هٰذَا مِنْ فَضْلِ رَبِّيْ

CONTENTS

CORPORATE INFORMATION

Board of Directors	Ali Raza D. Habib	*Chairman*
	Abbas D. Habib	*Chief Executive & Managing Director*
	Anwar Haji Karim	
	Manzoor Ahmed	
	Murtaza H. Habib	
	Qumail R. Habib	*Executive Director*
	Safar Ali Lakhani	
	Shameem Ahmed	
	Syed Hasan Ali Bukhari	
	Syed Mazhar Abbas	
Audit Committee	Shameem Ahmed	*Chairman*
	Anwar Haji Karim	*Member*
	Murtaza H. Habib	*Member*
	Syed Mazhar Abbas	*Member*
Human Resource & Remuneration Committee	Syed Mazhar Abbas	*Chairman*
	Abbas D. Habib	*Member*
	Anwar Haji Karim	*Member*
	Murtaza H. Habib	*Member*
Company Secretary	A. Saeed Siddiqui	
Statutory Auditors	KPMG Taseer Hadi & Co. Chartered Accountants	
Legal Advisor	Liaquat Merchant Associates Advocates and Corporate Legal Consultants	
Registered Office	126-C, Old Bahawalpur Road, Multan	
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi	
Share Registrar	M/s. Noble Computer Services (Pvt.) Limited First Floor, House of Habib Building, (Siddiqsons Tower), 3-Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi.	
Website	www.bankalhabib.com	

DIRECTORS' REVIEW

On behalf of the Board of Directors of the Bank, it is my pleasure to present the un-audited financial statements of Bank AL Habib Limited along with the un-audited consolidated financial statements of Bank AL Habib Limited and the Bank's Subsidiary M/s. AL Habib Capital Markets (Private) Limited for the half year ended June 30, 2014.

Alhamdolillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 417.1 billion as compared to Rs. 386.2 billion on December 31, 2013. In the same period, advances decreased to Rs. 160.5 billion from Rs. 167.6 billion, while investments increased to Rs. 266.3 billion from Rs. 239.8 billion. The pre-tax profit of the Bank for the half year ended June 30, 2014 was Rs. 4,509.9 million as compared to Rs. 3,696.1 million during the corresponding period last year.

Your Bank now has a network of 436 offices, comprising 334 branches, 99 sub-branches, and three Representative Offices, and includes 17 Islamic Banking Branches and two overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches and sub-branches during the year 2014.

Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term and short term entity ratings at **AA+** (Double A plus) and **A1+** (A One plus), respectively. The ratings of our unsecured, subordinated TFCs have also been maintained at **AA** (Double A). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

We wish to thank our customers for their continued support and confidence, the State Bank of Pakistan for their guidance, and local and foreign correspondents for their cooperation. We also thank all our staff members for their sincere and dedicated services.

On behalf of the Board of Directors

ALI RAZA D. HABIB
Chairman

Karachi: August 27, 2014

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF BANK AL HABIB LIMITED

Introduction

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

Scope of Review

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

Conclusion

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

Other Matter

The figures for the quarters ended 30 June 2014 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The financial statements of the Bank for the six-month period ended 30 June 2013 and for the year ended 31 December 2013 were reviewed and audited respectively by another firm of chartered accountants who have expressed unmodified conclusion and opinion thereon dated 29 August 2013 and 18 February 2014 respectively.

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Karachi - 27 August 2014

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	(Un-audited) 30 June 2014	(Audited) 31 December 2013
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		**33,306,124**	32,199,533
Balances with other banks		**2,891,450**	2,662,874
Lendings to financial institutions		**–**	–
Investments - net	7	**266,288,405**	239,752,853
Advances - net	8	**160,475,839**	167,579,360
Operating fixed assets	9	**13,377,129**	11,795,334
Deferred tax assets - net		**–**	–
Other assets		**11,920,885**	6,736,964
		488,259,832	460,726,918
LIABILITIES			
Bills payable		**8,873,779**	6,173,102
Borrowings	10	**20,470,224**	29,480,026
Deposits and other accounts	11	**417,148,173**	386,160,762
Sub-ordinated loans	12	**6,484,200**	6,485,900
Liabilities against assets subject to finance lease		**–**	–
Deferred tax liabilities - net		**1,901,333**	1,651,438
Other liabilities		**5,878,320**	5,493,639
		460,756,029	435,444,867
NET ASSETS		**27,503,803**	25,282,051
REPRESENTED BY :			
Share capital		**11,114,254**	10,103,868
Reserves		**8,048,766**	7,569,407
Unappropriated profit		**4,894,950**	5,554,207
		24,057,970	23,227,482
Surplus on revaluation of assets - net of tax	13	**3,445,833**	2,054,569
		27,503,803	25,282,051
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2014

	Note	Half year ended		Quarter ended	
		30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
		(Rupees in '000)			
Mark-up / return / interest earned	15	**20,597,740**	19,208,802	**10,916,792**	9,524,174
Mark-up / return / interest expensed	16	**(11,920,877)**	(12,197,650)	**(6,318,495)**	(6,041,154)
Net mark-up / return / interest income		**8,676,863**	7,011,152	**4,598,297**	3,483,020
Provision against non-performing loans and advances - net		**(120,938)**	(254,239)	**(31,940)**	(92,141)
Provision for diminution in the value of investments		**–**	–	**–**	–
Bad debts written-off directly		**–**	(96)	**–**	(96)
		(120,938)	(254,335)	**(31,940)**	(92,237)
Net mark-up / return / interest income after provisions		**8,555,925**	6,756,817	**4,566,357**	3,390,783
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		**1,032,918**	840,741	**572,828**	422,774
Dividend income		**222,404**	70,322	**103,766**	8,708
Income from dealing in foreign currencies		**527,073**	266,698	**263,777**	137,073
Gain on sale / redemption of securities - net		**3,901**	372,408	**3,898**	310,953
Unrealised gain / (loss) on revaluation of investments classified as held for trading		**–**	–	**–**	–
Other income		**262,780**	260,239	**116,093**	129,503
Total non mark-up / interest income		**2,049,076**	1,810,408	**1,060,362**	1,009,011
		10,605,001	8,567,225	**5,626,719**	4,399,794
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		**(5,993,263)**	(4,792,681)	**(3,098,117)**	(2,430,632)
Other (provisions) / reversals / write-offs		**(4,625)**	492	**–**	10,864
Other charges		**(97,199)**	(78,894)	**(55,629)**	(43,521)
Total non mark-up / interest expenses		**(6,095,087)**	(4,871,083)	**(3,153,746)**	(2,463,289)
		4,509,914	3,696,142	**2,472,973**	1,936,505
Extra-ordinary / unusual items		**–**	–	**–**	–
PROFIT BEFORE TAXATION		**4,509,914**	3,696,142	**2,472,973**	1,936,505
Taxation - Current		**(1,684,771)**	(1,247,996)	**(908,165)**	(642,248)
- Prior years		**–**	–	**–**	–
- Deferred		**114,877**	(14,812)	**21,458**	(16,971)
		(1,569,894)	(1,262,808)	**(886,707)**	(659,219)
PROFIT AFTER TAXATION		**2,940,020**	2,433,334	**1,586,266**	1,277,286
Basic and diluted earnings per share - Rupees	17	**2.65**	2.19	**1.43**	1.15

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	(Rupees in '000)			
Profit after taxation	**2,940,020**	2,433,334	**1,586,266**	1,277,286
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss account				
Exchange differences on translation of net investment in foreign branches	**(108,645)**	22,167	**4,453**	9,558
Items that will never be reclassified to profit or loss account subsequently				
Remeasurement of defined benefit plan	**–**	–	**–**	–
Related tax charge	**–**	–	**–**	–
	–	–	**–**	–
Total comprehensive income transferred to equity	**2,831,375**	2,455,501	**1,590,719**	1,286,844

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

Surplus arising on revaluation of fixed assets and available for sale investments is required to be shown separately below equity as 'Surplus on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan (SBP). Accordingly, these have not been recognised as other comprehensive income.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2014

	Note	**30 June 2014**	30 June 2013
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**4,509,914**	3,696,142
Less: Dividend income		**(222,404)**	(70,322)
		4,287,510	3,625,820
Adjustments for:			
Depreciation		**477,002**	431,992
Amortisation		**30,800**	25,348
Provision against non-performing loans and advances - net		**120,938**	254,239
Provision / (reversal) against off-balance sheet items		**4,625**	(492)
Gain on sale / redemption of securities		**(3,901)**	(372,408)
Charge for defined benefit plan		**84,000**	60,000
Charge for compensated absences		**24,122**	20,111
Gain on disposal of operating fixed assets		**(50,726)**	(36,529)
		686,860	382,261
		4,974,370	4,008,081
(Increase) / decrease in operating assets			
Lendings to financial institutions		**–**	(1,518,003)
Advances - net		**6,982,583**	(3,215,427)
Other assets - (excluding advance taxation)		**(5,015,386)**	(501,236)
		1,967,197	(5,234,666)
Increase / (decrease) in operating liabilities			
Bills payable		**2,700,677**	3,362,657
Borrowings		**(10,209,569)**	(6,054,506)
Deposits and other accounts		**30,987,411**	24,380,989
Other liabilities - (excluding provision for taxation)		**240,777**	223,036
		23,719,296	21,912,176
		30,660,863	20,685,591
Income tax paid		**(1,783,098)**	(1,660,341)
Net cash flows from operating activities		**28,877,765**	19,025,250
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in securities		**(26,082,751)**	(19,250,486)
Net investment in associates		**–**	132,409
Dividend received		**148,391**	70,322
Investment in operating fixed assets		**(773,590)**	(652,520)
Sale proceeds from disposal of operating fixed assets		**65,545**	40,688
Net cash used in investing activities		**(26,642,405)**	(19,659,587)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of sub-ordinated loans		**(1,700)**	(1,700)
Dividends paid		**(1,989,615)**	(2,972,753)
Net cash used in financing activities		**(1,991,315)**	(2,974,453)
Exchange differences on translation of net investment in foreign branches		**(108,645)**	22,167
Increase / (decrease) in cash and cash equivalents		**135,400**	(3,586,623)
Cash and cash equivalents at the beginning of the period		**34,862,407**	37,209,056
Cash and cash equivalents at the end of the period	18	**34,997,807**	33,622,433

