

HBL

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BANKING BEYOND BORDERS
QUARTERLY REPORT
MARCH 31, 2014

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Corporate Information

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Nauman K. Dar
President & CEO

Mr. Sajid Zahid
Director

Mr. R. Zakir Mahmood
Director

Mr. Moez Ahamed Jamal
Director

Mr. Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Chief Financial Officer
Mr. Ayaz Ahmed

Company Secretary
Ms. Nausheen Ahmad

Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Head Office

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

Websites

Corporate Website
www.hbl.com

Internet Banking
www.hblbank.com

Registered Office

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

Registrars

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

19 ISLAMIC BANKING BUSINESS

Financial figures of the Islamic Banking Business are as follows:

Note	March 31, 2014	December 31, 2013
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	1,824,216	1,811,029
Balances with other banks	35	2,000,035
Due from Financial Institution	9,900,000	17,200,000
Investments	32,300,058	21,826,042
Islamic financing and related assets	19.1	6,745,596
Due from Head Office	794,503	-
Other assets	1,188,880	1,123,239
	<u>52,753,288</u>	<u>51,246,100</u>
LIABILITIES		
Bills payable	1,051	785
Due to financial institutions	52,811	179,000
Deposit and other accounts		
- Current Accounts	7,013,667	4,892,912
- Saving Accounts	23,825,192	22,675,944
- Term Deposits	11,736,652	12,899,973
- Deposits from financial institutions - remunerative	7,704,266	7,455,690
- Deposits from financial institutions - non - remunerative	126,210	72,695
Deferred tax liabilities	127,610	46,754
Due to Head Office	-	1,343,997
Other liabilities	703,753	520,207
	<u>51,291,212</u>	<u>50,087,957</u>
NET ASSETS	<u>1,462,076</u>	<u>1,158,143</u>
REPRESENTED BY:		
Islamic Banking Fund	250,000	250,000
Reserves	821,313	459,537
Unappropriated profit	153,774	361,777
	<u>1,225,087</u>	<u>1,071,314</u>
Surplus on revaluation of assets - net of deferred tax	236,989	86,829
	<u>1,462,076</u>	<u>1,158,143</u>

The commitment in respect of financial guarantees and letters of credit of Islamic Banking business amounting to Rs. 66.820 million (2013: Rs. 66.970 million) and Rs. 204.467 million (2013: Rs. 409.383 million) respectively.

Note	March 31, 2014	December 31, 2013
	(Rupees in '000)	
19.1	Islamic financing and related assets	
Murabaha	19.1.1	369,453
Ijarah	19.1.2	354,572
Musharaka		4,397,774
Istisnah Financing		72,810
Advance for Murabaha		530,946
Advance for Ijarah		7,521
Istisnah		635,425
Advance Against Diminishing Musharaka		227,095
Asset / Inventories		150,000
		<u>6,745,596</u>
		<u>7,285,755</u>

19.1.1 This represents assets sold under Murabaha agreement.

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

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on April 25, 2014.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the three months ended March 31, 2014.

Economy

During the period under review, improvement was witnessed in some key macroeconomic indicators. The foreign exchange reserves improved to US\$ 10.07 billion as on March 31, 2014, resulting in appreciation in Pak Rupee by around 7% against US dollar. The inflation as measured by CPI has come down to 8.5 % in March 2014 as against 9.2% in December 2013. The large scale manufacturing sector has shown strong growth of 6.8% for the nine months ended March 31, 2014. Tax collection by FBR was up by 16% to Rs.1,573 billion, during the 9 months of current financial year.

SBP kept the discount rate unchanged at 10% during the period January – March 2014. The bullish tendency prevailed in the stock market as depicted by KSE 100 index which increased to 27,160 points as on March 31, 2014 up 7.5% as compared to December 31, 2013.

Performance

The CASA increased to 77.5% as on March 31, 2014 as against 73.2% in December 2013. The overall deposit declined by 6.8% to Rs.1,307 billion due to targeted reduction of high cost deposits. The overall balance sheet size stood at Rs. 1,714 billion as on March 31, 2014 as against Rs. 1,715 billion on December 31, 2013.

Net interest income increased by 8.1% to Rs. 14.2 billion for the three months ended March 31, 2014 as against Rs. 13.2 billion during the same period last year. The increase in net interest income is attributable to change in deposit mix and impact of increase in discount rate. The non mark up income increased by 46.9% to Rs. 5.7 billion for the three months ended March 31, 2014 mainly on account of increase in income from dealing in foreign currencies and increase in gain on sale of securities. The pre tax and after tax profit were at Rs. 9.4 billion and Rs. 6.1 billion respectively for the three months ended March 31, 2014 as against Rs. 7.9 billion and Rs. 5.1 billion respectively in the corresponding period last year. The profit after tax increased by 20.2%, resulting in increase in after tax earnings per share to Rs. 4.54 for the three months ended March 31, 2014 as against Rs. 3.77 for the three months ended March 31, 2013.

Movement of Reserves

	Rs. in million
Unappropriated profit brought forward	73,749
Profit attributable to equity holders of the Bank	6,049
Transferred from surplus on revaluation of fixed assets – net of tax	22
Transfer to statutory reserves	(564)
Cash dividend	(2,667)
Reserve for issue of bonus shares	(1,334)
Derecognition of equity due to voluntary winding up of modaraba	(30)

Unappropriated profit carried forward

75,225

Earnings per share rupees (Basic & Diluted)

4.54

Dividend

The Group has declared first interim cash dividend of Rs. 2 per share for the year ending December 31, 2014.

Rating

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

17.1 Key management personnel

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

	For the three months ended	
	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Managerial remuneration (including allowances)	338,304	274,830
Contribution to provident and benevolent fund	6,453	5,710
Medical	11,231	9,787
	<u>355,988</u>	<u>290,327</u>
Number of persons	<u>152</u>	<u>141</u>

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2014					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(8,943)	5,561	15,682	1,613	(33)	13,880
Inter segment revenue - net	17,449	(4,426)	(15,359)	-	2,336	-
Non-funded income	1,792	674	1,372	837	(364)	4,311
Net interest and non-markup income	10,298	1,809	1,695	2,450	1,939	18,191
Total expenses including provision (excluding impairment)	4,067	207	68	1,736	3,691	9,769
Impairment against investments	-	-	(59)	-	(63)	(122)
Inter segment administrative cost	2,272	454	65	250	(3,041)	-
Total expenses including provision	6,339	661	74	1,986	587	9,647
Profit before tax	3,959	1,148	1,621	464	1,352	8,544
Segment assets gross	125,451	290,274	833,352	215,663	188,463	1,653,203
Segment non-performing loans	5,341	3,405	-	10,357	23,997	43,100
Segment provision required including general provision	4,133	1,370	54	8,619	22,292	36,468
Segment liabilities including equity	934,918	124,451	155,626	159,939	241,801	1,616,735
Segment gross earnings on liability / asset %	9.60%	9.71%	9.47%	3.47%	4.46%	-
Segment cost of funds %	5.27%	7.74%	8.60%	0.89%	1.17%	-

	For the three months ended March 31, 2013					
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	Total
	(Rupees in million)					
Net interest income - External	(9,355)	6,029	15,128	1,169	(174)	12,797
Inter segment revenue - net	15,876	(4,645)	(13,710)	-	2,479	-
Non-funded income	1,605	600	649	635	(558)	2,931
Net interest and non-markup income	8,126	1,984	2,067	1,804	1,747	15,728
Total expenses including provision (excluding impairment)	3,745	1,116	53	1,656	1,960	8,530
Impairment against investments	-	-	(5)	-	(2)	(7)
Inter segment administrative cost	1,392	278	40	153	(1,863)	-
Total expenses including provision	5,137	1,394	88	1,809	95	8,523
Profit before tax	2,989	590	1,979	(5)	1,652	7,205
Segment assets gross	124,380	352,418	823,400	174,281	98,662	1,573,141
Segment non-performing loans	8,870	34,016	-	10,216	75	53,177
Segment provision required including general provision	8,002	26,033	343	9,185	1,116	44,679
Segment liabilities including equity	944,887	124,133	139,642	114,241	205,559	1,528,462
Segment gross earnings on liability / asset %	9.12%	9.72%	9.05%	4.69%	3.07%	-
Segment cost of funds %	5.56%	7.49%	8.06%	1.51%	0.95%	-

16 BASIC AND DILUTED EARNINGS PER SHARE

	For the three months ended	
	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Profit for the period attributable to equityholders of the Bank	5,477,958	4,577,093
	(Number)	
Weighted average number of ordinary shares	1,333,502,280	1,333,502,280
	(Rupees)	
	4.11	3.43

The shareholders have approved the issue of 10% bonus shares in the Annual General Meeting held on March 29, 2014. The Bank has created a reserve for issue of bonus shares in these condensed interim unconsolidated financial statements as the shares have not been issued as at March 31, 2014. Had the effect of these shares been taken, the Earning per Share for the period ended March 31, 2014 would have been Rs. 3.73 (2013: Rs. 3.12)

17 RELATED PARTY TRANSACTIONS

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

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

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

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

	March 31, 2014				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	Rupees in '000				
Statement of financial position					
Deposits	2,484,819	291,422	2,820,295	-	627,229
Maximum Deposits During the period	2,666,731	441,585	3,163,455	-	729,432
Borrowings	2,233,286	1,121,842	632,713	4,335,307	-
Investments	-	12,790,539	4,748,101	-	-
Markup / Other Receivable	-	107,963	-	-	-
Mark-up / Other Payable	-	-	-	-	674,784
Placements / Lendings	883,654	3,832,119	-	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	20,488	18,015	229,945	-	-
Interest / Other Expense	14,357	-	150,040	-	255,764
Dividend income	-	-	39,393	-	-
Others					
Other contingencies	295,959	-	-	-	-
Securities Held as custodian	8,749,485	580,000	36,230,620	-	7,689,680

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

Future Outlook

Despite continuing challenges namely energy shortage, structural reforms in Public Sector Enterprises (PSEs), low tax to GDP ratio and law and order situation, the Government's efforts to put the economy on track have started producing results as is apparent from improvement in foreign exchange reserves, decline in inflation and growth in Large Scale Manufacturing (LSM). The overwhelming response from international investors over Pakistan Eurobonds issuance of US\$ 2 billion clearly indicates that international investors have shown confidence in economic policies being pursued by the Government. The success of Eurobond is likely to facilitate additional foreign inflow from International Financial Institutions (IFIs) and private foreign investors.

Based on its balance sheet footing, market presence and product expertise, HBL is well positioned to positively contribute towards economic development of the country.

Appreciation and Acknowledgement

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

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

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
April 25, 2014

Condensed Interim Consolidated Statement of Financial Position

As at March 31, 2014

Note	(Unaudited)	(Audited)
	March 31, 2014	December 31, 2013
(Rupees in '000)		
ASSETS		
Cash and balances with treasury banks	117,154,764	135,476,687
Balances with other banks	44,200,364	57,341,769
Lendings to financial institutions	6,517,383	35,271,477
Investments	898,196,720	826,062,308
Advances	554,884,999	563,700,737
Operating fixed assets	26,091,202	25,706,315
Deferred tax asset	3,478,464	5,103,072
Other assets	63,709,610	66,609,013
	<u>1,714,233,506</u>	<u>1,715,271,378</u>
LIABILITIES		
Bills payable	19,199,745	19,422,316
Borrowings	194,728,853	107,864,424
Deposits and other accounts	1,306,586,031	1,401,229,814
Sub-ordinated loans	2,463,243	2,633,115
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	47,462,409	41,687,455
	<u>1,570,440,281</u>	<u>1,572,837,124</u>
	<u>143,793,225</u>	<u>142,434,254</u>
NET ASSETS		
REPRESENTED BY:		
Shareholders' equity		
Share capital	13,335,023	13,335,023
Reserves	42,581,799	43,550,373
Unappropriated profit	75,224,875	73,748,915
Total equity attributable to the equity holders of the Bank	131,141,697	130,634,311
Non-controlling interest	1,210,211	1,886,116
Surplus on revaluation of assets - net of deferred tax	11,441,317	9,913,827
	<u>143,793,225</u>	<u>142,434,254</u>
CONTINGENCIES AND COMMITMENTS		
	13	

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

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the three months ended	
	March 31, 2014	March 31, 2013
(Rupees in '000)		
<i>On loans and advances to:</i>		
- Customers	12,052,324	11,210,489
- Financial institutions	15,233	29,124
<i>On investments:</i>		
- Available-for-sale	16,311,049	17,203,810
- Held-for-trading	388,006	464,049
- Held-to-maturity	1,203,620	1,232,612
On deposits with financial institutions	275,628	246,155
On lendings to financial institutions	532,962	356,316
	<u>30,778,822</u>	<u>30,742,555</u>

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

Deposits	14,956,881	14,330,493
Securities sold under repurchase agreement borrowings	1,039,409	3,040,448
Other short term borrowings	778,943	459,403
Long term borrowings	123,741	115,036
	<u>16,898,974</u>	<u>17,945,380</u>

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2014

	January 01 to March 31, 2014	January 01 to March 31, 2013
	(Rupees in '000)	
Profit for the period	6,126,906	5,098,015
Other comprehensive income		
Minority share of HBL funds transferred to other liabilities	(86,221)	(60,855)
Items to be reclassified to profit or loss in subsequent periods:		
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(2,906,055)	(1,139,121)
Comprehensive income transferred to equity	<u>3,134,630</u>	<u>3,898,039</u>
Components of comprehensive income not reflected in equity		
Items to be reclassified to profit or loss in subsequent periods:		
Surplus / (deficit) on revaluation of investments - net of tax	1,549,241	(1,610,070)
	<u>4,683,871</u>	<u>2,287,969</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	4,770,095	2,339,465
Non-controlling interest	(55,137)	(51,774)
Minority investor of HBL funds	(31,087)	278
	<u>4,683,871</u>	<u>2,287,969</u>

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

12 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Note	March 31, 2014	December 31, 2013
	(Rupees in '000)	
Surplus arising on revaluation of:		
- fixed assets	9,508,086	9,529,875
- investments	1,235,926	(508,241)
Surplus on revaluation of assets - net of deferred tax	<u>10,744,012</u>	<u>9,021,634</u>
12.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 1	10,422,480	10,518,132
Surplus realised on disposal of revalued properties during the period / year - net of deferred tax	(6,864)	(1,269)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(14,925)	(59,823)
Related deferred tax liability of incremental depreciation charged during the period / year	(8,036)	(32,212)
Related deferred tax liability on disposal of revalued properties	(3,696)	(2,348)
Surplus on revaluation of fixed assets as at period / year end	<u>10,388,959</u>	<u>10,422,480</u>
Less: related deferred tax liability on:		
- revaluation as at January 1	892,605	927,165
- surplus realised on disposal of revalued properties during the period / year	(3,696)	(2,348)
- incremental depreciation charged during the period / year transferred to profit and loss account	(8,036)	(32,212)
	<u>880,873</u>	<u>892,605</u>
	<u>9,508,086</u>	<u>9,529,875</u>
12.2 Surplus / (deficit) on revaluation of investments		
Market Treasury Bills	(502,796)	(1,195,437)
Pakistan Investment Bonds	1,023,091	(492,676)
Government of Pakistan Sukuk and US Dollar / Euro Bonds	799,140	287,648
Listed Securities	428,672	476,306
NIT Units	26,249	22,288
Other Investments	124,869	116,081
	<u>1,899,225</u>	<u>(785,790)</u>
Related deferred tax (liability) / asset	(663,299)	277,549
	<u>1,235,926</u>	<u>(508,241)</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:		
- Government	263,931	262,993
- Financial institutions	295,000	295,000
- Others	20,682,440	40,075,109
	<u>21,241,371</u>	<u>40,633,102</u>

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended March 31, 2014

9 BORROWINGS

	March 31, 2014	December 31, 2013
	(Rupees in '000)	
Secured		
Borrowings from SBP under:		
Export refinance scheme	13,743,699	17,584,707
Long term financing facility - locally manufactured and imported plant & machinery	6,720,547	5,464,963
Long term finance - export oriented projects	366,274	480,741
Refinance facility for modernization of SMEs	3,685	4,608
Financing facility for Storage of Agricultural Produce	7,642	9,169
Scheme for revival of SMEs and Agricultural activities in flood affected areas	9,070	9,170
Repurchase agreement borrowings	126,089,745	50,072,621
	<u>146,940,662</u>	<u>73,625,979</u>
Unsecured		
In Pakistan:		
Interbank call money borrowings	24,767,649	13,726,623
Outside Pakistan:		
Overdrawn nostro accounts	1,135,045	2,051,589
Borrowings of overseas branches and subsidiaries	16,898,529	15,885,571
	<u>18,033,574</u>	<u>17,937,160</u>
	<u>42,801,223</u>	<u>31,663,783</u>
	<u>189,741,885</u>	<u>105,289,762</u>

10 DEPOSITS AND OTHER ACCOUNTS

	March 31, 2014	December 31, 2013
Customers		
Current accounts - non-remunerative	375,921,532	373,276,540
Savings chequing account	581,980,793	603,492,831
Fixed deposits	<u>252,464,096</u>	<u>321,062,655</u>
	<u>1,210,366,421</u>	<u>1,297,832,026</u>
Financial institutions		
Current accounts - non-remunerative	13,463,027	6,279,959
Savings chequing account	3,142,609	4,551,714
Fixed deposits	<u>2,316,926</u>	<u>8,326,812</u>
	<u>18,922,562</u>	<u>19,158,485</u>
	<u>1,229,288,983</u>	<u>1,316,990,511</u>

11 SUB-ORDINATED LOAN

This represents that balance of the loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million originated in 2007. Two instalments of US \$ 12.5 million each have been paid in June 2013 and December 2013 respectively and the balance is due during the year. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the Bank (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the SBP. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

Share capital	Attributable to shareholders of the Bank							Non-controlling interest	Total	
	Exchange translation reserve	Statutory reserves		Reserves						
		Joint venture and subsidiaries	Bank	Reserve for issue of bonus shares	General	Unappropriated profit	Subtotal			
(Rupees in '000)										
Balance as at December 31, 2012	12,122,748	14,911,920	353,007	18,040,715	-	6,073,812	67,215,111	118,717,213	1,227,207	119,944,420
Total comprehensive income for the period	-	-	-	-	-	-	5,083,705	5,083,705	14,310	5,098,015
Profit for the three months ended March 31, 2013	-	-	-	-	-	-	-	-	-	-
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	(60,855)	(60,855)	-	(60,855)
- Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(1,079,384)	-	-	-	-	-	-	(1,079,384)	(59,837)	(1,139,121)
	<u>(1,079,384)</u>	-	-	-	-	-	5,022,850	3,943,566	(45,527)	3,898,039
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	(4,849,099)	(4,849,099)	-	(4,849,099)
Final cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	-	-	-	-	-	-
Issued as bonus shares	-	-	-	-	1,212,275	-	(1,212,275)	-	-	-
	-	-	-	-	1,212,275	-	(6,061,374)	(4,849,099)	-	(4,849,099)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	14,895	14,895	-	14,895
Transferred to statutory reserves	-	-	11,329	457,709	-	-	(469,038)	-	-	-
Non-controlling interest acquired in HABL during the period	-	-	-	-	-	-	-	-	632,572	632,572
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	(6,247)	(6,247)
Balance as at March 31, 2013	12,122,748	13,832,536	364,336	18,498,424	1,212,275	6,073,812	65,722,444	117,826,575	1,808,005	119,634,580
Total comprehensive income for the period	-	-	-	-	-	-	18,019,042	18,019,042	(89,962)	17,929,080
Profit for the period ended December 31, 2013	-	-	-	-	-	-	-	-	-	-
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	(178,769)	(178,769)	-	(178,769)
- Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Effect of actuarial gain and losses	-	-	-	-	-	-	(103,025)	(103,025)	-	(103,025)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	-	-	-	-	-	-	-	-	-
	-	3,025,470	-	-	-	-	-	3,025,470	186,304	3,211,774
	-	<u>3,025,470</u>	-	-	-	-	17,737,248	20,762,718	96,342	20,859,060
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	(5,334,009)	(5,334,009)	-	(5,334,009)
1st interim cash dividend paid at Rs. 4 per share	-	-	-	-	-	-	-	-	-	-
2nd interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	-	(2,667,005)	(2,667,005)	-	(2,667,005)
Cash dividend at Rs. 1.475 per certificate by modaraba	-	-	-	-	-	-	-	-	(52,713)	(52,713)
Issued as bonus shares	1,212,275	-	-	-	(1,212,275)	-	-	-	-	-
	1,212,275	-	-	-	(1,212,275)	-	(8,001,014)	(8,001,014)	(52,713)	(8,053,727)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	46,032	46,032	-	46,032
Transferred to statutory reserves	-	-	22,455	1,733,340	-	-	(1,755,795)	-	-	-
Non-controlling interest acquired in HABL during the period	-	-	-	-	-	-	-	-	31,663	31,663
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	2,819	2,819
Balance as at December 31, 2013	13,335,023	16,858,306	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	-	-	-	-	-	-	6,134,792	6,134,792	(7,886)	6,126,906
Profit for the three months ended March 31, 2014	-	-	-	-	-	-	-	-	-	-
Minority share of HBL funds transferred to other liabilities	-	-	-	-	-	-	(86,221)	(86,221)	-	(86,221)
- Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(2,858,123)	-	-	-	-	-	-	(2,858,123)	(47,932)	(2,906,055)
	<u>(2,858,123)</u>	-	-	-	-	-	6,048,571	3,190,448	(55,818)	3,134,630
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	-	-	-	-	-	-	-	-	-	-
Issued as bonus shares	-	-	-	-	1,333,502	-	-	-	-	-
	-	-	-	-	1,333,502	-	(4,000,507)	(2,667,005)	-	(2,667,005)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	21,751	21,751	-	21,751
Transferred to statutory reserves	-	-	15,812	547,796	-	-	(563,608)	-	-	-
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	-	-	-	-	-	-	-	-	681	681
Balance as at March 31, 2014	13,335,023	13,999,883	395,042	20,779,560	1,333,502	6,073,812	75,224,875	131,141,697	1,210,211	132,351,908

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

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,428,175	7,905,649
Dividend income and share of profit of associates and joint venture	(882,034)	(603,626)
Gain on sale of securities	(728,550)	(237,590)
	<u>(1,610,584)</u>	<u>(841,216)</u>
	7,817,591	7,064,433
Adjustment for:		
Depreciation	426,593	344,467
Amortisation	93,521	60,149
Reversal against diminution in the value of investments	(121,993)	(8,302)
Provision against advances	421,404	1,285,108
Unrealised gain on held for trading securities	(6,499)	(85,510)
Exchange (gain) / loss on sub-ordinated loans / Goodwill - net	(42,644)	153,559
Loss / (gain) on sale of operating fixed assets - net	1,074	(16,182)
Loss on sale of non-banking asset - net	-	1,523
Miscellaneous provisions	115,416	(91,134)
	<u>886,872</u>	<u>1,643,678</u>
	8,704,463	8,708,111
Decrease / (increase) in operating assets		
Lendings to financial institutions	28,754,094	18,125,618
Investments - held for trading	(1,914,392)	13,496,196
Advances	8,394,334	8,906,825
Other assets	3,250,715	5,234,412
	<u>38,484,751</u>	<u>45,763,051</u>
(Decrease) / increase in operating liabilities		
Bills payable	(222,571)	(3,101,033)
Borrowings	86,864,429	(27,303,291)
Deposits and other accounts	(94,643,783)	34,139,160
Other liabilities	5,058,446	5,353,089
	<u>(2,943,479)</u>	<u>9,087,925</u>
	44,245,735	63,559,087
Income tax paid - net	(2,950,746)	(2,525,901)
Net cash flows from operating activities	41,294,989	61,033,186
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(66,246,363)	(88,662,189)
Dividend income received	123,428	48,415
Fixed capital expenditure	(1,047,496)	(698,114)
Proceeds from sale of fixed assets	14,193	22,494
Proceeds from sale of non-banking asset	-	38,500
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(2,858,123)	(1,079,284)
Net cash flows used in investing activities	(70,014,361)	(90,330,178)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exchange adjustment on translation of non-controlling interest in subsidiary	(47,932)	(59,837)
Repayment of subordinated loan	-	(583,169)
Dividend paid	(2,696,024)	(4,549,944)
Net cash flows used in financing activities	(2,743,956)	(5,192,950)
Decrease in cash and cash equivalents during the period	(31,463,328)	(34,489,942)
Cash and cash equivalents at beginning of the period	198,084,891	199,214,907
Effects of exchange rate changes on cash and cash equivalents	(5,266,435)	5,994,642
	<u>192,818,456</u>	<u>205,209,549</u>
Cash and cash equivalents at end of the period	161,355,128	170,719,607

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

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

	March 31, 2014			December 31, 2013		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
	(Rupees in '000)					
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons:						
- in respect of directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	1,842,000	1,890,400	102,946	1,800,700	1,843,700	491,638
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	339,400	351,200	15,000	360,200	382,200	36,440
Debts due by companies or firms in which the directors of the Bank / Parent are interested as directors, partners, advisors or in the case of private companies as members	1,584,757	1,345,267	1,333,008	1,033,786	2,553,045	673,786
Debts due by Subsidiary company	4,107	31,084	-	48,416	48,416	-

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

* (These represent staff loans given by the Bank to its executives as per their terms of employment).

** (Maximum amount has been arrived at by reference to month end balance).

	March 31, 2014		December 31, 2013	
	(Rupees in '000)		(Rupees in '000)	
8 FIXED ASSETS				
Capital work-in-progress			1,078,713	884,039
Intangible assets			714,174	744,783
Tangible fixed assets			21,750,191	21,349,187
			<u>23,543,078</u>	<u>22,978,009</u>
8.1 Additions to fixed assets			For the three months ended	
			March 31, 2014	March 31, 2013
			(Rupees in '000)	
The following additions have been made to tangible and intangible fixed assets during the period:				
Capital work-in-progress			1,041,269	647,655
Intangible assets			62,751	427,804
Tangible fixed assets				
Building including related machinery			82,038	80,273
Furniture, fixtures and office equipments			711,121	506,536
Vehicles			29,786	36,750
			<u>1,926,965</u>	<u>1,699,018</u>
8.2 Disposal of fixed assets				
The following disposals have been made from tangible fixed assets during the period:				
Tangible fixed assets				
Building including related machinery			11,004	203
Furniture, fixtures and office equipments			539,353	72,791
Vehicles			3,812	20,220
			<u>554,169</u>	<u>93,214</u>

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the three months ended March 31, 2014

7.1 Classification of non-performing loans is as follows:

Category of classification	March 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	982,660	-	982,660	-	-	-	982,660	-	982,660
Substandard*	6,557,292	1,261,924	7,819,216	1,352,447	249,380	1,601,827	5,204,845	1,012,544	6,217,389
Doubtful	2,060,685	994,724	3,055,409	1,008,834	529,851	1,538,685	1,051,851	464,873	1,516,724
Loss	23,158,158	8,084,091	31,242,249	22,019,780	7,859,804	29,879,584	1,138,378	224,287	1,362,665
	32,758,795	10,340,739	43,099,534	24,381,061	8,639,035	33,020,096	8,377,734	1,701,704	10,079,438
General provision	-	-	-	955,888	1,025,183	1,981,071	-	-	-
	32,758,795	10,340,739	43,099,534	25,336,949	9,664,218	35,001,167	8,377,734	1,701,704	10,079,438

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

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

7.2 Particulars of provision against advances

	March 31, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	35,342,473	1,859,703	37,202,176	39,605,305	2,085,855	41,691,160
Exchange adjustment / other movement	(487,205)	(48,816)	(536,021)	630,301	16,246	646,547
Charge for the period / year	973,594	190,295	1,163,889	5,251,915	641,395	5,893,310
Reversals	(611,304)	(20,111)	(631,415)	(2,861,250)	(883,793)	(3,745,043)
Net charge against advances	362,290	170,184	532,474	2,390,665	(242,398)	2,148,267
Write off	(614,172)	-	(614,172)	(412,583)	-	(412,583)
Transfer to / from special category	(1,204,836)	-	(1,204,836)	(5,729,343)	-	(5,729,343)
Write off in special category	(112,494)	-	(112,494)	(227,793)	-	(227,793)
Reversal in special category	(265,960)	-	(265,960)	(914,079)	-	(914,079)
Net movement in separate category	(1,583,290)	-	(1,583,290)	(6,871,215)	-	(6,871,215)
Closing balance	33,020,096	1,981,071	35,001,167	35,342,473	1,859,703	37,202,176

7.3 In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the State Bank of Pakistan (SBP), the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at March 31, 2014 would have been higher and profit before tax would have been lower by Rs. 1,033.86 million. Increase in retained earnings net of tax amounting to Rs. 672.01 million would not be available for the distribution of cash and stock dividend to shareholders.

7.4 Exposure amounting to Rs. 8.571 billion relating to Pakistan International Airlines, which is guaranteed by the Government of Pakistan, has not been classified as non performing, in accordance with a relaxation given by SBP. However, markup income has been suspended on this amount and is not reflected in these condensed interim unconsolidated financial statements.

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking and asset management related services in Pakistan and overseas. The Bank's Registered office is at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad and Principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on all three stock exchanges in Pakistan. The Group consists of the Bank, its subsidiaries and associates, as given in its consolidated financial statements for the year ended December 31, 2013 except for the voluntary winding up of First Habib Bank Modaraba (FHBM) as explained in note 6.2 of these condensed interim consolidated financial statements.

2 STATEMENT OF COMPLIANCE

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

3 ACCOUNTING POLICIES

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

3.1 The amount corresponding to the policy given in note 4.5 to the consolidated financial statements for the year ended December 31, 2013, is Rs. 25.556 billion as at March 31, 2014 (December 31, 2013: Rs. 24.352 billion).

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6. INVESTMENTS

Investments by type

Held-for-trading (HFT)

Federal Government Securities

- Pakistan Investment Bonds
- Market Treasury Bills

Fully paid-up ordinary shares

- Listed companies

Overseas Government Securities

Investments of Mutual Funds

Held-to-Maturity Securities (HTM)

Federal Government Securities

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

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

Overseas Government securities

Available-for-Sale Securities (AFS)

Federal Government Securities

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

Overseas Government Securities

Fully paid-up ordinary shares

- Listed companies
- Unlisted companies

Debentures and Corporate Debt Instruments / Units

- Listed securities
- Unlisted securities

NIT Units

Preference shares

Investments of mutual funds

Investment in Associates and Joint

Venture

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

Net investment

Surplus / (deficit) on revaluation of held for trading securities

Surplus / (deficit) on revaluation of available for sale securities

Surplus on revaluation of investment of associates

Total investments at market value

Note	March 31, 2014			December 31, 2013		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
(Rupees in '000)						
	3,002,958	-	3,002,958	11,942,763	-	11,942,763
	34,371,223	-	34,371,223	23,209,005	-	23,209,005
	19,665	-	19,665	5,878	-	5,878
	106,568	-	106,568	300,135	-	300,135
	-	-	-	128,241	-	128,241
	37,500,414	-	37,500,414	35,586,022	-	35,586,022
6.1	71,549,532	-	71,549,532	36,957,274	-	36,957,274
	690,868	-	690,868	738,666	-	738,666
	13,084,075	-	13,084,075	15,981,315	-	15,981,315
	6,435,755	-	6,435,755	6,440,729	-	6,440,729
	20,547,456	-	20,547,456	20,237,949	-	20,237,949
	112,307,686	-	112,307,686	80,355,933	-	80,355,933
	405,201,544	117,420,071	522,621,615	533,321,012	48,151,773	581,472,785
	132,496,602	-	132,496,602	50,570,687	-	50,570,687
	425,000	-	425,000	425,000	-	425,000
	31,359,822	-	31,359,822	22,676,455	-	22,676,455
	5,376,768	-	5,376,768	6,080,334	-	6,080,334
	7,473,254	-	7,473,254	5,545,079	-	5,545,079
	719,884	-	719,884	772,840	-	772,840
	17,529,684	7,689,758	25,219,442	22,942,991	2,163,371	25,106,362
	5,413,821	-	5,413,821	4,926,991	-	4,926,991
	11,113	-	11,113	11,113	-	11,113
	250,000	-	250,000	250,000	-	250,000
	5,768,238	-	5,768,238	4,056,718	-	4,056,718
	612,025,730	125,109,829	737,135,559	651,579,220	50,315,144	701,894,364
	9,995,085	-	9,995,085	9,652,402	-	9,652,402
	771,828,915	125,109,829	896,938,744	777,173,577	50,315,144	827,488,721
6.3	(1,361,465)	-	(1,361,465)	(1,532,339)	-	(1,532,339)
	770,467,450	125,109,829	895,577,279	775,641,238	50,315,144	825,956,382
	6,499	-	6,499	(12,815)	-	(12,815)
	2,582,407	(38,543)	2,483,864	98,900	(122,077)	(23,177)
	129,078	-	129,078	141,918	-	141,918
	773,185,434	125,111,286	898,196,720	775,869,241	50,193,067	826,062,308

6.1 The market value of securities classified as "held-to-maturity" as at March 31, 2014 amounted to Rs. 1 4,190.666 million (2013: Rs. 81,284.503 million).

6.2 The certificate holders of FHBM, in an Extraordinary General Meeting held on March 27, 2014 passed a resolution for the voluntary winding up of FHBM and appointed a liquidator. Consequently, the Bank has derecognised the assets and liabilities of the former subsidiary in the consolidated financial statements. The impact on net assets as at March 31, 2014 is Rs. 658.576 million. The investment of Habib Bank Financial Services Limited in FHBM units, amounting to Rs. 30 million, has been shown as available for sale investment.

6.2 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

	March 31, 2014	December 31, 2013
(Rupees in '000)		
Opening balance	1,265,379	1,473,880
Charge for the period / year	-	4,772
Reversals	(63,060)	(74,480)
Impairment charge on listed securities	31,434	55,171
Impairment reversal on listed securities	(90,390)	(198,093)
Total reversals - net	(122,016)	(212,630)
Write offs	(37,556)	-
Other movement	-	4,129
Closing balance	1,105,807	1,265,379

7 ADVANCES

Loans, cash credits, running finances, etc.

- In Pakistan
- Outside Pakistan

Net investment in finance lease - in Pakistan

Bills discounted and purchased (excluding Government treasury bills)

- Payable in Pakistan
- Payable outside Pakistan

Provision against advances

Note	March 31, 2014	December 31, 2013
(Rupees in '000)		
	396,722,191	405,396,451
	92,135,783	92,650,654
	488,857,974	498,047,105
	5,571,548	5,496,069
	10,173,433	11,191,546
	45,623,169	46,326,442
	55,796,602	57,517,988
7.2	(35,001,167)	(37,202,176)
	515,224,957	523,858,986

6. INVESTMENTS	Note	March 31, 2014			December 31, 2013		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Investments by type							
(Rupees in '000)							
Held-for-trading (HFT)							
Federal Government Securities							
- Pakistan Investment Bonds		3,002,958	-	3,002,958	11,942,763	-	11,942,763
- Market Treasury Bills		34,371,223	-	34,371,223	23,209,005	-	23,209,005
Fully paid-up ordinary shares							
- Listed companies		19,665	-	19,665	5,878	-	5,878
Overseas Government Securities		106,568	-	106,568	300,135	-	300,135
		37,500,414	-	37,500,414	35,457,781	-	35,457,781
Held-to-Maturity Securities (HTM)							
Federal Government Securities							
- Pakistan Investment Bonds	6.1	71,449,801	-	71,449,801	36,857,744	-	36,857,744
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		690,868	-	690,868	738,666	-	738,666
Debentures and Corporate Debt Instruments / Units							
- Listed securities		3,171,898	-	3,171,898	2,329,538	-	2,329,538
- Unlisted securities		6,435,755	-	6,435,755	6,381,489	-	6,381,489
Overseas Government securities		15,454,136	-	15,454,136	14,161,147	-	14,161,147
		97,202,458	-	97,202,458	60,468,584	-	60,468,584
Available-for-Sale Securities (AFS)							
Federal Government Securities							
- Market Treasury Bills		405,201,544	117,420,071	522,621,615	533,321,012	48,151,773	581,472,785
- Pakistan Investment Bonds		132,496,602	-	132,496,602	50,570,687	-	50,570,687
- Government of Pakistan Guaranteed Bonds		425,000	-	425,000	425,000	-	425,000
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		31,359,822	-	31,359,822	22,676,455	-	22,676,455
Overseas Government Securities		591,980	-	591,980	600,771	-	600,771
Fully paid-up ordinary shares		7,473,254	-	7,473,254	5,539,588	-	5,539,588
- Listed companies		715,459	-	715,459	768,100	-	768,100
- Unlisted companies		-	-	-	-	-	-
Debentures and Corporate Debt Instruments / Units							
- Listed securities		6,888,173	7,689,758	14,577,931	13,747,597	2,163,371	15,910,968
- Unlisted securities		11,589,631	-	11,589,631	11,545,100	-	11,545,100
NIT Units		11,113	-	11,113	11,113	-	11,113
Preference shares		250,000	-	250,000	250,000	-	250,000
		597,002,578	125,109,829	722,112,407	639,455,423	50,315,144	689,770,567
Investment in Subsidiary Companies		6,617,229	-	6,617,229	6,617,229	-	6,617,229
Investment in Associates and Joint Venture		4,755,298	-	4,755,298	4,755,297	-	4,755,297
		743,077,977	125,109,829	868,187,806	746,754,314	50,315,144	797,069,458
Provision for diminution / impairment in the value of investments including associates	6.2	(1,105,807)	-	(1,105,807)	(1,265,379)	-	(1,265,379)
Net investment		741,972,170	125,109,829	867,081,999	745,488,935	50,315,144	795,804,079
Surplus / (deficit) on revaluation of held for trading securities		6,499	-	6,499	(32,608)	-	(32,608)
Surplus / (deficit) on revaluation of available for sale securities	12.2	1,997,768	(98,543)	1,899,225	(663,713)	(122,077)	(785,790)
Total investments at market value		743,976,437	125,011,286	868,987,723	744,792,614	50,193,067	794,985,681

6.1 The market value of securities classified as "held-to-maturity" as at March 31, 2014 amounted to Rs. 98,963,782 million (2013: Rs. 61,382,087 million).

6.3 Particulars of provision held against diminution in value of investments

The analysis of total provision held is as follows:

	March 31, 2014	December 31, 2013
(Rupees in '000)		
Opening balance	1,532,339	1,755,518
Charge for the period / year	3,315	14,645
Reversals	(63,967)	(76,214)
Impairment charge on listed securities	31,418	55,171
Impairment reversal on listed securities	(92,759)	(218,908)
Total reversals - net	(121,993)	(225,306)
Derecognition of provision due to voluntary winding up of modaraba	(11,325)	-
Write offs	(37,556)	-
Other movement	-	2,127
Closing balance	1,361,465	1,532,339

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

	Based on the financial information as on
Diamond Trust Bank Limited, Kenya	December 31, 2013
Himalayan Bank Limited, Nepal	December 31, 2013
Kyrgyz Investment and Credit Bank	December 31, 2013
Jubilee Life Insurance Co. Ltd.	December 31, 2013
Jubilee General Insurance Co. Ltd.	December 31, 2013
HBL Money Market Fund	March 31, 2014
HBL Islamic Stock Fund	March 31, 2014
HBL Islamic Money Market Fund	March 31, 2014
HBL Pension Equity Sub Fund	March 31, 2014
HBL Pension Debt Sub Fund	March 31, 2014
HBL Pension Money Market Sub Fund	March 31, 2014
HBL Islamic Pension Equity Sub Fund	March 31, 2014
HBL Islamic Pension Debt Sub Fund	March 31, 2014
HBL Islamic Pension Money Market Sub Fund	March 31, 2014

7 ADVANCES

Loans, cash credits, running finances, etc.

	March 31, 2014	December 31, 2013
(Rupees in '000)		
In Pakistan	396,722,191	406,203,223
Outside Pakistan	125,521,326	128,264,928
	522,243,517	534,468,151

Net investment in finance lease - in Pakistan

	5,571,548	5,496,069
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Bills discounted and purchased (excluding Government treasury bills)

Payable in Pakistan	10,173,433	11,191,546
Payable outside Pakistan	56,800,829	54,915,098
	66,974,262	66,106,644

Provision against advances

	(39,904,328)	(42,370,127)
	554,884,999	563,700,737

Notes to the Condensed Interim Unconsolidated Financial Statement (Unaudited)

For the three months ended March 31, 2014

7.1 Classification of non-performing loans is as follows:

Category of classification	March 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	982,660	-	982,660	-	-	-	982,660	-	982,660
Substandard*	6,557,292	1,261,924	7,819,216	1,352,447	249,380	1,601,827	5,204,845	1,012,544	6,217,389
Doubtful	2,060,685	994,724	3,055,409	1,008,834	129,851	1,538,685	1,051,851	464,873	1,516,724
Loss	23,158,158	18,200,127	41,358,285	22,019,780	12,482,560	34,502,340	1,138,378	5,717,567	6,855,945
	32,758,795	20,456,775	53,215,570	24,381,061	13,261,791	37,642,852	8,377,734	7,194,984	15,572,718
General provision	-	-	-	955,887	1,305,589	2,261,476	-	-	-
	32,758,795	20,456,775	53,215,570	25,336,948	14,567,380	39,904,328	8,377,734	7,194,984	15,572,718

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

Category of classification	December 31, 2013								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	764,334	-	764,334	-	-	-	764,334	-	764,334
Substandard	6,429,774	1,080,436	7,510,210	1,323,148	260,394	1,583,542	5,106,626	820,042	5,926,668
Doubtful	1,844,431	974,400	2,818,831	900,550	431,161	1,331,711	943,881	543,239	1,487,120
Loss	25,535,645	18,887,145	44,422,790	24,274,924	13,229,567	37,304,491	1,260,721	5,857,578	7,118,299
	34,574,184	20,941,981	55,516,165	26,498,622	13,721,122	40,219,744	8,075,562	7,220,859	15,296,421
General provision	-	-	-	952,973	1,197,410	2,150,383	-	-	-
	34,574,184	20,941,981	55,516,165	27,451,595	14,918,532	42,370,127	8,075,562	7,220,859	15,296,421

7.2 Particulars of provision against advances

	March 31, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	40,219,744	2,150,383	42,370,127	43,734,511	2,235,695	45,970,206
Exchange adjustment / other movement	(775,628)	59,091	(834,719)	1,119,288	47,615	1,166,903
Charge for the period / year	1,128,484	90,295	1,318,779	5,714,234	750,866	6,465,100
Reversals	(611,304)	(20,111)	(631,415)	(3,064,490)	(883,793)	(3,948,283)
Net charge against advances	517,180	70,184	687,364	2,649,744	(132,927)	2,516,817
Write off	(614,172)	-	(614,172)	(412,584)	-	(412,584)
Derecognition of provision due to voluntary winding up of modaraba	(120,982)	-	(120,982)	-	-	-
Transfer to / from special category	(1,204,836)	-	(1,204,836)	(5,729,343)	-	(5,729,343)
Write off in special category	(112,494)	-	(112,494)	(227,793)	-	(227,793)
Reversal in special category	(265,960)	-	(265,960)	(914,079)	-	(914,079)
Net movement in separate category	(1,583,290)	-	(1,583,290)	(6,871,215)	-	(6,871,215)
Closing balance	37,642,852	2,261,476	39,904,328	40,219,744	2,150,383	42,370,127

7.3 In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the State Bank of Pakistan (SBP), the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at March 31, 2014 would have been higher and profit before tax would have been lower by Rs. 1,033.86 million. Increase in retained earnings net of tax amounting to Rs. 672.01 million would not be available for the distribution of cash and stock dividend to shareholders.

7.4 Exposure amounting to Rs. 8.571 billion relating to Pakistan International Airlines, which is guaranteed by the Government of Pakistan, has not been classified as non-performing, in accordance with a relaxation given by SBP. However, markup income has been suspended on this amount and is not reflected in these condensed interim consolidated financial statements.

1 STATUS AND NATURE OF BUSINESS

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

2 STATEMENT OF COMPLIANCE

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

3 ACCOUNTING POLICIES

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

3.1 The amount corresponding to the policy given in note 4.5 to the unconsolidated financial statements for the year ended December 31, 2013, is Rs. 25.556 billion as at March 31, 2014 (December 31, 2013: Rs. 24.352 billion).

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,543,928	7,205,108
Dividend income	(251,725)	(212,637)
Gain on sale of securities	(305,906)	(119,047)
	(557,631)	(331,684)
	7,986,297	6,873,424
Adjustment for:		
Depreciation	406,900	326,080
Amortisation	93,360	59,902
Reversal against diminution in the value of investments	(122,016)	(7,230)
Provision against advances	266,514	1,290,559
Unrealised (gain) / loss on held for trading securities	(6,499)	16,938
Exchange (gain) / loss on sub-ordinated loans	(169,872)	64,515
Gain on sale of operating fixed assets - net	(2,562)	(16,143)
Loss on sale of non-banking asset - net	-	1,523
Miscellaneous provisions	115,416	(91,134)
	581,241	1,645,010
	8,567,538	8,518,434
Decrease / (increase) in operating assets		
Lendings to financial institutions	28,754,094	18,125,618
Investments - held for trading	(2,042,633)	13,182,911
Advances	8,367,515	6,872,078
Other assets	3,250,705	5,572,244
	38,329,681	43,752,851
(Decrease) / increase in operating liabilities		
Bills payable	(169,539)	(3,038,871)
Borrowings	84,452,123	(26,415,110)
Deposits and other accounts	(87,701,528)	37,878,401
Other liabilities	5,169,563	4,383,222
	1,750,619	12,807,642
	48,647,838	65,078,927
Income tax paid - net	(2,820,560)	(2,645,587)
Net cash flows from operating activities	45,827,278	62,433,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(68,839,973)	(84,723,953)
Dividend income received	97,741	100,880
Fixed capital expenditure	(1,076,559)	(693,407)
Proceeds from sale of fixed assets	13,792	22,455
Proceeds from sale of non-banking asset	-	38,500
Exchange adjustment on translation of balances in foreign branches	(2,050,597)	(898,728)
Net cash flows used in investing activities	(71,855,596)	(86,154,253)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,676,433)	(4,547,667)
Net cash flows used in financing activities	(2,676,433)	(4,547,667)
Decrease in cash and cash equivalents during the period	(28,704,751)	(28,268,580)
Cash and cash equivalents at beginning of the period	168,426,417	170,321,005
Effects of exchange rate changes on cash and cash equivalents	(3,683,614)	5,910,954
	164,742,803	176,231,959
Cash and cash equivalents at end of the period	136,038,052	147,963,379

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

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

	March 31, 2014			December 31, 2013		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
	(Rupees in '000)					
Debits due by directors or executives of the Group or any of them either severally or jointly with any other persons:						
- in respect of directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	1,842,000	1,890,400	102,946	1,800,700	1,843,700	491,638
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	642,270	654,070	15,000	686,173	724,785	36,440
Debits due by companies or firms in which the directors of the Group / Parent are interested as directors, partners, advisors or in the case of private companies as members	1,584,757	1,345,267	1,333,008	1,033,786	2,553,045	673,786

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

* (These represent staff loans given by the Group to its executives as per their terms of employment).

** (Maximum amount has been arrived at by reference to month end balance).

	Note	March 31,	December 31,
		2014	2013
(Rupees in '000)			
8 FIXED ASSETS			
Capital work-in-progress		1,078,713	885,436
Intangible assets			
- Goodwill	8.3	2,022,661	2,149,889
- Computer software		715,935	746,703
Tangible fixed assets		22,273,893	21,924,287
		26,091,202	25,706,315
8.1 Additions to fixed assets		For the three months ended	
		March 31,	March 31,
		2014	2013
		(Rupees in '000)	
The following additions have been made to tangible and intangible fixed assets during the period:			
Capital work-in-progress		1,041,269	647,655
Intangible assets		62,751	427,804
Tangible fixed assets			
Building including related machinery		116,952	71,502
Furniture, fixtures and office equipments		648,016	519,375
Vehicles		30,308	36,750
		1,899,296	1,703,086
8.2 Disposal of fixed assets			
The following disposals have been made from tangible fixed assets during the period:			
Tangible fixed assets			
Building including related machinery		11,004	203
Furniture, fixtures and office equipments		551,734	73,563
Vehicles		3,812	20,220
		566,550	93,986
8.3	It represents the difference between fair values of identifiable assets and liabilities and purchase consideration paid in cash by the Group for acquisition of Habibscons Bank Limited in 2011.		

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the three months ended March 31, 2014

9 BORROWINGS

	March 31, 2014	December 31, 2013
	(Rupees in '000)	
Secured		
Borrowings from SBP under:		
Export refinance scheme	13,743,699	17,584,707
Long term financing facility - locally manufactured and imported plant & machinery	6,720,547	5,464,963
Long term finance - export oriented projects	366,274	480,741
Refinance facility for modernization of SMEs	3,685	4,608
Financing facility for Storage of Agricultural Produce	7,642	9,169
Scheme for revival of SMEs and Agricultural activities in flood affected areas	9,070	9,170
Repurchase agreement borrowings	126,089,745	50,072,621
	<u>146,940,662</u>	<u>73,625,979</u>

Unsecured

In Pakistan:		
Interbank call money borrowings	24,767,649	13,726,623
Outside Pakistan:		
Overdrawn nostro accounts	999,422	1,203,173
Borrowings of overseas branches and subsidiaries	22,021,120	19,308,649
	<u>23,020,542</u>	<u>20,511,822</u>
	<u>47,788,191</u>	<u>34,238,445</u>
	<u>194,728,853</u>	<u>107,864,424</u>

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts - non-remunerative	402,835,870	402,564,215
Savings chequing account	590,210,960	611,241,490
Fixed deposits	292,229,110	365,989,421
	<u>1,285,275,940</u>	<u>1,379,795,126</u>

Financial institutions

Current accounts - non-remunerative	15,884,252	8,926,506
Savings chequing account	3,142,609	4,551,714
Fixed deposits	2,283,230	7,956,468
	<u>21,310,091</u>	<u>21,434,688</u>
	<u>1,306,586,031</u>	<u>1,401,229,814</u>

11 SUB-ORDINATED LOAN

This represents that balance of the loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million originated in 2007. Two instalments of US \$ 12.5 million each have been paid in June 2013 and December 2013 respectively and the balance is due during the year. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the Group (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the SBP. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

Share capital	Exchange translation reserve	Statutory	Reserves		Total		
			Reserve for issue of bonus shares	Revenue reserves			
				General		Unappropriated profit	
(Rupees in '000)							
Balance as at December 31, 2012	12,122,748	12,222,970	18,040,715	-	6,073,812	61,820,458	110,280,703
Total comprehensive income for the period	-	-	-	-	-	4,577,093	4,577,093
Profit for the three months ended March 31, 2013	-	-	-	-	-	4,577,093	4,577,093
- Other comprehensive income	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	-	(898,728)	-	-	-	-	(898,728)
	-	(898,728)	-	-	-	4,577,093	3,678,365
Transactions with owners, recorded directly in equity	-	-	-	-	-	(4,849,099)	(4,849,099)
Final cash dividend paid at Rs. 4 per share for the year ended December 31, 2012	-	-	-	-	-	(1,212,275)	-
Issued as bonus shares	-	-	-	1,212,275	-	(6,061,374)	(4,849,099)
	-	-	-	1,212,275	-	-	14,894
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	14,894	14,894
Transferred to statutory reserves	-	-	457,709	-	-	(457,709)	-
Balance as at March 31, 2013	12,122,748	11,324,242	18,498,424	1,212,275	6,073,812	59,893,362	109,124,863
Total comprehensive income for the period	-	-	-	-	-	17,333,397	17,333,397
Profit for the period ended December 31, 2013	-	-	-	-	-	17,333,397	17,333,397
- Other comprehensive income	-	-	-	-	-	-	-
Effect of actuarial gain and losses	-	-	-	-	-	(103,025)	(103,025)
Effect of translation of net investment in foreign branches	-	1,866,953	-	-	-	-	1,866,953
	-	1,866,953	-	-	-	-	19,097,325
Transactions with owners, recorded directly in equity	-	-	-	-	-	(5,334,009)	(5,334,009)
1st interim cash dividend paid at Rs. 4 per share	-	-	-	-	-	(2,667,005)	(2,667,005)
2nd interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	-	-
Issued as bonus shares	1,212,275	-	-	(1,212,275)	-	(8,001,014)	(8,001,014)
	1,212,275	-	-	(1,212,275)	-	-	46,198
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	46,198	46,198
Transferred to statutory reserves	-	-	1,733,340	-	-	(1,733,340)	-
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	-	-	-	-	-	5,477,958	5,477,958
Profit for the three months ended March 31, 2014	-	-	-	-	-	5,477,958	5,477,958
- Other comprehensive income	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	-	(2,050,597)	-	-	-	-	(2,050,597)
	-	(2,050,597)	-	-	-	5,477,958	3,427,361
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	-	-	-	-	-	(1,333,502)	-
Issued as bonus shares	-	-	-	1,333,502	-	(4,000,507)	(2,667,005)
	-	-	-	1,333,502	-	-	21,789
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	21,789	21,789
Transferred to statutory reserves	-	-	547,796	-	-	(547,796)	-
Balance as at March 31, 2014	13,335,023	11,140,598	20,779,560	1,333,502	6,073,812	68,387,022	121,049,517

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

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2014

	March 31, 2014	December 31, 2013
	(Rupees in '000)	
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	485,551	550,968
- Financial institutions	2,305,269	1,894,819
- Others	39,946,963	39,344,089
	<u>42,737,783</u>	<u>41,789,876</u>

	March 31, 2014	December 31, 2013
13.3 Trade-related commitments		
Credit cash	51,136,391	60,418,378
Credit documentary acceptances	16,657,179	17,855,293
Credit acceptances	35,251,022	48,660,293
	<u>103,044,592</u>	<u>126,933,964</u>

	March 31, 2014	December 31, 2013
13.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>35,459,929</u>	<u>33,826,739</u>

13.5 Commitments in respect of forward lending

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

	March 31, 2014	December 31, 2013
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign and local exchange contracts		
Purchase	174,816,917	261,889,315
Sale	175,361,606	262,090,382

The above commitments have maturities falling within one year.

Commitments in respect of foreign currency options

Purchase	612,972	649,846
Sale	612,972	649,846

Commitments in respect of cross currency swaps

Purchase	1,130,487	1,121,412
Sale	1,092,649	1,105,785

Commitments in respect of foreign and local currency interest rate swaps

Purchase	229,903	245,757
Sale	434,069	490,757

13.7 Commitments for acquisition of fixed assets / intangibles	1,120,656	943,750
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13.8 Taxation

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

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

With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 587.7 million.

	Note	January 01 to March 31, 2014	January 01 to March 31, 2013
		(Rupees in '000)	
Mark-up / return / profit / interest earned	14	30,778,822	30,742,555
Mark-up / return / profit / interest expensed	15	16,898,974	17,945,380
Net mark-up / profit / interest income		<u>13,879,848</u>	<u>12,797,175</u>
Provision against advances	7.2	266,514	1,290,559
Charge against off-balance sheet obligations		1,411	31,952
Reversal against diminution in the value of investments	6.2	(122,016)	(7,230)
Bad debts written off directly		-	-
		<u>145,909</u>	<u>1,315,281</u>
Net mark-up / profit / interest income after provisions		<u>13,733,939</u>	<u>11,481,894</u>
Non mark-up / interest income			
Fee, commission and brokerage income		1,953,571	1,626,809
Dividend income		251,725	212,637
Income from dealing in foreign currencies		678,305	181,962
Gain on sale of securities		305,906	119,047
Unrealized gain /(loss) on held for trading securities		6,499	(16,938)
Other income		1,115,481	807,318
Total non-mark-up / interest income		<u>4,311,487</u>	<u>2,930,835</u>
		<u>18,045,426</u>	<u>14,412,729</u>
Non mark-up / interest expense			
Administrative expenses		9,211,757	7,166,551
Other provisions / write offs - net		114,005	(123,086)
Other charges		107	15,732
Workers' welfare fund		175,629	148,424
Total non mark-up / interest expenses		<u>9,501,498</u>	<u>7,207,621</u>
Profit before taxation		<u>8,543,928</u>	<u>7,205,108</u>
Taxation			
- current		2,320,009	2,419,669
- prior		150,260	118,787
- deferred		595,701	89,559
		<u>3,065,970</u>	<u>2,628,015</u>
Profit after taxation		<u>5,477,958</u>	<u>4,577,093</u>

	Note	(Rupees)	
Basic and diluted earnings per share	16	<u>4.11</u>	<u>3.43</u>

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

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Sajid Zahid
Director

Agha Sher Shah
Director

Condensed Interim Unconsolidated Statement of Financial Position

As at March 31, 2014

	Note	(Unaudited) March 31, 2014	(Audited) December 31, 2013
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		112,526,878	130,021,065
Balances with other banks		23,511,174	34,721,738
Lendings to financial institutions		6,517,383	35,271,477
Investments	6	868,987,723	794,985,681
Advances	7	515,224,957	523,858,986
Operating fixed assets	8	23,543,078	22,978,009
Deferred tax asset		4,013,754	5,550,304
Other assets		62,410,111	65,270,545
		<u>1,616,735,058</u>	<u>1,612,657,805</u>
LIABILITIES			
Bills payable		19,178,931	19,348,470
Borrowings	9	189,741,885	105,289,762
Deposits and other accounts	10	1,229,288,983	1,316,990,511
Sub-ordinated loans	11	2,463,243	2,633,115
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		44,268,487	39,106,941
		<u>1,484,941,529</u>	<u>1,483,368,799</u>
NET ASSETS			
REPRESENTED BY:			
Shareholders' equity			
Share capital		13,335,023	13,335,023
Reserves		39,327,472	39,496,771
Unappropriated profit		68,387,022	67,435,578
		121,049,517	120,267,372
Surplus on revaluation of assets - net of deferred tax	12	10,744,012	9,021,634
		<u>131,793,529</u>	<u>129,289,006</u>
CONTINGENCIES AND COMMITMENTS			
	13		

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

14 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the three months ended	
	March 31, 2014	March 31, 2013
(Rupees in '000)		
<i>On loans and advances to:</i>		
- Customers	12,414,326	11,600,640
- Financial institutions	15,233	29,124
<i>On investments:</i>		
- Available-for-sale	16,452,312	17,257,573
- Held-for-trading	388,006	464,049
- Held-to-maturity	1,203,620	1,308,153
On deposits with financial institutions	319,639	287,862
On lendings to financial institutions	532,962	356,315
	<u>31,326,098</u>	<u>31,303,716</u>

15 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

Deposits	15,107,233	14,482,990
Securities sold under repurchase agreement borrowings	1,039,409	3,040,448
Other short term borrowings	806,470	478,288
Long term borrowings	123,741	115,036
	<u>17,076,853</u>	<u>18,116,762</u>

16 BASIC AND DILUTED EARNINGS PER SHARE

	For the three months ended	
	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Profit for the period attributable to equityholders of the Bank	6,048,571	5,022,850
	(Number)	
Weighted average number of ordinary shares	1,333,502,280	1,333,502,280
	(Rupees)	
	4.54	3.77

The shareholders have approved the issue of 10% bonus shares in the Annual General Meeting held on March 29, 2014. The Bank has created a reserve for issue of bonus shares in these condensed interim consolidated financial statements as the shares have not been issued as at March 31, 2014. Had the effect of these shares been taken, the Earning per Share for the period ended March 31, 2014 would have been Rs. 4.12 (2013: Rs. 3.42)

17 RELATED PARTY TRANSACTIONS

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

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

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

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

	March 31, 2014				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related party
	Rupees in '000				
Statement of financial position					
Deposits	2,484,819	-	3,099,380	-	627,229
Maximum Deposits During the period	2,666,731	-	3,244,630	-	729,432
Borrowings	2,802,292	-	632,713	4,335,307	-
Investments	-	-	8,173,214	1,373,570	-
Mark-up / Other Payable	-	-	-	-	674,784
Placements / Lendings	883,654	-	-	-	-
Impairment provision	-	-	577,378	-	-
Profit and Loss Account					
Interest / Other Income	20,488	-	739,420	112,940	-
Interest / Other Expense	14,357	-	150,040	-	255,764
Others					
Other contingencies	295,959	-	-	-	-
Securities Held as custodian	8,749,485	580,000	36,230,620	-	7,689,680

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

Future Outlook

Despite continuing challenges namely energy shortage, structural reforms in Public Sector Enterprises (PSEs), low tax to GDP ratio and law and order situation, the Government's efforts to put the economy on track have started producing results as is apparent from improvement in foreign exchange reserves, decline in inflation and growth in Large Scale Manufacturing (LSM). The overwhelming response from international investors over Pakistan Eurobonds issuance of US\$ 2 billion clearly indicates that international investors have shown confidence in economic policies being pursued by the Government. The success of Eurobond is likely to facilitate additional foreign inflow from International Financial Institutions (IFIs) and private foreign investors.

Based on its balance sheet footing, market presence and product expertise, HBL is well positioned to positively contribute towards economic development of the country.

Appreciation and Acknowledgement

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

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

On behalf of the Board

Nauman K. Dar

President & Chief Executive Officer

April 25, 2014

Director's Review

On behalf of the Board of Directors, I am pleased to present the condensed interim Unconsolidated financial statements for the three months ended March 31, 2014.

Economy

During the period under review, improvement was witnessed in some key macroeconomic indicators. The foreign exchange reserves improved to US\$ 10.07 billion as on March 31, 2014, resulting in appreciation in Pak Rupee by around 7% against US dollar. The inflation as measured by CPI has come down to 8.5 % in March 2014 as against 9.2% in December 2013. The large scale manufacturing sector has shown strong growth of 6.8% for the nine months ended March 31, 2014. Tax collection by FBR was up by 16% to Rs.1,573 billion, during the 9 months of current financial year.

SBP kept the discount rate unchanged at 10% during the period January – March 2014. The bullish tendency prevailed in the stock market as depicted by KSE 100 index which increased to 27,160 points as on March 31, 2014 up 7.5% as compared to December 31, 2013.

Performance

The CASA increased to 79.3% as on March 31, 2014 as against 75% in December 2013. The overall deposit declined by 6.7% to Rs.1,229 billion due to targeted reduction of high cost deposits. The overall balance sheet size stood at Rs. 1,617 billion as on March 31, 2014 as against Rs. 1,613 billion on December 31, 2013.

Net interest income increased by 8.5% to Rs. 13.8 billion for the three months ended March 31, 2014 as against Rs. 12.8 billion during the same period last year. The increase in net interest income is attributable to change in deposit mix and impact of increase in discount rate. The non mark up income increased by 47.1% to Rs. 4.3 billion for the three months ended March 31, 2014 mainly on account of increase in income from dealing in foreign currencies and increase in gain on sale of securities. The pre tax and after tax profit were at Rs. 8.5 billion and Rs. 5.5 billion respectively for the three months ended March 31, 2014 as against Rs. 7.2 billion and Rs. 4.6 billion respectively in the corresponding period last year. The profit after tax increased by 19.7%, resulting in increase in after tax earnings per share to Rs. 4.11 for the three months ended March 31, 2014 as against Rs. 3.43 for the three months ended March 31, 2013.

Movement of Reserves

Unappropriated profit brought forward	67,436
Profit attributable to equity holders of the Bank	5,477
Transferred from surplus on revaluation of fixed assets – net of tax	22
Transfer to statutory reserves	(547)
Cash dividend	(2,667)
Reserve for issue of bonus shares	(1,334)

Unappropriated profit carried forward

Rs. in million

67,436
5,477
22
(547)
(2,667)
(1,334)

68,387

Earnings per share rupees (Basic & Diluted)

4.11

Dividend

The Bank has declared first interim cash dividend of Rs. 2 per share for the year ending December 31, 2014.

Rating

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

17.1 Key management personnel

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

	For the three months ended	
	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Managerial remuneration (including allowances)	426,783	364,727
Contribution to provident and benevolent fund	6,588	5,867
Medical	13,244	11,128
	<u>446,615</u>	<u>381,722</u>
Number of persons	<u>172</u>	<u>163</u>

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2014					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(8,943)	5,561	15,682	1,921	28	14,249
Inter segment revenue - net	17,449	(4,426)	(15,359)	-	2,336	-
Non-funded income	1,792	674	1,372	1,438	398	5,674
Net interest and non-markup income	10,298	1,809	1,695	3,359	2,762	19,923
Total expenses including provision (excluding impairment)	4,067	207	68	2,493	3,782	10,617
Impairment against investments	-	-	(59)	-	(63)	(122)
Inter segment administrative cost	2,272	454	65	250	(3,041)	-
Total expenses including provision	6,339	661	74	2,743	678	10,495
Profit before tax	3,959	1,148	1,621	616	2,084	9,428
Segment assets gross	125,451	291,999	828,929	322,491	187,022	1,755,892
Segment non-performing loans	5,341	3,405	-	20,474	23,996	53,216
Segment provision required including general provision	4,133	1,370	54	13,319	22,782	41,658
Segment liabilities including equity	934,918	124,451	155,626	249,607	249,632	1,714,234
Segment gross earnings on liability / asset %	9.60%	9.71%	9.47%	4.69%	5.92%	-
Segment cost of funds %	5.27%	7.74%	8.60%	1.16%	1.17%	-

	For the three months ended March 31, 2013					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(9,355)	6,029	15,128	1,472	(87)	13,187
Inter segment revenue - net	15,876	(4,645)	(13,710)	-	2,479	-
Non-funded income	1,605	600	648	1,140	(131)	3,862
Net interest and non-markup income	8,126	1,984	2,066	2,612	2,261	17,049
Total expenses including provision (excluding impairment)	3,745	1,116	53	2,210	2,026	9,150
Impairment against investments	-	-	(5)	-	(2)	(7)
Inter segment administrative cost	1,395	279	40	154	(1,868)	-
Total expenses including provision	5,140	1,395	88	2,364	156	9,143
Profit before tax	2,986	589	1,978	248	2,105	7,906
Segment assets gross	124,478	352,418	819,247	274,430	95,423	1,665,996
Segment non-performing loans	8,870	34,016	-	15,393	217	58,496
Segment provision required including general provision	8,002	26,033	343	12,735	2,008	49,121
Segment liabilities including equity	944,887	124,133	139,642	192,194	216,019	1,616,875
Segment gross earnings on liability / asset %	9.12%	9.72%	9.05%	4.50%	4.00%	-
Segment cost of funds %	5.56%	7.49%	8.06%	1.17%	0.95%	-

19 **ISLAMIC BANKING BUSINESS**

The Statement of the financial position of the Islamic Banking Business is disclosed in note no. 19 to the condensed interim unconsolidated financial statements for the period ended March 31, 2014.

20 **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on April 25, 2014.

CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS