785
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	205,268	245,757
Sale	368,602	490,757
13.7 Commitments for acquisition of fixed assets / intangibles	1,139,230	943,750

Note	January 01 to September 30, 2014	January 01 to September 30, 2013	July 01 to September 30, 2014	July 01 to September 30, 2013
	(Rupees in '000)			
Mark-up / return / profit / interest earned	14	101,237,260	91,111,239	35,018,901
Mark-up / return / profit / interest expensed	15	51,749,111	50,694,753	17,494,892
Net mark-up / profit / interest income		49,488,149	40,416,486	17,524,009
Provision against advances	7.2	1,327,367	1,172,318	930,483
(Reversal) / charge against off-balance sheet obligations		(137,474)	33,203	(21,593)
(Reversal) / charge against diminution in the value of investments	6.4	(139,873)	(146,415)	28,852
Bad debts written off directly		-	-	-
		1,050,020	1,059,106	937,742
Net mark-up / profit / interest income after provisions		48,438,129	39,357,380	16,586,267
Non mark-up / interest income				
Fee, commission and brokerage income		8,285,256	6,527,577	2,862,752
Dividend income		700,946	595,420	154,525
Share of profit of associates and joint venture		1,906,506	1,177,272	638,706
Income from dealing in foreign currencies		1,973,791	1,290,959	658,415
Gain on sale of securities		1,465,867	1,588,076	92,536
Unrealized loss on held for trading securities		(9,148)	(14,135)	(23,692)
Other income		2,373,346	1,688,666	994,671
Total non-mark-up / interest income		16,696,564	12,853,835	5,377,913
		65,134,693	52,211,215	21,964,180
Non mark-up / interest expense				
Administrative expenses		31,002,759	26,751,787	10,556,183
Other provisions / write offs - net		196,206	(126,181)	73,191
Other charges		2,466	17,079	1,222
Workers' welfare fund		671,924	502,353	217,871
Total non mark-up / interest expenses		31,873,355	27,145,038	10,848,467
Profit before taxation		33,261,338	25,066,177	11,115,713
Taxation				
current		10,028,435	7,494,039	3,526,147
prior		66,576	(14,157)	-
deferred		1,270,579	868,618	283,030
		11,365,590	8,348,500	3,809,177
Profit after taxation		21,895,748	16,717,677	7,306,536
Attributable to:				
Equity holders of the Bank		21,787,418	16,573,700	7,300,901
Non-controlling interest		(76,487)	17,884	(27,884)
Minority investor of HBL funds		184,817	126,093	33,519
		21,895,748	16,717,677	7,306,536
		(Rupees)		
Basic and diluted earnings per share		14.85	11.30	4.98

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 Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2014

	January 01 to September 30, 2014	January 01 to September 30, 2013	July 01 to September 30, 2014	July 01 to September 30, 2013
	(Rupees in '000)			
Profit for the period	21,895,748	16,717,677	7,306,536	6,197,178
Other comprehensive income				
Minority share of HBL funds transferred to other liabilities	(184,817)	(126,093)	(33,519)	(25,461)
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	(1,205,610)	2,068,503	1,257,037	2,890,306
Comprehensive income transferred to equity	20,505,321	18,660,087	8,530,054	9,062,023
Components of comprehensive income not reflected in equity				
Items to be reclassified to profit or loss in subsequent periods:				
Deficit on revaluation of investments - net of tax	(88,681)	(3,264,139)	(514,463)	(3,207,468)
Items not to be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of fixed assets - net of tax	-	73,283	-	-
	<u>20,416,640</u>	<u>15,469,231</u>	<u>8,015,591</u>	<u>5,854,555</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	20,535,077	15,459,982	8,047,632	5,900,231
Non-controlling interest	(106,009)	(7,048)	(40,494)	(5,248)
Minority investor of HBL funds	(12,428)	16,297	8,453	(40,428)
	<u>20,416,640</u>	<u>15,469,231</u>	<u>8,015,591</u>	<u>5,854,555</u>

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

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Surplus arising on revaluation of:

- fixed assets
- investments

Surplus on revaluation of assets - net of deferred tax

12.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1

Surplus realised on disposal of revalued properties during the period / year - net of deferred tax

Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax

Related deferred tax liability of incremental depreciation charged during the period / year

Related deferred tax liability on disposal of revalued properties

Surplus on revaluation of fixed assets as at period / year end

Less: related deferred tax liability on:

- revaluation as at January 1
- surplus realised on disposal of revalued properties during the period / year
- incremental depreciation charged during the period / year transferred to profit and loss account

Note September 30, 2014 December 31, 2013
(Rupees in '000)

12.1	9,451,635	9,529,875
12.2	(490,768)	(508,241)
	<u>8,960,867</u>	<u>9,021,634</u>

10,422,480 10,518,132

(33,741) (1,269)

(44,499) (59,823)

(23,961) (32,212)

(16,962) (2,348)

10,303,317 10,422,480

892,605 927,165

(16,962) (2,348)

(23,961) (32,212)

851,682 892,605

9,451,635 9,529,875

12.2 Deficit on revaluation of investments

Market Treasury Bills

Pakistan Investment Bonds

Government of Pakistan Sukuk and US Dollar / Euro Bonds

Listed Securities

NIT Units

Other Investments

Related deferred tax asset

(400,893) (1,195,437)

(1,438,891) (492,676)

312,641 287,648

456,925 476,306

123,803 22,288

184,777 116,081

(761,638) (785,790)

270,870 277,549

(490,768) (508,241)

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government
- Financial institutions
- Others

270,677 262,993

295,000 295,000

26,109,473 40,075,109

26,675,150 40,633,102

9 BORROWINGS

Secured

Borrowings from SBP under:

	September 30, 2014	December 31, 2013
	(Rupees in '000)	
Export refinance scheme	11,990,856	17,584,707
Long term financing facility - locally manufactured and imported plant & machinery	6,728,590	5,464,963
Long term finance - export oriented projects	193,568	480,741
Refinance facility for modernization of SMEs	1,839	4,608
Financing facility for Storage of Agricultural Produce	4,588	9,169
Scheme for revival of SMEs and Agricultural activities in flood affected areas	-	9,170
Repurchase agreement borrowings	1,287,212	50,072,621
	<u>20,206,653</u>	<u>73,625,979</u>

Unsecured

In Pakistan:

Interbank call money borrowings	23,152,196	13,726,623
Outside Pakistan:		
Overdrawn nostro accounts	1,106,421	2,051,589
Borrowings of overseas branches	12,383,996	15,885,571
	<u>13,490,417</u>	<u>17,937,160</u>
	<u>36,642,613</u>	<u>31,663,783</u>
	<u>56,849,266</u>	<u>105,289,762</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts - non-remunerative	421,967,423	373,276,540
Savings chequing account	617,633,513	603,492,831
Fixed deposits	<u>286,340,316</u>	<u>321,062,655</u>
	<u>1,325,941,252</u>	<u>1,297,832,026</u>

