

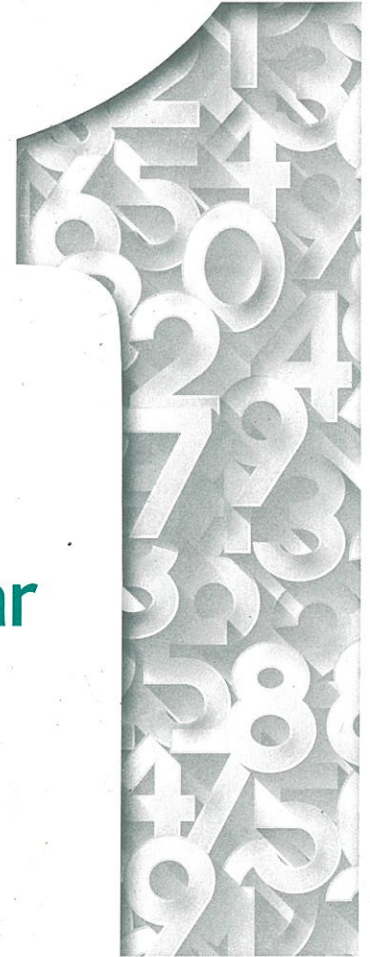
# HBL

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## Bank of the Year

Quarterly Report  
March 31, 2015



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# Corporate Information

## Board of Directors

**Mr. Sultan Ali Allana**  
Chairman

**Mr. Agha Sher Shah**  
Director

**Mr. Moez Ahamed Jamal**  
Director

**Dr. Najeeb Samie**  
Director

**Mr. Sajid Zahid**  
Director

**Mr. Shaffiq Dharamshi**  
Director

**Mr. Nauman K. Dar**  
President & CEO

**Chief Financial Officer**  
Mr. Rayomond Kotwal

**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](http://www.hbl.com)

**Internet Banking**  
[www.hblibank.com.pk](http://www.hblibank.com.pk)

## 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.  
Tel: Customer Support Services  
(Toll Free) 0800-CDCPL (23275)  
Fax: (92-21) 34326053  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

17 ISLAMIC BANKING BUSINESS

Financial figures of the Islamic Banking business are as follows:

Note	March 31, 2015	December 31, 2014
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	4,431,166	3,026,837
Balances with other banks	35	35
Due from Financial Institutions	41,858,982	55,081,889
Investments	43,247,339	33,752,058
Islamic financing and related assets	17.1 18,895,419	10,539,537
Due from Head Office	17,779,040	12,984,581
Other assets	1,796,732	1,103,532
	<u>128,008,713</u>	<u>116,488,469</u>
<b>LIABILITIES</b>		
Bills payable	1,504	2,400
Due to financial institutions	600,917	75,161
Deposit and other accounts		
- Current Accounts	21,661,980	16,592,062
- Saving Accounts	45,216,472	46,325,718
- Term Deposits	46,621,881	24,538,054
- Deposits from financial institutions - remunerative	10,011,714	22,288,991
- Deposits from financial institutions - non - remunerative	161,927	3,387,438
Deferred tax liabilities	55,577	133,044
Due to Head Office	-	-
Other liabilities	1,222,544	843,034
	<u>125,554,516</u>	<u>114,185,902</u>
<b>NET ASSETS</b>	<u>2,454,197</u>	<u>2,302,567</u>
<b>REPRESENTED BY:</b>		
Islamic Banking Fund	250,000	250,000
Unappropriated profit	2,100,982	1,805,485
	<u>2,350,982</u>	<u>2,055,485</u>
Surplus on revaluation of assets - net of deferred tax	103,215	247,082
	<u>2,454,197</u>	<u>2,302,567</u>

Commitments in respect of financial guarantees and letters of credit of the Islamic Banking business amounted to Rs. 86.783 million (2014: Rs. 87.066 million) and Rs. 77.844 million (2014: Rs. 69.783 million) respectively.

17.1 Islamic financing and related assets		
Murabaha	2,900,067	91,835
Ijarah	759,652	785,934
Musharaka	11,925,549	4,914,056
Istisnah Financing	643,416	133,116
Advance for Murabaha	303,645	168,265
Advance for Ijarah	34,882	50,000
Istisnah	951,277	2,241,685
Advance Against Diminishing Musharaka	359,963	836,853
Salam	75,000	-
Asset / Inventories	1,051,857	1,427,682
Provision against financings	(109,889)	(109,889)
	<u>18,895,419</u>	<u>10,539,537</u>

18. GENERAL

18.1 Comparative figures have been re-arranged and reclassified for comparison purposes.

19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on April 30, 2015.

# Condensed Interim Consolidated Financial Statements

## Directors' 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, 2015.

### Domestic Economy

Inflation continued to ease to a historic low of 2.5% in March 2015 as result of deflation in the food and transport indices. The delay in implementation of the gas tariff hike from April to July 2015 has supplemented the benign inflation outlook of 4.0-5.0% for FY15. Pakistan's trade balance for 9M FY15 deteriorated slightly by 2% over the corresponding period last year as exports slowed by 3%. However, a decline in the services deficit and a 15% growth in remittances have resulted in a 46% reduction in the current account deficit for 9M FY15 and a positive Balance of Payments.

The IMF released a positive review under the Extended Fund Facility during April 2015 based on achievement of most of the quantitative performance criteria for December 2014. They stressed the necessity of continuing energy sector reforms via curtailment of subsidies in order to keep the fiscal deficit target intact at 4.9% of GDP. This followed Moody's upgrade of Pakistan's economic Outlook from Stable to Positive based on the country's deepening macro-stability and the government's commitment to reforms. Total foreign exchange reserves rose to USD 16.6 billion at the quarter end, including CSF proceeds and a further tranche of USD 500 million received from the IMF during the quarter.

After a long period of a near continuous rise, the KSE index saw a 6% correction during Q1 2015, falling below 30,000 for the first time since August 2014. This has since recovered on the back of positive sentiment. During the quarter, the SBP also reduced its Discount Rate by a cumulative 150 bps to 8%, based on falling inflation and improved macroeconomic indicators.

For HBL, the landmark market event was the secondary sell down by the Government of its entire remaining shareholding in the Bank, led by the Privatization Commission. The issue was oversubscribed by 1.6 times and is a reflection of the value seen by investors in this institution. The transaction size was over USD 1 billion and is the largest ever equity offering, not just in Pakistan, but in Asian Frontier Markets. More than 75% of the proceeds came from foreign investors covering all significant investment locations and including major International Financial Institutions.

### Performance

HBL has delivered a post-tax profit of Rs. 10.0 billion for the three months ended March 31, 2015, representing a growth of 62.7% over the same period last year. Consequently, earnings per share for the quarter increased to Rs. 6.73 as against Rs. 4.12 for the first quarter of 2014.

The Bank remained focused on improving its deposit mix and has been able to increase the ratio of Current Accounts to 34.7% in Mar 2015, as compared to 34.2% in Dec 2014. Average current accounts for the first quarter of 2015 grew by 23% over the corresponding period and, along with a declining rate environment, resulted in a 79 bps reduction in the cost of deposits over Q1 2014. This reduction, coupled with a repositioning of the fixed income portfolio from short term to long term during 2014, resulted in a 60 bps improvement in margins. With a 17% growth in the average Balance Sheet over the comparable period of 2014, Net Interest Income increased by 33% to Rs. 19.2 billion for the three months ended March 31, 2015. Non-mark-up income increased by 44% to Rs. 7.8 billion for the quarter ended March 31, 2015, as the Bank realized some capital gains. Fees and commissions also increased by 16% over the previous year, with Bancassurance income more than doubling, and strong contributions from investment banking and social payments.

Administrative expense growth for the quarter was 7.4% YoY, as a result of which the cost/income ratio reduced to 39.4% compared to 49.7% in Q1 2014. Provisions increased mainly as a result of a conservative view taken by the Bank on one of its investments, as well as the settlement of a long outstanding dispute.

### Movement of Reserves

	Rupees in million
Unappropriated profit brought forward	89,047
Profit attributable to equity holders of the Bank	9,873
Transferred from surplus on revaluation of fixed assets – net of tax	15
Transferred to statutory reserves	(958)
Cash dividend paid – Final 2014	(8,068)
Unappropriated profit carried forward	<u>89,909</u>
Earnings per share (Rs)	<u>6.73</u>

### 15.2 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, 2015	March 31, 2014
	(Rupees in '000)	
Managerial remuneration (including allowances)	411,063	338,304
Contribution to provident and benevolent fund	7,887	6,453
Medical	12,888	11,231
	<u>431,838</u>	<u>355,988</u>
Number of persons	<u>163</u>	<u>152</u>

### 16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2015					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(6,516)	4,896	18,220	1,706	502	18,808
Inter segment revenue - net	16,976	(3,508)	(15,536)	-	2,068	-
Non-funded income	2,324	877	2,633	1,018	28	6,880
Net interest and non-markup income	12,784	2,265	5,317	2,724	2,598	25,688
Total expenses including provision (excluding impairment)	4,707	211	81	2,103	3,893	10,995
Impairment against investments	-	51	1	-	64	116
Inter segment administrative cost	2,270	454	65	250	(3,039)	-
Total expenses including provision	6,977	716	147	2,353	918	11,111
Profit before tax	5,807	1,549	5,170	371	1,680	14,577
Segment assets gross	149,310	366,155	1,031,221	265,469	138,098	1,950,253
Segment non-performing loans	13,470	45,470	-	9,480	201	68,621
Segment provision required including general provision	12,443	39,449	-	9,286	1,255	62,433
Segment liabilities including equity	1,004,623	173,929	195,586	188,193	325,489	1,887,820
Segment gross earnings on liability / asset %	9.65%	9.28%	9.99%	3.69%	5.13%	-
Segment cost of funds %	4.42%	6.77%	7.82%	1.16%	1.90%	-

