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Bank of the Year



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Half Yearly Report
June 30, 2015

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Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the half year ended June 30, 2015.

Domestic Economy

Pakistan's economic indicators have shown improvement during FY15 on the back of a wide ranging reform program supported by the IMF. Primarily driven by historically low oil prices, inflation has remained benign, reaching a low of 2.1% in April 2015 and averaging 4.6% for FY15 compared to 8.6% in the previous fiscal year. GDP growth for FY15 improved to 4.2%, mainly supported by the agriculture and services sectors as slower growth in Large Scale Manufacturing dampened overall industrial growth.

Exports fell by 4% during FY15 as a result of lower cotton prices and sluggish domestic industrial production. However, falling oil and commodity prices resulted in a 1% reduction in imports, which restricted growth in the trade deficit to 3%. In conjunction with record remittances, which grew by over 16% to reach USD 18.4 billion, the current account deficit reduced by 27% over FY14, resulting in a balance of payments surplus of USD 2.6 billion for FY15.

The 7th review under the IMF's EFF facility was successfully completed, paving the way for the disbursement of the loan tranche of USD 506 million by end June 2015. The positive macroeconomic developments, capital flows from privatization, and the strengthened external stability on the back of higher CSF flows, IMF disbursements and high remittances, resulted in foreign exchange reserves reaching a record high of USD 18.7 billion by June 2015. In May 2015, S&P upgraded its Outlook on Pakistan from Neutral to Positive followed by Moody's upgrade of Pakistan's credit rating from Caa1 to B3. Improvements in external ratings and consequent increased investor interest in Pakistan has resulted in the KSE setting new records in 2015.

The macroeconomic stability provided a basis for the SBP to further reduce its policy rate by 100 bps to 7.0%, a cumulative reduction of 300 bps since November, and to introduce changes in the interest rate structure which was a key benchmark under the IMF program. The newly introduced Target Rate is set at 50 bps below the discount rate and has effectively become the benchmark for KIBOR. In addition the central bank reduced the width of the interest rate corridor by 50 bps to 2.0% resulting in an increase in the floor rate on savings deposits to 4.5%.

Performance

HBL has delivered a pre-tax profit of Rs 31.2 billion for the six months ended June 30, 2015, representing a growth of 41% over the same period last year. Profit after tax reached Rs 17.2 billion, a growth of 18% over H1 2014. The lower growth in profit after tax is due to the retrospective application of several new tax provisions introduced in the Federal Budget. Consequently, earnings per share for the half year increased to Rs 11.34 as against Rs 9.88 for the first half of 2014.

In June 2015, HBL's Balance Sheet crossed the Rs 2 trillion mark, an increase of 12% over December 2014. Total deposits grew by 5% despite continued shedding of expensive fixed deposits as the Bank remained focused on its strategy of growing current accounts which increased by 12%. The deposit mix has improved further as the ratio of Current Accounts has now risen from 34.2% in December 2014 to 36.5%. Average domestic current accounts for the first half of 2015 grew by 24% over the corresponding period and, along with a declining rate environment, resulted in a 110 bps reduction in the cost of domestic deposits over H1 2014. Interest income was also supported by a 4% growth in average domestic loans and a near doubling of average PIBs as a result of the 2014 repositioning of the fixed income portfolio. Overall margins thus showed an increase of 12 bps, despite the steep reduction in the interest rate environment with KIBOR, on average, 218 bps lower than in H1 2014. With an expansion of 19% in the average Balance Sheet over the comparable period of 2014, net interest income increased by 23% to Rs 39.3 billion for the six months ended June 30, 2015.

Non mark-up income increased by 60% to Rs 18.1 billion for the half year ended June 30, 2015. In addition to capital gains of Rs 5.9 billion during H1 2015, fees and commissions increased significantly, growing by 43% over the previous year, as trade, remittances, Bancassurance and investment banking continued to make strong contributions.

Administrative expenses increased by 16% over the corresponding six months of 2014 due to continued investments by the Bank in its people, brand and technology. However, as a result of the strong revenue growth, the cost/income ratio reduced to 41.3% compared to 47.2% in H1 2014. Provisions increased mainly as a result of aging of previously classified names as well as a conservative view taken by the Bank on certain borrowers. Consequently, the coverage increased from 83.2% in December 2014 to 86.9% as of June 2015.

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2015					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(11,590)	9,809	35,751	3,426	911	38,307
Inter segment revenue - net	31,434	(6,564)	(28,438)	(895)	4,463	-
Non-funded income	5,180	1,944	5,798	2,120	930	15,972
Net interest and non-markup income	25,024	5,189	13,111	4,651	6,304	54,279
Total expenses including provision	10,132	1,495	159	3,989	9,036	24,811
Inter segment administrative cost	5,564	1,113	160	613	(7,450)	-
Total expenses including provision	15,696	2,608	319	4,602	1,586	24,811
Profit before tax	9,328	2,581	12,792	49	4,718	29,468
Segment gross earnings on liability / asset %	9.14%	9.25%	9.75%	3.73%	5.46%	-
Segment cost of funds %	4.06%	6.39%	7.32%	1.24%	2.00%	-
	As at June 30, 2015					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Segment assets gross	180,678	375,371	1,038,149	299,204	159,164	2,052,566
Segment non-performing advances	13,618	44,465	-	10,441	205	68,729
Segment provision required including general provision	12,933	39,737	68	9,664	1,591	63,993
Inter Segment Assets / (Liabilities)	903,649	(162,620)	(834,207)	(95,767)	188,945	-
Segment liabilities including equity	1,071,395	173,015	203,942	193,565	346,656	1,988,573
	For the six months ended June 30, 2014					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(17,314)	12,300	32,083	3,384	732	31,185
Inter segment revenue - net	35,711	(9,415)	(30,242)	(99)	4,045	-
Non-funded income	4,212	1,450	2,945	1,949	(1,497)	9,059
Net interest and non-markup income	22,609	4,335	4,786	5,234	3,280	40,244
Total expenses including provision	8,504	441	50	3,214	7,218	19,427
Inter segment administrative cost	4,440	888	(954)	489	(4,863)	-
Total expenses including provision	12,944	1,329	(904)	3,703	2,355	19,427
Profit before tax	9,665	3,006	5,690	1,531	925	20,817
Segment gross earnings on liability / asset %	9.97%	10.10%	9.73%	3.67%	4.80%	-
Segment cost of funds %	5.20%	7.73%	8.83%	0.81%	1.26%	-
	As at December 31, 2014					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Segment assets gross	171,776	379,376	859,117	295,934	125,226	1,831,429
Segment non-performing advances	12,367	46,685	-	9,289	194	68,535
Segment provision required including general provision	10,634	41,204	87	9,080	1,228	62,233
Inter Segment Assets / (Liabilities)	831,234	(162,369)	(780,270)	(83,942)	195,347	-
Segment liabilities including equity	992,375	175,804	78,759	202,912	319,346	1,769,196

15 RELATED PARTY TRANSACTIONS

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

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

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

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

	June 30, 2015				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in '000				
Statement of financial position					
Deposits	4,058,914	530,426	5,003,911	76,005	53,271
Maximum Deposits During the period	4,230,961	2,687,368	5,003,911	76,185	78,635
Borrowings	-	260,669	1,181,135	-	-
Investments	-	21,394,595	4,675,482	7,197	-
Markup / Other Receivable	15,705	-	165,933	-	-
Mark-up / Other Payable	9,870	926	2,546	-	733,803
Placements / lendings	-	2,757,647	-	-	-
Nostro balances	70,112	589,032	-	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	22,530	326,209	1,258,512	-	-
Interest / Other Expense	43,453	33,027	367,523	152	246,991
Dividend income	-	-	341,454	34,666	-
Others					
Other contingencies	948,173	303,127	5,126	-	-
Securities Held as custodian	12,945,795	1,411,100	32,513,460	-	4,649,495
	December 31, 2014				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in '000				
Statement of financial position					
Deposits	3,914,395	442,840	2,963,040	-	116,266
Maximum Deposits During the period	3,914,395	442,840	3,936,712	-	729,432
Borrowings	2,536,471	332,401	-	2,160,385	-
Investments	-	15,291,297	4,675,482	7,197	-
Markup / Other Receivable	-	-	277,663	-	-
Mark-up / Other Payable	8,352	13	5,906	18,326	961,746
Placements / lendings	89,035	6,150,516	-	-	-
Nostro balances	173,250	-	692,192	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	93,836	412,393	1,953,136	-	-
Interest / Other Expense	189,224	9,723	656,432	289,873	406,016
Dividend income	-	6,500	267,518	54,885	-
Others					
Other contingencies	541,418	-	-	-	-
Securities Held as custodian	10,027,505	888,000	35,292,700	-	5,377,465

15.1 Key management personnel

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

	For the six months ended	
	June 30, 2015	June 30, 2014
	(Rupees in '000)	
Managerial remuneration (including allowances)	919,436	751,020
Contribution to provident and benevolent fund	17,307	14,043
Medical	30,697	24,408
	<u>967,440</u>	<u>789,471</u>
Number of persons	<u>179</u>	<u>164</u>

Movement of Reserves

Unappropriated profit brought forward	89,047
Profit attributable to equity holders of the Bank	16,631
Transferred from surplus on revaluation of fixed assets – net of tax	29
Other comprehensive income – net of tax	22
	<u>16,682</u>

Appropriations

Transferred to statutory reserves	(1,717)
Cash dividend paid – Final 2014	(8,068)
Cash dividend paid – 1st Interim 2015	(5,134)
	<u>(14,919)</u>

Unappropriated profit carried forward

90,810

Earnings per share (Rs)

11.34

Capital Ratios

The consolidated Capital Adequacy Ratio (CAR) reduced from 16.2% in December 2014 to 15.7% in June 2015 due to growth in Risk Assets. While Tier 1 CAR also declined from 13.3% to 12.8% over the same period, the capital position of the Bank remains robust.

HBL's Return on Assets in H1 2015 was 1.7%, while the Return on Equity reduced slightly to 19.7%.

Dividend

The Board of Directors, in its meeting held on August 21, 2015 has declared a second interim cash dividend of Rs. 3.5 per share (35%) for the quarter ended June 30, 2015.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively. In addition, Moody's also upgraded HBL's baseline credit assessment from caa1 to b3 and its local and foreign currency ratings from Caa1 to B3 and Caa2 to Caa1 respectively. Moody's rating actions were largely a consequence of their upgrade of Pakistan's credit rating, but also reflect their expectations of continued improvements in HBL's financial performance.

Future Outlook

The recent successful 8th review of the IMF, coupled with positive statements from external agencies provides a degree of optimism. The federal budget in June introduced new measures to broaden the tax base and it is imperative these are followed through. The government is projecting 5.1% real GDP growth for FY16 on the back of higher industrial growth and has set an ambitious PSDP budget of Rs 1.5 trillion targeting energy, infrastructure and relief projects. These projects, along with the China-Pakistan Economic Corridor are critical to achieving a step change in the country's macroeconomic trajectory and must now be accelerated on a priority basis.

The changes in the interest rate structure will further compress banking sector spreads which have been under pressure. However, the improving economy provides opportunities which HBL will be able to leverage with its extensive network, product range and its strong and highly liquid balance sheet.

Appreciation and Acknowledgement

We would like to place on record, our appreciation of the efforts of our regulators and the Government of Pakistan, in particular the Ministry of Finance, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, for developing and strengthening the banking and financial services sector through continuous improvement in the regulatory and governance framework.

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

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
August 21, 2015

Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2015

Note	(Unaudited) June 30, 2015 (Rupees in '000)	(Audited) December 31, 2014 (Rupees in '000)
ASSETS		
Cash and balances with treasury banks	159,596,555	135,276,934
Balances with other banks	54,600,927	67,691,450
Lendings to financial institutions	16,142,461	34,313,560
Investments	6 1,161,291,932	924,307,285
Advances	7 594,385,601	595,295,176
Operating fixed assets	8 28,593,769	27,309,803
Deferred tax asset	-	-
Other assets	76,030,006	82,809,181
	<u>2,090,641,251</u>	<u>1,867,003,389</u>
LIABILITIES		
Bills payable	24,024,787	21,989,658
Borrowings	9 231,000,152	103,411,114
Deposits and other accounts	10 1,603,179,753	1,524,537,786
Sub-ordinated loan	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	5,672,879	2,569,110
Other liabilities	49,004,350	44,393,146
	<u>1,912,881,921</u>	<u>1,696,900,814</u>
NET ASSETS	<u>177,759,330</u>	<u>170,102,575</u>
REPRESENTED BY:		
Shareholders' equity		
Share capital	14,668,525	14,668,525
Reserves	45,564,471	43,550,188
Unappropriated profit	90,809,598	89,046,716
Total equity attributable to the equity holders of the Bank	151,042,594	147,265,429
Non-controlling interest	1,226,935	1,185,257
Surplus on revaluation of assets - net of deferred tax	11 25,489,801	21,651,889
	<u>177,759,330</u>	<u>170,102,575</u>

CONTINGENCIES AND COMMITMENTS

12

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

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

	For the six months ended	
	June 30, 2015	June 30, 2014
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	23,656,647	25,102,043
- Financial institutions	7,368	116,423
<i>On investments in:</i>		
- Available-for-sale securities	37,329,503	32,730,692
- Held-for-trading securities	1,790,937	1,095,183
- Held-to-maturity securities	5,813,863	3,431,652
On deposits with financial institutions	1,067,664	548,797
On lendings to financial institutions	2,825,019	1,599,393
Compensation received on tax refund	-	462,607
	<u>72,491,001</u>	<u>65,086,790</u>

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

<i>On:</i>		
Deposits	25,879,402	28,960,005
Securities sold under repurchase agreement borrowings	5,505,062	2,694,559
Other short term borrowings	2,413,666	1,981,834
Long term borrowings	386,049	265,026
	<u>34,184,179</u>	<u>33,901,424</u>

12.2 Transaction-related contingent liabilities

Guarantees in favour of:

	June 30, 2015	December 31, 2014
	(Rupees in '000)	
- Government	1,372,795	294,415
- Financial institutions	2,519,754	2,956,884
- Others	64,012,767	52,186,802
	<u>67,905,316</u>	<u>55,438,101</u>

12.3 Trade-related commitments

Credit cash	74,547,752	73,356,926
Credit documentary acceptances	16,873,236	14,838,610
Credit acceptances	37,607,968	28,786,059
	<u>129,028,956</u>	<u>116,981,595</u>

12.4 Other contingencies

Claims against the Bank not acknowledged as debts	<u>37,462,814</u>	<u>37,606,753</u>
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12.5 Commitments in respect of forward lending

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

12.6 Commitments in respect of forward foreign exchange contracts

	June 30, 2015	December 31, 2014
	(Rupees in '000)	
Purchase	154,032,091	170,017,119
Sale	154,129,224	170,839,112

Commitments in respect of options

Purchase	147,300	3,170,666
Sale	147,300	3,170,666

Commitments in respect of cross currency swaps

Purchase	1,393,652	1,390,469
Sale	1,363,340	1,353,623

Commitments in respect of interest rate swaps

Purchase	135,705	167,472
Sale	4,635,705	330,805

12.7 Commitments for acquisition of fixed assets / intangibles

	1,433,905	1,082,541
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12.8 Taxation

The income tax returns of the Bank have been submitted upto and including the financial year 2013. The tax authorities have concluded the audit of years 2002 through 2013.

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

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2015

Note	January 01 to June 30, 2015	January 01 to June 30, 2014	April 01 to June 30, 2015	April 01 to June 30, 2014
	(Rupees in '000)			
	73,521,056	66,218,359	36,593,142	34,653,879
	34,227,314	34,254,219	16,497,635	17,177,366
	<u>39,293,742</u>	<u>31,964,140</u>	<u>20,095,507</u>	<u>17,476,513</u>
	1,548,202	396,884	1,065,463	(24,520)
	43,830	(115,881)	71,422	(117,292)
	35,436	(168,725)	(64,943)	(46,732)
	-	-	-	-
	1,627,468	112,278	1,071,942	(188,544)
	<u>37,666,274</u>	<u>31,851,862</u>	<u>19,023,565</u>	<u>17,665,057</u>
	7,986,837	5,577,460	4,616,438	2,889,958
	1,036,604	546,421	617,872	286,801
	1,226,690	1,267,800	568,605	645,386
	1,195,511	1,660,276	490,052	900,509
	5,855,520	1,373,331	3,600,482	644,781
	(2,358)	14,544	1,395	8,045
	828,035	878,819	421,342	507,599
	18,126,839	11,318,651	10,316,186	5,883,079
	<u>55,793,113</u>	<u>43,170,513</u>	<u>29,339,751</u>	<u>23,548,136</u>
	23,727,367	20,446,576	13,099,099	10,554,317
	231,962	123,015	18,010	9,010
	30,445	1,244	27,966	1,137
	618,957	454,053	313,408	266,222
	24,608,731	21,024,888	13,458,483	10,830,686
	<u>31,184,382</u>	<u>22,145,625</u>	<u>15,881,268</u>	<u>12,717,450</u>
	10,121,271	6,502,288	4,718,680	4,011,570
	2,010,000	66,576	1,873,653	(83,684)
	1,897,424	987,549	2,104,303	327,258
	14,028,695	7,556,413	8,696,636	4,255,144
	<u>17,155,687</u>	<u>14,589,212</u>	<u>7,184,632</u>	<u>8,462,306</u>
	(Rupees)			
	11.34	9.88	4.61	5.75

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

9 BORROWINGS

Note	June 30, 2015	December 31, 2014
	(Rupees in '000)	
Secured		
Borrowings from SBP under:		
Export refinance scheme	17,288,356	14,504,562
Long term financing facility - locally manufactured and imported plant & machinery	5,191,390	6,468,165
Long term finance - export oriented projects	42,566	133,651
Financing facility for storage of agricultural produce	-	3,061
Repurchase agreement borrowings	161,562,728	56,041,292
	184,085,040	77,150,731
Unsecured		
In Pakistan:		
Interbank call money borrowings	19,508,894	9,238,070
Outside Pakistan:		
Overdrawn nostro accounts	840,527	787,697
Borrowings of overseas branches	23,739,160	12,454,019
	24,579,687	13,241,716
	44,088,581	22,479,786
	228,173,621	99,630,517

9.1 This includes a loan from International Finance Corporation amounting to US \$ 150 million (December 31, 2014: Nil). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR+ 5% is payable bi-annually commencing from June 2015.

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts - non-remunerative	530,811,130	468,368,418
Savings accounts	710,567,168	656,174,379
Fixed deposits	259,757,858	291,630,878
	1,501,136,156	1,416,173,675

Financial institutions

Current accounts - non-remunerative	17,173,752	22,128,144
Savings accounts	2,687,696	4,092,718
Fixed deposits	4,068,895	4,820,908
	23,930,343	31,041,770
	1,525,066,499	1,447,215,445

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2015

Share capital	Attributable to shareholders of the Bank							Non-controlling interest	Total	
	Reserves									
	Exchange translation reserve	Capital			Revenue		Subtotal			
		Joint venture and subsidiaries	Bank	Non-distributable capital reserve - gain on bargain purchase	Revenue reserves	Unappropriated profit				
(Rupees in '000)										
Balance as at December 31, 2013	13,335,023	16,858,006	386,791	20,231,764	-	6,073,812	73,748,915	130,634,311	1,886,116	132,520,427
Total comprehensive income for the period	-	-	-	-	-	-	14,637,815	14,637,815	(48,603)	14,589,212
Profit for the six months ended June 30, 2014	-	-	-	-	-	-	-	-	(151,298)	(151,298)
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	-	(2,445,242)	-	-	-	-	-	(2,445,242)	(17,405)	(2,462,647)
	-	(2,445,242)	-	-	-	-	-	-	(66,008)	(11,975,267)
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	(2,667,005)	(2,667,005)	-	(2,667,005)
Final cash dividend paid at Rs. 2 per share for the year ended December 31, 2013	-	-	-	-	-	-	(2,933,705)	(2,933,705)	-	(2,933,705)
1st interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	-	(1,333,502)	(1,333,502)	-	(1,333,502)
Issued as bonus shares	1,333,502	-	-	-	-	-	-	-	-	-
	1,333,502	-	-	-	-	-	(6,934,212)	(5,600,710)	-	(5,600,710)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	63,377	63,377	-	63,377
Transferred to statutory reserves	-	-	26,032	1,354,219	-	-	(1,380,251)	-	-	-
Derecognition of equity due to voluntary winding up of modaraba	-	-	(7,561)	-	-	-	(30,247)	(37,808)	(620,768)	(658,576)
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	493	493
	14,668,525	14,412,764	405,262	21,585,983	-	6,073,812	79,954,099	137,100,445	1,199,833	138,300,278
Balance as at June 30, 2014	-	-	-	-	-	-	17,317,223	17,317,223	(86,845)	17,230,378
Total comprehensive income for the period	-	-	-	-	-	-	(78,625)	(78,625)	-	(78,625)
Profit for the six months ended December 31, 2014	-	-	-	-	-	-	-	-	-	-
Minority share of HBL Funds transferred to other liabilities	-	-	-	-	-	-	-	-	-	-
- Other comprehensive income	-	-	-	-	-	-	(287,084)	(287,084)	-	(287,084)
Effect of actuarial gain and losses	-	-	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(215,190)	-	-	-	-	-	(215,190)	(118,161)	(333,351)
	-	(215,190)	-	-	-	-	-	-	(205,006)	(16,531,318)
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
2nd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
3rd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	-	(6,600,836)	(6,600,836)	-	(6,600,836)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	29,496	29,496	-	29,496
Transferred to statutory reserves	-	-	23,706	1,757,033	-	-	(1,786,739)	-	-	-
	-	(493,182)	-	-	-	-	493,182	-	-	-
Exchange translation realized on sale of branch to subsidiary	-	-	-	-	-	-	-	-	-	-
Non-controlling interest acquired in HAIB during the period	-	-	-	-	-	-	-	-	189,366	189,366
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	1,064	1,064
	14,668,525	13,704,392	428,968	23,343,016	-	6,073,812	89,046,716	147,265,429	1,185,257	148,450,686
Balance as at December 31, 2014	-	-	-	-	-	-	17,142,319	17,142,319	13,368	17,155,687
Total comprehensive income for the period	-	-	-	-	-	-	(511,463)	(511,463)	-	(511,463)
Profit for the six months ended June 30, 2015	-	-	-	-	-	-	-	-	-	-
Minority share of HBL Funds transferred to other liabilities	-	-	-	-	-	-	-	-	-	-
- Other comprehensive income	-	-	-	-	-	-	21,686	21,686	-	21,686
Effect of actuarial gain and losses	-	-	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(250,073)	-	-	-	-	-	(250,073)	18,240	(231,833)
	-	(250,073)	-	-	-	-	-	-	31,608	(16,434,077)
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	(8,067,689)	(8,067,689)	-	(8,067,689)
Final cash dividend paid at Rs. 5.5 per share for the year ended December 31, 2014	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
1st Interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	-	(13,201,673)	(13,201,673)	-	(13,201,673)
	-	-	-	-	-	-	547,115	547,115	-	547,115
Gain on Bargain Purchase Option on acquisition of Barclays Bank PLC	-	-	-	-	-	-	-	-	-	-
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	29,254	29,254	-	29,254
Transferred to statutory reserves	-	-	25,889	1,691,352	-	-	(1,717,241)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	10,070	10,070
	14,668,525	13,454,319	454,857	25,034,368	547,115	6,073,812	90,809,598	151,042,594	1,226,935	152,269,529
Balance as at June 30, 2015										

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

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2015

	June 30, 2015	June 30, 2014
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	31,184,382	22,145,625
Dividend income	(1,036,604)	(546,421)
Share of profit of associates and joint venture	(1,226,690)	(1,267,800)
Gain on sale of securities	(5,855,520)	(1,373,331)
	(8,118,814)	(3,187,552)
	23,065,568	18,958,073
Adjustment for:		
Depreciation	1,161,088	902,020
Amortisation	261,230	200,460
Provision / (reversal) for diminution in the value of investments	35,436	(168,725)
Provision against advances	1,548,202	396,884
Unrealised loss / (gain) on held for trading securities	2,358	(14,544)
Exchange loss / (gain) on Goodwill	(42,312)	74,574
Exchange gain on sub-ordinated loan	-	(164,892)
Gain on sale of operating fixed assets - net	(17,459)	(4,475)
Workers Welfare Fund	618,957	454,053
Charge / (reversal) against off-balance sheet obligations	43,830	(115,881)
Other provisions / write offs - net	231,962	123,015
	3,843,292	1,682,489
	26,908,860	20,640,562
Decrease / (increase) in operating assets		
Lendings to financial institutions	18,171,099	(69,471,195)
Investments in held for trading securities	(15,963,971)	7,044,595
Advances	9,636,101	(13,651,967)
Other assets	5,566,052	(5,538,525)
	17,409,281	(81,617,092)
Increase / (decrease) in operating liabilities		
Bills payable	(31,463)	3,342,178
Borrowings	125,134,117	(32,227,441)
Deposits and other accounts	50,943,904	48,998,301
Other liabilities	1,984,657	440,699
	178,031,215	20,553,737
	222,349,356	(40,422,793)
Income tax paid	(10,918,764)	(8,800,510)
Net cash flows from / (used in) operating activities	211,430,592	(49,223,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(131,068,359)	104,151,859
Net investments in held to maturity securities	(55,238,625)	(33,423,587)
Dividend income received	1,104,757	523,034
Net cash inflow on acquisition	236,259	-
Fixed capital expenditure	(2,532,691)	(2,355,487)
Proceeds from sale of fixed assets	20,935	74,700
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(250,073)	(2,445,242)
Net cash flows (used in) / from investing activities	(187,727,797)	66,525,277
CASH FLOWS FROM FINANCING ACTIVITIES		
Exchange adjustment on translation of non-controlling interest in subsidiary	18,240	(17,405)
Repayment of subordinated loan	-	(1,233,165)
Dividend paid	(12,491,937)	(5,572,390)
Net cash flows used in financing activities	(12,473,697)	(6,822,960)
Increase in cash and cash equivalents during the period	11,229,098	10,479,014
Cash and cash equivalents at the beginning of the period	200,790,710	197,833,594
Effects of exchange rate changes on cash and cash equivalents	2,177,674	(5,015,138)
	202,968,384	192,818,456
Cash and cash equivalents at the end of the period	214,197,482	203,297,470

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

	June 30, 2015			December 31, 2014		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
	(Rupees in '000)					
Debits 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)	2,195,800	2,195,800	331,289	2,014,300	2,034,200	455,839
- in respect of key management personnel / Companies in which key management personnel or their close family members are interested	475,500	475,500	78,751	412,700	419,800	97,873
Debits 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	3,293,784	3,542,997	-	1,160,705	1,901,741	1,833,008
Debits due by Subsidiary company	82,513	82,513	-	51,009	159,962	-

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

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

8 OPERATING FIXED ASSETS

	June 30, 2015	December 31, 2014
	(Rupees in '000)	
Capital work-in-progress	1,948,481	1,119,170
Intangible assets	683,605	843,040
Tangible fixed assets	23,498,151	22,912,028
	26,130,237	24,874,238

8.1 Additions to operating fixed assets

	For the six months ended	
	June 30, 2015	June 30, 2014
	(Rupees in '000)	
Capital work-in-progress	1,682,941	1,494,487
Intangible assets	101,390	319,390
Tangible fixed assets	230,304	-
Land	156,947	146,679
Building	40,173	63,291
Machinery	840,553	1,288,382
Furniture, fixtures and office equipments	249,226	237,536
Leasehold Improvements	66,919	36,062
Vehicles	3,368,453	3,585,827

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

Capital work-in-progress

Intangible assets

Tangible fixed assets

Land	230,304	-
Building	156,947	146,679
Machinery	40,173	63,291
Furniture, fixtures and office equipments	840,553	1,288,382
Leasehold Improvements	249,226	237,536
Vehicles	66,919	36,062
	3,368,453	3,585,827

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
Building	-	55,221
Furniture, fixtures and office equipments	185,850	574,626
Leasehold Improvements	145,996	257
Vehicles	13,453	14,272
	345,299	652,376

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2015

7.1 Classification of non-performing advances is as follows:

Category of classification	June 30, 2015								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	1,084,941	-	1,084,941	-	-	-	1,084,941	-	1,084,941
Substandard	4,732,665	2,002,625	6,735,290	1,224,917	541,665	1,766,582	3,507,748	1,460,960	4,968,708
Doubtful	1,332,049	1,171,908	2,503,957	666,025	544,370	1,210,395	666,024	627,538	1,293,562
Loss*	51,138,672	7,266,332	58,405,004	49,590,388	7,004,617	56,595,005	1,548,284	261,715	1,809,999
	58,288,327	10,440,865	68,729,192	51,481,330	8,090,652	59,571,982	6,806,997	2,350,213	9,157,210
General provision									
	-	-	-	1,267,537	1,572,898	2,840,435	-	-	-
	58,288,327	10,440,865	68,729,192	52,748,867	9,663,550	62,412,417	6,806,997	2,350,213	9,157,210

Category of classification	December 31, 2014								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	554,199	-	554,199	-	-	-	554,199	-	554,199
Substandard	6,775,792	962,186	7,737,978	1,675,263	288,228	1,963,491	5,100,529	673,958	5,774,487
Doubtful	2,414,009	754,054	3,168,063	1,207,005	373,567	1,580,572	1,207,004	380,487	1,587,491
Loss*	49,502,426	7,572,589	57,075,015	47,750,592	7,149,428	54,900,020	1,751,834	423,161	2,174,995
	59,246,426	9,288,829	68,535,255	50,632,860	7,811,223	58,444,083	8,613,566	1,477,606	10,091,172
General provision									
	-	-	-	1,137,628	1,268,575	2,406,203	-	-	-
	59,246,426	9,288,829	68,535,255	51,770,488	9,079,798	60,850,286	8,613,566	1,477,606	10,091,172

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

7.2 Particulars of provision against advances

	June 30, 2015			December 31, 2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	58,444,083	2,406,203	60,850,286	59,694,061	1,859,703	61,553,764
Charge for the period / year	3,335,331	419,163	3,754,494	4,491,878	636,014	5,127,892
Reversals for the period / year	(2,190,134)	(16,158)	(2,206,292)	(4,135,884)	(51,944)	(4,187,828)
Net charge against advances	1,145,197	403,005	1,548,202	355,994	584,070	940,064
Write off	(763,554)	-	(763,554)	(1,372,191)	-	(1,372,191)
Transfer in due to acquisition of Barclays	746,503	3,287	749,790	-	-	-
Acquisition of Modaraba assets	-	-	-	109,890	-	109,890
Exchange adjustment / other movement	(247)	27,940	27,693	(343,671)	(37,570)	(381,241)
Closing balance	59,571,982	2,840,435	62,412,417	58,444,083	2,406,203	60,850,286

7.3 Exposure amounting to Rs. 8.554 billion (December 31, 2014: Rs. 8.610 billion) relating to Pakistan International Airlines, which is guaranteed by the Government of Pakistan has not been classified as non performing, in accordance with a relaxation given by the SBP. However, markup income on this amount has been suspended and is not reflected in these condensed interim unconsolidated financial statements.

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

1 THE GROUP AND ITS OPERATIONS

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

During the period, the Government of Pakistan has sold its entire shareholding in the Bank to domestic and international investors through a secondary offering of shares via the domestic stock exchanges.

1.1 Acquisition of Barclays Bank PLC - Pakistan Branch Business (Barclays)

During the current period, the Bank has acquired the Pakistan branch business of Barclays Bank PLC, a commercial bank. This is effective from the close of business on June 14, 2015 under an agreement dated March 11, 2015.

The proposal for the acquisition and the scheme for amalgamation was approved by the Board of Directors through resolutions dated January 16, 2015, February 07, 2015 and March 27, 2015 and by the shareholders of the Bank in their Extraordinary General Meeting held on April 25, 2015. The State Bank of Pakistan, through its letter BPRD (R&P-02)/625-110/2015/12499 dated June 1, 2015, has also approved the scheme of amalgamation and granted sanction order for the amalgamation of Barclays with and into the Bank. Subsequent to the acquisition, the Bank has incorporated the balances relating to Barclays at their carrying values as appearing in the audited financial statements of Barclays on the close of business on June 14, 2015. These balances are detailed below:

June 14, 2015
Rupees in '000

ASSETS

Cash and balances with treasury banks
Balances with other banks
Investments - net
Advances - net
Operating fixed assets
Deferred tax assets - net
Other assets - net

4,985,464
1,414,438
21,615,276
10,274,728
134,757
974,231
305,757
39,704,651

LIABILITIES

Bills payable
Borrowings from financial institutions
Deposits and other accounts
Other liabilities

2,066,592
2,454,921
27,698,063
287,201
32,506,777
7,197,874

Net assets acquired

International Financial Reporting Standard 3, (IFRS - 3) "Business Combinations", requires that all identified assets (including intangible assets) and liabilities acquired in a business combination should be carried at their fair values on the acquirer's balance sheet and any intangible assets acquired in the business combination should be separately recognized and carried at their fair values. IFRS - 3 allows the acquirer a maximum period of one year from the date of acquisition to finalize the determination of the fair values of the assets and liabilities and to determine the value of any intangibles separately identified. The fair valuation exercise of the recorded assets and liabilities will be completed within the period specified under IFRS - 3. However, management does not expect the fair values of the assets and liabilities transferred to be materially different from the carrying values.

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

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

June 14, 2015
Rupees in '000

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

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

- 1.2 During the quarter, HBL Asset Management Limited has made a binding offer for purchase of 100% of the shares of PICIC Asset Management Company Limited from NIB Bank, subject to finalization of a Share Purchase Agreement and receipt of shareholder and regulatory approvals.

2 STATEMENT OF COMPLIANCE

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

3 ACCOUNTING POLICIES

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

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

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

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6.2 Movement in provision held against diminution in the value of investments

The analysis of total provision held is as follows:

	June 30, 2015	December 31, 2014
	(Rupees in '000)	
Opening balance	953,764	1,265,379
Charge for the period / year	128,400	104,594
Reversals for the period / year	-	(63,060)
Reversal on disposal during the period / year	(19,727)	(145,212)
Total reversals - net	108,673	(103,678)
Transfers in	46,165	-
Write offs	-	(207,937)
Closing balance	<u>1,108,602</u>	<u>953,764</u>

- 6.3 The following funds have been accounted for as subsidiaries pursuant to the adoption of IFRS10 as explained in note 3.1 of these condensed interim unconsolidated financial statements:

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

Had IFRS 10 not been adopted, investments in subsidiaries would have been lower by Rs.680 million (December 31, 2014: Rs. 680 million) and investments in associates would have been increased by Rs.680 million (December 31, 2014: Rs. 680 million).

- 6.4 The Bank's subsidiaries, Habib Finance International Limited, Hong Kong (wholly owned) and Habib Allied International Bank Plc, UK (HAIB) issued rights shares during the period.

7 ADVANCES

Note	June 30, 2015	December 31, 2014
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
In Pakistan	468,485,320	450,443,893
Outside Pakistan	97,737,951	96,819,124
	<u>566,223,271</u>	<u>547,263,017</u>
Net investment in finance lease - in Pakistan	7,605,020	6,541,460
Bills discounted and purchased (excluding Government Treasury bills)		
Payable in Pakistan	23,449,654	27,430,375
Payable outside Pakistan	27,987,528	35,009,946
	<u>51,437,182</u>	<u>62,440,321</u>
Provision against advances	7.2 (62,412,417)	(60,850,286)
	<u>562,853,056</u>	<u>555,394,512</u>

6. INVESTMENTS	Note	June 30, 2015			December 31, 2014		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Restated Total
Investments by type							
(Rupees in '000)							
Held-for-trading (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		4,656,154	-	4,656,154	5,669,613	-	5,669,613
- Market Treasury Bills		58,828,299	-	58,828,299	42,471,309	-	42,471,309
Overseas Government Securities							
		1,177,996	-	1,177,996	557,556	-	557,556
		64,662,449	-	64,662,449	48,698,478	-	48,698,478
Held-to-Maturity (HTM)							
Federal Government Securities							
- Market Treasury Bills		28,586,740	-	28,586,740	-	-	-
- Pakistan Investment Bonds		97,392,317	-	97,392,317	75,683,578	-	75,683,578
- Government of Pakistan Guaranteed Bonds		1,857,579	-	1,857,579	1,992,000	-	1,992,000
Debentures and Corporate Debt Instruments / Units							
- Listed securities		2,063,322	-	2,063,322	2,101,819	-	2,101,819
- Unlisted securities		5,144,001	-	5,144,001	5,493,233	-	5,493,233
Overseas Government securities							
		14,330,510	-	14,330,510	14,803,817	-	14,803,817
		149,374,469	-	149,374,469	100,074,447	-	100,074,447
Available-for-Sale (AFS)							
Federal Government Securities							
- Market Treasury Bills		358,439,381	157,548,954	515,988,335	389,346,079	18,494,458	407,840,537
- Pakistan Investment Bonds		249,144,728	3,117,812	252,262,540	187,548,334	35,039,524	222,587,858
- Government of Pakistan Guaranteed Bonds		3,397,500	-	3,397,500	3,397,500	-	3,397,500
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		58,147,803	-	58,147,803	45,689,461	-	45,689,461
Overseas Government Securities							
- Fully paid-up ordinary shares		61,635	-	61,635	72,175	-	72,175
- Listed companies		12,105,261	-	12,105,261	15,324,333	-	15,324,333
- Unlisted companies		1,268,849	-	1,268,849	1,232,824	-	1,232,824
Debentures and Corporate Debt Instruments / Units							
- Listed securities		14,055,116	-	14,055,116	11,184,454	-	11,184,454
- Unlisted securities		9,088,210	-	9,088,210	8,709,868	-	8,709,868
NIT Units							
		4,061,113	-	4,061,113	2,261,113	-	2,261,113
Preference shares							
		250,000	-	250,000	250,000	-	250,000
		710,019,596	160,666,766	870,686,362	665,016,141	53,533,982	718,550,123
Investment in Subsidiary Companies							
	6.3 / 6.4	15,015,037	-	15,015,037	8,993,797	-	8,993,797
Investment in Associates and Joint Venture							
	6.4	4,682,679	-	4,682,679	4,682,679	-	4,682,679
		943,754,230	160,666,766	1,104,420,996	827,465,542	53,533,982	880,999,524
Provision for diminution in the value of investments							
	6.2	(1,108,602)	-	(1,108,602)	(953,764)	-	(953,764)
Net investment							
		942,645,628	160,666,766	1,103,312,394	826,511,778	53,533,982	880,045,760
(Deficit) / surplus on revaluation of held for trading securities							
		(2,358)	-	(2,358)	52,856	-	52,856
Surplus on revaluation of available for sale securities							
	11.2	22,350,425	1,027,742	23,378,167	14,723,159	2,752,192	17,475,351
Total investments at market value							
		964,993,695	161,694,508	1,126,688,203	841,287,793	56,286,174	897,573,967

6.1 The market value of securities classified as Held-to-Maturity as at June 30, 2015 amounted to Rs. 155,729,344 million (December 31, 2014: Rs. 104,935,785 million).

6. INVESTMENTS	Note	June 30, 2015			December 31, 2014		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
Investments by type							
(Rupees in '000)							
Held-for-trading (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		4,656,154	-	4,656,154	5,669,613	-	5,669,613
- Market Treasury Bills		58,828,299	-	58,828,299	42,471,309	-	42,471,309
Overseas Government Securities							
		1,177,996	-	1,177,996	557,556	-	557,556
		64,662,449	-	64,662,449	48,698,478	-	48,698,478
Held-to-Maturity (HTM)							
Federal Government Securities							
- Market Treasury Bills		28,586,740	-	28,586,740	-	-	-
- Pakistan Investment Bonds		97,491,261	-	97,491,261	75,781,905	-	75,781,905
- Government of Pakistan Guaranteed Bonds		1,857,579	-	1,857,579	1,992,000	-	1,992,000
Debentures and Corporate Debt Instruments / Units							
- Listed securities		19,534,498	-	19,534,498	13,576,257	-	13,576,257
- Unlisted securities		5,144,001	-	5,144,001	5,493,233	-	5,493,233
Overseas Government securities							
		18,122,254	-	18,122,254	18,654,313	-	18,654,313
		170,736,333	-	170,736,333	115,497,708	-	115,497,708
Available-for-Sale (AFS)							
Federal Government Securities							
- Market Treasury Bills		358,499,949	157,548,954	516,048,903	389,406,077	18,494,458	407,900,535
- Pakistan Investment Bonds		249,144,728	3,117,812	252,262,540	187,548,334	35,039,524	222,587,858
- Government of Pakistan Guaranteed Bonds		3,397,500	-	3,397,500	3,397,500	-	3,397,500
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		58,147,803	-	58,147,803	45,689,461	-	45,689,461
Overseas Government Securities							
- Fully paid-up ordinary shares		61,635	-	61,635	72,175	-	72,175
- Listed companies		12,105,261	-	12,105,261	15,324,333	-	15,324,333
- Unlisted companies		1,268,849	-	1,268,849	1,232,824	-	1,232,824
Debentures and Corporate Debt Instruments / Units							
- Listed securities		30,399,716	-	30,399,716	17,992,021	-	17,992,021
- Unlisted securities		2,468,847	-	2,468,847	2,928,467	-	2,928,467
NIT Units							
		4,061,113	-	4,061,113	2,261,113	-	2,261,113
Preference shares							
		250,000	-	250,000	250,000	-	250,000
Investments of mutual funds							
		8,708,467	-	8,708,467	6,679,874	-	6,679,874
		731,218,479	160,666,766	891,885,245	677,741,179	53,533,982	731,275,161
Investment in Associates and Joint Venture							
	6.4.1	10,870,588	-	10,870,588	11,615,806	-	11,615,806
		977,487,849	160,666,766	1,138,154,615	853,553,171	53,533,982	907,087,153
Provision for diminution in the value of investments							
	6.3	(1,278,754)	-	(1,278,754)	(1,197,153)	-	(1,197,153)
Net investment							
		976,209,095	160,666,766	1,136,875,861	852,356,018	53,533,982	905,890,000
(Deficit) / surplus on revaluation of held for trading securities							
		(2,358)	-	(2,358)	52,856	-	52,856
Surplus on revaluation of available for sale securities							
	11.2	23,365,465	1,027,742	24,393,207	15,475,135	2,752,192	18,227,327
Surplus on revaluation of investments of associates							
		25,222	-	25,222	137,102	-	137,102
Total investments at market value							
		999,597,424	161,694,508	1,161,291,932	868,021,111	56,286,174	924,307,285

6.1 The market value of securities classified as Held-to-Maturity as at June 30, 2015 amounted to Rs. 177,090,803 million (December 31, 2014: Rs. 120,290,496 million).

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

6.3 Movement in provision held against diminution in the value of investments

The analysis of total provision held is as follows:

	June 30, 2015 (Rupees in '000)	December 31, 2014 (Rupees in '000)
Opening balance	1,197,153	1,532,339
Charge for the period / year	141,593	118,489
Reversals for the period / year	(3,094)	(80,357)
Reversal on disposal during the period / year	(103,063)	(154,039)
Total charge / (reversal) - net	35,436	(115,907)
Derecognition of provision due to voluntary winding up of Modaraba	-	(11,342)
Write offs	-	(207,937)
Transfers in	46,165	-
Closing balance	1,278,754	1,197,153

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

Based on the financial information as on

Diamond Trust Bank Kenya Limited	March 31, 2015
Himalayan Bank Limited, Nepal	March 31, 2015
Kyrgyz Investment and Credit Bank	March 31, 2015
Jubilee Life Insurance Company Limited	March 31, 2015
Jubilee General Insurance Company Limited	March 31, 2015
HBL Money Market Fund	June 30, 2015

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

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

Had these funds not been consolidated, total assets and total liabilities of the Group as at June 30, 2015 would both have been lower by Rs. 604 million and hence there would have been no impact on net assets. Profit after taxation for the six months ended June 30, 2015 would have been lower by Rs. 30 million.

7 ADVANCES

Note	June 30, 2015 (Rupees in '000)	December 31, 2014 (Rupees in '000)
Loans, cash credits, running finances, etc.		
In Pakistan	468,485,320	450,443,893
Outside Pakistan	124,319,871	127,200,670
	592,805,191	577,644,563
Net investment in finance lease - in Pakistan	7,605,020	6,541,460
Bills discounted and purchased (excluding Government Treasury bills)		
Payable in Pakistan	23,449,654	27,430,375
Payable outside Pakistan	38,366,807	49,859,655
	61,816,461	77,290,030
Provision against advances	7.2 (67,841,071)	(66,180,877)
	594,385,601	595,295,176

June 14, 2015
Rupees in '000

Carrying value of net assets acquired	7,197,874
Cash consideration	(6,163,643)
Contingent consideration	(487,116)
Purchase consideration	(6,650,759)
Gain on bargain purchase	547,115

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

2 STATEMENT OF COMPLIANCE

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

3 ACCOUNTING POLICIES

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

3.1 The Bank has adopted International Financial Reporting Standard 10 (IFRS 10): "Consolidated Financial Statements" pursuant to its notification by the Securities and Exchange Commission of Pakistan effective for annual periods beginning on or after January 1, 2015.

Consequently, the Bank's investments in certain mutual funds managed by HBL Asset Management Limited (a wholly owned subsidiary) which were previously accounted for as investments in associates are now accounted for as investment in subsidiaries. The funds that have been consolidated and the impact on these condensed interim unconsolidated financial statements has been disclosed in Note 6.3.

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

Notes to the Condensed Interim Unconsolidated Financial Statement (Unaudited)

For the six months ended June 30, 2015

1 STATUS AND NATURE OF BUSINESS

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

During the period, the Government of Pakistan has sold its entire shareholding in the Bank to domestic and international investors through a secondary offering of shares via the domestic stock exchanges.

1.1 Acquisition of Barclays Bank PLC - Pakistan Branch Business (Barclays)

During the current period, the Bank has acquired the Pakistan branch business of Barclays Bank PLC, a commercial bank. This is effective from the close of business on June 14, 2015 under an agreement dated March 11, 2015.

The proposal for the acquisition and the scheme for amalgamation was approved by the Board of Directors through resolutions dated January 16, 2015, February 07, 2015 and March 27, 2015 and by the shareholders of the Bank in their Extraordinary General Meeting held on April 25, 2015. The State Bank of Pakistan, through its letter BPRD (R&P-02)/625-110/2015/12499 dated June 1, 2015, has also approved the scheme of amalgamation and granted sanction order for the amalgamation of Barclays with and into the Bank. Subsequent to the acquisition, the Bank has incorporated the balances relating to Barclays at their carrying values as appearing in the audited financial statements of Barclays on the close of business on June 14, 2015. These balances are detailed below:

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

International Financial Reporting Standard 3, (IFRS - 3) "Business Combinations", requires that all identified assets (including intangible assets) and liabilities acquired in a business combination should be carried at their fair values on the acquirer's balance sheet and any intangible assets acquired in the business combination should be separately recognized and carried at their fair values. IFRS - 3 allows the acquirer a maximum period of one year from the date of acquisition to finalize the determination of the fair values of the assets and liabilities and to determine the value of any intangibles separately identified. The fair valuation exercise of the recorded assets and liabilities will be completed within the period specified under IFRS - 3. However, management does not expect the fair values of the assets and liabilities transferred to be materially different from the carrying values.

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

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

7.1 Classification of non-performing advances is as follows:

Category of classification	June 30, 2015								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	1,084,941	-	1,084,941	-	-	-	1,084,941	-	1,084,941
Substandard	4,732,665	2,002,625	6,735,290	1,224,917	541,665	1,766,582	3,507,748	1,460,960	4,968,708
Doubtful	1,332,049	1,171,908	2,503,957	666,025	544,370	1,210,395	666,024	627,538	1,293,562
Loss*	51,138,672	16,625,292	67,763,964	49,590,388	12,159,526	61,749,914	1,548,284	4,465,766	6,014,050
	58,288,327	19,799,825	78,088,152	51,481,330	13,245,561	64,726,891	6,806,997	6,554,264	13,361,261
General provision	-	-	-	1,267,537	1,846,643	3,114,180	-	-	-
	58,288,327	19,799,825	78,088,152	52,748,867	15,092,204	67,841,071	6,806,997	6,554,264	13,361,261

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

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

7.2 Particulars of provision against advances

	June 30, 2015			December 31, 2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	63,506,795	2,674,082	66,180,877	64,571,332	2,150,383	66,721,715
Charge for the period / year	3,335,331	419,163	3,754,494	5,263,354	636,014	5,899,368
Reversals for the period / year	(2,190,134)	(16,158)	(2,206,292)	(4,135,884)	(51,944)	(4,187,828)
Net charge against advances	1,145,197	403,005	1,548,202	1,127,470	584,070	1,711,540
Write off	(763,554)	-	(763,554)	(1,372,191)	-	(1,372,191)
Transfer in due to acquisition of Barclays	746,503	3,287	749,790	-	-	-
Net movement of derecognition and acquisition of Modaraba assets	-	-	-	(11,092)	-	(11,092)
Exchange adjustments / other movements	91,950	33,806	125,756	(808,724)	(60,371)	(869,095)
Closing balance	64,726,891	3,114,180	67,841,071	63,506,795	2,674,082	66,180,877

7.3 Exposure amounting to Rs. 8.554 billion (December 31, 2014: Rs. 8.610 billion) relating to Pakistan International Airlines, which is guaranteed by the Government of Pakistan has not been classified as non-performing, in accordance with a relaxation given by the SBP. However, markup income on this amount has been suspended and is not reflected in these condensed interim consolidated financial statements.

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

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

	June 30, 2015			December 31, 2014		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
	(Rupees in '000)					
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons:						
- in respect of directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	2,195,800	2,195,800	331,289	2,014,300	2,034,200	455,839
- in respect of key management personnel / Companies in which key management personnel or their close family members are interested	475,500	475,500	78,751	412,700	717,915	97,873
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	3,293,784	3,542,997	-	1,160,705	1,901,741	1,833,008

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

* [These represent staff advances given by the Group to its executives as per their terms of employment].
 ** (The maximum amount has been arrived at by reference to month end balance).

8 OPERATING FIXED ASSETS

	Note	June 30,	December 31,
		2015	2014
		(Rupees in '000)	
Capital work-in-progress		1,948,481	1,119,394
Intangible assets			
- Goodwill	8.3	1,974,609	1,932,297
- Computer software		685,317	844,915
Tangible fixed assets		23,985,362	23,413,197
		<u>28,593,769</u>	<u>27,309,803</u>

8.1 Additions to operating fixed assets

For the six months ended	
June 30,	June 30,
2015	2014
(Rupees in '000)	
Capital work-in-progress	1,682,941
Intangible assets	101,672
Tangible fixed assets	320,121
Land	230,304
Building	156,967
Machinery	40,173
Furniture, fixtures and office equipments	848,180
Leasehold Improvements	249,226
Vehicles	66,919
	<u>3,376,382</u>

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

Capital work-in-progress

Intangible assets

Tangible fixed assets

Land	230,304
Building	156,967
Machinery	40,173
Furniture, fixtures and office equipments	848,180
Leasehold Improvements	249,226
Vehicles	66,919
	<u>3,376,382</u>

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
Building	-	55,221
Furniture, fixtures and office equipments	185,850	599,663
Leasehold Improvements	145,996	257
Vehicles	13,453	14,272
	<u>345,299</u>	<u>677,413</u>

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

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

	June 30, 2015	June 30, 2014
	(Rupees in '000)	
Profit before taxation	29,467,633	20,817,347
Dividend income	(1,303,705)	(623,512)
Gain on sale of securities	(5,328,029)	(778,304)
	<u>(6,631,734)</u>	<u>(1,401,816)</u>
	22,835,899	19,415,531
Adjustment for:		
Depreciation	1,124,528	861,435
Amortisation	260,825	200,076
Provision / (reversal) for diminution in the value of investments	108,673	(133,881)
Provision against advances	1,548,202	81,122
Unrealised loss/(gain) on held for trading securities	2,358	(14,544)
Exchange gain on sub-ordinated loans	-	(164,892)
Gain on sale of operating fixed assets - net	(17,459)	(7,911)
Workers Welfare Fund	605,093	427,924
Charge / (reversal) charge against off-balance sheet obligations	43,830	(115,881)
Other provisions / write offs - net	231,962	123,015
	<u>3,908,012</u>	<u>1,256,463</u>
	26,743,911	20,671,994
Decrease / (increase) in operating assets		
Lendings to financial institutions	18,171,099	(69,471,195)
Investments in held for trading securities	(15,963,971)	6,916,354
Advances	1,267,982	(13,442,368)
Other assets	5,800,523	(4,612,634)
	<u>9,275,633</u>	<u>(80,609,843)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(95,562)	3,350,950
Borrowings	126,088,183	(35,075,815)
Deposits and other accounts	50,152,991	57,236,084
Other liabilities	(734,978)	(1,251,732)
	<u>175,410,634</u>	<u>24,259,487</u>
	211,430,178	(35,678,362)
Income tax paid	(10,543,469)	(8,477,989)
Net cash flows from / (used in) operating activities	<u>200,886,709</u>	<u>(44,156,351)</u>

Net cash flows from / (used in) operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available for sale securities	(131,115,153)	101,188,674
Net investments in held to maturity securities	(49,300,022)	(34,790,149)
Dividend income received	1,307,024	566,356
Net cash inflow on acquisition	236,259	-
Fixed capital expenditure	(2,510,071)	(2,352,088)
Proceeds from sale of fixed assets	20,935	70,064
Exchange adjustment on translation of balances in foreign branches	(394,066)	(1,757,388)
Net cash flows (used in) / from investing activities	<u>(181,755,094)</u>	<u>62,925,469</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	-	(1,233,165)
Dividend paid	(12,491,937)	(5,552,809)
Net cash flows used in financing activities	<u>(12,491,937)</u>	<u>(6,785,974)</u>
Increase in cash and cash equivalents during the period	6,639,678	11,983,144
Cash and cash equivalents at the beginning of the period	174,260,522	168,407,060
Effects of exchange rate changes on cash and cash equivalents	1,036,538	(3,664,257)
	<u>175,297,060</u>	<u>164,742,803</u>
Cash and cash equivalents at the end of the period	<u>181,936,738</u>	<u>176,725,947</u>

Net cash flows (used in) / from investing activities

Repayment of subordinated loan	-	(1,233,165)
Dividend paid	(12,491,937)	(5,552,809)
Net cash flows used in financing activities	<u>(12,491,937)</u>	<u>(6,785,974)</u>
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Net cash flows used in financing activities

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

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2015

	Share capital	Exchange translation reserve	Reserves			General	Unappropriated profit	Total
			Capital		Revenue			
			Statutory	Non-distributable capital reserve - gain on bargain purchase				
(Rupees in '000)								
Balance as at December 31, 2013	13,335,023	13,191,195	20,231,764	-	6,073,812	67,435,578	120,267,372	
Total comprehensive income for the period	-	-	-	-	-	13,542,185	13,542,185	
Profit for the six months ended June 30, 2014	-	-	-	-	-	13,542,185	13,542,185	
- Other comprehensive income	-	(1,757,388)	-	-	-	-	(1,757,388)	
Effect of translation of net investment in foreign branches	-	(1,757,388)	-	-	-	-	(1,757,388)	
Transactions with owners, recorded directly in equity	-	-	-	-	-	(2,667,005)	(2,667,005)	
Final cash dividend paid at Rs. 2 per share for the year ended December 31, 2013	-	-	-	-	-	(2,933,705)	(2,933,705)	
1st interim cash dividend paid at Rs. 2 per share	1,333,502	-	-	-	-	(1,333,502)	-	
Issued as bonus shares	1,333,502	-	-	-	-	(6,934,212)	(5,600,710)	
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	63,453	63,453	
Transferred to statutory reserve	-	-	1,354,219	-	-	(1,354,219)	-	
Balance as at June 30, 2014	14,668,525	11,433,807	21,585,983	-	6,073,812	72,752,785	126,514,912	
Total comprehensive income for the period	-	-	-	-	-	17,570,336	17,570,336	
Profit for the six months ended December 31, 2014	-	-	-	-	-	17,570,336	17,570,336	
- Other comprehensive income	-	-	-	-	-	(287,084)	(287,084)	
Effect of actuarial gain and losses	-	-	-	-	-	(287,084)	(287,084)	
Effect of translation of net investment in foreign branches	-	(145,702)	-	-	-	-	(145,702)	
	-	(145,702)	-	-	-	17,283,252	17,137,550	
Transactions with owners, recorded directly in equity	-	-	-	-	-	(3,300,418)	(3,300,418)	
2nd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	(3,300,418)	(3,300,418)	
3rd interim cash dividend paid at Rs. 2.25 per share	-	-	-	-	-	(6,600,836)	(6,600,836)	
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	29,574	29,574	
Transferred to statutory reserve	-	-	1,757,033	-	-	(1,757,033)	-	
Balance as at December 31, 2014	14,668,525	11,288,105	23,343,016	-	6,073,812	81,707,742	137,081,200	
Total comprehensive income for the period	-	-	-	-	-	16,913,515	16,913,515	
Profit for the six months ended June 30, 2015	-	-	-	-	-	16,913,515	16,913,515	
- Other comprehensive income	-	-	-	-	-	21,686	21,686	
Effect of actuarial gain and losses	-	-	-	-	-	21,686	21,686	
Effect of translation of net investment in foreign branches	-	(394,066)	-	-	-	-	(394,066)	
	-	(394,066)	-	-	-	16,935,201	16,541,135	
Transactions with owners, recorded directly in equity	-	-	-	-	-	(8,067,689)	(8,067,689)	
Final cash dividend paid at Rs. 5.5 per share for the year ended December 31, 2014	-	-	-	-	-	(5,133,984)	(5,133,984)	
1st Interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	(13,201,673)	(13,201,673)	
Gain on Bargain Purchase Option on acquisition of Barclays Bank PLC	-	-	-	547,115	-	-	547,115	
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	29,573	29,573	
Transferred to statutory reserve	-	-	1,691,352	-	-	(1,691,352)	-	
Balance as at June 30, 2015	14,668,525	10,894,039	25,034,368	547,115	6,073,812	83,779,491	140,997,350	

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

9 BORROWINGS

	Note	June 30, 2015	December 31, 2014
(Rupees in '000)			
Secured			
Borrowings from SBP under:			
Export refinance scheme		17,288,356	14,504,562
Long term financing facility - locally manufactured and imported plant & machinery		5,191,390	6,468,165
Long term finance - export oriented projects		42,566	133,651
Financing facility for storage of agricultural produce		-	3,061
Repurchase agreement borrowings		161,562,728	56,041,292
		<u>184,085,040</u>	<u>77,150,731</u>
Unsecured			
In Pakistan:			
Interbank call money borrowings		19,508,894	9,238,070
Outside Pakistan:			
Overdrawn nostro accounts		596,235	569,105
Borrowings of overseas branches and subsidiaries	9.1	26,809,983	16,453,208
		<u>27,406,218</u>	<u>17,022,313</u>
		<u>46,915,112</u>	<u>26,260,383</u>
		<u>231,000,152</u>	<u>103,411,114</u>

9.1 This includes a loan from International Finance Corporation amounting to US \$ 150 million (December 31, 2014: Nil). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR+ 5% is payable bi-annually commencing from June 2015.

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts - non-remunerative	563,368,488	496,598,562
Savings accounts	718,669,958	664,749,424
Fixed deposits	<u>292,626,627</u>	<u>329,292,130</u>
	<u>1,574,665,073</u>	<u>1,490,640,116</u>

Financial institutions

Current accounts - non-remunerative	21,770,481	24,986,975
Savings accounts	2,687,696	4,092,718
Fixed deposits	<u>4,056,503</u>	<u>4,817,977</u>
	<u>28,514,680</u>	<u>33,897,670</u>
	<u>1,603,179,753</u>	<u>1,524,537,786</u>

11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Note	June 30, 2015 (Rupees in '000)	December 31, 2014
Surplus arising on revaluation of:		
- fixed assets	11.1 9,397,547	9,426,801
- investments	11.2 16,092,254	12,225,088
Surplus on revaluation of assets - net of deferred tax	<u>25,489,801</u>	<u>21,651,889</u>

11.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	10,286,364	10,419,565
Recognized during the period / year	-	8,504
Realised on disposal during the period / year - net of deferred tax	-	(33,741)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(29,254)	(59,132)
Related deferred tax liability on incremental depreciation charged during the period / year	(15,813)	(31,870)
Related deferred tax liability on surplus realised on disposal	-	(16,962)
Surplus on revaluation of fixed assets as at period / year end	<u>10,241,297</u>	<u>10,286,364</u>

Less: related deferred tax liability on:

- revaluation as at January 1	859,563	891,565
- revaluation recognised during the period / year	-	16,830
- surplus realised on disposal during the period / year	-	(16,962)
- incremental depreciation charged during the period / year	(15,813)	(31,870)
	<u>843,750</u>	<u>859,563</u>
	<u>9,397,547</u>	<u>9,426,801</u>

11.2 Surplus on revaluation of investments

Market Treasury Bills	1,628,651	371,559
Pakistan Investment Bonds	18,091,895	14,774,097
Government of Pakistan Sukuk and US Dollar / Euro Bonds	1,197,548	(188,839)
Listed Securities	2,652,741	2,738,272
NIT Units	389,973	433,394
Other Investments	432,399	98,844
	<u>24,393,207</u>	<u>18,227,327</u>
Surplus on revaluation of investments of associates	25,222	137,102
Related deferred tax liability	(8,326,175)	(6,139,341)
	<u>16,092,254</u>	<u>12,225,088</u>

12 CONTINGENCIES AND COMMITMENTS

12.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government	254,484	274,410
- Financial institutions	295,000	295,000
- Others	31,979,526	24,353,007
	<u>32,529,010</u>	<u>24,922,417</u>

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2015

	January 01 to June 30, 2015	January 01 to June 30, 2014	April 01 to June 30, 2015	April 01 to June 30, 2014
	(Rupees in '000)			
Profit for the period	16,913,515	13,542,185	7,473,616	8,064,227
Other comprehensive income				
Items to be reclassified to profit or loss in subsequent periods:				
Effect of translation of net investment in foreign branches	(394,066)	(1,757,388)	(171,507)	293,209
Items not to be reclassified to profit or loss in subsequent periods:				
Effect of actuarial gain and losses - net of tax	21,686	-	21,686	-
Comprehensive income transferred to equity	<u>16,541,135</u>	<u>11,784,797</u>	<u>7,323,795</u>	<u>8,357,436</u>
Components of comprehensive income not reflected in equity				
Items to be reclassified to profit or loss in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net of tax	3,836,951	543,387	(1,332,772)	(1,200,780)
	<u>20,378,086</u>	<u>12,328,184</u>	<u>5,991,023</u>	<u>7,156,656</u>

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

12.8 Taxation

The income tax returns of the Bank have been submitted upto and including the financial year 2013. The tax authorities have concluded the audit of years 2002 through 2013.

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

13 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the six months ended	
	June 30, 2015	June 30, 2014
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	24,326,678	25,837,586
- Financial institutions	7,368	116,423
<i>On investments in:</i>		
- Available-for-sale securities	37,348,487	32,842,195
- Held-for-trading securities	1,790,937	1,095,183
- Held-to-maturity securities	5,960,499	3,489,636
On deposits with financial institutions	1,262,068	775,336
On lendings to financial institutions	2,825,019	1,599,393
Compensation received on tax refunds	-	462,607
	<u>73,521,056</u>	<u>66,218,359</u>

14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

<i>On:</i>		
Deposits	25,904,131	29,256,839
Securities sold under repurchase agreement borrowings	5,505,062	2,694,559
Other short term borrowings	2,432,072	2,037,795
Long term borrowings	386,049	265,026
	<u>34,227,314</u>	<u>34,254,219</u>

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2015

Note	(Unaudited) June 30, 2015	(Audited) December 31, 2014
(Rupees in '000)		
ASSETS		
	142,412,139	122,271,268
	39,524,599	53,025,792
	16,142,461	34,313,560
6	1,126,688,203	897,573,967
7	562,853,056	555,394,512
8	26,130,237	24,874,238
	-	-
	74,821,898	81,742,917
	<u>1,988,572,593</u>	<u>1,769,196,254</u>
LIABILITIES		
	23,926,713	21,955,683
9	228,173,621	99,630,517
10	1,525,066,499	1,447,215,445
	-	-
	-	-
	3,761,636	1,850,325
	42,052,951	40,676,639
	<u>1,822,981,420</u>	<u>1,611,328,609</u>
	<u>165,591,173</u>	<u>157,867,645</u>
NET ASSETS		
REPRESENTED BY:		
Shareholders' equity		
	14,668,525	14,668,525
	42,549,334	40,704,933
	83,779,491	81,707,742
	140,997,350	137,081,200
	24,593,823	20,786,445
	<u>165,591,173</u>	<u>157,867,645</u>
CONTINGENCIES AND COMMITMENTS		
12		

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

Auditors' Report

To the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Habib Bank Limited (the Bank) as at 30 June 2015 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other matter

The figures for the quarters ended 30 June 2015 and 30 June 2014 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been subject to the review and therefore, we do not express a conclusion thereon.

Ernst and Young Ford Rhodes Sidat Hyder

Chartered Accountants

Engagement Partner: Omer Chughtai
Date: August 21, 2015 Karachi

15 RELATED PARTY TRANSACTIONS

The Aga Khan Fund for Economic Development (AKFED), SA, Switzerland holds 51% shares of the Bank. The Group has related party relationships with its subsidiaries, associated undertakings, joint venture company, associates of AKFED Group entities, employee benefit schemes of the Group / related party, and members of the Key Management Personnel of the Group / related party, including both Executive and Non-Executive Directors. Banking transactions with related parties, other than those under terms of employment, are executed on an arm's length basis i.e. substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk. Details of advances to related parties are included in note 7.5 to these condensed interim consolidated financial statements. Contributions to and accruals in respect of staff retirement and other benefit schemes are made in accordance with the actuarial valuations / terms of the contribution plan.

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

	June 30, 2015				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000				
Statement of financial position					
Deposits	4,058,914	-	5,003,911	76,005	53,271
Maximum Deposits During the period	4,230,961	-	5,003,911	76,185	78,635
Borrowings	-	-	1,181,135	-	-
Investments	-	-	8,797,775	1,520,657	-
Markup / Other Receivable	15,705	-	165,933	-	-
Mark-up / Other Payable	9,870	-	2,546	-	733,803
Placements / Lendings	-	-	-	-	-
Nostro balances	70,112	-	-	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	22,530	-	2,300,280	184,922	-
Interest / Other Expense	43,453	-	367,523	152	246,991
Others					
Other contingencies	948,173	-	5,126	-	-
Securities Held as custodian	12,945,795	1,411,100	32,513,460	-	4,649,495
December 31, 2014					
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000				
Statement of financial position					
Deposits	3,914,395	-	3,133,203	113,168	116,266
Maximum Deposits During the period	3,996,836	-	4,077,656	113,168	729,432
Borrowings	3,281,763	-	-	2,160,385	-
Investments	-	-	-	1,425,498	-
Markup / Other Receivable	-	-	277,663	-	-
Mark-up / Other Payable	8,352	-	5,906	18,326	961,746
Placements / Lendings	89,035	-	-	-	-
Nostro balances	173,250	-	692,192	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	93,836	-	4,027,765	371,658	-
Interest / Other Expense	189,224	-	656,432	289,873	406,016
Others					
Other contingencies	541,418	-	-	-	-
Securities Held as custodian	10,027,505	888,000	35,292,700	-	5,377,465

15.1 Key management personnel

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

	For the six months ended	
	June 30, 2015	June 30, 2014
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,112,601	929,784
Contribution to provident and benevolent fund	17,815	14,318
Medical	35,005	29,184
	<u>1,165,421</u>	<u>973,286</u>
Number of persons	<u>202</u>	<u>183</u>

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2015					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(11,590)	9,809	35,751	4,134	1,190	39,294
Inter segment revenue - net	31,434	(6,564)	(28,438)	(895)	4,463	-
Non-funded income	5,180	1,944	5,798	3,496	1,709	18,127
Net interest and non-markup income	25,024	5,189	13,111	6,735	7,362	57,421
Total expenses including provision	10,132	1,495	159	5,137	9,314	26,237
Inter segment administrative cost	5,564	1,113	160	613	(7,450)	-
Total expenses including provision	15,696	2,608	319	5,750	1,864	26,237
Profit before tax	9,328	2,581	12,792	985	5,498	31,184
Segment gross earnings on liability / asset %	9.14%	9.25%	9.75%	4.93%	6.09%	-
Segment cost of funds %	4.06%	6.39%	7.32%	1.43%	2.00%	-
	As at June 30, 2015					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Segment assets gross	180,678	375,371	1,037,810	400,889	165,516	2,160,264
Segment non-performing advances	13,618	44,465	-	19,800	205	78,088
Segment provision required including general provision	12,933	39,737	68	15,092	1,793	69,623
Inter Segment Assets / (Liabilities)	903,649	(162,620)	(833,868)	(89,304)	182,143	-
Segment liabilities including equity	1,071,395	173,015	203,942	296,241	346,048	2,090,641
	For the six months ended June 30, 2014					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(17,314)	12,300	32,083	4,017	878	31,964
Inter segment revenue - net	35,711	(9,415)	(31,323)	(99)	5,126	-
Non-funded income	4,212	1,450	2,945	3,075	(363)	11,319
Net interest and non-markup income	22,609	4,335	3,705	6,993	5,641	43,283
Total expenses including provision	8,504	441	50	4,758	7,384	21,137
Inter segment administrative cost	4,440	888	128	489	(5,945)	-
Total expenses including provision	12,944	1,329	178	5,247	1,439	21,137
Profit before tax	9,665	3,006	3,527	1,746	4,202	22,146
Segment gross earnings on liability / asset %	9.97%	10.10%	9.73%	4.87%	6.00%	-
Segment cost of funds %	5.20%	7.73%	8.83%	1.09%	1.26%	-

Movement of Reserves

Unappropriated profit brought forward
 Profit attributable to equity holders of the Bank
 Transferred from surplus on revaluation of fixed assets - net of tax
 Other comprehensive income - net of tax

Rupees in million	
	81,708
	16,913
	29
	22
	<u>16,964</u>

Appropriations

Transferred to statutory reserves
 Cash dividend paid - Final 2014
 Cash dividend paid - 1st Interim 2015

	(1,691)
	(8,068)
	(5,134)
	<u>(14,893)</u>

Unappropriated profit carried forward

83,779

Earnings per share (Rs)

11.53

Capital Ratios

The Capital Adequacy Ratio (CAR) reduced from 15.1% in December 2014 to 14.1% in June 2015 due to growth in Risk Assets. While Tier 1 CAR also declined from 13.0% to 12.2% over the same period, the capital position of the Bank remains robust.

HBL's Return on Assets in H1 2015 was 1.8%, while the Return on Equity was 20.9%.

Dividend

The Board of Directors, in its meeting held on August 21, 2015 has declared a second interim cash dividend of Rs. 3.5 per share (35%) for the quarter ended June 30, 2015.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively. In addition, Moody's also upgraded HBL's baseline credit assessment from caa1 to b3 and its local and foreign currency ratings from Caa1 to B3 and Caa2 to Caa1 respectively. Moody's rating actions were largely a consequence of their upgrade of Pakistan's credit rating, but also reflect their expectations of continued improvements in HBL's financial performance.

Future Outlook

The recent successful 8th review of the IMF, coupled with positive statements from external agencies provides a degree of optimism. The federal budget in June introduced new measures to broaden the tax base and it is imperative these are followed through. The government is projecting 5.1% real GDP growth for FY16 on the back of higher industrial growth and has set an ambitious PSDP budget of Rs 1.5 trillion targeting energy, infrastructure and relief projects. These projects, along with the China-Pakistan Economic Corridor are critical to achieving a step change in the country's macroeconomic trajectory and must now be accelerated on a priority basis.

The changes in the interest rate structure will further compress banking sector spreads which have been under pressure. However, the improving economy provides opportunities which HBL will be able to leverage with its extensive network, product range and its strong and highly liquid balance sheet.

Appreciation and Acknowledgement

We would like to place on record, our appreciation of the efforts of our regulators and the Government of Pakistan, in particular the Ministry of Finance, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, for developing and strengthening the banking and financial services sector through continuous improvement in the regulatory and governance framework.

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

On behalf of the Board

Nauman K. Dar
 President & Chief Executive Officer
 August 21, 2015

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the half year ended June 30, 2015.

Domestic Economy

Pakistan's economic indicators have shown improvement during FY15 on the back of a wide ranging reform program supported by the IMF. Primarily driven by historically low oil prices, inflation has remained benign, reaching a low of 2.1% in April 2015 and averaging 4.6% for FY15 compared to 8.6% in the previous fiscal year. GDP growth for FY15 improved to 4.2%, mainly supported by the agriculture and services sectors as slower growth in Large Scale Manufacturing dampened overall industrial growth.

Exports fell by 4% during FY15 as a result of lower cotton prices and sluggish domestic industrial production. However, falling oil and commodity prices resulted in a 1% reduction in imports, which restricted growth in the trade deficit to 3%. In conjunction with record remittances, which grew by over 16% to reach USD 18.4 billion, the current account deficit reduced by 27% over FY14, resulting in a balance of payments surplus of USD 2.6 billion for FY15.

The 7th review under the IMF's EFF facility was successfully completed, paving the way for the disbursement of the loan tranche of USD 506 million by end June 2015. The positive macroeconomic developments, capital flows from privatization, and the strengthened external stability on the back of higher CSF flows, IMF disbursements and high remittances, resulted in foreign exchange reserves reaching a record high of USD 18.7 billion by June 2015. In May 2015, S&P upgraded its Outlook on Pakistan from Neutral to Positive followed by Moody's upgrade of Pakistan's credit rating from Caa1 to B3. Improvements in external ratings and consequent increased investor interest in Pakistan has resulted in the KSE setting new records in 2015.

The macroeconomic stability provided a basis for the SBP to further reduce its policy rate by 100 bps to 7.0%, a cumulative reduction of 300 bps since November, and to introduce changes in the interest rate structure which was a key benchmark under the IMF program. The newly introduced Target Rate is set at 50 bps below the discount rate and has effectively become the benchmark for KIBOR. In addition the central bank reduced the width of the interest rate corridor by 50bps to 2.0% resulting in an increase in the floor rate on savings deposits to 4.5%.

Performance

HBL has delivered a pre-tax profit of Rs 29.5 billion for the six months ended June 30, 2015, representing a growth of 41.6% over the same period last year. Profit after tax reached Rs 16.9 billion, a growth of 25% over H1 2014. The lower growth in profit after tax is due to the retrospective application of several new tax provisions introduced in the Federal Budget. Consequently, earnings per share for the half year increased to Rs 11.53 as against Rs 9.23 for the first half of 2014.

In June 2015, HBL's Balance Sheet increased by 12.4% over December 2014. Total deposits grew by 5.4% despite continued shedding of expensive fixed deposits as the Bank remained focused on its strategy of growing current accounts which increased by 11.7%. The deposit mix has improved further as the ratio of Current Accounts has now risen from 33.9% in December 2014 to 35.9%. Average domestic current accounts for the first half of 2015 grew by 24% over the corresponding period and, along with a declining rate environment, resulted in a 110 bps reduction in the cost of domestic deposits over H1 2014. Interest income was also supported by a 4% growth in average domestic loans and a near doubling of average PIBs as a result of the 2014 repositioning of the fixed income portfolio. Overall margins thus showed an increase of 15 bps, despite the steep reduction in the interest rate environment with KIBOR, on average, 218 bps lower than in H1 2014. With an expansion of 20% in the average Balance Sheet over the comparable period of 2014, net interest income increased by 23% to Rs 38.3 billion for the six months ended June 30, 2015.

Non mark-up income increased by 76% to Rs 16 billion for the half year ended June 30, 2015. In addition to capital gains of Rs 5.3 billion during H1 2015, fees and commissions increased significantly, growing by 41% over the previous year, as trade, remittances, Bancassurance and investment banking continued to make strong contributions.

Administrative expenses increased by 16.8% over the corresponding six months of 2014 due to continued investments by the Bank in its people, brand and technology. However, as a result of the strong revenue growth, the cost/income ratio reduced to 41% compared to 47.3% in H1 2014. Provisions increased mainly as a result of aging of previously classified names as well as a conservative view taken by the Bank on certain borrowers. Consequently, the coverage increased from 88.8% in December 2014 to 90.8% as of June 2015.

	As at December 31, 2014					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Segment assets gross	171,776	379,376	854,694	392,862	136,132	1,934,840
Segment non-performing advances	12,367	46,685	-	20,281	194	79,527
Segment provision required including general provision	10,634	41,204	87	14,410	1,502	67,837
Inter Segment Assets / (Liabilities)	831,234	(162,369)	(775,847)	(86,098)	193,080	-
Segment liabilities including equity	992,375	175,804	78,759	292,354	327,711	1,867,003

17 ISLAMIC BANKING BUSINESS

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

18 GENERAL

18.1 Comparative figures have been re-arranged and reclassified for comparison purposes. An amount of Rs. 499.856 million has been reclassified from Other income to Fee, commission and brokerage income.

19 DATE OF AUTHORISATION FOR ISSUE

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

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Unconsolidated Financial Statements