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves Special Reserve	Revenue Reserves General Reserve	Unappropriated Profit	Total
	(Rupees in '000)						
Balance as at 01 January 2013 - Restated	10,103,868	5,630,172	167,874	126,500	540,000	4,489,642	21,058,056
Total comprehensive income for the half year ended 30 June 2013:							
Profit after tax	–	–	–	–	–	2,433,334	2,433,334
Other comprehensive income	–	–	22,167	–	–	–	22,167
	–	–	22,167	–	–	2,433,334	2,455,501
Transfer from surplus on revaluation of fixed assets - net of tax	–	–	–	–	–	18,664	18,664
Transfer to statutory reserve	–	487,824	–	–	–	(487,824)	–
Transactions with owners for the half year ended 30 June 2013:							
Cash dividend (Rs. 3 per share)	–	–	–	–	–	(3,031,160)	(3,031,160)
Balance as at 30 June 2013	10,103,868	6,117,996	190,041	126,500	540,000	3,422,656	20,501,061
Total comprehensive income for the half year ended 31 December 2013:							
Profit after tax	–	–	–	–	–	2,721,215	2,721,215
Other comprehensive income	–	–	50,004	–	–	(63,462)	(13,458)
	–	–	50,004	–	–	2,657,753	2,707,757
Transfer from surplus on revaluation of fixed assets - net of tax	–	–	–	–	–	18,664	18,664
Transfer to statutory reserve	–	544,866	–	–	–	(544,866)	–
Balance as at 31 December 2013	10,103,868	6,662,862	240,045	126,500	540,000	5,554,207	23,227,482
Total comprehensive income for the half year ended 30 June 2014:							
Profit after tax	–	–	–	–	–	2,940,020	2,940,020
Other comprehensive income	–	–	(108,645)	–	–	–	(108,645)
	–	–	(108,645)	–	–	2,940,020	2,831,375
Transfer from surplus on revaluation of fixed assets - net of tax	–	–	–	–	–	19,885	19,885
Transfer to statutory reserve	–	588,004	–	–	–	(588,004)	–
Transactions with owners for the half year ended 30 June 2014:							
Cash dividend (Rs. 2 per share)	–	–	–	–	–	(2,020,772)	(2,020,772)
Issue of bonus shares in the ratio of 10 shares for 100 shares held	1,010,386	–	–	–	–	(1,010,386)	–
Balance as at 30 June 2014	11,114,254	7,250,866	131,400	126,500	540,000	4,894,950	24,057,970

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2014

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited "the Bank" was incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office situated at 126-C, Old Bahawalpur Road, Multan, with principal place of business being in Karachi. Its shares are listed on all the three Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 334 branches (31 December 2013: 320 branches), 99 sub-branches (31 December 2013: 96 sub-branches) and 03 representative offices (31 December 2013: 03 offices). The branch network of the Bank includes 03 offshore branches (31 December 2013: 02 branches) and 17 Islamic Banking branches (31 December 2013: 17 branches).

2. BASIS OF PREPARATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated condesed interim financial statements as such but are restricted to the amount of the facility actually utilised and the appropriate portion of mark-up thereon.

The financial results of the Islamic Banking branches of the Bank have been included in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 21 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated condensed interim financial statements of the Bank have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance,1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, International Financial Reporting Standard 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.

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

3.4 These are separate unconsolidated condensed interim financial statements of the Bank in which investments in subsidiary and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

4. BASIS OF MEASUREMENT

4.1 Accounting Convention

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets are stated at revalued amounts, certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value and staff retirement benefits are carried at present value.

4.2 Functional and Presentation currency

These unconsolidated condensed interim financial statements are presented in Pak Rupees which is the Bank's functional currency and presentation currency.

4.3 Accounting estimates and assumptions

The preparation of these unconsolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas where assumptions and estimates are significant to these unconsolidated condensed interim financial statements are the same as those disclosed in the annual financial statements for the year ended 31 December 2013.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6. FINANCIAL RISK MANAGEMENT

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

	Note	(Un-audited) 30 June 2014 Held by Bank	Given as Collateral	Total	(Audited) 31 December 2013 Held by Bank	Given as Collateral	Total
		(Rupees in '000)					
7. INVESTMENTS							
7.1 Investments by types:							
Available for Sale Securities							
Market Treasury Bills		**136,419,235**	**3,843,432**	**140,262,667**	101,159,729	10,933,027	112,092,756
Pakistan Investment Bonds		**12,451,447**	**–**	**12,451,447**	12,412,522	–	12,412,522
Foreign Currency Bonds		**2,138,150**	**–**	**2,138,150**	1,782,395	–	1,782,395
Sukuk Bonds		**4,144,261**	**–**	**4,144,261**	3,300,425	–	3,300,425
Fully paid-up ordinary shares - Listed		**3,021,456**	**–**	**3,021,456**	2,528,063	–	2,528,063
Fully paid-up ordinary shares - Unlisted		**39,570**	**–**	**39,570**	39,570	–	39,570
Term finance certificates - Listed		**532,879**	**–**	**532,879**	544,625	–	544,625
Term finance certificates - Unlisted		**2,532,670**	**–**	**2,532,670**	2,532,720	–	2,532,720
Units of mutual funds		**1,551,763**	**–**	**1,551,763**	1,175,000	–	1,175,000
		162,831,431	**3,843,432**	**166,674,863**	125,475,049	10,933,027	136,408,076
Held to Maturity Securities	7.2						
Market Treasury Bills		**–**	**–**	**–**	83,858,220	–	83,858,220
Pakistan Investment Bonds		**97,092,478**	**–**	**97,092,478**	17,654,496	–	17,654,496
Sukuk Bonds		**207,071**	**–**	**207,071**	211,342	–	211,342
Term finance certificates - Listed		**91,002**	**–**	**91,002**	95,177	–	95,177
Foreign Currency Bonds		**248,549**	**–**	**248,549**	–	–	–
		97,639,100	**–**	**97,639,100**	101,819,235	–	101,819,235
Associates							
Habib Sugar Mills Limited		**180,977**	**–**	**180,977**	180,977	–	180,977
Habib Asset Management Limited		**60,000**	**–**	**60,000**	60,000	–	60,000
First Habib Income Fund		**250,000**	**–**	**250,000**	250,000	–	250,000
First Habib Stock Fund		**50,000**	**–**	**50,000**	50,000	–	50,000
First Habib Cash Fund		**300,000**	**–**	**300,000**	300,000	–	300,000
First Habib Islamic Balanced Fund		**25,000**	**–**	**25,000**	25,000	–	25,000
		865,977	**–**	**865,977**	865,977	–	865,977
Subsidiary							
AL Habib Capital Markets (Private) Limited		**200,000**	**–**	**200,000**	200,000	–	200,000
Investments at cost		**261,536,508**	**3,843,432**	**265,379,940**	228,360,261	10,933,027	239,293,288
Less : Provision for diminution in the value of investments	7.3	**(5,700)**	**–**	**(5,700)**	(5,700)	–	(5,700)
Investments (net of provision)		**261,530,808**	**3,843,432**	**265,374,240**	228,354,561	10,933,027	239,287,588
Surplus on revaluation of available for sale securities - net	13.2	**914,549**	**(384)**	**914,165**	474,019	(8,754)	465,265
Total Investments		**262,445,357**	**3,843,048**	**266,288,405**	228,828,580	10,924,273	239,752,853

7.2 The aggregate market value of held to maturity securities as at 30 June 2014 amounts to Rs. 97,282 million (31 December 2013: 101,709 million).

7.3 The provision for diminution in the value of investments comprises of provision against fully paid-up ordinary shares of Pakistan Export Finance Guarantee Agency Limited.

	Note	(Un-audited) 30 June 2014	(Audited) 31 December 2013
		(Rupees in '000)	
8. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		**133,094,554**	139,648,282
– Outside Pakistan		**10,085,153**	7,812,380
		143,179,707	147,460,662
Net investment in finance lease / ijarah financing			
– In Pakistan		**1,877,822**	985,898
– Outside Pakistan		**–**	–
		1,877,822	985,898
Net book value of assets in Ijarah under IFAS 2		**581,730**	202,296
Murabaha		**2,484,279**	4,723,489
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		**3,839,642**	2,044,993
– Payable outside Pakistan		**14,690,240**	18,245,217
		18,529,882	20,290,210
Advances - gross		**166,653,420**	173,662,555
Provision against non-performing loans and advances			
– Specific provision	8.1	**(3,606,765)**	(3,543,124)
– General provision against small enterprises and consumer advances (as per SBP regulations)	8.2	**(70,816)**	(40,071)
– General provision	8.3	**(2,500,000)**	(2,500,000)
		(6,177,581)	(6,083,195)
Advances - net of provision		**160,475,839**	167,579,360

8.1 Advances include Rs. 4,259.959 million (31 December 2013: Rs. 3,699.903 million) which have been placed under non-performing status as detailed below:

	30 June 2014 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Category of classification									
Other assets especially mentioned	450	–	450	45	–	45	45	–	45
Substandard	718,167	–	718,167	178,736	–	178,736	178,736	–	178,736
Doubtful	113,814	–	113,814	56,907	–	56,907	57,020	–	57,020
Loss	3,025,150	402,378	3,427,528	2,968,466	402,378	3,370,844	2,968,586	402,378	3,370,964
	3,857,581	402,378	4,259,959	3,204,154	402,378	3,606,532	3,204,387	402,378	3,606,765

	31 December 2013 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
					(Rupees in '000)				
Category of classification									
Other assets especially mentioned	16,121	–	16,121	–	–	–	–	–	–
Substandard	56,807	–	56,807	14,208	–	14,208	14,208	–	14,208
Doubtful	98,528	–	98,528	49,264	–	49,264	49,264	–	49,264
Loss	3,099,517	428,930	3,528,447	3,050,722	428,930	3,479,652	3,050,722	428,930	3,479,652
	3,270,973	428,930	3,699,903	3,114,194	428,930	3,543,124	3,114,194	428,930	3,543,124

8.2 General provision represents provision amounting to Rs. 48.155 million (31 December 2013: 40.071 million) against consumer finance portfolio and Rs. 22.661 million (31 December 2013: Nil) against advances to small enterprises as required by the Prudential Regulation issued by SBP.

8.3 In line with its prudent policies, the Bank has also made general provision of Rs. 2,500 million (31 December 2013: Rs. 2,500 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

	(Un-audited) 30 June 2014	(Audited) 31 December 2013
	(Rupees in '000)	
9. OPERATING FIXED ASSETS		
Capital work-in-progress	**467,189**	290,962
Property and equipments	**12,872,711**	11,467,207
Intangible assets	**37,229**	37,165
	13,377,129	11,795,334

	(Un-audited) Half year ended	
	30 June 2014	30 June 2013
	(Rupees in '000)	
9.1 The following additions were made at cost during the period:		
Leasehold land	**121,487**	–
Buildings on leasehold land	**82,911**	65,319
Improvements to leasehold buildings	**24,993**	132,345
Furniture and fixtures	**23,916**	25,538
Electrical, office and computer equipments	**231,413**	207,759
Vehicles	**85,584**	144,677
Intangible assets	**27,059**	20,481
	597,363	596,119

	(Un-audited) Half year ended	
	30 June 2014	30 June 2013
	(Rupees in '000)	
9.2 The written down value of fixed assets disposed off during the period were as follows:		
Leasehold land	**8,533**	–
Furniture and fixtures	**1,596**	352
Electrical, office and computer equipments	**663**	1,556
Vehicles	**4,027**	2,264
	14,819	4,172

9.3 During the period, the Bank's leasehold land and buildings on leasehold land were revalued by M/s. Iqbal A. Nanjee & Co. on the basis of their professional assessment of the present market value. As a result of revaluation the market value of leasehold land and buildings on leasehold land were determined at Rs. 9,695 million (31 December 2013: Rs. 8,444 million). The details of revalued amounts are as follows:

	(Rupees in '000)
Total revalued amount of land	**4,014,538**
Total revalued amount of buildings	**5,680,553**

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at 30 June 2014 would have been as follows:

	(Rupees in '000)
Land	**3,424,233**
Building	**4,953,894**

	(Un-audited) 30 June 2014	(Audited) 31 December 2013
	(Rupees in '000)	
10. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan under:		
– Export refinance scheme	**11,361,209**	15,065,898
– Long term financing for export oriented projects	**95,298**	156,637
– Long term financing for imported and locally manufactured plant and machinery	**3,438,103**	3,225,277
– Financing facility for storage of agricultural produce	**89,426**	120,727
	14,984,036	18,568,539
Repurchase agreement borrowings	**3,841,800**	10,911,487
	18,825,836	29,480,026
Unsecured		
Borrowings from financial institutions	**444,621**	–
Overdrawn nostros accounts	**1,199,767**	–
	1,644,388	–
	20,470,224	29,480,026

	Note	(Un-audited) 30 June 2014	(Audited) 31 December 2013
		(Rupees in '000)	
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		**86,124,926**	82,536,366
Savings deposits		**125,165,792**	124,273,324
Current accounts - Remunerative		**54,950,365**	41,157,487
Current accounts - Non-remunerative		**140,525,891**	124,061,833
		406,766,974	372,029,010
Financial institutions			
Remunerative deposits		**9,805,976**	13,448,880
Non-remunerative deposits		**575,223**	682,872
		10,381,199	14,131,752
		417,148,173	386,160,762
12. SUB-ORDINATED LOANS - UNSECURED			
Term Finance Certificates (TFCs) - II - (Quoted)	12.1	**1,495,800**	1,496,100
Term Finance Certificates (TFCs) - III - (Unquoted)	12.2	**1,992,000**	1,992,800
Term Finance Certificates (TFCs) - IV - (Unquoted)	12.3	**2,996,400**	2,997,000
		6,484,200	6,485,900

12.1 Term Finance Certificates - II (Quoted)

Total issue	Rupees 1,500 million
Rating	**AA**
Rate	Payable six monthly at average six months' KIBOR plus 1.95% without any floor and cap
Redemption	6 - 84th month: 0.28%; 90th and 96th month: 49.86% each
Tenor	8 years
Maturity	February 2015

12.2 Term Finance Certificates - III (Unquoted)

Total issue	Rupees 2,000 million
Rating	**AA**
Rate	Payable three monthly at 15.50% p.a. for first 5 years and 16.00% p.a. for next 3 years
Redemption	3rd - 84th month: 0.56%; 87th, 90th, 93rd and 96th month: 24.86% each
Tenor	8 years
Maturity	June 2017

12.3 Term Finance Certificates - IV (Unquoted)

Total issue	Rupees 3,000 million
Rating	**AA**
Rate	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	June 2021

	Note	**(Un-audited) 30 June 2014**	(Audited) 31 December 2013
		(Rupees in '000)	
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Operating fixed assets	13.1	**2,775,185**	1,722,912
Available for sale investments	13.2	**670,648**	331,657
		3,445,833	2,054,569
13.1 Operating fixed assets			
Balance at the beginning of the period / year		**2,318,881**	2,376,309
Surplus on revaluation of the Bank's properties during the period / year		**1,327,022**	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		**(30,592)**	(57,428)
		3,615,311	2,318,881
Related deferred tax liability on:			
Balance at the beginning of the period / year		**595,969**	616,069
Revaluation of Bank's properties during the period / year		**254,864**	–
Incremental depreciation charged during the period / year transferred to profit and loss account		**(10,707)**	(20,100)
		(840,126)	(595,969)
		2,775,185	1,722,912
13.2 Available for sale investments			
Federal Government Securities		**290,159**	190,125
Fully paid-up ordinary shares		**452,788**	179,418
Term finance certificates, sukuks and other bonds		**5,365**	3,979
Units of mutual funds		**165,853**	91,743
		914,165	465,265
Related deferred tax		**(243,517)**	(133,608)
		670,648	331,657

14. CONTINGENCIES AND COMMITMENTS

	(Un-audited) 30 June 2014	(Audited) 31 December 2013
	(Rupees in '000)	
14.1 Direct Credit Substitutes		
Financial guarantees issued favouring:		
– Financial institutions	**152,363**	308,098
– Others	**77,166**	171,805
	229,529	479,903
14.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
– Government	**16,213,068**	13,305,949
– Financial institutions	**301,997**	238,651
– Others	**6,736,127**	6,112,025
	23,251,192	19,656,625
14.3 Trade-related contingent liabilities		
Letters of credit	**79,543,703**	70,207,859
Acceptances	**10,249,216**	6,895,498
	89,792,919	77,103,357
14.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	**3,453,439**	1,130,970
14.5 Commitments in respect of forward exchange contracts		
Purchase	**28,912,400**	23,468,276
Sale	**22,550,260**	20,363,924

The maturities of above contracts are spread over a period upto one year.

14.6 Commitments for the acquisition of operating fixed assets	**210,883**	144,931

	(Un-audited)			
	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	(Rupees in '000)			

15. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:				
Customers	**7,396,672**	6,500,913	**3,683,647**	3,134,808
Financial institutions	**114,155**	108,761	**53,241**	86,627
	7,510,827	6,609,674	**3,736,888**	3,221,435
On investments:				
Available for sale securities	**7,865,441**	9,195,456	**4,526,758**	4,624,207
Held to maturity securities	**5,138,296**	3,342,122	**2,606,334**	1,650,783
	13,003,737	12,537,578	**7,133,092**	6,274,990
On deposits with financial institutions	**34,627**	35,619	**15,799**	17,645
On securities purchased under resale agreements	**48,527**	24,972	**31,013**	9,736
On call money lendings	**22**	959	**–**	368
	20,597,740	19,208,802	**10,916,792**	9,524,174

	(Un-audited)			
	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	(Rupees in '000)			

16. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	**9,676,390**	8,983,575	**4,975,532**	4,510,448
On sub-ordinated loans	**464,841**	462,362	**234,743**	230,029
On securities sold under repurchase agreements	**900,026**	1,879,368	**682,070**	879,991
On borrowings from SBP	**701,544**	716,777	**334,715**	354,131
On other borrowings	**178,076**	155,568	**91,435**	66,555
	11,920,877	12,197,650	**6,318,495**	6,041,154

17. BASIC AND DILUTED EARNINGS PER SHARE

	(Un-audited)			
	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	(Rupees in '000)			
Profit after taxation	**2,940,020**	2,433,334	**1,586,266**	1,277,286
	(Number of shares in thousands)			
Weighted average number of ordinary shares	**1,111,425**	1,111,425	**1,111,425**	1,111,425
	(Rupees)			
Basic and diluted earnings per share	**2.65**	2.19	**1.43**	1.15

18. CASH AND CASH EQUIVALENTS

	(Un-audited)	
	Half year ended	
	30 June 2014	30 June 2013
	(Rupees in '000)	
Cash and balances with treasury banks	**33,306,124**	31,625,770
Balances with other banks	**2,891,450**	2,154,471
Overdrawn nostros accounts	**(1,199,767)**	(157,808)
	34,997,807	33,622,433

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Half year ended 30 June 2014 (Un-audited)			
	Retail Banking	**Commercial Banking**	**Inter Segment Elimination**	**Total**
		(Rupees in '000)		
Total income	12,644,503	19,118,852	(9,116,539)	22,646,816
Total expenses	(9,590,936)	(17,662,505)	9,116,539	(18,136,902)
Net income	3,053,567	1,456,347	–	4,509,914
Segment assets (net of provisions)	389,066,766	469,015,398	(369,822,332)	488,259,832
Segment non performing loans	42,992	4,216,967	–	4,259,959
Segment provision required	41,369	3,565,163	–	3,606,532
Segment liabilities	387,146,339	443,432,022	(369,822,332)	460,756,029
Segment return on net assets (ROA) (%)*	3.25%	4.08%		
Segment cost of funds (%)*	2.48%	3.98%		

	Half year ended 30 June 2013 (Un-audited)			
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
		(Rupees in '000)		
Total income	9,982,420	19,362,010	(8,325,220)	21,019,210
Total expenses	(8,759,162)	(16,889,126)	8,325,220	(17,323,068)
Net income	1,223,258	2,472,884	–	3,696,142
Segment assets (net of provisions)	337,799,136	458,027,106	(321,064,055)	474,762,187
Segment non performing loans	43,401	3,802,299	–	3,845,700
Segment provision required	42,572	3,274,275	–	3,316,847
Segment liabilities	336,662,825	435,688,125	(321,064,055)	451,286,895
Segment return on net assets (ROA) (%)*	2.96%	4.23%		
Segment cost of funds (%)*	2.60%	3.88%		

*The percentages have been computed based on closing assets / liabilities figures.

20. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiary, associates (including entities having directors in common with the Bank), employee benefit plans, major share holders, directors and key management personnel and their close family members.

Transactions with related parties are carried out at an arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Bank are carried out in accordance with the terms of their employment.

Transactions for the period / year and balances outstanding as at the period / year end with related parties are summarised as follows:

	As at 30 June 2014 (Un-audited)					
	Subsidiary	Associates	Non Executive Directors	Key Management Personnel	Employee Benefit Plans	Total
			(Rupees in '000)			
Deposits						
At the beginning of the period	61,957	1,813,814	142,104	368,941	174,811	2,561,627
Placement during the period	613,561	49,812,141	655,439	1,209,497	5,045,354	57,335,992
Withdrawal during the period	(460,356)	(49,504,440)	(587,244)	(1,183,363)	(5,167,856)	(56,903,259)
At the end of the period	215,162	2,121,515	210,299	395,075	52,309	2,994,360
Advances						
At the beginning of the period	19,720	1,282,655	126	37,822	–	1,340,323
Addition during the period	3,700,041	12,878,825	2,886	38,042	–	16,619,794
Repaid during the period	(3,719,761)	(12,691,845)	(2,749)	(28,011)	–	(16,442,366)
At the end of the period	–	1,469,635	263	47,853	–	1,517,751
Investments						
At the beginning of the period	200,000	865,977	–	–	–	1,065,977
Investment made during the period	–	–	–	–	–	–
Investment redeemed / disposed off during the period	–	–	–	–	–	–
At the end of the period	200,000	865,977	–	–	–	1,065,977
Contingencies and commitments	–	844,858	–	–	–	844,858

	As at 31 December 2013 (Audited)					
			(Rupees in '000)			
Deposits						
At the beginning of the year	6,320	1,691,582	146,594	294,767	151,603	2,290,866
Placement during the year	1,950,871	76,167,530	767,897	1,186,282	4,538,194	84,610,774
Withdrawal during the year	(1,895,234)	(76,045,298)	(772,387)	(1,112,108)	(4,514,986)	(84,340,013)
At the end of the year	61,957	1,813,814	142,104	368,941	174,811	2,561,627
Advances						
At the beginning of the year	7,166	1,615,380	351	28,605	–	1,651,502
Addition during the year	9,123,600	20,955,131	3,025	45,862	–	30,127,618
Repaid during the year	(9,111,046)	(21,287,856)	(3,250)	(36,645)	–	(30,438,797)
At the end of the year	19,720	1,282,655	126	37,822	–	1,340,323
Investments						
At the beginning of the year	200,000	1,139,727	–	–	–	1,339,727
Investment made during the year	–	647,501	–	–	–	647,501
Investment redeemed / disposed off during the year	–	(921,251)	–	–	–	(921,251)
At the end of the year	200,000	865,977	–	–	–	1,065,977
Contingencies and commitments	–	721,649	–	–	–	721,649

	Half year ended 30 June 2014 (Un-audited)					
	Subsidiary	**Associates**	**Non Executive Directors**	**Key Management Personnel**	**Employee Benefit Plans**	**Total**
			(Rupees in '000)			
Purchase of fixed assets	–	–	–	–	–	–
Sale of securities	–	14,842	–	–	–	14,842
Redemption of mutual funds units	–	–	–	–	–	–
Purchase of mutual fund units/securities	–	–	–	–	–	–
Mark-up earned	350	68,386	–	1,334	–	70,070
Mark-up expensed	608	46,088	3,517	13,947	8,019	72,179
Bank charges and commission	1	2,107	6	64	–	2,178
Gain on sale of securities	–	80	–	–	–	80
Salaries and allowances	–	–	–	119,790	–	119,790
Bonus	–	–	–	23,518	–	23,518
Contribution to defined contribution plan	–	–	–	5,951	–	5,951
Contribution to defined benefit plan	–	–	–	13,606	–	13,606
Staff provident fund	–	–	–	–	108,910	108,910
Staff gratuity fund	–	–	–	–	84,000	84,000
Directors' fee	–	–	1,650	–	–	1,650
Insurance claim received	–	5,878	–	–	–	5,878
Insurance premium paid	–	63,124	–	–	–	63,124
Dividend income	–	36,191	–	–	–	36,191
Rental income	1,050	–	–	–	–	1,050
Other expense	103	1,524	–	–	–	1,627
Commission expense	94	–	–	–	–	94
Other income	250	–	–	–	–	250

	Half year ended 30 June 2013 (Un-audited)					
	Subsidiary	Associates	Non Executive Directors	Key Management Personnel	Employee Benefit Plans	Total
			(Rupees in '000)			
Purchase of fixed assets	–	1,047	–	–	–	1,047
Sale of securities	–	–	–	–	–	–
Redemption of mutual funds units	–	158,659	–	–	–	158,659
Purchase of mutual fund units/securities	–	26,250	–	–	–	26,250
Mark-up earned	578	71,782	–	771	–	73,131
Mark-up expensed	428	34,257	4,242	9,852	9,038	57,817
Bank charges and commission	1	2,395	5	57	–	2,458
Gain on sale of securities	–	8,659	–	–	–	8,659
Salaries and allowances	–	–	–	89,945	–	89,945
Bonus	–	–	–	8,542	–	8,542
Contribution to defined contribution plan	–	–	–	3,525	–	3,525
Contribution to defined benefit plan	–	–	–	7,442	–	7,442
Staff provident fund	–	–	–	–	90,469	90,469
Staff gratuity fund	–	–	–	–	60,000	60,000
Directors' fee	–	–	1,250	–	–	1,250
Insurance claim received	–	5,500	–	–	–	5,500
Insurance premium paid	–	77,521	–	–	–	77,521
Dividend income	–	23,605	–	–	–	23,605
Rental income	1,622	–	–	–	–	1,622
Other expense	360	–	–	–	–	360
Commission expense	596	–	–	–	–	596
Other income	250	–	–	–	–	250

21. ISLAMIC BANKING BUSINESS

The Bank is operating 17 Islamic Banking branches in Pakistan at the end of reporting period (31 December 2013: 17 branches). The statement of financial position of these branches as at 30 June 2014 is as follows:

	Note	**(Un-audited) 30 June 2014**	(Audited) 31 December 2013
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		**359,849**	363,446
Balances with and due from financial institutions		**60,066**	35,677
Investments		**2,584,465**	1,493,818
Islamic financing and related assets	21.1	**9,396,521**	10,647,906
Operating fixed assets		**66,048**	62,567
Other assets		**215,039**	359,340
Total assets		**12,681,988**	12,962,754
LIABILITIES			
Bills payable		**194,555**	112,276
Due to financial institutions		**661,232**	1,643,761
Deposits and other accounts	21.2	**9,189,330**	8,617,703
– Current accounts		**2,913,714**	2,198,218
– Saving accounts		**1,936,058**	1,420,729
– Term deposits		**3,651,194**	3,380,965
– Others		**64,910**	11,348
– Deposits from financial institutions-remunerative		**621,508**	1,605,680
– Deposits from financial institutions-non-remunerative		**1,946**	763
Due to Head office		**995,066**	990,000
Other liabilities		**388,170**	293,351
Total liabilities		**(11,428,353)**	(11,657,091)
NET ASSETS		**1,253,635**	1,305,663
REPRESENTED BY:			
Islamic banking fund		**1,100,000**	1,000,000
Accumulated profit		**150,875**	301,343
		1,250,875	1,301,343
Surplus on revaluation of assets		**2,760**	4,320
		1,253,635	1,305,663

	(Un-audited) 30 June 2014	(Audited) 31 December 2013
	(Rupees in '000)	
21.1 Islamic financing and related assets		
Murabaha	**2,484,279**	4,684,555
Net book value of assets / investments in ijarah under IFAS 2	**581,730**	202,296
Diminishing musharika	**3,119,267**	3,056,660
Istisna	**1,462,537**	651,646
Islamic Export refinance murabaha	**107,885**	38,934
Islamic Export refinance istisna	**1,282,347**	1,517,077
Gross financing	**9,038,045**	10,151,168
Less: general provisioning against consumer financing	**(523)**	(523)
Net financing	**9,037,522**	10,150,645
Advance against murabaha	**357,960**	449,831
Advance against ijarah	**1,039**	47,430
Islamic financing and related assets - net of provision	**9,396,521**	10,647,906
21.1.1 Islamic mode of financing		
Financings / inventory / receivables	**9,038,045**	10,151,168
Advances	**358,999**	497,261
Less: general provisioning against consumer financing	**(523)**	(523)
	9,396,521	10,647,906

21.2 Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis. Deposit and other accounts include redeemable capital of Rs. 6,427.871 million (December 31, 2013: Rs. 6,437.972 million) and deposits on Qard basis of Rs. 2,761.459 million (December 31, 2013: Rs. 2,179.731 million).

22. GENERAL

22.1 Corresponding figures have been re-arranged / re-classified wherever necessary, for the purpose of comparison. However, no significant reclassifications have been made in these unconsolidated condensed interim financial statements.

22.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

22.3 Figures of the profit and loss account for the quarters ended 30 June 2014 and 30 June 2013 have not been subjected to limited scope review by the auditors.

23. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on 27 August 2014 by the Board of Directors of the Bank.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Company

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	(Un-audited) 30 June 2014	(Audited) 31 December 2013
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		**33,306,126**	32,199,552
Balances with other banks		**2,942,309**	2,664,729
Lendings to financial institutions		**–**	–
Investments - net	7	**266,338,040**	239,986,042
Advances - net	8	**160,475,905**	167,569,070
Operating fixed assets	9	**13,397,578**	11,815,577
Deferred tax assets - net		**–**	–
Other assets		**12,030,684**	6,786,943
		488,490,642	461,021,913
LIABILITIES			
Bills payable		**8,873,779**	6,173,102
Borrowings	10	**20,470,224**	29,480,026
Deposits and other accounts	11	**416,991,604**	386,098,828
Sub-ordinated loans	12	**6,484,200**	6,485,900
Liabilities against assets subject to finance lease		**–**	–
Deferred tax liabilities - net		**1,889,447**	1,642,923
Other liabilities		**5,944,274**	5,559,900
		460,653,528	435,440,679
NET ASSETS		**27,837,114**	25,581,234
REPRESENTED BY :			
Share capital		**11,114,254**	10,103,868
Reserves		**8,048,766**	7,569,407
Unappropriated profit		**5,072,741**	5,703,859
Equity attributable to the shareholders of the Holding company		**24,235,761**	23,377,134
Non-controlling interest		**114,825**	109,744
Total equity		**24,350,586**	23,486,878
Surplus on revaluation of assets - net of tax	13	**3,486,528**	2,094,356
		27,837,114	25,581,234
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Note	Half year ended		Quarter ended	
		30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
		(Rupees in '000)			
Mark-up / return / interest earned	15	**20,597,461**	19,208,262	**10,916,678**	9,524,043
Mark-up / return / interest expensed	16	**(11,920,271)**	(12,197,227)	**(6,317,958)**	(6,040,838)
Net mark-up / return / interest income		**8,677,190**	7,011,035	**4,598,720**	3,483,205
Provision against non-performing loans and advances - net		**(120,938)**	(254,239)	**(31,940)**	(92,141)
Provision for diminution in the value of investments		**–**	–	**–**	–
Bad debts written-off directly		**–**	(96)	**–**	(96)
		(120,938)	(254,335)	**(31,940)**	(92,237)
Net mark-up / return / interest income after provisions		**8,556,252**	6,756,700	**4,566,780**	3,390,968
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		**1,047,301**	853,447	**581,233**	428,832
Dividend income		**187,106**	47,620	**91,016**	8,728
Income from dealing in foreign currencies		**527,073**	266,698	**263,777**	137,073
Gain on sale / redemption of securities - net		**26,167**	385,887	**25,731**	320,507
Unrealised gain / (loss) on revaluation of investments classified as held for trading		**–**	–	**–**	–
Share of profit from associates		**54,168**	79,829	**35,301**	54,088
Other income		**262,697**	263,377	**115,583**	133,074
Total non mark-up / interest income		**2,104,512**	1,896,858	**1,112,641**	1,082,302
		10,660,764	8,653,558	**5,679,421**	4,473,270
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		**(6,018,910)**	(4,813,179)	**(3,111,634)**	(2,441,703)
Other (provisions) / reversals / write-offs		**(4,625)**	492	**–**	10,864
Other charges		**(97,225)**	(79,004)	**(55,655)**	(43,631)
Total non mark-up / interest expenses		**(6,120,760)**	(4,891,691)	**(3,167,289)**	(2,474,470)
		4,540,004	3,761,867	**2,512,132**	1,998,800
Extra-ordinary / unusual items		**–**	–	**–**	–
PROFIT BEFORE TAXATION		**4,540,004**	3,761,867	**2,512,132**	1,998,800
Taxation - Current		**(1,685,012)**	(1,248,226)	**(908,267)**	(642,412)
- Prior years		**–**	–	**–**	–
- Deferred		**118,248**	(15,351)	**23,108**	(16,841)
		(1,566,764)	(1,263,577)	**(885,159)**	(659,253)
PROFIT AFTER TAXATION		**2,973,240**	2,498,290	**1,626,973**	1,339,547
Attributable to:					
Shareholders of the Holding Company		**2,968,159**	2,492,492	**1,620,913**	1,333,936
Non-controlling interest		**5,081**	5,798	**6,060**	5,611
		2,973,240	2,498,290	**1,626,973**	1,339,547
Basic and diluted earnings per share attributable to equity holders of the Holding Company - Rupees	17	**2.67**	2.24	**1.46**	1.20

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	(Rupees in '000)			
Profit after taxation	**2,973,240**	2,498,290	**1,626,973**	1,339,547
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss account				
Exchange differences on translation of net investment in foreign branches	**(108,645)**	22,167	**4,453**	9,558
Items that will never be reclassified to profit or loss account subsequently				
Remeasurement of defined benefit plan	**–**	–	**–**	–
Related tax charge	**–**	–	**–**	–
	–	–	**–**	–
Total comprehensive income transferred to equity	**2,864,595**	2,520,457	**1,631,426**	1,349,105
Attributable to:				
Shareholders of the Holding company	**2,859,514**	2,514,659	**1,625,366**	1,343,494
Non-controlling interest	**5,081**	5,798	**6,060**	5,611
	2,864,595	2,520,457	**1,631,426**	1,349,105

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

Surplus arising on revaluation of fixed assets and available for sale investments is required to be shown separately below equity as 'Surplus on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan (SBP). Accordingly, these have not been recognised as other comprehensive income.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2014

	Note	30 June 2014	30 June 2013
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**4,540,004**	3,761,867
Less: Dividend income		**(187,106)**	(47,620)
		4,352,898	3,714,247
Adjustments for:			
Depreciation		**477,944**	432,923
Amortisation		**30,980**	25,348
Provision against non-performing loans and advances - net		**120,938**	254,239
Provision / (reversal) against off-balance sheet items		**4,625**	(492)
Gain on sale / redemption of securities		**(26,167)**	(385,887)
Charge for defined benefit plan		**84,000**	60,000
Charge for compensated absences		**24,122**	20,111
Gain on disposal of operating fixed assets		**(51,700)**	(40,892)
Share of profit from associates		**(54,168)**	(79,829)
		610,574	285,521
		4,963,472	3,999,768
(Increase) / decrease in operating assets			
Lendings to financial institutions		**–**	(1,518,003)
Advances - net		**6,972,227**	(3,211,815)
Other assets - (excluding advance taxation)		**(5,073,989)**	(502,606)
		1,898,238	(5,232,424)
Increase / (decrease) in operating liabilities			
Bills payable		**2,700,677**	3,362,657
Borrowings		**(10,209,569)**	(6,054,247)
Deposits and other accounts		**30,892,776**	24,272,475
Other liabilities - (excluding provision for taxation)		**240,489**	326,803
		23,624,373	21,907,688
		30,486,083	20,675,032
Income tax paid		**(1,784,556)**	(1,661,810)
Net cash flows from operating activities		**28,701,527**	19,013,222
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in securities		**(25,858,047)**	(19,236,560)
Net investment in associates		**36,191**	156,014
Dividend received		**113,093**	47,620
Investment in operating fixed assets		**(774,917)**	(652,551)
Sale proceeds from disposal of operating fixed assets		**66,500**	45,051
Net cash used in investing activities		**(26,417,180)**	(19,640,426)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of sub-ordinated loans		**(1,700)**	(1,700)
Dividends paid		**(1,989,615)**	(2,972,753)
Net cash used in financing activities		**(1,991,315)**	(2,974,453)
Exchange differences on translation of net investment in foreign branches		**(108,645)**	22,167
Increase / (decrease) in cash and cash equivalents		**184,387**	(3,579,490)
Cash and cash equivalents at the beginning of the period		**34,864,281**	37,211,593
Cash and cash equivalents at the end of the period	18	**35,048,668**	33,632,103

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2014

	Attributable to the shareholders of the Holding Company								
			Foreign Currency	Revenue Reserves					
	Share Capital	Statutory Reserve	Translation Reserve	Special Reserve	General Reserve	Unappro-priated Profit	Total	Non-controlling Interest	Total Equity
					(Rupees in '000)				
Balance as at 01 January 2013 - Restated	10,103,868	5,630,172	167,874	126,500	540,000	4,598,577	21,166,991	106,753	21,273,744
Total comprehensive income for the half year ended 30 June 2013:									
Profit after tax	–	–	–	–	–	2,492,492	2,492,492	5,798	2,498,290
Other comprehensive income	–	–	22,167	–	–	–	22,167	–	22,167
	–	–	22,167	–	–	2,492,492	2,514,659	5,798	2,520,457
Transfer from surplus on revaluation of fixed assets - net of tax	–	–	–	–	–	18,664	18,664	–	18,664
Transfer to statutory reserve	–	487,824	–	–	–	(487,824)	–	–	–
Transactions with owners for the half year ended 30 June 2013:									
Cash dividend (Rs. 3 per share)	–	–	–	–	–	(3,031,160)	(3,031,160)	–	(3,031,160)
Balance as at 30 June 2013	10,103,868	6,117,996	190,041	126,500	540,000	3,590,749	20,669,154	112,551	20,781,705
Total comprehensive income for the half year ended 31 December 2013:									
Profit after tax	–	–	–	–	–	2,702,774	2,702,774	(2,807)	2,699,967
Other comprehensive income	–	–	50,004	–	–	(63,462)	(13,458)	–	(13,458)
	–	–	50,004	–	–	2,639,312	2,689,316	(2,807)	2,686,509
Transfer from surplus on revaluation of fixed assets - net of tax	–	–	–	–	–	18,664	18,664	–	18,664
Transfer to statutory reserve	–	544,866	–	–	–	(544,866)	–	–	–
Balance as at 31 December 2013	10,103,868	6,662,862	240,045	126,500	540,000	5,703,859	23,377,134	109,744	23,486,878
Total comprehensive income for the half year ended 30 June 2014:									
Profit after tax	–	–	–	–	–	2,968,159	2,968,159	5,081	2,973,240
Other comprehensive income	–	–	(108,645)	–	–	–	(108,645)	–	(108,645)
	–	–	(108,645)	–	–	2,968,159	2,859,514	5,081	2,864,595
Transfer from surplus on revaluation of fixed assets - net of tax	–	–	–	–	–	19,885	19,885	–	19,885
Transfer to statutory reserve	–	588,004	–	–	–	(588,004)	–	–	–
Transactions with owners for the half year ended 30 June 2014:									
Cash dividend (Rs. 2 per share)	–	–	–	–	–	(2,020,772)	(2,020,772)	–	(2,020,772)
Issue of bonus shares in the ratio of 10 shares for 100 shares held	1,010,386	–	–	–	–	(1,010,386)	–	–	–
Balance as at 30 June 2014	11,114,254	7,250,866	131,400	126,500	540,000	5,072,741	24,235,761	114,825	24,350,586

The annexed notes 1 to 23 form an integral part of these consolidated condensed interim financial statements.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2014

1. STATUS AND NATURE OF BUSINESS

The Group consists of :

- Bank AL Habib Limited (Holding Company)
- AL Habib Capital Markets (Private) Limited (Subsidiary Company)

Bank AL Habib Limited (the Bank) was incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan, with principal place of business being in Karachi. Its shares are listed on all the three Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 334 branches (31 December 2013: 320 branches), 99 sub-branches (31 December 2013: 96 sub-branches) and 03 representative offices (31 December 2013: 03 offices). The branch network of the Bank includes 03 offshore branches (31 December 2013: 02 branches) and 17 Islamic Banking branches (31 December 2013: 17 branches). The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited (the Company). The Company was incorporated in Pakistan on 23 August 2005 as a private limited company under the Companies Ordinance,1984.The Company is a corporate member of the Karachi Stock Exchange Limited and is engaged in equity, money market and foreign exchange brokerage services, equity research, corporate financial advisory and consultancy services.

2. BASIS OF PREPARATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of the facility actually utilised and the appropriate portion of mark-up thereon.

The financial results of the Islamic Banking branches of the Bank have been included in these consolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 21 to these consolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated condensed interim financial statements of the Group have been prepared, in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance,1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, International Financial Reporting Standard 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.

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

4. BASIS OF MEASUREMENT

4.1 Accounting Convention

These consolidated condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets are stated at revalued amounts, certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value and staff retirement benefits are carried at present value.

4.2 Functional and Presentation currency

These consolidated condensed interim financial statements are presented in Pak Rupees which is the Group's functional currency and presentation currency.

4.3 Accounting estimates and assumptions

The preparation of these consolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas where assumptions and estimates are significant to these consolidated condensed interim financial statements are the same as those disclosed in the annual financial statements for the year ended 31 December 2013.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6. FINANCIAL RISK MANAGEMENT

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

	Note	(Un-audited) 30 June 2014 Held by Group	Given as Collateral	Total	(Audited) 31 December 2013 Held by Group	Given as Collateral	Total
		(Rupees in '000)					

7. INVESTMENTS

7.1 Investments by types:

	Note	Held by Group	Given as Collateral	Total	Held by Group	Given as Collateral	Total
Available for Sale Securities							
Market Treasury Bills		**136,419,235**	**3,843,432**	**140,262,667**	101,159,729	10,933,027	112,092,756
Pakistan Investment Bonds		**12,451,447**	**–**	**12,451,447**	12,412,522	–	12,412,522
Foreign Currency Bonds		**2,138,150**	**–**	**2,138,150**	1,782,395	–	1,782,395
Sukuk Bonds		**4,144,261**	**–**	**4,144,261**	3,300,425	–	3,300,425
Fully paid-up ordinary shares - Listed		**3,028,967**	**–**	**3,028,967**	2,542,652	–	2,542,652
Fully paid-up ordinary shares - Unlisted		**64,855**	**–**	**64,855**	64,855	–	64,855
Term finance certificates - Listed		**532,879**	**–**	**532,879**	544,625	–	544,625
Term finance certificates - Unlisted		**2,532,670**	**–**	**2,532,670**	2,532,720	–	2,532,720
Units of mutual funds		**1,551,763**	**–**	**1,551,763**	1,371,246	–	1,371,246
		162,864,227	**3,843,432**	**166,707,659**	125,711,169	10,933,027	136,644,196
Held to Maturity Securities	7.2						
Market Treasury Bills		**–**	**–**	**–**	83,858,220	–	83,858,220
Pakistan Investment Bonds		**97,092,478**	**–**	**97,092,478**	17,654,496	–	17,654,496
Sukuk Bonds		**207,071**	**–**	**207,071**	211,342	–	211,342
Term finance certificates - Listed		**91,002**	**–**	**91,002**	95,177	–	95,177
Foreign Currency Bonds		**248,549**	**–**	**248,549**	–	–	–
		97,639,100	**–**	**97,639,100**	101,819,235	–	101,819,235
Associates							
Habib Sugar Mills Limited		**330,666**	**–**	**330,666**	317,917	–	317,917
Habib Asset Management Limited		**78,425**	**–**	**78,425**	74,577	–	74,577
First Habib Income Fund		**270,038**	**–**	**270,038**	259,725	–	259,725
First Habib Stock Fund		**51,815**	**–**	**51,815**	56,765	–	56,765
First Habib Cash Fund		**325,940**	**–**	**325,940**	312,930	–	312,930
First Habib Islamic Balanced Fund		**25,777**	**–**	**25,777**	27,134	–	27,134
		1,082,661	**–**	**1,082,661**	1,049,048	–	1,049,048
Investments at cost		**261,585,988**	**3,843,432**	**265,429,420**	228,579,452	10,933,027	239,512,479
Less : Provision for diminution in the value of investments	7.3	**(5,700)**	**–**	**(5,700)**	(6,586)	–	(6,586)
Investments (net of provision)		**261,580,288**	**3,843,432**	**265,423,720**	228,572,866	10,933,027	239,505,893
Surplus on revaluation of available for sale securities - net		**914,704**	**(384)**	**914,320**	488,903	(8,754)	480,149
Total Investments		**262,494,992**	**3,843,048**	**266,338,040**	229,061,769	10,924,273	239,986,042

7.2 The aggregate market value of held to maturity securities as at 30 June 2014 amounts to Rs. 97,282 million (31 December 2013: 101,709 million).

7.3 The provision for diminution in the value of investments comprises of provision against fully paid-up ordinary shares of Pakistan Export Finance Guarantee Agency Limited.

	Note	(Un-audited) 30 June 2014	(Audited) 31 December 2013
		(Rupees in '000)	
8. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		**133,094,620**	139,637,992
– Outside Pakistan		**10,085,153**	7,812,380
		143,179,773	147,450,372
Net investment in finance lease / ijarah financing			
– In Pakistan		**1,877,822**	985,898
– Outside Pakistan		**–**	–
		1,877,822	985,898
Net book value of assets in Ijarah under IFAS 2		**581,730**	202,296
Murabaha		**2,484,279**	4,723,489
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		**3,839,642**	2,044,993
– Payable outside Pakistan		**14,690,240**	18,245,217
		18,529,882	20,290,210
Advances - gross		**166,653,486**	173,652,265
Provision against non-performing loans and advances			
– Specific provision	8.1	**(3,606,765)**	(3,543,124)
– General provision against small enterprises and consumer advances (as per SBP regulations)	8.2	**(70,816)**	(40,071)
– General provision	8.3	**(2,500,000)**	(2,500,000)
		(6,177,581)	(6,083,195)
Advances - net of provision		**160,475,905**	167,569,070

8.1 Advances include Rs. 4,259.959 million (31 December 2013: Rs. 3,699.903 million) which have been placed under non-performing status as detailed below:

	30 June 2014 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Category of classification									
Other assets especially mentioned	450	–	450	45	–	45	45	–	45
Substandard	718,167	–	718,167	178,736	–	178,736	178,736	–	178,736
Doubtful	113,814	–	113,814	56,907	–	56,907	57,020	–	57,020
Loss	3,025,150	402,378	3,427,528	2,968,466	402,378	3,370,844	2,968,586	402,378	3,370,964
	3,857,581	402,378	4,259,959	3,204,154	402,378	3,606,532	3,204,387	402,378	3,606,765

	31 December 2013 (Audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
					(Rupees in '000)				
Category of classification									
Other assets especially mentioned	16,121	–	16,121	–	–	–	–	–	–
Substandard	56,807	–	56,807	14,208	–	14,208	14,208	–	14,208
Doubtful	98,528	–	98,528	49,264	–	49,264	49,264	–	49,264
Loss	3,099,517	428,930	3,528,447	3,050,722	428,930	3,479,652	3,050,722	428,930	3,479,652
	3,270,973	428,930	3,699,903	3,114,194	428,930	3,543,124	3,114,194	428,930	3,543,124

8.2 General provision represents provision amounting to Rs. 48.155 million (31 December 2013: 40.071 million) against consumer finance portfolio and Rs. 22.661 million (31 December 2013: Nil) against advances to small enterprises as required by the Prudential Regulation issued by SBP.

8.3 In line with its prudent policies, the Bank has also made general provision of Rs. 2,500 million (31 December 2013: Rs. 2,500 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

	(Un-audited) 30 June 2014	(Audited) 31 December 2013
	(Rupees in '000)	
9. OPERATING FIXED ASSETS		
Capital work-in-progress	**467,189**	290,963
Property and equipments	**12,883,091**	11,477,984
Intangible assets	**47,298**	46,630
	13,397,578	11,815,577

	(Un-audited) Half year ended	
	30 June 2014	30 June 2013
	(Rupees in '000)	
9.1 The following additions were made at cost during the period:		
Leasehold land	**121,487**	–
Buildings on leasehold land	**82,911**	65,319
Improvements to leasehold buildings	**24,993**	132,345
Furniture and fixtures	**23,916**	25,538
Electrical, office and computer equipments	**231,955**	207,790
Vehicles	**85,584**	144,677
Intangible assets	**27,059**	20,481
	597,905	596,150

	(Un-audited) Half year ended	
	30 June 2014	30 June 2013
	(Rupees in '000)	

9.2 The written down value of fixed assets disposed off during the period were as follows:

Leasehold land	**8,533**	–
Furniture and fixtures	**1,596**	352
Electrical, office and computer equipments	**663**	1,556
Vehicles	**4,027**	2,264
	14,819	4,172

9.3 During the period, the Bank's leasehold land and buildings on leasehold land were revalued by M/s. Iqbal A. Nanjee & Co. on the basis of their professional assessment of the present market value. As a result of revaluation the market value of leasehold land and buildings on leasehold land were determined at Rs. 9,695 million (31 December 2013: Rs. 8,444 million). The details of revalued amounts are as follows:

	(Rupees in '000)
Total revalued amount of land	**4,014,538**
Total revalued amount of buildings	**5,680,553**

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at 30 June 2014 would have been as follows:

	(Rupees in '000)
Land	**3,424,233**
Building	**4,953,894**

	(Un-audited) 30 June 2014	(Audited) 31 December 2013
	(Rupees in '000)	

10. BORROWINGS

Secured		
Borrowings from the State Bank of Pakistan under:		
– Export refinance scheme	**11,361,209**	15,065,898
– Long term financing for export oriented projects	**95,298**	156,637
– Long term financing for imported and locally manufactured plant and machinery	**3,438,103**	3,225,277
– Financing facility for storage of agricultural produce	**89,426**	120,727
	14,984,036	18,568,539
Repurchase agreement borrowings	**3,841,800**	10,911,487
	18,825,836	29,480,026
Unsecured		
Borrowings from financial institutions	**444,621**	–
Overdrawn nostros accounts	**1,199,767**	–
	1,644,388	–
	20,470,224	29,480,026

	Note	(Un-audited) 30 June 2014	(Audited) 31 December 2013
		(Rupees in '000)	
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		**86,124,926**	82,536,366
Savings deposits		**125,165,792**	124,273,324
Current accounts - Remunerative		**54,950,365**	41,157,487
Current accounts - Non-remunerative		**140,525,891**	124,061,833
		406,766,974	372,029,010
Financial institutions			
Remunerative deposits		**9,649,458**	13,448,617
Non-remunerative deposits		**575,172**	621,201
		10,224,630	14,069,818
		416,991,604	386,098,828
12. SUB-ORDINATED LOANS - UNSECURED			
Term Finance Certificates (TFCs) - II - (Quoted)	12.1	**1,495,800**	1,496,100
Term Finance Certificates (TFCs) - III - (Unquoted)	12.2	**1,992,000**	1,992,800
Term Finance Certificates (TFCs) - IV - (Unquoted)	12.3	**2,996,400**	2,997,000
		6,484,200	6,485,900

12.1 Term Finance Certificates - II (Quoted)

Total issue	Rupees 1,500 million
Rating	**AA**
Rate	Payable six monthly at average six months' KIBOR plus 1.95% without any floor and cap
Redemption	6 - 84th month: 0.28%; 90th and 96th month: 49.86% each
Tenor	8 years
Maturity	February 2015

12.2 Term Finance Certificates - III (Unquoted)

Total issue	Rupees 2,000 million
Rating	**AA**
Rate	Payable three monthly at 15.50% p.a. for first 5 years and 16.00% p.a. for next 3 years
Redemption	3rd - 84th month: 0.56%; 87th, 90th, 93rd and 96th month: 24.86% each
Tenor	8 years
Maturity	June 2017

12.3 Term Finance Certificates - IV (Unquoted)

Total issue	Rupees 3,000 million
Rating	**AA**
Rate	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	June 2021

	Note	**(Un-audited) 30 June 2014**	(Audited) 31 December 2013
		(Rupees in '000)	
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Operating fixed assets	13.1	**2,775,185**	1,722,912
Available for sale investments	13.2	**711,343**	371,444
		3,486,528	2,094,356
13.1 Operating fixed assets			
Balance at the beginning of the period / year		**2,318,881**	2,376,309
Surplus on revaluation of the Bank's properties during the period / year		**1,327,022**	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		**(30,592)**	(57,428)
		3,615,311	2,318,881
Related deferred tax liability on:			
Balance at the beginning of the period / year		**595,969**	616,069
Revaluation of Bank's properties during the period / year		**254,864**	–
Incremental depreciation charged during the period / year transferred to profit and loss account		**(10,707)**	(20,100)
		(840,126)	(595,969)
		2,775,185	1,722,912
13.2 Available for sale investments			
Federal Government Securities		**290,159**	190,125
Fully paid-up ordinary shares		**452,943**	182,202
Term finance certificates, sukuks, other bonds and others		**45,905**	28,883
Units of mutual funds		**165,853**	103,842
		954,860	505,052
Related deferred tax		**(243,517)**	(133,608)
		711,343	371,444

	(Un-audited) 30 June 2014	(Audited) 31 December 2013
	(Rupees in '000)	
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct Credit Substitutes		
Financial guarantees issued favouring:		
– Financial institutions	**152,363**	308,098
– Others	**77,166**	171,805
	229,529	479,903
14.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
– Government	**16,213,068**	13,305,949
– Financial institutions	**301,997**	238,651
– Others	**6,736,127**	6,112,025
	23,251,192	19,656,625
14.3 Trade-related contingent liabilities		
Letters of credit	**79,543,703**	70,207,859
Acceptances	**10,249,216**	6,895,498
	89,792,919	77,103,357
14.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	**3,453,439**	1,130,970
14.5 Commitments in respect of forward exchange contracts		
Purchase	**28,912,400**	23,468,276
Sale	**22,550,260**	20,363,924
The maturities of above contracts are spread over a period upto one year.		
14.6 Commitments for the acquisition of operating fixed assets	**218,246**	154,299

	(Un-audited)			
	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	(Rupees in '000)			

15. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:				
Customers	**7,396,330**	6,500,332	**3,683,500**	3,134,647
Financial institutions	**114,155**	108,761	**53,241**	86,627
	7,510,485	6,609,093	**3,736,741**	3,221,274
On investments:				
Available for sale securities	**7,865,441**	9,195,456	**4,526,758**	4,624,207
Held to maturity securities	**5,138,296**	3,342,122	**2,606,334**	1,650,783
	13,003,737	12,537,578	**7,133,092**	6,274,990
On deposits with financial institutions	**34,690**	35,619	**15,832**	17,645
On securities purchased under resale agreements	**48,527**	24,972	**31,013**	9,736
On call money lendings	**22**	1,000	**–**	398
	20,597,461	19,208,262	**10,916,678**	9,524,043

	(Un-audited)			
	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	(Rupees in '000)			

16. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	**9,675,784**	8,983,152	**4,974,995**	4,510,132
On sub-ordinated loans	**464,841**	462,362	**234,743**	230,029
On securities sold under repurchase agreements	**900,026**	1,879,368	**682,070**	879,991
On borrowings from SBP	**701,544**	716,777	**334,715**	354,131
On other borrowings	**178,076**	155,568	**91,435**	66,555
	11,920,271	12,197,227	**6,317,958**	6,040,838

	(Un-audited)			
	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	(Rupees in '000)			

17. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY

Profit after taxation - attributable to equity holders of the Holding company	**2,968,159**	2,492,492	**1,620,913**	1,333,936
	(Number of shares in thousands)			
Weighted average number of ordinary shares	**1,111,425**	1,111,425	**1,111,425**	1,111,425
	(Rupees)			
Basic and diluted earnings per share	**2.67**	2.24	**1.46**	1.20

	(Un-audited)	
	Half year ended	
	30 June 2014	30 June 2013
	(Rupees in '000)	

18. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	**33,306,126**	31,625,786
Balances with other banks	**2,942,309**	2,164,125
Overdrawn nostros accounts	**(1,199,767)**	(157,808)
	35,048,668	33,632,103

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Half year ended 30 June 2014 (Un-audited)				
	Retail Banking	Commercial Banking	Retail Brokerage	Inter Segment Elimination	Total
			(Rupees in '000)		
Total income	12,644,503	19,138,937	39,637	(9,121,104)	22,701,973
Total expenses	(9,590,936)	(17,660,045)	(32,092)	9,121,104	(18,161,969)
Net income	3,053,567	1,478,892	7,545	–	4,540,004
Segment assets (net of provisions)	389,066,766	469,034,596	396,788	(370,007,508)	488,490,642
Segment non performing loans	42,992	4,216,967	–	–	4,259,959
Segment provision required	41,369	3,565,163	–	–	3,606,532
Segment liabilities	387,146,339	443,275,483	239,214	(370,007,508)	460,653,528
Segment return on net assets (ROA) (%)*	3.25%	4.08%	9.99%		
Segment cost of funds (%)*	2.48%	3.98%	13.42%		

	Half year ended 30 June 2013 (Un-audited)				
	Retail Banking	Commercial Banking	Retail Brokerage	Inter Segment Elimination	Total
			(Rupees in '000)		
Total income	9,982,420	19,411,186	41,594	(8,330,080)	21,105,120
Total expenses	(8,759,162)	(16,886,469)	(27,702)	8,330,080	(17,343,253)
Net income	1,223,258	2,524,717	13,892	–	3,761,867
Segment assets (net of provisions)	337,799,136	458,041,602	481,821	(321,251,502)	475,071,057
Segment non performing loans	43,401	3,802,299	–	–	3,845,700
Segment provision required	42,572	3,274,275	–	–	3,316,847
Segment liabilities	336,662,825	435,560,539	325,558	(321,251,502)	451,297,420
Segment return on net assets (ROA) (%)*	2.96%	4.24%	8.63%		
Segment cost of funds (%)*	2.60%	3.88%	8.51%		

*The percentages have been computed based on closing assets / liabilities figures.

20. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), employee benefit plans, major share holders, directors and key management personnel and their close family members.

Transactions with related parties are carried out at an arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Group are carried out in accordance with the terms of their employment.

Transactions for the period / year and balances outstanding as at the period / year end with related parties are summarised as follows:

	As at 30 June 2014 (Un-audited)				
	Associates	Non Executive Directors	Key Management Personnel	Employee Benefit Plans	Total
			(Rupees in '000)		
Deposits					
At the beginning of the period	1,813,814	142,104	368,941	174,811	2,499,670
Placement during the period	49,812,141	655,439	1,209,497	5,045,354	56,722,431
Withdrawal during the period	(49,504,440)	(587,244)	(1,183,363)	(5,167,856)	(56,442,903)
At the end of the period	2,121,515	210,299	395,075	52,309	2,779,198
Advances					
At the beginning of the period	1,282,655	126	37,822	–	1,320,603
Addition during the period	12,878,825	2,886	38,042	–	12,919,753
Repaid during the period	(12,691,845)	(2,749)	(28,011)	–	(12,722,605)
At the end of the period	1,469,635	263	47,853	–	1,517,751
Investments					
At the beginning of the period	1,049,048	–	–	–	1,049,048
Investment made during the period	–	–	–	–	–
Investment redeemed / disposed off / adjusted during the period	33,613	–	–	–	33,613
At the end of the period	1,082,661	–	–	–	1,082,661
Contingencies and commitments	844,858	–	–	–	844,858

	As at 31 December 2013 (Audited)				
			(Rupees in '000)		
Deposits					
At the beginning of the year	1,691,582	146,594	294,767	151,603	2,284,546
Placement during the year	76,167,530	767,897	1,186,282	4,538,194	82,659,903
Withdrawal during the year	(76,045,298)	(772,387)	(1,112,108)	(4,514,986)	(82,444,779)
At the end of the year	1,813,814	142,104	368,941	174,811	2,499,670
Advances					
At the beginning of the year	1,615,380	351	28,605	–	1,644,336
Addition during the year	20,955,131	3,025	45,862	–	21,004,018
Repaid during the year	(21,287,856)	(3,250)	(36,645)	–	(21,327,751)
At the end of the year	1,282,655	126	37,822	–	1,320,603
Investments					
At the beginning of the year	1,279,273	–	–	–	1,279,273
Investment made during the year	647,501	–	–	–	647,501
Investment redeemed / disposed off / adjusted during the year	(877,726)	–	–	–	(877,726)
At the end of the year	1,049,048	–	–	–	1,049,048
Contingencies and commitments	721,649	–	–	–	721,649

	Half year ended 30 June 2014 (Un-audited)				
	Associates	**Non Executive Directors**	**Key Management Personnel**	**Employee Benefit Plans**	**Total**
			(Rupees in '000)		
Purchase of fixed assets	–	–	–	–	–
Sale of securities	14,842	–	–	–	14,842
Redemption of mutual funds units	–	–	–	–	–
Purchase of mutual fund units/securities	–	–	–	–	–
Mark-up earned	68,386	–	1,334	–	69,720
Mark-up expensed	46,088	3,517	13,947	8,019	71,571
Bank charges and commission	2,107	6	64	–	2,177
Gain on sale of securities	80	–	–	–	80
Salaries and allowances	–	–	124,903	–	124,903
Bonus	–	–	23,518	–	23,518
Contribution to defined contribution plan	–	–	6,291	–	6,291
Contribution to defined benefit plan	–	–	13,606	–	13,606
Staff provident fund	–	–	–	109,765	109,765
Staff gratuity fund	–	–	–	84,000	84,000
Directors' fee	–	1,650	–	–	1,650
Insurance claim received	5,878	–	–	–	5,878
Insurance premium paid	63,925	–	–	–	63,925
Dividend income	36,191	–	–	–	36,191
Brokerage and advisory income	2,369	–	–	–	2,369

	Half year ended 30 June 2013 (Un-audited)				
	Associates	Non Executive Directors	Key Management Personnel	Employee Benefit Plans	Total
			(Rupees in '000)		
Purchase of fixed assets	1,047	–	–	–	1,047
Sale of securities	–	–	–	–	–
Redemption of mutual funds units	158,659	–	–	–	158,659
Purchase of mutual fund units/securities	26,250	–	–	–	26,250
Mark-up earned	71,782	–	771	–	72,553
Mark-up expensed	34,257	4,242	9,852	9,038	57,389
Bank charges and commission	2,395	5	57	–	2,457
Gain on sale of securities	8,659	–	–	–	8,659
Salaries and allowances	–	–	94,458	–	94,458
Bonus	–	–	8,542	–	8,542
Contribution to defined contribution plan	–	–	3,825	–	3,825
Contribution to defined benefit plan	–	–	7,442	–	7,442
Staff provident fund	–	–	–	91,992	91,992
Staff gratuity fund	–	–	–	60,000	60,000
Directors' fee	–	1,250	–	–	1,250
Insurance claim received	5,500	–	–	–	5,500
Insurance premium paid	78,077	–	–	–	78,077
Dividend income	23,605	–	–	–	23,605
Brokerage and advisory income	769	–	–	–	769

21. ISLAMIC BANKING BUSINESS

The Bank is operating 17 Islamic Banking branches in Pakistan at the end of reporting period (31 December 2013: 17 branches). The statement of financial position of these branches as at 30 June 2014 is as follows:

	Note	**(Un-audited) 30 June 2014**	(Audited) 31 December 2013
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		**359,849**	363,446
Balances with and due from financial institutions		**60,066**	35,677
Investments		**2,584,465**	1,493,818
Islamic financing and related assets	21.1	**9,396,521**	10,647,906
Operating fixed assets		**66,048**	62,567
Other assets		**215,039**	359,340
Total assets		**12,681,988**	12,962,754
LIABILITIES			
Bills payable		**194,555**	112,276
Due to financial institutions		**661,232**	1,643,761
Deposits and other accounts	21.2	**9,189,330**	8,617,703
– Current accounts		**2,913,714**	2,198,218
– Saving accounts		**1,936,058**	1,420,729
– Term deposits		**3,651,194**	3,380,965
– Others		**64,910**	11,348
– Deposits from financial institutions-remunerative		**621,508**	1,605,680
– Deposits from financial institutions-non-remunerative		**1,946**	763
Due to Head office		**995,066**	990,000
Other liabilities		**388,170**	293,351
Total liabilities		**(11,428,353)**	(11,657,091)
NET ASSETS		**1,253,635**	1,305,663
REPRESENTED BY:			
Islamic banking fund		**1,100,000**	1,000,000
Accumulated profit		**150,875**	301,343
		1,250,875	1,301,343
Surplus on revaluation of assets		**2,760**	4,320
		1,253,635	1,305,663

		(Un-audited) 30 June 2014	(Audited) 31 December 2013
		(Rupees in '000)	
21.1	**Islamic financing and related assets**		
	Murabaha	**2,484,279**	4,684,555
	Net book value of assets / investments in ijarah under IFAS 2	**581,730**	202,296
	Diminishing musharika	**3,119,267**	3,056,660
	Istisna	**1,462,537**	651,646
	Islamic Export refinance murabaha	**107,885**	38,934
	Islamic Export refinance istisna	**1,282,347**	1,517,077
	Gross financing	**9,038,045**	10,151,168
	Less: general provisioning against consumer financing	**(523)**	(523)
	Net financing	**9,037,522**	10,150,645
	Advance against murabaha	**357,960**	449,831
	Advance against ijarah	**1,039**	47,430
	Islamic financing and related assets - net of provision	**9,396,521**	10,647,906
21.1.1	**Islamic mode of financing**		
	Financings / inventory / receivables	**9,038,045**	10,151,168
	Advances	**358,999**	497,261
	Less: general provisioning against consumer financing	**(523)**	(523)
		9,396,521	10,647,906

21.2 Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis. Deposit and other accounts include redeemable capital of Rs. 6,427.871 million (December 31, 2013: Rs. 6,437.972 million) and deposits on Qard basis of Rs. 2,761.459 million (December 31, 2013: Rs. 2,179.731 million).

22. GENERAL

22.1 Corresponding figures have been re-arranged / re-classified wherever necessary, for the purpose of comparison. However, no significant reclassifications have been made in these consolidated condensed interim financial statements.

22.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

22.3 Figures of the profit and loss account for the quarters ended 30 June 2014 and 30 June 2013 have not been subjected to limited scope review by the auditors.

23. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on 27 August 2014 by the Board of Directors of the Group.

ALI RAZA D. HABIB	ABBAS D. HABIB	SYED HASAN ALI BUKHARI	SHAMEEM AHMED
Chairman	***Chief Executive and Managing Director***	***Director***	***Director***