	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	1,613	205	14,118
Inter segment revenue - net	17,449	(4,426)	(15,359)	-	2,336	-
Non-funded income	1,792	674	1,372	837	(602)	4,073
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	133,541	333,390	828,929	225,734	157,165	1,678,759
Segment non-performing loans	13,431	44,796	-	10,341	88	68,656
Segment provision required including general provision	12,370	38,666	54	9,788	1,146	62,024
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%	-

## 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 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, 2015				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rs. in '000)				
<b>Statement of financial position</b>					
Deposits	4,358,769	959,840	1,450,965	45,768	18,364
Maximum Deposits During the period	4,358,769	959,840	1,450,965	45,768	40,127
Borrowings	-	116,138	305,833	-	-
Investments	-	15,382,597	4,675,483	7,197	-
Markup / Other Receivable	13,149	-	157,961	-	-
Mark-up / Other Payable	12,275	2,329	2,518	-	1,106,556
Placements / lendings	-	3,373,677	-	-	-
Overdrawn Nostro	63,103	-	-	-	-
Impairment provision	-	-	577,378	-	-
<b>Profit and Loss Account</b>					
Interest / Other Income	14,178	100,154	483,689	-	-
Interest / Other Expense	17,171	16,625	85,081	-	147,124
Dividend income	-	-	90,603	34,666	-
<b>Others</b>					
Other contingencies	656,605	-	-	-	-
Securities Held as custodian	11,320,535	1,358,600	37,491,700	-	5,158,715
	December 31, 2014				
	Individual and companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rs. in '000)				
<b>Statement of financial position</b>					
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	-	14,610,933	5,355,483	-	-
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	-	-	-
Overdrawn Nostro	173,250	-	692,192	-	-
Impairment provision	-	-	577,378	-	-
<b>Profit and Loss Account</b>					
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	-
<b>Others</b>					
Other contingencies	541,418	-	-	-	-
Securities Held as custodian	10,027,505	888,000	35,292,700	-	5,377,465

## 15.1 Transaction with Government- related entities

The Federal Government (GoP) holds 41.5% shareholding in the Bank and therefore entities which are owned and / or controlled by the GoP, or where the GoP may exercise significant influence, are related parties of the Group. However, subsequent to the period end, as explained in Note 1, the GoP and its related entities are no longer related parties of the Group.

The Group in the ordinary course of business enters into transactions with Government-related entities, which are all conducted at arm's length basis. Such transactions include Investments [Treasury Bills / Sukuks, Pakistan Investment Bonds (PIBs), Shares], Borrowing / Deposits, Lendings and Balance with treasury bank. The outstanding amount as at March 31, 2015 amounting to Rs. 983,798 million for investments (December 31, 2014: Rs. 825,913 million), borrowings / deposits amounting to Rs. 336,345 million (December 31, 2014: Rs. 204,324 million), advances amounting to Rs. 110,862 million (December 31, 2014: Rs. 125,571 million) and balance with treasury bank amounting to Rs. 64,652 million (December 31, 2014: Rs. 53,768 million).

## Capital Ratios

The consolidated Capital Adequacy Ratio (CAR) improved from 16.2% in Dec 2014 to 16.7% in Mar 2015 due to strong internal capital generation. Tier 1 CAR improved from 13.3% to 13.5% over the same period, reflecting the robust capital position of the Bank.

HBL's Return on Assets improved from 1.4% in Q1 2014 to 2.1% in Q1 2015, while the Return on Equity improved to 26.7%.

## Dividend

The Board of Directors, in its meeting held on April 30, 2015 has declared a first interim cash dividend of Rs.3.5 per share (35%) for the quarter ended March 31, 2015.

## Changes in Directorships

Mr. R. Zakir Mahmood, retired from the Board of Directors on March 26, 2015, at the conclusion of his term. Mr. Mahmood had been on the HBL Board since 2000. The Board wishes to place on record its deepest appreciation for the services of Mr. Mahmood, who also served as President of HBL for over 12 years and played a major role in leading the Bank both prior to and post its privatization.

Mr. Shaffiq Dharamshi was elected as a Director on March 27, 2015. Mr. Dharamshi is a career banker with over 23 years of experience in the Middle East and Africa. The Board welcomes Mr. Dharamshi and looks forward to his contribution.

## Future Outlook

Despite challenges, the economy remains on a positive trajectory. However, energy and security issues need to be addressed on priority to spur domestic fixed investment and private sector credit. The recent visit of the Chinese President and the planned China Pakistan Economic Corridor are historic opportunities for a breakout path and must be captured in the most expeditious manner. With its highly liquid, large balance sheet, strong capital base and links with China developed over the last several years, HBL is ideally positioned to participate in these opportunities and positively contribute towards the economic development of the country.

## Appreciation and Acknowledgement

I would like to appreciate 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, I 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  
April 30, 2015

## Condensed Interim Consolidated Statement of Financial Position

As at March 31, 2015

Note	(Unaudited) March 31, 2015 (Rupees in '000)	(Audited) December 31, 2014 (Rupees in '000)
<b>ASSETS</b>		
Cash and balances with treasury banks	157,643,788	135,276,934
Balances with other banks	43,686,225	67,691,450
Lendings to financial institutions	37,269,911	34,313,560
Investments	6 1,088,771,077	924,307,285
Advances	7 569,355,490	595,295,176
Operating fixed assets	8 27,643,358	27,309,803
Deferred tax asset	-	-
Other assets	61,998,924	82,809,181
	<u>1,986,368,773</u>	<u>1,867,003,389</u>
<b>LIABILITIES</b>		
Bills payable	20,831,590	21,989,658
Borrowings	9 206,152,257	103,411,114
Deposits and other accounts	10 1,518,275,033	1,524,537,786
Sub-ordinated loan	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	5,145,039	2,569,110
Other liabilities	59,717,616	44,393,146
	<u>1,810,121,535</u>	<u>1,696,900,814</u>
	<u>176,247,238</u>	<u>170,102,575</u>
<b>NET ASSETS</b>		
<b>REPRESENTED BY:</b>		
<b>Shareholders' equity</b>		
Share capital	14,668,525	14,668,525
Reserves	44,094,171	43,550,188
Unappropriated profit	89,909,555	89,046,716
Total equity attributable to the equity holders of the Bank	148,672,251	147,265,429
Non-controlling interest	1,156,762	1,185,257
Surplus on revaluation of assets - net of deferred tax	11 26,418,225	21,651,889
	<u>176,247,238</u>	<u>170,102,575</u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
12		

The annexed notes 1 to 19 form an integral part of these condensed interim consolidated 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 three months ended	
	March 31, 2015	March 31, 2014
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	11,958,648	12,052,324
- Financial institutions	6,840	15,233
<i>On investments in:</i>		
- Available-for-sale securities	18,639,601	16,311,049
- Held-for-trading securities	1,205,305	388,006
- Held-to-maturity securities	2,676,337	1,203,620
On deposits with financial institutions	520,083	275,628
On lendings to financial institutions	1,452,046	532,962
Compensation received on tax refunds	-	238,382
	<u>36,458,860</u>	<u>31,017,204</u>

13.1 The Bank has reclassified certain items from other income and income from dealing in foreign currencies to interest income and fee, commission and brokerage income as explained in note 24.1 of the annual unconsolidated financial statements for the year ended December 31, 2014.

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

<i>On:</i>		
Deposits	13,632,796	14,956,881
Securities sold under repurchase agreement borrowings	2,865,864	1,039,409
Other short term borrowings	1,028,285	778,943
Long term borrowings	123,807	123,741
	<u>17,650,752</u>	<u>16,898,974</u>

	March 31, 2015	December 31, 2014
	(Rupees in '000)	
<b>12.2 Transaction-related contingent liabilities</b>		
Guarantees in favour of:		
- Government	644,786	294,415
- Financial institutions	3,390,430	2,956,884
- Others	57,331,913	52,186,802
	<u>61,367,129</u>	<u>55,438,101</u>
<b>12.3 Trade-related commitments</b>		
Credit cash	78,931,883	73,356,926
Credit documentary acceptances	17,148,736	14,838,610
Credit acceptances	35,488,101	28,786,059
	<u>131,568,720</u>	<u>116,981,595</u>
<b>12.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>37,503,529</u>	<u>37,606,753</u>
<b>12.5 Commitments in respect of forward lending</b>		
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.		
	March 31, 2015	December 31, 2014
	(Rupees in '000)	
<b>12.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	192,487,403	170,017,119
Sale	192,997,914	170,839,112
The above commitments have maturities falling within one year.		
<b>Commitments in respect of options</b>		
Purchase	1,601,585	3,170,666
Sale	1,601,585	3,170,666
<b>Commitments in respect of cross currency swaps</b>		
Purchase	1,395,866	1,390,469
Sale	1,364,582	1,353,623
<b>Commitments in respect of interest rate swaps</b>		
Purchase	169,907	167,472
Sale	169,907	330,805
<b>12.7 Commitments for acquisition of fixed assets / intangibles</b>	1,506,911	1,082,541

## Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2015

	Note	January 01 to March 31, 2015	January 01 to March 31, 2014
		(Rupees in '000)	
Mark-up / return / profit / interest earned	13	36,927,914	31,564,480
Mark-up / return / profit / interest expensed	14	17,729,679	17,076,853
Net mark-up / profit / interest income		19,198,235	14,487,627
Provision against advances	7.2	482,739	421,404
(Reversal) / charge against off-balance sheet obligations		(27,592)	1,411
Provision / (reversal) for diminution in the value of investments	6.2	100,379	(121,993)
Bad debts written off directly		-	-
		555,526	300,822
Net mark-up / profit / interest income after provisions		18,642,709	14,186,805
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		3,051,239	2,637,003
Dividend income		418,732	259,620
Share of profit of associates and joint venture		658,085	622,414
Income from dealing in foreign currencies		705,459	568,383
Gain on sale of securities		2,255,038	728,550
Unrealized (loss) / gain on held for trading securities		(3,753)	6,499
Other income		725,853	613,103
Total non-mark-up / interest income		7,810,653	5,435,572
		26,453,362	19,622,377
<b>Non mark-up / interest expense</b>			
Administrative expenses		10,628,268	9,892,259
Other provisions / write offs - net		213,952	114,005
Other charges		2,479	107
Workers Welfare Fund		305,549	187,831
Total non mark-up / interest expenses		11,150,248	10,194,202
Profit before taxation		15,303,114	9,428,175
<b>Taxation</b>			
current		5,402,591	2,490,718
prior		136,347	150,260
deferred		(206,879)	660,291
		5,332,059	3,301,269
Profit after taxation		9,971,055	6,126,906
<b>Attributable to:</b>			
Equity holders of the Bank		9,873,127	6,048,571
Non-controlling interest		2,774	(7,886)
Minority investors of HBL Funds		95,154	86,221
		9,971,055	6,126,906
		----- (Rupees) -----	
Basic and diluted earnings per share		6.73	4.12

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

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

Sajid Zahid  
Director

## Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2015

	January 01 to March 31, 2015	January 01 to March 31, 2014
	------(Rupees in '000)-----	
<b>Profit for the period</b>	9,971,055	6,126,906
<b>Other comprehensive income</b>		
Minority share of HBL Funds transferred to other liabilities	(95,154)	(86,221)
<b>Items to be reclassified to profit or loss in subsequent periods:</b>		
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(443,554)	(2,906,055)
<b>Comprehensive income transferred to equity</b>	<u>9,432,347</u>	<u>3,134,630</u>
<b>Components of comprehensive income not reflected in equity</b>		
<b>Items to be reclassified to profit or loss in subsequent periods:</b>		
Surplus on revaluation of investments - net of tax	4,780,963	1,549,241
	<u>14,213,310</u>	<u>4,683,871</u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Bank	14,286,434	4,770,095
Non-controlling interest	(28,495)	(55,137)
Minority investors of HBL Funds	(44,629)	(31,087)
	<u>14,213,310</u>	<u>4,683,871</u>

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

### 11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Note	March 31, 2015	December 31, 2014
	(Rupees in '000)	
Surplus arising on revaluation of:		
- fixed assets	9,413,736	9,428,522
- investments	16,527,646	11,357,923
Surplus on revaluation of assets - net of deferred tax	<u>25,941,382</u>	<u>20,786,445</u>
<b>11.1 Surplus on revaluation of fixed assets</b>		
Surplus on revaluation of fixed assets as at January 1	10,289,072	10,422,480
Surplus on revaluation of the Bank's properties recognised during the period / year	-	8,504
Surplus realised on disposal of revalued properties 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	(14,786)	(59,286)
Related deferred tax liability on incremental depreciation charged during the period / year	(7,962)	(31,923)
Related deferred tax liability on disposal of revalued properties	-	(16,962)
Surplus on revaluation of fixed assets as at period / year	<u>10,266,324</u>	<u>10,289,072</u>
Less: related deferred tax liability on:		
- revaluation as at January 1	860,550	892,605
- revaluation of the Bank's properties recognised during the year	-	16,830
- surplus realised on disposal of revalued properties during the period / year	-	(16,962)
- incremental depreciation charged during the period / year	(7,962)	(31,923)
	<u>852,588</u>	<u>860,550</u>
	<u>9,413,736</u>	<u>9,428,522</u>
<b>11.2 Surplus on revaluation of investments</b>		
Market Treasury Bills	1,284,549	371,647
Pakistan Investment Bonds	22,428,255	14,774,097
Government of Pakistan Sukuk and US Dollar / Euro Bonds	720,345	(206,481)
Listed Securities	903,001	2,063,647
NIT Units	29,646	433,394
Other Investments	62,809	39,047
	25,428,605	17,475,351
Related deferred tax liability	(8,900,959)	(6,117,428)
	<u>16,527,646</u>	<u>11,357,923</u>
<b>12 CONTINGENCIES AND COMMITMENTS</b>		
<b>12.1 Direct credit substitutes - financial guarantees</b>		
Guarantees in favour of:		
- Government	279,650	274,410
- Financial institutions	6,812,298	295,000
- Others	25,241,013	24,414,605
	<u>32,332,961</u>	<u>24,984,015</u>

9 BORROWINGS

	March 31, 2015	December 31, 2014
	(Rupees in '000)	
<b>Secured</b>		
Borrowings from SBP under:		
Export refinance scheme	14,633,258	14,504,562
Long term financing facility - locally manufactured and imported plant & machinery	6,091,533	6,468,165
Long term finance - export oriented projects	110,988	133,651
Financing facility for Storage of Agricultural Produce	1,534	3,061
Repurchase agreement borrowings	159,584,448	56,041,292
	<u>180,421,761</u>	<u>77,150,731</u>
<b>Unsecured</b>		
In Pakistan:		
Interbank call money borrowings	10,009,721	9,238,070
Outside Pakistan:		
Overdrawn nostro accounts	606,094	787,697
Borrowings of overseas branches	9,880,989	12,454,019
	<u>10,487,083</u>	<u>13,241,716</u>
	<u>20,496,804</u>	<u>22,479,786</u>
	<u>200,918,565</u>	<u>99,630,517</u>
<b>Customers</b>		
Current accounts - non-remunerative	469,475,773	468,368,418
Savings chequing account	670,251,576	656,174,379
Fixed deposits	275,108,099	291,630,878
	<u>1,414,835,448</u>	<u>1,416,173,675</u>
<b>Financial institutions</b>		
Current accounts - non-remunerative	23,904,505	22,128,144
Savings chequing account	1,510,630	4,092,718
Fixed deposits	5,068,956	4,820,908
	<u>30,484,091</u>	<u>31,041,770</u>
	<u>1,445,319,539</u>	<u>1,447,215,445</u>

10 DEPOSITS AND OTHER ACCOUNTS

## Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended March 31, 2015

Share capital	Attributable to shareholders of the Bank							Non-controlling interest	Total		
	Exchange translation reserve	Reserves			Revenue reserves		Subtotal				
		Statutory reserves	Bank	Reserve for issue of bonus shares	General	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	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	6,134,792	6,134,792	(7,886)	6,126,906
Profit for the three months ended March 31, 2014	-	-	-	-	-	-	-	6,134,792	6,134,792	(7,886)	6,126,906
Minority share of HBL Funds transferred to other liabilities	-	-	-	-	-	-	-	(86,221)	(86,221)	-	(86,221)
<b>- Other comprehensive income</b>	-	-	-	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	2,858,123	-	-	-	-	-	(2,858,123)	(47,932)	(47,932)	(2,906,055)
	-	2,858,123	-	-	-	-	-	6,048,571	3,190,448	(55,818)	3,134,630
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	(2,667,005)	(2,667,005)	-	(2,667,005)
Issued as bonus shares	-	-	-	1,333,502	-	-	-	(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	3,999,883	395,042	20,779,560	1,333,502	6,073,812	75,224,875	131,141,697	1,210,211	132,351,908	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	25,820,246	25,820,246	(127,562)	25,692,684
Profit for the nine months ended December 31, 2014	-	-	-	-	-	-	-	25,820,246	25,820,246	(127,562)	25,692,684
Minority share of HBL Funds transferred to other liabilities	-	-	-	-	-	-	-	(143,702)	(143,702)	-	(143,702)
<b>- Other comprehensive income</b>	-	-	-	-	-	-	-	-	-	-	-
Effect of actuarial gain and losses	-	-	-	-	-	-	-	(287,084)	(287,084)	-	(287,084)
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	197,691	-	-	-	-	-	(197,691)	(87,634)	(87,634)	(110,057)
	-	197,691	-	-	-	-	-	25,389,460	25,587,151	(215,196)	25,371,955
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-	-	-	-	-	-	-
1st interim cash dividend paid at Rs. 2 per share	-	-	-	-	-	-	-	(2,933,705)	(2,933,705)	-	(2,933,705)
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	-	-	-	-	-	-	-	(3,300,418)	(3,300,418)	-	(3,300,418)
Issued as bonus shares	1,333,502	-	-	(1,333,502)	-	-	-	-	-	-	-
	1,333,502	-	-	(1,333,502)	-	-	-	(9,534,541)	(9,534,541)	-	(9,534,541)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	71,122	71,122	-	71,122
Transferred to statutory reserves	-	-	33,926	2,563,456	-	-	-	(2,597,382)	-	-	-
Exchange translation realized on sale of foreign operation	-	(493,182)	-	-	-	-	-	493,182	-	-	-
Non-controlling interest acquired in HAIB during the period	-	-	-	-	-	-	-	-	-	189,366	189,366
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	-	876	876
Balance as at December 31, 2014	14,668,525	3,704,392	428,968	23,343,016	-	6,073,812	89,046,716	147,265,429	1,185,257	148,450,686	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	9,968,281	9,968,281	2,774	9,971,055
Profit for the three months ended March 31, 2015	-	-	-	-	-	-	-	9,968,281	9,968,281	2,774	9,971,055
Minority share of HBL Funds transferred to other liabilities	-	-	-	-	-	-	-	(95,154)	(95,154)	-	(95,154)
<b>- Other comprehensive income</b>	-	-	-	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(413,243)	-	-	-	-	-	(413,243)	(30,311)	(30,311)	(443,554)
	-	(413,243)	-	-	-	-	-	9,873,127	9,459,884	(27,537)	9,432,347
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend paid at Rs. 5.5 per share for the year ended December 31, 2014	-	-	-	-	-	-	-	(8,067,689)	(8,067,689)	-	(8,067,689)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	14,627	14,627	-	14,627
Transferred to statutory reserves	-	-	13,236	943,990	-	-	-	(957,226)	-	-	-
Minority share of deficit on revaluation of fixed assets of subsidiaries	-	-	-	-	-	-	-	-	-	(958)	(958)
Balance as at March 31, 2015	14,668,525	3,291,149	442,204	24,287,006	-	6,073,812	89,909,555	148,672,251	1,156,762	149,829,013	

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

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

Sajid Zahid  
Director

# Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2015

	March 31, 2015	March 31, 2014
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	15,303,114	9,428,175
Dividend income	(418,732)	(259,620)
Share of profit of associates and joint venture	(658,085)	(622,414)
Gain on sale of securities	(2,255,038)	(728,550)
	<u>(3,331,855)</u>	<u>(1,610,584)</u>
	11,971,259	7,817,591
<b>Adjustment for:</b>		
Depreciation	549,557	426,593
Amortisation	127,485	93,521
Provision / (reversal) for diminution in the value of investments	100,379	(121,993)
Provision against advances	482,739	421,404
Unrealised loss / (gain) on held for trading securities	3,753	(6,499)
Exchange loss on Goodwill	74,068	127,228
Exchange gain on sub-ordinated loan	-	(169,872)
(Gain) / loss on sale of operating fixed assets - net	(12,272)	1,074
Workers Welfare Fund	305,549	187,831
(Reversal) / charge against off-balance sheet obligations	(27,592)	1,411
Other provisions / write offs - net	213,952	114,005
	<u>1,817,618</u>	<u>1,074,703</u>
	13,788,877	8,892,294
<b>(Increase) / decrease in operating assets</b>		
Lending to financial institutions	(2,956,351)	28,754,094
Investments in held for trading securities	(17,869,628)	(1,914,392)
Advances	25,456,947	8,394,334
Other assets	19,266,366	3,250,715
	<u>23,897,334</u>	<u>38,484,751</u>
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	(1,158,068)	(222,571)
Borrowings	102,741,143	86,864,429
Deposits and other accounts	(6,262,753)	(94,643,783)
Other liabilities	6,890,865	4,870,615
	<u>102,211,187</u>	<u>(3,131,310)</u>
	139,897,398	44,245,735
Income tax paid	(3,929,106)	(2,950,746)
<b>Net cash flows from operating activities</b>	<u>135,968,292</u>	<u>41,294,989</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(107,050,413)	(34,294,610)
Net investments in held to maturity securities	(29,176,885)	(31,951,753)
Dividend income received	144,735	123,428
Fixed capital expenditure	(1,087,361)	(1,047,496)
Proceeds from sale of fixed assets	14,968	14,193
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(413,243)	(2,858,123)
<b>Net cash flows used in investing activities</b>	<u>(137,568,199)</u>	<u>(70,014,361)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Exchange adjustment on translation of non-controlling interest in subsidiary	(30,311)	(47,932)
Dividend paid	(8,153)	(2,696,024)
<b>Net cash flows from / (used in) financing activities</b>	<u>(38,464)</u>	<u>(2,743,956)</u>
Decrease in cash and cash equivalents during the period	(1,638,371)	(31,463,328)
Cash and cash equivalents at the beginning of the period	203,219,746	198,084,891
Effects of exchange rate changes on cash and cash equivalents	(251,362)	(5,266,435)
	<u>202,968,384</u>	<u>192,818,456</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>201,330,013</u>	<u>161,355,128</u>

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

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

Sajid Zahid  
Director

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

	March 31, 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 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)	2,014,300	2,033,700	149,330	2,014,300	2,034,200	455,839
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	412,700	427,000	24,651	412,700	419,800	97,873
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	1,032,850	1,201,836	-	1,160,705	1,901,741	1,833,008
Debts due by Subsidiary company	26,705	48,422	-	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	March 31, 2015	December 31, 2014
	(Rupees in '000)	
Capital work-in-progress	1,771,562	1,119,170
Intangible assets	737,785	843,040
Tangible fixed assets	22,818,959	22,912,028
	<u>25,328,306</u>	<u>24,874,238</u>

8.1 Additions to operating fixed assets	For the three months ended	
	March 31, 2015	March 31, 2014
	(Rupees in '000)	
Capital work-in-progress	743,924	1,041,269
Intangible assets	22,043	62,751
Tangible fixed assets		
Land	16,980	-
Building	48,189	105,866
Machinery	6,510	2,860
Furniture, fixtures and office equipments	273,942	567,007
Leasehold Improvements	80,582	154,019
Vehicles	26,382	32,463
	<u>1,218,552</u>	<u>1,966,235</u>

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

8.2 Disposal of operating fixed assets	For the three months ended	
	March 31, 2015	March 31, 2014
	(Rupees in '000)	
Capital work-in-progress	743,924	1,041,269
Intangible assets	22,043	62,751
Tangible fixed assets		
Land	16,980	-
Building	48,189	105,866
Machinery	6,510	2,860
Furniture, fixtures and office equipments	273,942	567,007
Leasehold Improvements	80,582	154,019
Vehicles	26,382	32,463
	<u>1,218,552</u>	<u>1,966,235</u>

## 8.2 Disposal of operating fixed assets

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

8.2 Disposal of operating fixed assets	For the three months ended	
	March 31, 2015	March 31, 2014
	(Rupees in '000)	
Capital work-in-progress	743,924	1,041,269
Intangible assets	22,043	62,751
Tangible fixed assets		
Building	-	11,004
Furniture, fixtures and office equipments	127,672	539,095
Leasehold Improvements	145,725	257
Vehicles	12,767	3,812
	<u>286,164</u>	<u>554,168</u>

7.1 Classification of non-performing advances is as follows:

Category of classification	March 31, 2015								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
<b>Specific provision</b>									
Other assets especially mentioned	1,242,291	-	1,242,291	-	-	-	1,242,291	-	1,242,291
Substandard	5,533,810	1,381,865	6,915,675	1,366,699	323,295	1,689,994	4,167,111	1,058,570	5,225,681
Doubtful	3,154,433	708,981	3,863,414	1,577,217	331,243	1,908,460	1,577,216	377,738	1,954,954
Loss*	49,210,878	7,389,156	56,600,034	47,501,021	7,084,925	54,585,946	1,709,857	304,231	2,014,088
	59,141,412	9,480,002	68,621,414	50,444,937	7,739,463	58,184,400	8,696,475	1,740,539	10,437,014
<b>General provision</b>									
	-	-	-	1,161,626	1,546,953	2,708,579	-	-	-
	59,141,412	9,480,002	68,621,414	51,606,563	9,286,416	60,892,979	8,696,475	1,740,539	10,437,014

\* This includes Government guaranteed non-performing loan amounting to Rs. 1,065,738 million.

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)								
<b>Specific provision</b>									
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
<b>General provision</b>									
	-	-	-	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

7.2 Particulars of provision against advances

	March 31, 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	1,135,029	314,084	1,449,113	4,491,878	636,014	5,127,892
Reversals for the period / year	(961,221)	(10,011)	(971,232)	(4,135,884)	(51,944)	(4,187,828)
Net charge against advances	173,808	304,073	477,881	355,994	584,070	940,064
Write off	(380,493)	-	(380,493)	(1,372,191)	-	(1,372,191)
Acquisition of Modaraba assets	-	-	-	109,890	-	109,890
Exchange adjustment / other movement	(52,998)	(1,697)	(54,695)	(343,671)	(37,570)	(381,241)
Closing balance	58,184,400	2,708,579	60,892,979	58,444,083	2,406,203	60,850,286

7.3 Exposure amounting to Rs. 8.578 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 this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at March 31, 2015 would have been higher by Rs. 597,458 million (December 31, 2014: Rs. 650,595 million). The FSV benefit taken would not be available for the distribution of cash and stock dividend to shareholders.

## Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the three months ended March 31, 2015

### 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 shown in Note 1 of the consolidated financial statements for the year ended December 31, 2014.

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

### 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 6.3.1.

### 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. INVESTMENTS	Note	March 31, 2015			December 31, 2014		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
Investments by type							
----- (Rupees in '000) -----							
<b>Held-for-trading (HFT)</b>							
<i>Federal Government Securities</i>							
- Pakistan Investment Bonds		1,810,926	-	1,810,926	5,669,613	-	5,669,613
- Market Treasury Bills		63,831,404	-	63,831,404	42,471,309	-	42,471,309
<i>Fully paid-up ordinary shares</i>							
- Listed companies		-	-	-	-	-	-
<i>Overseas Government Securities</i>							
		925,776	-	925,776	557,556	-	557,556
<i>Investments of Mutual Funds</i>							
		66,568,106	-	66,568,106	48,698,478	-	48,698,478
<b>Held-to-Maturity Securities (HTM)</b>							
<i>Federal Government Securities</i>							
- Market Treasury Bills		28,021,475	-	28,021,475	-	-	-
- Pakistan Investment Bonds		75,903,646	-	75,903,646	75,781,905	-	75,781,905
- Government of Pakistan Guaranteed Bonds		1,992,000	-	1,992,000	1,992,000	-	1,992,000
<i>Debentures and Corporate Debt Instruments / Units</i>							
- Listed securities		14,214,582	-	14,214,582	13,576,257	-	13,576,257
- Unlisted securities		5,181,236	-	5,181,236	5,493,233	-	5,493,233
<i>Overseas Government securities</i>							
		19,361,654	-	19,361,654	18,654,313	-	18,654,313
		144,674,593	-	144,674,593	115,497,708	-	115,497,708
<b>Available-for-Sale Securities (AFS)</b>							
<i>Federal Government Securities</i>							
- Market Treasury Bills		500,097,578	705,875	500,803,453	389,406,077	18,494,458	407,900,535
- Pakistan Investment Bonds		79,732,080	142,770,231	222,502,311	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)		58,488,223	-	58,488,223	47,294,174	-	47,294,174
<i>Overseas Government Securities</i>							
<i>Fully paid-up ordinary shares</i>		1,278,323	-	1,278,323	3,426,462	-	3,426,462
- Listed companies		13,993,304	-	13,993,304	15,324,333	-	15,324,333
- Unlisted companies		1,232,856	-	1,232,856	1,232,824	-	1,232,824
<i>Debentures and Corporate Debt Instruments / Units</i>							
- Listed securities		24,235,074	-	24,235,074	17,992,021	-	17,992,021
- Unlisted securities		2,665,213	-	2,665,213	2,928,467	-	2,928,467
<i>NIT Units</i>							
		4,061,113	-	4,061,113	2,261,113	-	2,261,113
<i>Preference shares</i>							
		250,000	-	250,000	250,000	-	250,000
<i>Investments of mutual funds</i>							
		9,218,872	-	9,218,872	6,679,874	-	6,679,874
		698,650,136	143,476,106	842,126,242	677,741,179	53,533,982	731,275,161
<b>Investment in Associates and Joint Venture</b>							
		10,781,117	-	10,781,117	11,615,806	-	11,615,806
		920,673,952	143,476,106	1,064,150,058	853,553,171	53,533,982	907,087,153
<b>Provision for diminution / impairment in the value of investments including associates</b>							
		(1,297,532)	-	(1,297,532)	(1,197,153)	-	(1,197,153)
<b>Net investment</b>							
		919,376,420	143,476,106	1,062,852,526	852,356,018	53,533,982	905,890,000
<b>Deficit / (surplus) on revaluation of held for trading securities</b>							
		(3,753)	-	(3,753)	52,856	-	52,856
<b>Surplus on revaluation of available for sale securities</b>							
		9,180,169	16,695,751	25,875,920	15,475,135	2,752,192	18,227,327
<b>Surplus on revaluation of investment of associates</b>							
		46,384	-	46,384	137,102	-	137,102
		928,599,220	160,171,857	1,088,771,077	868,021,111	56,286,174	924,307,285

6.1 The market value of securities classified as "held-to-maturity" as at March 31, 2015 amounted to Rs. 151,364.083 million (2014: Rs. 120,290.496million)

6.2 Movement in provision held against diminution / impairment in the value of investments including associates

The analysis of total provision held is as follows:

	March 31, 2015	December 31, 2014
(Rupees in '000)		
Opening balance	953,764	1,265,379
Charge for the period / year	114,596	55,014
Reversals for the period / year	-	(63,060)
Impairment charge on listed securities	1,391	49,580
Impairment reversal on listed securities	-	(145,212)
Total reversals - net	115,987	(103,678)
Write offs	-	(207,937)
Closing balance	1,069,751	953,764

6.3 The following funds have been accounted for as subsidiaries pursuant to adoption of IFRS10 as explained in note 3 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 and investments in associates would have been increased by Rs.680 million.

7 ADVANCES

Note	March 31, 2015	December 31, 2014
(Rupees in '000)		
Loans, cash credits, running finances, etc.		
In Pakistan	436,155,506	450,443,893
Outside Pakistan	100,363,313	96,819,124
	536,518,819	547,263,017
Net investment in finance lease - in Pakistan	6,658,756	6,541,460
Bills discounted and purchased (excluding Government Treasury bills)		
Payable in Pakistan	8,132,506	12,018,785
Payable outside Pakistan	45,495,009	50,421,536
	53,627,515	62,440,321
Provision against advances	(60,892,979)	(60,850,286)
	535,912,111	555,394,512

6. INVESTMENTS	Note	March 31, 2015			December 31, 2014		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Investments by type							
----- (Rupees in '000) -----							
<b>Held-for-trading (HFT)</b>							
<i>Federal Government Securities</i>							
- Pakistan Investment Bonds		1,810,926	-	1,810,926	5,669,613	-	5,669,613
- Market Treasury Bills		63,831,404	-	63,831,404	42,471,309	-	42,471,309
<i>Fully paid-up ordinary shares</i>							
- Listed companies		-	-	-	-	-	-
<i>Overseas Government Securities</i>							
		925,776	-	925,776	557,556	-	557,556
		66,568,106	-	66,568,106	48,698,478	-	48,698,478
<b>Held-to-Maturity Securities (HTM)</b>							
<i>Federal Government Securities</i>							
- Market Treasury Bills		28,021,475	-	28,021,475	-	-	-
- Pakistan Investment Bonds		75,804,702	-	75,804,702	75,683,578	-	75,683,578
- Government of Pakistan Guaranteed Bonds		1,992,000	-	1,992,000	1,992,000	-	1,992,000
<i>Debentures and Corporate Debt Instruments / Units</i>							
- Listed securities		2,044,226	-	2,044,226	2,101,819	-	2,101,819
- Unlisted securities		5,181,236	-	5,181,236	5,493,233	-	5,493,233
<i>Overseas Government securities</i>							
		15,580,249	-	15,580,249	14,803,817	-	14,803,817
		128,623,888	-	128,623,888	100,074,447	-	100,074,447
<b>Available-for-Sale Securities (AFS)</b>							
<i>Federal Government Securities</i>							
- Market Treasury Bills		500,037,580	705,875	500,743,455	389,346,079	18,494,458	407,840,537
- Pakistan Investment Bonds		79,732,080	142,770,231	222,502,311	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)		56,778,913	-	56,778,913	45,689,461	-	45,689,461
<i>Overseas Government Securities</i>							
		85,162	-	85,162	72,175	-	72,175
<i>Fully paid-up ordinary shares</i>							
- Listed companies		13,993,304	-	13,993,304	15,324,333	-	15,324,333
- Unlisted companies		1,232,856	-	1,232,856	1,232,824	-	1,232,824
<i>Debentures and Corporate Debt Instruments / Units</i>							
- Listed securities		13,512,246	-	13,512,246	11,184,454	-	11,184,454
- Unlisted securities		9,086,513	-	9,086,513	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
		682,167,267	143,476,106	825,643,373	665,016,141	53,533,982	718,550,123
<b>Investment in Subsidiary Companies</b>							
		8,993,797	-	8,993,797	8,993,797	-	8,993,797
<b>Investment in Associates and Joint Venture</b>							
		4,682,680	-	4,682,680	4,682,679	-	4,682,679
		891,035,738	143,476,106	1,034,511,844	827,465,542	53,533,982	880,999,524
<b>Provision for diminution / impairment in the value of investments including associates</b>							
		(1,069,751)	-	(1,069,751)	(953,764)	-	(953,764)
<b>Net investment</b>							
		889,965,987	143,476,106	1,033,442,093	826,511,778	53,533,982	880,045,760
<b>(Deficit) / surplus on revaluation of held for trading securities</b>							
		(3,753)	-	(3,753)	52,856	-	52,856
<b>Surplus on revaluation of available for sale securities</b>							
		8,732,854	16,695,751	25,428,605	14,723,159	2,752,192	17,475,351
<b>Total investments at market value</b>							
		898,695,088	160,171,857	1,058,866,945	841,287,793	56,286,174	897,573,967

6.1 The market value of securities classified as "held-to-maturity" as at March 31, 2015 amounted to Rs. 135,412.831 million (2014: Rs. 104,935.785 million).

6.2 Movement in provision held against diminution / impairment in the value of investments including associates

The analysis of total provision held is as follows:

	March 31, 2015	December 31, 2014
(Rupees in '000)		
Opening balance	1,197,153	1,532,339
Charge for the period / year	114,596	55,014
Reversals for the period / year	-	(80,357)
Impairment charge on listed securities	14,585	63,475
Impairment reversal on listed securities	(28,802)	(154,039)
Total charge / (reversal) - net	100,379	(115,907)
Derecognition of provision due to voluntary winding up of Modaraba	-	(11,342)
Write offs	-	(207,937)
Closing balance	1,297,532	1,197,153

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

Based on the financial information as on

Diamond Trust Bank Kenya Limited  
Himalayan Bank Limited, Nepal  
Kyrgyz Investment and Credit Bank  
Jubilee Life Insurance Co. Ltd.  
Jubilee General Insurance Co. Ltd.  
HBL Money Market Fund

December 31, 2014  
December 31, 2014  
December 31, 2014  
December 31, 2014  
December 31, 2014  
March 31, 2015

6.3.1 The following funds have been consolidated pursuant to adoption of IFRS10 as explained in note 3 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 March 31, 2015 would have been lower by Rs.629 million and there would have been no impact on net assets. Profit after taxation for the quarter ended March 31, 2015 would have been lower by Rs.14 million.

7 ADVANCES

Note	March 31, 2015	December 31, 2014
(Rupees in '000)		
Loans, cash credits, running finances, etc.		
In Pakistan	436,155,506	450,443,893
Outside Pakistan	126,974,665	127,200,670
	563,130,171	577,644,563
Net investment in finance lease - in Pakistan	6,658,756	6,541,460
Bills discounted and purchased (excluding Government Treasury bills)		
Payable in Pakistan	8,132,506	12,018,785
Payable outside Pakistan	57,386,193	65,271,245
	65,518,699	77,290,030
Provision against advances	(65,952,136)	(66,180,877)
	569,355,490	595,295,176

## 7.1 Classification of non-performing advances is as follows:

Category of classification	March 31, 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	1,242,291	-	1,242,291	-	-	-	1,242,291	-	1,242,291
Substandard	5,533,810	1,381,865	6,915,675	1,366,699	323,295	1,689,994	4,167,111	1,058,570	5,225,681
Doubtful	3,154,433	708,981	3,863,414	1,577,217	331,243	1,908,460	1,577,216	377,738	1,954,954
Loss*	49,210,878	17,795,201	67,006,079	47,501,021	11,886,471	59,387,492	1,709,857	5,908,730	7,618,587
	59,141,412	19,886,047	79,027,459	50,444,937	12,541,009	62,985,946	8,696,475	7,345,038	16,041,513
General provision	-	-	-	1,161,626	1,804,564	2,966,190	-	-	-
	59,141,412	19,886,047	79,027,459	51,606,563	14,345,573	65,952,136	8,696,475	7,345,038	16,041,513

\* This includes Government guaranteed non-performing loan amounting to Rs. 1,065,738 million.

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
General provision	-	-	-	1,137,628	1,536,454	2,674,082	-	-	-
	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

## 7.2 Particulars of provision against advances

	March 31, 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	1,139,889	314,084	1,453,973	5,263,354	636,014	5,899,368
Reversals for the period / year	(961,223)	(10,011)	(971,234)	(4,135,884)	(51,944)	(4,187,828)
Net charge against advances	178,666	304,073	482,739	1,127,470	584,070	1,711,540
Write off	(380,493)	-	(380,493)	(1,372,191)	-	(1,372,191)
Net movement of derecognition and acquisition of Modaraba assets	-	-	-	(11,092)	-	(11,092)
Exchange adjustment / other movements	(319,022)	(11,965)	(330,987)	(808,724)	(60,371)	(869,095)
Closing balance	62,985,946	2,966,190	65,952,136	63,506,795	2,674,082	66,180,877

7.3 Exposure amounting to Rs. 8.578 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 this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at March 31, 2015 would have been higher by Rs. 597,458 million (December 31, 2014: Rs. 650,595 million). The FSV benefit taken would not be available for the distribution of cash and stock dividend to shareholders.

## Notes to the Condensed Interim Unconsolidated Financial Statement (Unaudited)

For the three months ended March 31, 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.

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

## 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.

# Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2015

	March 31, 2015	March 31, 2014
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	14,577,205	8,543,928
Dividend income	(492,660)	(251,725)
Gain on sale of securities	(2,224,488)	(305,906)
	(2,717,148)	(557,631)
	11,860,057	7,986,297
<b>Adjustment for:</b>		
Depreciation	531,824	406,900
Amortisation	127,298	93,360
Provision / (reversal) for diminution in the value of investments	115,987	(122,016)
Provision against advances	477,881	266,514
Unrealised loss/(gain) on held for trading securities	3,753	(6,499)
Exchange gain on sub-ordinated loans	-	(169,872)
Gain on sale of operating fixed assets - net	(12,272)	(2,562)
Workers Welfare Fund	299,406	175,629
(Reversal) /charge against off-balance sheet obligations	(27,592)	1,411
Other provisions / write offs - net	213,952	114,005
	1,730,237	756,870
	13,590,294	8,743,167
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(2,956,351)	28,754,094
Investments in held for trading securities	(17,869,628)	(2,042,633)
Advances	19,004,520	8,367,515
Other assets	19,894,485	3,250,705
	18,073,026	38,329,681
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	(1,124,201)	(169,539)
Borrowings	101,288,048	84,452,123
Deposits and other accounts	(1,895,906)	(87,701,528)
Other liabilities	3,117,579	4,993,934
	101,385,520	1,574,990
	133,048,840	48,647,838
Income tax paid	(3,738,244)	(2,820,560)
<b>Net cash flows from operating activities</b>	129,310,596	45,827,278
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(104,815,907)	(32,106,099)
Net investments in held to maturity securities	(28,549,441)	(36,733,874)
Dividend income received	150,459	97,741
Fixed capital expenditure	(1,115,886)	(1,076,559)
Proceeds from sale of fixed assets	14,968	13,792
Exchange adjustment on translation of balances in foreign branches	(222,559)	(2,050,597)
<b>Net cash flows used in investing activities</b>	(134,538,366)	(71,855,596)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(8,153)	(2,676,433)
<b>Net cash flows from / (used in) financing activities</b>	(8,153)	(2,676,433)
Decrease in cash and cash equivalents during the period	(5,235,923)	(28,704,751)
Cash and cash equivalents at the beginning of the period	174,260,522	168,426,417
Effects of exchange rate changes on cash and cash equivalents	1,036,538	(3,683,614)
	175,297,060	164,742,803
<b>Cash and cash equivalents at the end of the period</b>	170,061,137	136,038,052

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

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

Sajid Zahid  
Director

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

	March 31, 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)	2,014,300	2,033,700	149,330	2,014,300	2,034,200	455,839
- in respect of key management personnel / Companies in which key management personnel or their close members are interested	412,700	427,000	24,651	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	1,032,850	1,201,836	-	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	March 31, 2015	December 31, 2014
		(Rupees in '000)	
Capital work-in-progress		1,771,786	1,119,394
Intangible assets	8.3	1,858,229	1,932,297
- Goodwill		739,433	844,915
- Computer software		23,273,910	23,413,197
Tangible fixed assets		27,643,358	27,309,803

8.1 Additions to operating fixed assets

	For the three months ended	
	March 31, 2015	March 31, 2014
	(Rupees in '000)	
The following additions have been made to operating fixed assets during the period:		
Capital work-in progress	743,924	1,041,269
Intangible assets	22,043	62,751
Tangible fixed assets		
Land	16,980	-
Building	48,189	105,866
Machinery	6,510	2,860
Furniture, fixtures and office equipments	275,767	572,605
Leasehold Improvements	80,582	154,019
Vehicles	26,382	32,463
	1,220,377	1,971,833

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

Capital work-in progress

Intangible assets

Tangible fixed assets

Land

Building

Machinery

Furniture, fixtures and office equipments

Leasehold Improvements

Vehicles

8.2 Disposal of operating fixed assets

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

Tangible fixed assets

Building

Furniture, fixtures and office equipments

Leasehold Improvements

Vehicles

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.

## 9 BORROWINGS

	March 31, 2015	December 31, 2014
	(Rupees in '000)	
<b>Secured</b>		
Borrowings from SBP under:		
Export refinance scheme	14,633,258	14,504,562
Long term financing facility - locally manufactured and imported plant & machinery	6,091,533	6,468,165
Long term finance - export oriented projects	110,988	133,651
Financing facility for Storage of Agricultural Produce	1,534	3,061
Repurchase agreement borrowings	159,584,448	56,041,292
	<u>180,421,761</u>	<u>77,150,731</u>

**Unsecured**

In Pakistan:		
Interbank call money borrowings	10,009,721	9,238,070
Outside Pakistan:		
Overdrawn nostro accounts	606,094	569,105
Borrowings of overseas branches and subsidiaries	15,114,681	16,453,208
	<u>15,720,775</u>	<u>17,022,313</u>
	<u>25,730,496</u>	<u>26,260,383</u>
	<u>206,152,257</u>	<u>103,411,114</u>

## 10 DEPOSITS AND OTHER ACCOUNTS

**Customers**

Current accounts - non-remunerative	498,221,260	496,598,562
Savings chequing account	677,294,534	664,749,424
Fixed deposits	307,450,717	329,292,130
	<u>1,482,966,511</u>	<u>1,490,640,116</u>

**Financial institutions**

Current accounts - non-remunerative	28,768,631	24,986,975
Savings chequing account	1,510,630	4,092,718
Fixed deposits	5,029,261	4,817,977
	<u>35,308,522</u>	<u>33,897,670</u>
	<u>1,518,275,033</u>	<u>1,524,537,786</u>

## Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the three months ended March 31, 2015

Share capital	Exchange translation reserve	Statutory	Reserves			Total
			Reserve for issue of bonus shares	Revenue reserves	General	
(Rupees in '000)						
13,335,023	13,191,195	20,231,764	-	6,073,812	67,435,578	120,267,372
<b>Balance as at December 31, 2013</b>						
<b>Total comprehensive income for the period</b>						
Profit for the nine months ended March 31, 2014						
-	-	-	-	-	5,477,958	5,477,958
<b>- Other comprehensive income</b>						
Effect of translation of net investment in foreign branches						
-	(2,050,597)	-	-	-	-	(2,050,597)
-	(2,050,597)	-	-	-	5,477,958	3,427,361
<b>Transactions with owners, recorded directly in equity</b>						
Final cash dividend paid at Rs. 2 per share for the year ended December 31, 2013						
-	-	-	-	-	(2,667,005)	(2,667,005)
Issued as bonus shares						
-	-	-	1,333,502	-	(1,333,502)	-
-	-	-	1,333,502	-	(4,000,507)	(2,667,005)
Transferred from surplus on revaluation of fixed assets - net of tax						
-	-	-	-	-	21,789	21,789
Transferred to statutory reserve						
-	-	547,796	-	-	(547,796)	-
<b>Balance as at March 31, 2014</b>						
13,335,023	11,140,598	20,779,560	1,333,502	6,073,812	68,387,022	121,049,517
<b>Total comprehensive income for the period</b>						
Profit for the nine months ended December 31, 2014						
-	-	-	-	-	25,634,563	25,634,563
<b>- Other comprehensive income</b>						
Effect of actuarial gain and losses						
-	-	-	-	-	(287,084)	(287,084)
Effect of translation of net investment in foreign branches						
-	147,507	-	-	-	-	147,507
-	147,507	-	-	-	25,347,479	25,494,986
<b>Transactions with owners, recorded directly in equity</b>						
1st interim cash dividend paid at Rs. 2 per share						
-	-	-	-	-	(2,933,705)	(2,933,705)
2nd interim cash dividend paid at Rs. 2.25 per share						
-	-	-	-	-	(3,300,418)	(3,300,418)
3rd interim cash dividend paid at Rs. 2.25 per share						
-	-	-	-	-	(3,300,418)	(3,300,418)
Issued as bonus shares						
1,333,502	-	-	(1,333,502)	-	-	-
1,333,502	-	-	(1,333,502)	-	(9,534,541)	(9,534,541)
Transferred from surplus on revaluation of fixed assets - net of tax						
-	-	-	-	-	71,238	71,238
Transferred to statutory reserve						
-	-	2,563,456	-	-	(2,563,456)	-
<b>Balance as at December 31, 2014</b>						
14,668,525	11,288,105	23,343,016	-	6,073,812	81,707,742	137,081,200
Profit for the three months ended March 31, 2015						
-	-	-	-	-	9,439,899	9,439,899
<b>- Other comprehensive income</b>						
Effect of translation of net investment in foreign branches						
-	(222,559)	-	-	-	-	(222,559)
-	(222,559)	-	-	-	9,439,899	9,217,340
<b>Transactions with owners, recorded directly in equity</b>						
Final cash dividend paid at Rs. 5.5 per share for the year ended December 31, 2014						
-	-	-	-	-	(8,067,689)	(8,067,689)
Transferred from surplus on revaluation of fixed assets - net of tax						
-	-	-	-	-	14,786	14,786
Transferred to statutory reserve						
-	-	943,990	-	-	(943,990)	-
<b>Balance as at March 31, 2015</b>						
14,668,525	11,065,546	24,287,006	-	6,073,812	82,150,748	138,245,637

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

Shaffiq Dharamshi  
Director

Agha Sher Shah  
Director

Sajid Zahid  
Director

## Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2015

	January 01 to March 31, 2015	January 01 to March 31, 2014
	------(Rupees in '000)-----	
Profit for the period	9,439,899	5,477,958
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods:		
Effect of translation of net investment in foreign branches	(222,559)	(2,050,597)
Comprehensive income transferred to equity	<u>9,217,340</u>	<u>3,427,361</u>
Components of comprehensive income not reflected in equity		
Items to be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of investments - net of tax	5,169,723	1,744,167
	<u>14,387,063</u>	<u>5,171,528</u>

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

### 11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Note	March 31, 2015	December 31, 2014
	(Rupees in '000)	
Surplus arising on revaluation of:		
- fixed assets	9,412,174	9,426,801
- investments	17,006,051	12,225,088
Surplus on revaluation of assets - net of deferred tax	<u>26,418,225</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
Surplus on revaluation of the Group's properties recognised during the period / year	-	8,504
Surplus realised on disposal of revalued properties 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	(14,627)	(59,132)
Related deferred tax liability on incremental depreciation charged during the period / year	(7,907)	(31,870)
Related deferred tax liability on disposal of revalued properties	-	(16,962)
Surplus on revaluation of fixed assets as at period / year	<u>10,263,830</u>	<u>10,286,364</u>
Less: related deferred tax liability on:		
- revaluation as at January 1	859,563	891,565
- revaluation of the Group's properties recognised during the period / year	-	16,830
- surplus realised on disposal of revalued properties during the period / year	-	(16,962)
- incremental depreciation charged during the period / year	(7,907)	(31,870)
	<u>851,656</u>	<u>859,563</u>
	<u>9,412,174</u>	<u>9,426,801</u>
11.2 Surplus on revaluation of investments		
Market Treasury Bills	1,289,443	371,559
Pakistan Investment Bonds	22,471,400	14,774,097
Government of Pakistan Sukuk and US Dollar / Euro Bonds	717,314	(188,839)
Listed Securities	1,305,418	2,738,272
NIT Units	29,646	433,394
Other Investments	62,699	98,844
	<u>25,875,920</u>	<u>18,227,327</u>
Surplus on revaluation of investment of associates	46,384	137,102
Related deferred tax liability	(8,916,253)	(6,139,341)
	<u>17,006,051</u>	<u>12,225,088</u>
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of:		
- Government	279,650	274,410
- Financial institutions	6,812,298	295,000
- Others	25,214,308	24,353,007
	<u>32,306,256</u>	<u>24,922,417</u>

## 12.2 Transaction-related contingent liabilities

Guarantees in favour of:

	March 31, 2015	December 31, 2014
	(Rupees in '000)	
- Government	644,786	294,415
- Financial institutions	4,793,526	2,956,884
- Others	57,331,913	53,659,253
	<u>62,770,225</u>	<u>56,910,552</u>

## 12.3 Trade-related commitments

Credit cash	78,935,715	73,669,574
Credit documentary acceptances	17,148,736	14,838,610
Credit acceptances	36,857,084	29,323,479
	<u>132,941,535</u>	<u>117,831,663</u>

## 12.4 Other contingencies

Claims against the Group not acknowledged as debts	<u>37,505,501</u>	<u>37,608,696</u>
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## 12.5 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, 2015	December 31, 2014
	(Rupees in '000)	

## 12.6 Commitments in respect of forward foreign exchange contracts

Purchase	194,272,732	175,592,647
Sale	194,791,706	176,427,323

The above commitments have maturities falling within one year.

## Commitments in respect of options

Purchase	1,601,585	3,170,666
Sale	1,601,585	3,170,666

## Commitments in respect of cross currency swaps

Purchase	1,395,866	1,390,469
Sale	1,364,582	1,353,623

## Commitments in respect of interest rate swaps

Purchase	169,907	167,472
Sale	169,907	330,805

## 12.7 Commitments for acquisition of fixed assets / intangibles

	1,506,911	1,082,541
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## Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2015

Note	January 01 to March 31, 2015	January 01 to March 31, 2014
	----- (Rupees in '000) -----	
	36,458,860	31,017,204
	<u>17,650,752</u>	<u>16,898,974</u>
	18,808,108	14,118,230
	477,881	266,514
	(27,592)	1,411
	115,987	(122,016)
	-	-
	<u>566,276</u>	<u>145,909</u>
	18,241,832	13,972,321
	2,916,457	2,465,338
	492,660	251,725
	606,020	486,921
	2,224,488	305,906
	(3,753)	6,499
	643,635	556,716
	<u>6,879,507</u>	<u>4,073,105</u>
	25,121,339	18,045,426
	10,028,297	9,211,757
	213,952	114,005
	2,479	107
	299,406	175,629
	<u>10,544,134</u>	<u>9,501,498</u>
	14,577,205	8,543,928
	5,196,824	2,320,009
	136,347	150,260
	(195,865)	595,701
	<u>5,137,306</u>	<u>3,065,970</u>
	9,439,899	5,477,958
	----- (Rupees) -----	
	6.44	3.73

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

## Condensed Interim Unconsolidated Statement of Financial Position

As at March 31, 2015

ASSETS	Note	(Unaudited)	(Audited)
		March 31, 2015	December 31, 2014
(Rupees in '000)			
Cash and balances with treasury banks		141,881,342	122,271,268
Balances with other banks		28,179,795	53,025,792
Lendings to financial institutions		37,269,911	34,313,560
Investments	6	1,058,866,945	897,573,967
Advances	7	535,912,111	555,394,512
Operating fixed assets	8	25,328,306	24,874,238
Deferred tax asset		-	-
Other assets		60,381,754	81,742,917
		<u>1,887,820,164</u>	<u>1,769,196,254</u>
<b>LIABILITIES</b>			
Bills payable		20,831,482	21,955,683
Borrowings	9	200,918,565	99,630,517
Deposits and other accounts	10	1,445,319,539	1,447,215,445
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		4,437,991	1,850,325
Other liabilities		52,125,568	40,676,639
		<u>1,723,633,145</u>	<u>1,611,328,609</u>
<b>NET ASSETS</b>			
		<u>164,187,019</u>	<u>157,867,645</u>
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		14,668,525	14,668,525
Reserves		41,426,364	40,704,933
Unappropriated profit		82,150,748	81,707,742
		138,245,637	137,081,200
Surplus on revaluation of assets - net of deferred tax	11	25,941,382	20,786,445
		<u>164,187,019</u>	<u>157,867,645</u>

### CONTINGENCIES AND COMMITMENTS

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 three months ended	
	March 31, 2015	March 31, 2014
(Rupees in '000)		
<i>On loans and advances to:</i>		
- Customers	12,310,939	12,414,326
- Financial institutions	6,840	15,233
<i>On investments in:</i>		
- Available-for-sale securities	18,656,220	16,452,312
- Held-for-trading securities	1,205,305	388,006
- Held-to-maturity securities	2,732,115	1,203,620
On deposits with financial institutions	564,450	319,639
On lendings to financial institutions	1,452,045	532,962
Compensation received on tax refunds	-	238,382
	<u>36,927,914</u>	<u>31,564,480</u>

13.1 The Group has reclassified certain items from other income and income from dealing in foreign currencies to interest income and fee, commission and brokerage income as explained in note 24.1 of the annual consolidated financial statements for the year ended December 31, 2014.

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

<i>On:</i>		
Deposits	13,711,722	15,107,233
Securities sold under repurchase agreement borrowings	2,865,864	1,039,409
Other short term borrowings	1,028,285	806,470
Long term borrowings	123,808	123,741
	<u>17,729,679</u>	<u>17,076,853</u>

## 15 RELATED PARTY TRANSACTIONS

The Aga Khan Fund for Economic Development (AKFED), S.A, 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 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, 2015				
	Parent Group Entities	Individual and companies related through			
		Subsidiary companies	Associates	Joint venture	Other related parties
	(Rs. in '000)				
<b>Statement of financial position</b>					
Deposits	4,358,769	-	1,450,965	45,768	18,364
Maximum Deposits During the period	4,358,769	-	1,450,965	45,768	40,127
Borrowings	-	-	305,833	-	-
Investments	-	-	8,760,372	1,489,750	-
Markup / Other Receivable	13,149	-	157,961	-	-
Mark-up / Other Payable	12,275	-	2,518	-	-
Placements / Lendings	-	-	-	-	1,106,556
Overdrawn Nostro	63,103	-	-	-	-
Impairment provision	-	-	577,378	-	-
<b>Profit and Loss Account</b>					
Interest / Other Income	14,179	-	1,047,229	94,545	-
Interest / Other Expense	17,171	-	85,081	-	147,124
<b>Others</b>					
Other contingencies	656,605	-	-	-	-
Securities Held as custodian	11,320,535	1,358,600	37,491,700	-	5,158,715

	December 31, 2014				
	Parent Group Entities	Individual and companies related through			
		Subsidiary companies	Associates	Joint venture	Other related parties
	(Rs. in '000)				
<b>Statement of financial position</b>					
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	-	-	-	-
Overdrawn Nostro	173,250	-	692,192	-	-
Impairment provision	-	-	577,378	-	-
<b>Profit and Loss Account</b>					
Interest / Other Income	93,836	-	4,027,765	371,658	-
Interest / Other Expense	189,224	-	656,432	289,873	406,016
<b>Others</b>					
Other contingencies	541,418	-	-	-	-
Securities Held as custodian	10,027,505	888,000	35,292,700	-	5,377,465

## 15.1 Transaction with Government- related entities

The Federal Government (GoP) holds 41.5% shareholding in the Bank and therefore entities which are owned and / or controlled by the GoP, or where the GoP may exercise significant influence, are related parties of the Group. However, subsequent to the period end, as explained in Note 1, the GoP and its related entities are no longer related parties of the Group.

The Group in the ordinary course of business enters into transactions with Government-related entities, which are all conducted at arm's length basis. Such transactions include Investments [Treasury Bills / Sukuks, Pakistan Investment Bonds (PIBs), Shares], Borrowing / Deposits, Lendings and Balance with treasury bank. The outstanding amount as at March 31, 2015 amounting to Rs. 994,023 million for investments (December 31, 2014: Rs. 830,812 million), borrowings / deposits amounting to Rs. 336,345 million (December 31, 2014: Rs. 204,324 million), advances amounting to Rs. 110,862 million (December 31, 2014: Rs. 125,571 million) and balance with treasury bank amounting to Rs. 64,652 million (December 31, 2014: Rs. 53,768 million).

## Capital Ratios

The unconsolidated Capital Adequacy Ratio (CAR) improved from 15.09% in Dec 2014 to 15.51% in Mar 2015 due to strong internal capital generation. Tier 1 CAR improved from 13.0% to 13.1% over the same period, reflecting the robust capital position of the Bank.

HL's Return on Assets improved from 1.4% in Q1 2014 to 2.1% in Q1 2015, while the Return on Equity improved to 27.4%.

## Dividend

The Board of Directors, in its meeting held on April 30, 2015 has declared a first interim cash dividend of Rs.3.5 per share (35%) for the quarter ended March 31, 2015.

## Changes in Directorships

Mr. R. Zakir Mahmood, retired from the Board of Directors on March 26, 2015, at the conclusion of his term. Mr. Mahmood had been on the HBL Board since 2000. The Board wishes to place on record its deepest appreciation for the services of Mr. Mahmood, who also served as President of HBL for over 12 years and played a major role in leading the Bank both prior to and post its privatization.

Mr. Shaffiq Dharamshi was elected as a Director on March 27, 2015. Mr. Dharamshi is a career banker with over 23 years of experience in the Middle East and Africa. The Board welcomes Mr. Dharamshi and looks forward to his contribution.

## Future Outlook

Despite challenges, the economy remains on a positive trajectory. However, energy and security issues need to be addressed on priority to spur domestic fixed investment and private sector credit. The recent visit of the Chinese President and the planned China Pakistan Economic Corridor are historic opportunities for a breakout path and must be captured in the most expeditious manner. With its highly liquid, large balance sheet, strong capital base and links with China developed over the last several years, HBL is ideally positioned to participate in these opportunities and positively contribute towards the economic development of the country.

## Appreciation and Acknowledgement

I would like to appreciate 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, I 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  
April 30, 2015

## Directors' 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, 2015.

### Domestic Economy

Inflation continued to ease to a historic low of 2.5% in March 2015 as result of deflation in the food and transport indices. The delay in implementation of the gas tariff hike from April to July 2015 has supplemented the benign inflation outlook of 4.0-5.0% for FY15. Pakistan's trade balance for 9M FY15 deteriorated slightly by 2% over the corresponding period last year as exports slowed by 3%. However, a decline in the services deficit and a 15% growth in remittances have resulted in a 46% reduction in the current account deficit for 9M FY15 and a positive Balance of Payments.

The IMF released a positive review under the Extended Fund Facility during April 2015 based on achievement of most of the quantitative performance criteria for December 2014. They stressed the necessity of continuing energy sector reforms via curtailment of subsidies in order to keep the fiscal deficit target intact at 4.9% of GDP. This followed Moody's upgrade of Pakistan's economic Outlook from Stable to Positive based on the country's deepening macro-stability and the government's commitment to reforms. Total foreign exchange reserves rose to USD 16.6 billion at the quarter end, including CSF proceeds and a further tranche of USD 500 million received from the IMF during the quarter.

After a long period of a near continuous rise, the KSE index saw a 6% correction during Q1 2015, falling below 30,000 for the first time since August 2014. This has since recovered on the back of positive sentiment. During the quarter, the SBP also reduced its Discount Rate by a cumulative 150 bps to 8%, based on falling inflation and improved macroeconomic indicators.

For HBL, the landmark market event was the secondary sell down by the Government of its entire remaining shareholding in the Bank, led by the Privatization Commission. The issue was oversubscribed by 1.6 times and is a reflection of the value seen by investors in this institution. The transaction size was over USD 1 billion and is the largest ever equity offering, not just in Pakistan, but in Asian Frontier Markets. More than 75% of the proceeds came from foreign investors covering all significant investment locations and including major International Financial Institutions.

### Performance

HBL has delivered a post-tax profit of Rs. 9.4 billion for the three months ended March 31, 2015, representing a growth of 72.3% over the same period last year. Consequently, earnings per share for the quarter increased to Rs. 6.44 as against Rs. 3.73 for the first quarter of 2014.

The Bank remained focused on improving its deposit mix and has been able to increase the ratio of Current Accounts to 34.1% in Mar 2015, as compared to 33.9% in Dec 2014. Average current accounts for the first quarter of 2015 grew by 26% over the corresponding period and, along with a declining rate environment, resulted in a 95 bps reduction in the cost of deposits over Q1 2014. This reduction, coupled with a repositioning of the fixed income portfolio from short term to long term during 2014, resulted in a 62 bps improvement in margins. With a 19% growth in the average Balance Sheet over the comparable period of 2014, Net Interest Income increased by 33% to Rs. 18.8 billion for the three months ended March 31, 2015. Non mark-up income increased by 68.9% to Rs. 6.9 billion for the quarter ended March 31, 2015, as the Bank realized some capital gains. Fees and commissions also increased by 18% over the previous year, with Bancassurance income more than doubling, and strong contributions from investment banking and social payments.

Administrative expense growth for the quarter was 8.9% YoY, as a result of which the cost/income ratio reduced to 39% compared to 50.6% in Q1 2014. Provisions increased mainly as a result of a conservative view taken by the Bank on one of its investments, as well as the settlement of a long outstanding dispute.

### Movement of Reserves

Rupees in million

Unappropriated profit brought forward	81,708
Profit attributable to equity holders of the Bank	9,440
Transferred from surplus on revaluation of fixed assets – net of tax	15
Transferred to statutory reserves	(944)
Cash dividend paid – Final 2014	(8,068)
Unappropriated profit carried forward	<u>82,151</u>
Earnings per share (Rs)	<u>6.44</u>

### 15.2 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, 2015	March 31, 2014
	(Rupees in '000)	
Managerial remuneration (including allowances)	494,796	426,783
Contribution to provident and benevolent fund	8,142	6,588
Medical	14,916	13,244
	<u>517,854</u>	<u>446,615</u>
Number of persons	186	172

### 16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2015					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head Office / support services	
	(Rupees in million)					
Net interest income - External	(6,516)	4,896	18,220	2,016	583	19,199
Inter segment revenue - net	16,976	(3,508)	(15,536)	-	2,068	-
Non-funded income	2,324	877	2,633	1,666	310	7,810
Net interest and non-markup income	12,784	2,265	5,317	3,682	2,961	27,009
Total expenses including provision (excluding impairment)	4,707	211	81	2,489	4,118	11,606
Impairment against investments	-	51	1	-	48	100
Inter segment administrative cost	2,270	454	65	250	(3,039)	-
Total expenses including provision	6,977	716	147	2,739	1,127	11,706
Profit before tax	5,807	1,549	5,170	943	1,834	15,303
Segment assets gross	149,310	366,155	1,029,325	373,547	135,783	2,054,120
Segment non-performing loans	13,470	45,470	-	19,886	201	79,027
Segment provision required including general provision	12,653	39,227	-	14,389	1,482	67,751
Segment liabilities including equity	1,004,623	173,929	195,586	272,964	339,267	1,986,369
Segment gross earnings on liability / asset %	9.65%	9.28%	9.99%	4.84%	6.40%	-
Segment cost of funds %	4.42%	6.77%	7.82%	1.38%	1.90%	-

	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	267	14,488
Inter segment revenue - net	17,449	(4,426)	(15,359)	-	2,336	-
Non-funded income	1,792	674	1,372	1,438	159	5,435
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	133,541	333,390	828,929	322,474	163,112	1,781,446
Segment non-performing loans	13,431	44,796	-	20,457	88	78,772
Segment provision required including general provision	12,370	38,666	54	14,720	1,402	67,212
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%	-

## 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 March 31, 2015.

## 18 GENERAL

18.1 Comparative figures have been re-arranged and reclassified for comparison purposes.

## 19 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on April 30, 2015.

# Condensed Interim Unconsolidated Financial Statements