Financial institutions

Current accounts - non-remunerative	12,721,931	6,279,959
Savings chequing account	3,275,151	4,551,714
Fixed deposits	<u>2,365,266</u>	<u>8,326,812</u>
	<u>18,362,348</u>	<u>19,158,485</u>
	<u>1,344,303,600</u>	<u>1,316,990,511</u>

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 indebtedness of the Bank (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the SBP. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended September 30, 2014

Balance as at December 31, 2012

Total comprehensive income for the period
Profit for the nine months ended September 30, 2013
Minority share of HBL funds transferred to other liabilities
- Other comprehensive income
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates

Transactions with owners, recorded directly in equity
Final cash dividend paid at Rs. 4 per share for the year ended December 31, 2012
1st interim cash dividend paid at Rs. 4 per share
Issued as bonus shares
Cash dividend at Rs. 1.475 per certificate by modaraba

Transferred from surplus on revaluation of fixed assets - net of tax
Transferred to statutory reserves
Non-controlling interest acquired in HAIB during the period
Minority share of surplus on revaluation of securities of subsidiaries

Balance as at September 30, 2013

Total comprehensive income for the period
Profit for the three months ended December 31, 2013
Minority share of HBL funds transferred to other liabilities
- Other comprehensive income
Effect of actuarial gain and losses
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates

Transactions with owners, recorded directly in equity

2nd interim cash dividend paid at Rs. 2 per share
Transferred from surplus on revaluation of fixed assets - net of tax
Transferred to statutory reserves
Minority share of surplus on revaluation of securities of subsidiaries

Balance as at December 31, 2013

Total comprehensive income for the period
Profit for the nine months ended September 30, 2014
Minority share of HBL funds transferred to other liabilities
- Other comprehensive income
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates

Transactions with owners, recorded directly in equity

Final cash dividend paid at Rs. 2 per share for the year ended December 31, 2013
1st interim cash dividend paid at Rs. 2 per share
2nd interim cash dividend paid at Rs. 2.25 per share
Issued as bonus shares

Transferred from surplus on revaluation of fixed assets - net of tax
Transferred to statutory reserves
Derecognition of equity due to voluntary winding up of modaraba
Non-controlling interest acquired in HAIB during the period
Minority share of surplus on revaluation of fixed assets of subsidiaries

Balance as at September 30, 2014

Share capital	Attributable to shareholders of the Bank						Non-controlling interest	Total
	Exchange translation reserve	Reserves				Subtotal		
		Statutory reserves	Revenue reserves					
			Joint venture and subsidiaries	Bank	General			
(Rupees in '000)								
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
-	-	-	-	-	16,699,793	16,699,793	17,884	16,717,677
-	-	-	-	-	(126,093)	(126,093)	-	(126,093)
-	1,953,774	-	-	-	-	1,953,774	114,729	2,068,503
-	1,953,774	-	-	-	16,573,700	18,527,474	132,613	18,660,087
-	-	-	-	-	(4,849,099)	(4,849,099)	-	(4,849,099)
-	-	-	-	-	(5,334,009)	(5,334,009)	-	(5,334,009)
1,212,275	-	-	-	-	(1,212,275)	-	-	-
-	-	-	-	-	-	-	(52,713)	(52,713)
1,212,275	-	-	-	-	(11,395,383)	(10,183,108)	(52,713)	(10,235,821)
-	-	-	-	-	41,557	41,557	-	41,557
-	-	26,058	1,549,586	-	(1,575,644)	-	-	-
-	-	-	-	-	-	-	664,235	664,235
-	-	-	-	-	-	-	(6,314)	(6,314)
13,335,023	16,865,594	379,065	19,590,301	6,073,812	70,859,341	127,103,136	1,965,028	129,068,164
-	-	-	-	-	6,402,954	6,402,954	(93,536)	6,309,418
-	-	-	-	-	(113,531)	(113,531)	-	(113,531)
-	-	-	-	-	(103,025)	(103,025)	-	(103,025)
-	(7,588)	-	-	-	-	(7,588)	11,738	4,150
-	(7,588)	-	-	-	6,186,398	6,178,810	(81,798)	6,097,012
-	-	-	-	-	(2,667,005)	(2,667,005)	-	(2,667,005)
-	-	-	-	-	19,370	19,370	-	19,370
-	-	7,726	641,463	-	(649,189)	-	-	-
-	-	-	-	-	-	-	2,886	2,886
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
-	-	-	-	-	21,972,235	21,972,235	(76,487)	21,895,748
-	-	-	-	-	(184,817)	(184,817)	-	(184,817)
-	(1,175,382)	-	-	-	-	(1,175,382)	(30,228)	(1,205,610)
-	(1,175,382)	-	-	-	21,787,418	20,612,036	(106,715)	20,505,321
-	-	-	-	-	(2,667,005)	(2,667,005)	-	(2,667,005)
-	-	-	-	-	(2,933,705)	(2,933,705)	-	(2,933,705)
-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
1,333,502	-	-	-	-	(1,333,502)	-	-	-
1,333,502	-	-	-	-	(10,234,630)	(8,901,128)	-	(8,901,128)
-	-	-	-	-	78,125	78,125	-	78,125
-	-	39,151	2,049,685	-	(2,088,836)	-	-	-
-	-	(7,561)	-	-	(30,247)	(37,808)	(620,768)	(658,576)
-	-	-	-	-	-	-	52,821	52,821
-	-	-	-	-	-	-	703	703
14,668,525	15,682,624	418,381	22,281,449	6,073,812	83,260,745	142,385,536	1,212,157	143,597,693

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 nine months ended September 30, 2014

	September 30, 2014	September 30, 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,261,338	25,066,177
Dividend income and share of profit of associates and joint venture	(2,607,452)	(1,772,692)
Gain on sale of securities	(1,465,867)	(1,588,076)
	(4,073,319)	(3,360,768)
	29,188,019	21,705,409
Adjustment for:		
Depreciation	1,407,071	1,179,600
Amortisation	324,205	128,360
Reversal against diminution in the value of investments	(139,873)	(146,415)
Provision against advances	1,327,367	1,172,318
Unrealised loss on held for trading securities	9,148	14,135
Exchange (gain) / loss on sub-ordinated loans / Goodwill - net	(20,345)	182,732
Gain on sale of operating fixed assets - net	(36,297)	(29,839)
Loss on sale of non-banking asset - net	-	1,523
Miscellaneous provisions	58,732	(92,978)
	2,930,008	2,409,436
	32,118,027	24,114,845
Decrease / (Increase) in operating assets		
Lendings to financial institutions	8,176,752	8,128,505
Investments - held for trading	(51,708,856)	21,935,313
Advances	(18,340,877)	2,394,963
Other assets	532,796	(5,502,696)
	(61,340,185)	26,956,085
(Decrease) / increase in operating liabilities		
Bills payable	616,170	2,711,365
Borrowings	(43,489,526)	(137,024,882)
Deposits and other accounts	17,925,439	52,921,623
Other liabilities	4,993,640	3,722,550
	(19,954,277)	(77,669,344)
	(49,176,435)	(26,598,414)
Income tax paid - net	(10,146,255)	(10,736,206)
Net cash flows used in operating activities	(59,322,690)	(37,334,620)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	38,079,777	12,857,295
Dividend income received	587,385	442,487
Fixed capital expenditure	(3,356,376)	(2,573,116)
Proceeds from sale of fixed assets	104,114	57,427
Proceeds from sale of non-banking asset	-	38,500
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(1,175,382)	1,953,774
Net cash flows from investing activities	34,239,518	12,776,367
CASH FLOWS FROM FINANCING ACTIVITIES		
Exchange adjustment on translation of non-controlling interest in subsidiary	(30,228)	114,729
Repayment of subordinated loan	(1,233,165)	(1,828,913)
Dividend paid	(8,869,992)	(9,718,538)
Net cash flows used in financing activities	(10,133,385)	(11,432,722)
Decrease in cash and cash equivalents during the period	(35,216,557)	(35,990,975)
Cash and cash equivalents at beginning of the period	196,251,945	196,715,562
Effects of exchange rate changes on cash and cash equivalents	(3,433,489)	8,493,987
	192,818,456	205,209,549
Cash and cash equivalents at end of the period	157,601,899	169,218,574

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

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

	September 30, 2014			December 31, 2013		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
(Rupees in '000)						
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons:						
- in respect of directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	2,034,200	2,034,200	362,052	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	364,900	364,900	61,208	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	1,472,938	1,774,244	1,833,008	1,033,786	2,553,045	673,786
Debts due by Subsidiary company	159,962	159,962	-	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 OPERATING FIXED ASSETS

Capital work-in-progress
Intangible assets
Tangible fixed assets

September 30,
2014
December 31,
2013
(Rupees in '000)

1,234,126
879,621
22,474,698
24,588,445

884,039
744,783
21,349,187
22,978,009

8.1 Additions to operating fixed assets

For the nine months ended
September 30, 2014
September 30, 2013
(Rupees in '000)

The following additions have been made to operating fixed assets during the period:

Capital work-in-progress

1,901,329

Intangible assets

458,436

Tangible fixed assets

553,277

Land

46,698

Building

261,442

Machinery

81,181

Furniture, fixtures and office equipments

1,765,420

Leasehold Improvements

337,416

Vehicles

65,586

4,890,662

4,190,825

8.2 Disposal of operating fixed assets

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

Tangible fixed assets

8,000

Land

10,396

Building

55,221

Furniture, fixtures and office equipments

638,759

Leasehold Improvements

345,919

Vehicles

2,739

24,938

26,596

729,657

397,119

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the nine months ended September 30, 2014

7.1 Classification of non-performing loans is as follows:

Category of classification	September 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	1,184,947	-	1,184,947	-	-	-	1,184,947	-	1,184,947
Substandard	4,980,197	899,706	5,879,903	1,227,655	296,891	1,524,546	3,752,542	602,815	4,355,357
Doubtful	2,516,433	820,250	3,336,683	1,250,327	416,368	1,666,695	1,266,106	403,882	1,669,988
Loss*	21,879,556	8,384,940	30,264,496	19,938,122	7,978,896	27,917,018	1,941,434	406,044	2,347,478
	30,561,133	10,104,896	40,666,029	22,416,104	8,692,155	31,108,259	8,145,029	1,412,741	9,557,770
General provision	-	-	-	1,034,115	1,353,802	2,387,917	-	-	-
	30,561,133	10,104,896	40,666,029	23,450,219	10,045,957	33,496,176	8,145,029	1,412,741	9,557,770

* 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

	September 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	(101,123)	20,979	(80,144)	630,301	16,246	646,547
Charge for the period / year	3,708,703	568,238	4,276,941	5,251,915	641,395	5,893,310
Reversals	(2,218,938)	(61,003)	(2,279,941)	(2,861,250)	(883,793)	(3,745,043)
Net charge against advances	1,489,765	507,235	1,997,000	2,390,665	(242,398)	2,148,267
Write off	(1,089,333)	-	(1,089,333)	(412,583)	-	(412,583)
Transfer to / from special category	(3,105,224)	-	(3,105,224)	(5,729,343)	-	(5,729,343)
Write off in special category	(182,929)	-	(182,929)	(227,793)	-	(227,793)
Reversal in special category	(1,245,370)	-	(1,245,370)	(914,079)	-	(914,079)
Net movement in separate category	(4,533,523)	-	(4,533,523)	(6,871,215)	-	(6,871,215)
Closing balance	31,108,259	2,387,917	33,496,176	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 September 30, 2014 would have been higher and profit before tax would have been lower by Rs. 883.63 million. Increase in retained earnings net of tax amounting to Rs. 574.36 million would not be available for the distribution of cash and stock dividend to shareholders.

7.4 Exposure amounting to Rs. 8.653 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.

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

Held-for-trading (HFT)

Federal Government Securities

- Pakistan Investment Bonds
- Market Treasury Bills

Fully paid-up ordinary shares

- Listed companies

Overseas Government Securities

Investments of Mutual Funds

Held-to-Maturity Securities (HTM)

Federal Government Securities

- Pakistan Investment Bonds
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

Overseas Government securities

Available-for-Sale Securities (AFS)

Federal Government Securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Government of Pakistan Guaranteed Bonds
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)

Overseas Government Securities

Fully paid-up ordinary shares

- Listed companies
- Unlisted companies

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

NIT Units

Preference shares

Investments of mutual funds

Investment in Associates and Joint Venture

Provision for diminution / impairment in the value of investments including associates

Net investment

Deficit on revaluation of held for trading securities

Deficit on revaluation of available for sale securities

Surplus on revaluation of investment of associates

Total investments at market value

Note	September 30, 2014			December 31, 2013		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
	(Rupees in '000)					
	10,566,467	-	10,566,467	11,942,763	-	11,942,763
	76,220,996	-	76,220,996	23,209,005	-	23,209,005
	18,070	-	18,070	5,878	-	5,878
	489,345	-	489,345	300,135	-	300,135
	-	-	-	128,241	-	128,241
	87,294,878	-	87,294,878	35,586,022	-	35,586,022
6.1	71,642,551	-	71,642,551	36,957,274	-	36,957,274
	719,384	-	719,384	738,666	-	738,666
	14,575,233	-	14,575,233	15,981,315	-	15,981,315
	6,501,949	-	6,501,949	6,440,729	-	6,440,729
	23,051,775	-	23,051,775	20,237,949	-	20,237,949
	116,490,892	-	116,490,892	80,355,933	-	80,355,933
	387,587,648	1,287,212	388,874,860	533,321,012	48,151,773	581,472,785
	161,117,324	-	161,117,324	50,570,687	-	50,570,687
	425,000	-	425,000	425,000	-	425,000
	30,823,027	-	30,823,027	22,676,455	-	22,676,455
	5,881,133	-	5,881,133	6,080,334	-	6,080,334
	9,168,011	-	9,168,011	5,545,079	-	5,545,079
	1,560,180	-	1,560,180	772,840	-	772,840
	17,751,131	-	17,751,131	22,942,991	2,163,371	25,106,362
	4,613,515	-	4,613,515	4,926,991	-	4,926,991
	2,261,113	-	2,261,113	11,113	-	11,113
	250,000	-	250,000	250,000	-	250,000
	6,345,609	-	6,345,609	4,056,718	-	4,056,718
	627,783,691	1,287,212	629,070,903	651,579,220	50,315,144	701,894,364
6.6	11,401,406	-	11,401,406	9,652,402	-	9,652,402
	842,970,867	1,287,212	844,258,079	777,173,577	50,315,144	827,488,721
6.4	(1,173,187)	-	(1,173,187)	(1,532,339)	-	(1,532,339)
	841,797,680	1,287,212	843,084,892	775,641,238	50,315,144	825,956,382
	(9,148)	-	(9,148)	(12,815)	-	(12,815)
	(113,260)	11,655	(101,605)	98,900	(122,077)	(23,177)
	144,397	-	144,397	141,918	-	141,918
	841,819,669	1,298,867	843,118,536	775,869,241	50,193,067	826,062,308

6.1 The market value of securities classified as "held-to-maturity" as at September 30, 2014 amounted to Rs. 117,093.069 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 September 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.

6.3 The Bank's subsidiary, Habib Allied International Bank Plc, UK issued the right share during the period, consequently the shareholding of the Bank has increased to 88.24% from 88.07%.

6.3 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

Opening balance
Charge for the period / year
Reversals
Impairment charge on listed securities
Impairment reversal on listed securities
Total reversals - net
Write offs
Other movement
Closing balance

	September 30, 2014	December 31, 2013
	(Rupees in '000)	
	1,265,379	1,473,880
	2,397	4,772
	(63,060)	(74,480)
	66,138	55,171
	(113,857)	(198,093)
	(108,382)	(212,630)
	(207,937)	-
	-	4,129
	949,060	1,265,379

6.4 The Bank has made further investment in the following associates during the period, consequently, shareholding has increased to:

Jubilee General Insurance Company Limited
Diamond Trust Bank Kenya Limited

	September 30, 2014	December 31, 2013
	Shareholding %	
	17.84%	17.20%
	11.97%	11.91%

7. ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan

Outside Pakistan

Net investment in finance lease - in Pakistan

Bills discounted and purchased
(excluding Government treasury bills)

Payable in Pakistan
Payable outside Pakistan

Provision against advances

Note	September 30, 2014	December 31, 2013
	(Rupees in '000)	
	399,129,164	405,396,451
	96,952,913	92,650,654
	496,082,077	498,047,105
	5,920,979	5,496,069
	9,939,631	11,191,546
	60,569,010	46,326,442
	70,508,641	57,517,988
7.2	(33,496,176)	(37,202,176)
	539,015,521	523,858,986

6. INVESTMENTS

Investments by type

Held-for-trading (HFT)

Federal Government Securities

- Pakistan Investment Bonds
- Market Treasury Bills

Fully paid-up ordinary shares

- Listed companies

Overseas Government Securities

Held-to-Maturity Securities (HTM)

Federal Government Securities

- Pakistan Investment Bonds
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

Overseas Government securities

Available-for-Sale Securities (AFS)

Federal Government Securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Government of Pakistan Guaranteed Bonds
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)

Overseas Government Securities

Fully paid-up ordinary shares

- Listed companies
- Unlisted companies

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

NIT Units

Preference shares

Investment in Subsidiary Companies

Investment in Associates and Joint Venture

Provision for diminution / impairment in the value of investments including associates

Net investment

- Deficit on revaluation of held for trading securities
- Deficit on revaluation of available for sale securities

Total investments at market value

Note	September 30, 2014			December 31, 2013		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)					
	10,566,467	-	10,566,467	11,942,763	-	11,942,763
	76,220,996	-	76,220,996	23,209,005	-	23,209,005
	18,070	-	18,070	5,878	-	5,878
	489,345	-	489,345	300,135	-	300,135
	87,294,878	-	87,294,878	35,457,781	-	35,457,781
6.1	71,544,351	-	71,544,351	36,857,744	-	36,857,744
	719,384	-	719,384	738,666	-	738,666
	2,202,049	-	2,202,049	2,329,538	-	2,329,538
	6,501,949	-	6,501,949	6,381,489	-	6,381,489
	14,683,675	-	14,683,675	14,161,147	-	14,161,147
	95,651,408	-	95,651,408	60,468,584	-	60,468,584
	387,587,648	1,287,212	388,874,860	533,321,012	48,151,773	581,472,785
	161,117,324	-	161,117,324	50,570,687	-	50,570,687
	425,000	-	425,000	425,000	-	425,000
	29,874,023	-	29,874,023	22,676,455	-	22,676,455
	740,294	-	740,294	600,771	-	600,771
	9,168,011	-	9,168,011	5,539,588	-	5,539,588
	1,555,565	-	1,555,565	768,100	-	768,100
	12,147,581	-	12,147,581	13,747,597	2,163,371	15,910,968
	10,873,438	-	10,873,438	11,545,100	-	11,545,100
	2,261,113	-	2,261,113	11,113	-	11,113
	250,000	-	250,000	250,000	-	250,000
	615,999,997	1,287,212	617,287,209	639,455,423	50,315,144	689,770,567
6.2	7,120,659	-	7,120,659	6,617,229	-	6,617,229
6.4	5,362,680	-	5,362,680	4,755,297	-	4,755,297
	811,429,622	1,287,212	812,716,834	746,754,314	50,315,144	797,069,458
6.3	(949,060)	-	(949,060)	(1,265,379)	-	(1,265,379)
	810,480,562	1,287,212	811,767,774	745,488,935	50,315,144	795,804,079
12.2	(9,148)	-	(9,148)	(32,608)	-	(32,608)
	(773,293)	11,655	(761,638)	(663,713)	(122,077)	(785,790)
	809,698,121	1,298,867	810,996,988	744,792,614	50,193,067	794,985,681

6.1 The market value of securities classified as "held-to-maturity" as at September 30, 2014 amounted to Rs. 96,208.090 million (2013: Rs. 61,382.087 million).

6.2 The Bank has invested GBP 2.9 million to acquire 1,950,729 right shares of the Bank's subsidiary, Habib Allied International Bank Plc, UK (HAIB), consequently the shareholding of the Bank has increased to 88.24 % from 88.07%.

6.4 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

Opening balance	1,532,339	1,755,518
Charge for the period / year	2,397	14,645
Reversals	(83,786)	(76,214)
Impairment charge on listed securities	66,138	55,171
Impairment reversal on listed securities	(124,622)	(218,908)
Total reversals - net	(139,873)	(225,306)
Derecognition of provision due to voluntary winding up of modaraba	(11,325)	-
Write offs	(207,954)	-
Other movement	-	2,127
Closing balance	1,173,187	1,532,339

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

Diamond Trust Bank Kenya Limited
Himalayan Bank Limited, Nepal
Kyrgyz Investment and Credit Bank
Jubilee Life Insurance Co. Ltd.
Jubilee General Insurance Co. Ltd.
HBL Money Market Fund
HBL Islamic Stock Fund
HBL Islamic Money Market Fund
HBL Pension Equity Sub Fund
HBL Pension Debt Sub Fund
HBL Pension Money Market Sub Fund
HBL Islamic Pension Equity Sub Fund
HBL Islamic Pension Debt Sub Fund
HBL Islamic Pension Money Market Sub Fund

Based on the financial information as on

June 30, 2014
June 30, 2014
September 30, 2014
June 30, 2014
June 30, 2014
September 30, 2014
September 30, 2014
September 30, 2014
September 30, 2014
September 30, 2014
September 30, 2014
September 30, 2014
September 30, 2014
September 30, 2014
September 30, 2014

6.6 The Group has made further investment in the following associates during the period, consequently, shareholding has increased to:

Jubilee General Insurance Company Limited
Diamond Trust Bank Kenya Limited

September 30, 2014	December 31, 2013
Shareholding %	
17.84%	17.20%
11.97%	11.91%

7 ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan
Outside Pakistan

Net investment in finance lease - in Pakistan

Bills discounted and purchased
(excluding Government treasury bills)

Payable in Pakistan
Payable outside Pakistan

Provision against advances

Note	September 30, 2014	December 31, 2013
	(Rupees in '000)	
	399,129,164	406,203,223
	128,648,570	128,264,928
	527,777,734	534,468,151
	5,920,979	5,496,069
	9,939,631	11,191,546
	75,886,620	54,915,098
	85,826,251	66,106,644
7.2	(38,810,717)	(42,370,127)
	580,714,247	563,700,737

Notes to the Condensed Interim Unconsolidated Financial Statement (Unaudited)

For the nine months ended September 30, 2014

7.1 Classification of non-performing loans is as follows:

Category of classification	September 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	1,184,947	-	1,184,947	-	-	-	1,184,947	-	1,184,947
Substandard	4,980,197	899,706	5,879,903	1,227,655	296,891	1,524,546	3,752,542	602,815	4,355,357
Doubtful	2,516,433	820,250	3,336,683	1,250,327	416,368	1,666,695	1,266,106	403,882	1,669,988
Loss ¹	21,879,556	19,870,735	41,750,291	19,938,122	13,008,796	32,946,918	1,941,434	6,861,939	8,803,373
	30,561,133	21,590,691	52,151,824	22,416,104	13,722,055	36,138,159	8,145,029	7,868,636	16,013,665
General provision	-	-	-	1,034,115	1,638,443	2,672,558	-	-	-
	30,561,133	21,590,691	52,151,824	23,450,219	15,360,498	38,810,717	8,145,029	7,868,636	16,013,665

* 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

	September 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	(403,248)	14,939	(388,309)	1,119,288	47,615	1,166,903
Charge for the period / year	4,285,799	568,239	4,854,038	5,714,234	750,866	6,465,100
Reversals	(2,220,298)	(61,003)	(2,281,301)	(3,064,490)	(883,793)	(3,948,283)
Net charge against advances	2,065,501	507,236	2,572,737	2,649,744	(132,927)	2,516,817
Write off	(1,089,333)	-	(1,089,333)	(412,584)	-	(412,584)
Derecognition of provision due to voluntary winding up of modaraba	(120,982)	-	(120,982)	-	-	-
Transfer to / from special category	(3,105,224)	-	(3,105,224)	(5,729,343)	-	(5,729,343)
Write off in special category	(182,929)	-	(182,929)	(227,793)	-	(227,793)
Reversal in special category	(1,245,370)	-	(1,245,370)	(914,079)	-	(914,079)
Net movement in separate category	(4,533,523)	-	(4,533,523)	(6,871,215)	-	(6,871,215)
Closing balance	36,138,159	2,672,558	38,810,717	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 September 30, 2014 would have been higher and profit before tax would have been lower by Rs. 883.63 million. Increase in retained earnings net of tax amounting to Rs. 574.36 million would not be available for the distribution of cash and stock dividend to shareholders.

7.4 Exposure amounting to Rs. 8.653 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.

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.

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the nine months ended September 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

	September 30, 2014	September 30, 2013
	(Rupees in '000)	
Profit before taxation	31,558,109	23,687,573
Dividend income	(889,654)	(740,751)
Gain on sale of securities	(886,150)	(1,178,625)
	(1,775,804)	(1,919,376)
	29,782,305	21,768,197

Adjustment for:

Depreciation	1,344,807	1,120,626
Amortisation	323,598	127,468
Reversal against diminution in the value of investments	(108,382)	(133,855)
Provision against advances	751,630	935,184
Unrealised loss on held for trading securities	9,148	21,246
Exchange (gain) / loss on sub-ordinated loans	(117,024)	365,618
Gain on sale of operating fixed assets - net	(19,841)	(26,552)
Loss on sale of non-banking asset - net	-	1,523
Miscellaneous provisions	58,732	(92,978)
	2,242,668	2,318,280
	32,024,973	24,086,477

Decrease / (Increase) in operating assets

Lendings to financial institutions	8,176,752	8,128,505
Investments - held for trading	(51,837,097)	21,473,954
Advances	(15,908,165)	7,227,705
Other assets	392,559	(5,177,243)
	(59,175,951)	31,652,921

(Decrease) / increase in operating liabilities

Bills payable	676,042	2,746,007
Borrowings	(48,440,496)	(138,064,097)
Deposits and other accounts	27,313,089	43,110,631
Other liabilities	5,396,177	3,049,845
	(15,055,188)	(89,157,614)
	(42,206,166)	(33,418,216)

Income tax paid - net	(9,676,053)	(10,292,270)
Net cash flows used in operating activities	(51,882,219)	(43,710,486)

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments	36,835,326	22,417,260
Dividend income received	766,670	655,678
Fixed capital expenditure	(3,342,621)	(2,385,436)
Proceeds from sale of fixed assets	83,621	31,224
Proceeds from sale of non-banking asset	-	38,500
Exchange adjustment on translation of balances in foreign branches	(572,074)	1,015,568
Net cash flows from investing activities	33,770,922	21,772,794

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of subordinated loan	(1,233,165)	(1,245,744)
Dividend paid	(8,850,389)	(9,764,896)
Net cash flows used in financing activities	(10,083,554)	(11,010,640)
Decrease in cash and cash equivalents during the period	(28,194,851)	(32,948,332)

Cash and cash equivalents at beginning of the period	167,311,558	170,031,055
Effects of exchange rate changes on cash and cash equivalents	(2,568,755)	6,200,904
	164,742,803	176,231,959

Cash and cash equivalents at end of the period	136,547,952	143,283,627
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The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

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

	September 30, 2014			December 31, 2013		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
	(Rupees in '000)					

Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons:

- in respect of directors	-	-	-	-	-	-
- in respect of executives * (Other than key management; personnel)	2,034,200	2,034,200	362,052	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	664,665	681,670	61,208	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

	1,472,938	1,774,244	1,833,008	1,033,786	2,553,045	673,786
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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 OPERATING FIXED ASSETS	Note	September 30, 2014	December 31, 2013
		(Rupees in '000)	
Capital work-in-progress		1,235,642	885,436
Intangible assets			
- Goodwill	8.3	2,053,210	2,149,889
- Computer software		881,667	746,703
Tangible fixed assets		22,996,400	21,924,287
		27,166,919	25,706,315

8.1 Additions to operating fixed assets	For the nine months ended	
	September 30, 2014	September 30, 2013
	(Rupees in '000)	

The following additions have been made to operating fixed assets during the period:

Capital work-in-progress	1,901,329	1,269,932
Intangible assets	459,167	553,334
Tangible fixed assets		
Land	46,698	235,583
Building	261,442	638,612
Machinery	81,181	-
Furniture, fixtures and office equipments	1,799,237	1,203,314
Leasehold improvements	337,416	337,459
Vehicles	38,740	68,093
	4,925,210	4,306,327

8.2 Disposal of operating fixed assets

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

Tangible fixed assets		
Land	8,000	10,396
Building	55,221	6,801
Furniture, fixtures and office equipments	651,416	346,876
Leasehold improvements	2,739	7,407
Vehicles	24,938	27,241
	742,314	398,721

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

	September 30, 2014	December 31, 2013
	(Rupees in '000)	
Secured		
Borrowings from SBP under:		
Export refinance scheme	11,990,856	17,584,707
Long term financing facility - locally manufactured and imported plant & machinery	6,728,590	5,464,963
Long term finance - export oriented projects	193,568	480,741
Refinance facility for modernization of SMEs	1,839	4,608
Financing facility for Storage of Agricultural Produce	4,588	9,169
Scheme for revival of SMEs and Agricultural activities in flood affected areas	-	9,170
Repurchase agreement borrowings	1,287,212	50,072,621
	<u>20,206,653</u>	<u>73,625,979</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings	23,152,196	13,726,623
Outside Pakistan:		
Overdrawn nostro accounts	953,809	1,203,173
Borrowings of overseas branches and subsidiaries	20,062,240	19,308,649
	<u>21,016,049</u>	<u>20,511,822</u>
	<u>44,168,245</u>	<u>34,238,445</u>
	<u>64,374,898</u>	<u>107,864,424</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers		
Current accounts - non-remunerative	450,470,029	402,564,215
Savings chequing account	625,939,538	611,241,490
Fixed deposits	<u>321,293,980</u>	<u>365,989,421</u>
	<u>1,397,703,547</u>	<u>1,379,795,126</u>
Financial institutions		
Current accounts - non-remunerative	15,822,794	8,926,506
Savings chequing account	3,275,151	4,551,714
Fixed deposits	<u>2,353,761</u>	<u>7,956,468</u>
	<u>21,451,706</u>	<u>21,434,688</u>
	<u>1,419,155,253</u>	<u>1,401,229,814</u>

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 indebtedness 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 Changes in Equity (Unaudited)

For the nine months ended September 30, 2014

	Share capital	Exchange translation reserve	Statutory	Reserves		Total
				Revenue reserves		
				General	Unappropriated profit	
	(Rupees in '000)					
Balance as at December 31, 2012	12,122,748	12,222,970	18,040,715	6,073,812	61,820,458	110,280,703
Total comprehensive income for the period	-	-	-	-	15,495,856	15,495,856
Profit for the nine months ended September 30, 2013	-	-	-	-	15,495,856	15,495,856
- Other comprehensive income	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	-	1,015,568	-	-	-	1,015,568
	-	1,015,568	-	-	15,495,856	16,511,424
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)
1st interim cash dividend paid at Rs. 4 per share	-	-	-	-	(5,334,009)	(5,334,009)
Issued as bonus shares	1,212,275	-	-	-	(1,212,275)	-
	1,212,275	-	-	-	(11,395,383)	(10,183,108)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	41,557	41,557
Transferred to statutory reserve	-	-	1,549,586	-	(1,549,586)	-
Balance as at September 30, 2013	13,335,023	13,238,538	19,590,301	6,073,812	64,412,902	116,650,576
Total comprehensive income for the period	-	-	-	-	6,414,634	6,414,634
Profit for the three months ended December 31, 2013	-	-	-	-	6,414,634	6,414,634
- Other comprehensive income	-	-	-	-	(103,025)	(103,025)
Effect of actuarial gain and losses	-	-	-	-	(103,025)	(103,025)
Effect of translation of net investment in foreign branches	-	(47,343)	-	-	-	(47,343)
	-	(47,343)	-	-	6,311,609	6,264,266
Transactions with owners, recorded directly in equity						
2nd interim cash dividend paid at Rs. 2 per share	-	-	-	-	(2,667,005)	(2,667,005)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	19,535	19,535
Transferred to statutory reserve	-	-	641,463	-	(641,463)	-
Balance as at December 31, 2013	13,335,023	13,191,195	20,231,764	6,073,812	67,435,578	120,267,372
Profit for the nine months ended September 30, 2014	-	-	-	-	20,496,848	20,496,848
- Other comprehensive income	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	-	(572,074)	-	-	-	(572,074)
	-	(572,074)	-	-	20,496,848	19,924,774
Transactions with owners, recorded directly in equity						
Final cash dividend paid at Rs. 2 per share for the year ended December 31, 2013	-	-	-	-	(2,667,005)	(2,667,005)
1st Interim cash dividend paid at Rs. 2 per share	-	-	-	-	(2,933,705)	(2,933,705)
2nd Interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	(3,300,418)	(3,300,418)
Issued as bonus shares	1,333,502	-	-	-	(1,333,502)	-
	1,333,502	-	-	-	(10,234,630)	(8,901,128)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	78,240	78,240
Transferred to statutory reserve	-	-	2,049,685	-	(2,049,685)	-
Balance as at September 30, 2014	14,668,525	12,619,121	22,281,449	6,073,812	75,726,351	131,369,258

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

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2014

	January 01 to September 30, 2014	January 01 to September 30, 2013	July 01 to September 30, 2014	July 01 to September 30, 2013
	(Rupees in '000)			
Profit for the period	20,496,848	15,495,856	6,954,663	6,059,894
Other comprehensive income				
Items to be reclassified to profit or loss in subsequent periods:				
Effect of translation of net investment in foreign branches	(572,074)	1,015,568	1,185,314	1,617,331
Comprehensive income transferred to equity	19,924,774	16,511,424	8,139,977	7,677,225
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	17,473	(3,159,244)	(525,914)	(2,894,306)
Items not to be reclassified to profit or loss in subsequent periods:				
Surplus on revaluation of fixed assets - net of tax	-	73,283	-	-
	<u>19,942,247</u>	<u>13,425,463</u>	<u>7,614,063</u>	<u>4,782,919</u>

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

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Surplus arising on revaluation of:

- fixed assets
- investments

Surplus on revaluation of assets - net of deferred tax

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 (44,384) (59,658)
 Related deferred tax liability of incremental depreciation charged during the period / year (23,921) (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 10,300,557 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 (23,921) (32,154)

Note September 30, 2014 December 31, 2013
(Rupees in '000)

12.1	9,449,875	9,528,000
12.2	297,146	385,827
	<u>9,747,021</u>	<u>9,913,827</u>

12.2 Surplus on revaluation of investments

Market Treasury Bills (391,649) (1,197,179)
 Pakistan Investment Bonds (1,438,892) (492,676)
 Government of Pakistan Sukuk and US Dollar / Euro Bonds 300,483 287,648
 Listed Securities 1,097,704 1,258,245
 NIT Units 123,803 22,288
 Other Investments 206,946 98,497

Surplus on revaluation of investment of associates (101,605) (23,177)
 Related deferred tax asset 144,397 141,918
 254,354 267,086

(391,649)	(1,197,179)
(1,438,892)	(492,676)
300,483	287,648
1,097,704	1,258,245
123,803	22,288
206,946	98,497
(101,605)	(23,177)
144,397	141,918
254,354	267,086
<u>297,146</u>	<u>385,827</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government 270,677 262,993
- Financial institutions 295,000 295,000
- Others 25,943,569 40,017,999

270,677	262,993
295,000	295,000
25,943,569	40,017,999
<u>26,509,246</u>	<u>40,575,992</u>

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the nine months ended September 30, 2014

	September 30, 2014	December 31, 2013
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	410,000	550,968
- Financial institutions	2,414,290	1,894,819
- Others	53,187,027	39,344,089
	<u>56,011,317</u>	<u>41,789,876</u>
13.3 Trade-related commitments		
Credit cash	79,729,949	60,418,378
Credit documentary acceptances	21,375,677	17,855,293
Credit acceptances	40,111,346	48,660,293
	<u>141,216,972</u>	<u>126,933,964</u>
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>37,213,537</u>	<u>33,826,739</u>
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.		
	September 30, 2014	December 31, 2013
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	104,302,110	261,889,315
Sale	104,601,514	262,090,382
The above commitments have maturities falling within one year.		
Commitments in respect of foreign currency options		
Purchase	744,567	649,846
Sale	744,567	649,846
Commitments in respect of cross currency swaps		
Purchase	1,145,152	1,121,412
Sale	1,113,171	1,105,785
Commitments in respect of foreign and local currency interest rate swaps		
Purchase	205,268	245,757
Sale	368,602	490,757
13.7 Commitments for acquisition of fixed assets / intangibles	1,139,230	943,750

Note	January 01 to September 30, 2014	January 01 to September 30, 2013	July 01 to September 30, 2014	July 01 to September 30, 2013
	(Rupees in '000)			
Mark-up / return / profit / interest earned	14	99,478,745	89,401,707	34,391,955
Mark-up / return / profit / interest expensed	15	51,194,540	50,123,561	17,293,116
Net mark-up / profit / interest income		<u>48,284,205</u>	<u>39,278,146</u>	<u>17,098,839</u>
Provision against advances	7.2	751,630	935,184	670,508
(Reversal)/charge against off-balance sheet obligations		(137,474)	33,203	(21,593)
(Reversal) /charge against diminution in the value of investments	6.3	(108,382)	(133,855)	25,499
Bad debts written off directly		-	-	-
		<u>505,774</u>	<u>834,532</u>	<u>674,414</u>
Net mark-up / profit / interest income after provisions		<u>47,778,431</u>	<u>38,443,614</u>	<u>16,424,425</u>
Non mark-up / interest income				
Fee, commission and brokerage income		7,806,893	5,930,002	2,583,771
Dividend income		889,654	740,751	266,142
Income from dealing in foreign currencies		1,729,460	1,019,305	568,840
Gain on sale of securities		886,150	1,178,625	107,846
Unrealized loss on held for trading securities		(9,148)	(21,246)	(23,692)
Other income		2,159,555	1,466,517	901,395
Total non-mark-up / interest income		<u>13,462,564</u>	<u>10,313,954</u>	<u>4,404,302</u>
		<u>61,240,995</u>	<u>48,757,568</u>	<u>20,828,727</u>
Non mark-up / interest expense				
Administrative expenses		28,838,292	24,692,231	9,795,554
Other provisions / write offs - net		196,206	(126,181)	73,191
Other charges		2,466	17,079	1,222
Workers' welfare fund		645,922	486,866	217,998
Total non mark-up / interest expenses		<u>29,682,886</u>	<u>25,069,995</u>	<u>10,087,965</u>
Profit before taxation		<u>31,558,109</u>	<u>23,687,573</u>	<u>10,740,762</u>
Taxation				
current		9,776,851	7,121,567	3,509,743
prior		66,576	(14,157)	-
deferred		1,217,834	1,084,307	276,356
		<u>11,061,261</u>	<u>8,191,717</u>	<u>3,786,099</u>
Profit after taxation		<u>20,496,848</u>	<u>15,495,856</u>	<u>6,954,663</u>
		(Rupees)		
Basic and diluted earnings per share		<u>13.97</u>	<u>10.56</u>	<u>4.74</u>

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

Condensed Interim Unconsolidated Statement of Financial Position

As at September 30, 2014

	Note	(Unaudited) September 30, 2014 (Rupees in '000)	(Audited) December 31, 2013 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks		108,579,892	130,021,065
Balances with other banks		27,968,060	34,721,738
Lendings to financial institutions		27,094,725	35,271,477
Investments	6	810,996,988	794,985,681
Advances	7	539,015,521	523,858,986
Operating fixed assets	8	24,588,445	22,978,009
Deferred tax asset		4,325,791	5,550,304
Other assets		64,637,390	65,270,545
		<u>1,607,206,812</u>	<u>1,612,657,805</u>
LIABILITIES			
Bills payable		20,024,512	19,348,470
Borrowings	9	56,849,266	105,289,762
Deposits and other accounts	10	1,344,303,600	1,316,990,511
Sub-ordinated loan	11	1,282,926	2,633,115
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		44,416,383	39,106,941
		<u>1,466,876,687</u>	<u>1,483,368,799</u>
NET ASSETS		<u>140,330,125</u>	<u>129,289,006</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	13,335,023
Reserves		40,974,382	39,496,771
Unappropriated profit		75,726,351	67,435,578
		<u>131,369,258</u>	<u>120,267,372</u>
Surplus on revaluation of assets - net of deferred tax	12	8,960,867	9,021,634
		<u>140,330,125</u>	<u>129,289,006</u>

CONTINGENCIES AND COMMITMENTS

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

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. 72.175 million.

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the nine months ended	
	September 30, 2014	September 30, 2013
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	39,875,295	35,021,241
- Financial institutions	119,779	174,469
<i>On investments:</i>		
- Available-for-sale	48,760,044	49,001,944
- Held-for-trading	2,135,242	1,205,292
- Held-to-maturity	5,971,215	3,731,648
On deposits with financial institutions	946,648	850,112
On lendings to financial institutions	3,429,037	1,126,533
	<u>101,237,260</u>	<u>91,111,239</u>

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

Deposits	44,968,990	42,916,458
Securities sold under repurchase agreement borrowings	3,047,790	5,894,156
Other short term borrowings	3,330,951	1,527,257
Long term borrowings	401,380	356,882
	<u>51,749,111</u>	<u>50,694,753</u>

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 than 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:

	September 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	3,173,883	-	2,241,904	-	397,693
Maximum Deposits During the period	3,996,836	-	4,077,656	-	729,432
Borrowings	2,890,903	-	-	3,507,689	-
Investments	-	-	9,526,812	1,441,611	-
Markup / Other Receivable	-	-	123,497	-	-
Mark-up / Other Payable	-	-	-	-	878,758
Placements	307,101	-	-	-	-
Overdrawn Nostro	-	-	820,792	-	-
Impairment provision	-	-	577,384	-	-
Profit and Loss Account					
Interest / Other Income	50,151	-	2,924,991	296,281	-
Interest / Other Expense	30,814	-	476,033	7,890	386,469
Others					
Other contingencies	684,506	-	-	-	-
Securities Held as custodian	10,951,250	-	31,508,900	-	7,899,320

	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
Maximum 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) holds 41.5% out of which 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 September 30, 2014 amounting to Rs. 738,860 million for investments (December 31, 2013: Rs. 726,558 million), borrowings / deposits amounting to Rs. 174,376 million (December 31, 2013: Rs. 246,509 million), advances amounting to Rs. 101,369 million (December 31, 2013: Rs. 115,558 million) and Balance with treasury bank amounting to Rs. 43,439 million (December 31, 2013: Rs. 70,314 million).

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 Government of Pakistan and in particular the Ministry of Finance and State Bank of Pakistan for developing and strengthening the banking and financial service industry through improved regulatory and governance framework.

On behalf of the Board and the Management, I would also like to take this opportunity to thank our customers and 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
October 24, 2014

Director's Review

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

Performance

The Bank remained focused on improving its core deposit mix and has been able to increase the ratio of CASA deposits to 78.5% as on September 30, 2014, a 3.5% improvement over the CASA ratio of 75% at year ended December 31, 2013. In absolute terms this represented a reduction in fixed deposits and bank borrowings of Rs. 89 billion, while a growth of Rs. 68 billion in CASA deposits helped to maintain the balance sheet size.

This improvement in the CASA ratio, coupled with a repositioning of some of the investment portfolio from short term to long term, and volumetric growth helped to propel the 22.9% growth in Net Interest Income. Net interest income increased to Rs. 48.3 billion for the nine months ended September 30, 2014 as against Rs. 39.3 billion during the same period last year. The non-mark up income increased by 30.5% to Rs. 13.5 billion for the nine months ended September 30, 2014, with healthy contributions from all segments of the bank. The post-tax profit of Rs.20.5 billion for the nine months ended September 30, 2014 represents a growth of 32.3%. This has resulted in an increase in earnings per share to Rs.13.97 for the nine months ended September 30, 2014 as against Rs. 10.56 for the nine months ended September 30, 2013.

Movement of Reserves

	Rupees in million
Unappropriated profit brought forward	67,436
Profit attributable to equity holders of the Bank	20,497
Transferred from surplus on revaluation of fixed assets – net of tax	78
Transferred to statutory reserves	(2,050)
Cash dividend paid	(8,901)
Issued as bonus shares	(1,334)
Unappropriated profit carried forward	<u>75,726</u>
Earnings per share rupees (Basic & Diluted)	<u>13.97</u>

Dividend

The Group has declared third interim cash dividend of Rs. 2.25 per share for the year ending December 31, 2014.

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

While Pakistan's economy continues to face challenges, compounded by political uncertainties and cross border tensions, the Government is committed to improve the economy through a program of reforms and investor incentives. In the near term, key initiatives include the Government's Privatization program, secondary offerings of Public Sector Enterprises, and the issuance of bonds/sukuks in the international markets. A continued focus on resolving the power sector issues and increased investment in power generation and transmission projects, especially by offshore investors, will also provide new opportunities in the near future.

16.2 Key management personnel

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

	For the nine months ended September 30, 2014	September 30, 2013
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,445,116	1,200,695
Contribution to provident and benevolent fund	22,158	18,709
Medical	44,053	37,444
	<u>1,511,327</u>	<u>1,256,848</u>
Number of persons	187	171

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2014					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(26,569)	18,241	49,942	6,182	1,692	49,488
Inter segment revenue - net	54,630	(14,123)	(48,569)	-	8,062	-
Non-funded income	6,262	2,188	3,765	4,560	(78)	16,697
Net interest and non-markup income	34,323	6,306	5,138	10,742	9,676	66,185
Total expenses including provision (excluding impairment)	12,993	900	228	7,551	11,391	33,063
Impairment against investments	-	-	(66)	-	(74)	(140)
Inter segment administrative cost	6,621	1,324	191	729	(8,865)	-
Total expenses including provision	19,614	2,224	353	8,280	2,452	32,923
Profit before tax	14,709	4,082	4,785	2,462	7,224	33,262
Segment assets gross	123,089	354,552	792,879	352,609	122,819	1,745,948
Segment non-performing loans	3,242	19,477	-	21,591	7,842	52,152
Segment provision required including general provision	1,040	14,926	57	15,403	8,961	40,387
Segment liabilities including equity	986,683	159,137	27,264	266,671	265,806	1,705,561
Segment gross earnings on liability / asset %	10.02%	10.08%	9.72%	4.95%	6.35%	-
Segment cost of funds %	5.24%	7.79%	8.87%	1.20%	1.19%	-

	For the nine months ended September 30, 2013					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(27,471)	17,918	45,152	4,919	(102)	40,416
Inter segment revenue - net	48,616	(13,572)	(42,269)	-	7,225	-
Non-funded income	5,103	1,888	3,569	3,673	(1,379)	12,854
Net interest and non-markup income	26,248	6,234	6,452	8,592	5,744	53,270
Total expenses including provision (excluding impairment)	11,916	1,395	79	6,716	8,242	28,348
Impairment against investments	-	-	(124)	-	(20)	(144)
Inter segment administrative cost	5,421	1,084	156	597	(7,258)	-
Total expenses including provision	17,337	2,479	111	7,313	964	28,204
Profit before tax	8,911	3,755	6,341	1,279	4,780	25,066
Segment assets gross	129,056	333,302	712,514	306,523	105,297	1,586,692
Segment non-performing loans	8,836	30,858	-	21,087	212	60,993
Segment provision required including general provision	8,112	25,352	185	14,376	1,415	49,440
Segment liabilities including equity	919,115	130,886	28,592	227,708	230,951	1,537,252
Segment gross earnings on liability / asset %	9.29%	9.89%	9.22%	4.83%	3.41%	-
Segment cost of funds %	5.45%	7.52%	8.14%	1.21%	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 September 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. 27.457 billion as at September 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 October 24, 2014.

CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS