

HBL

HABIB BANK

حیب بینک



Celebrating the Past, Embracing the Future.

Half Yearly Report - June 30, 2017

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Corporate Information

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Shaffiq Dharamshi
Director

Mr. Moez Ahamed Jamal
Director

Dr. Najeeb Samie
Director

Mr. Agha Sher Shah
Director

Mr. Sajid Zahid
Director

Mr. Nauman K. Dar
President & CEO

Chief Financial Officer
Mr. Rayomond Kotwal

Company Secretary
Ms. Nausheen Ahmad

Auditors
A. F. Ferguson & Co.
Chartered Accountants

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

Websites
Corporate Website
www.hbl.com

Internet Banking
www.hbllibank.com.pk

Registered Office
Habib Bank Limited
9th Floor, Habib Bank Tower,
Jinnah Avenue, Blue Area,
Islamabad, Pakistan.
Phone : (92-51) 28722203, (92-51) 2821183
Fax : (92-51) 28722205

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
Website: www.cdcpakistan.com



Condensed Interim Consolidated Financial Information

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial information for the half-year ended June 30, 2017.

Domestic Economy

Pakistan's GDP growth is provisionally estimated at a 10-year high of 5.3%, reflecting the country's improving economic trajectory. This has been underpinned by the revival of domestic demand, with investments in infrastructure and energy, and increase in consumer confidence and spending. GDP growth was further supported by a recovery in the agriculture sector, which grew by 3.5%, a nearly 6% growth in services, and a broad-based increase in Large Scale Manufacturing, which increased by 5.7% for 11M FY17. Headline inflation remained contained, averaging 4.2% during FY17, well within SBP's target of 4 – 5%.

Imports rose sharply by 18%, largely driven by strong demand for fuel, machinery and food. Despite an export package announced earlier this year, exports have stagnated, declining by 1% over last year. Consequently, the trade deficit for FY17 jumped by 39% over FY16. Workers remittances showed a decline for the first time in a decade, reducing by 3% to USD 19.3 billion, as a result of fiscal consolidation and changing dynamics in the GCC countries. This has led to a current account deficit of 4% of GDP. While financial inflows increased due to drawdowns of foreign debt, these were not sufficient to compensate for the current account imbalance, thus tilting the Balance of Payments into a deficit of USD 1.9 billion. Foreign exchange reserves fell to USD 21.4 billion in June 2017 from USD 23.2 billion in December 2016.

Despite the decline in reserves, the Rupee has remained largely stable against the dollar. At the start of the new fiscal year, concerns over external account pressures led to the Rupee depreciating briefly by 3.1%. However, the currency recovered the following day and has re-stabilized at slightly below its previous level. Pakistan's equities have witnessed an extremely volatile period as euphoria over the MSCI inclusion led to an unprecedented bull run with the PSX crossing 52,000. Subsequent retreats by Frontier Market funds, not accompanied by the expected ramp-up from Emerging Market funds, along with heightened political uncertainty, resulted in a steep decline. By June 2017, the PSX 100 had dropped 3% since the start of the year and the pattern has continued into FY18 with record increases followed by equally sharp drops.

The fiscal deficit of 3.7% for 9M FY17 is higher than the 3.4% recorded in the corresponding period of last year and the deficit for FY17 is likely to widen over FY16. Tax compliance remains weak and recovery remains subdued with the FY17 tax collection below targeted levels. Despite relatively disciplined spending, the fiscal deficit is expected to exceed even the revised Government target of 4.2% of GDP.

The SBP has maintained its policy rate at 5.75% since May 2016 and, in its latest monetary policy statement, has based this on the strong likelihood of continued growth, contained inflation and external account challenges. There has been a spurt in private sector credit, with a growth of Rs 748 billion in FY17, 67% higher than the growth in FY16. Encouragingly, this growth has been witnessed across a broad spectrum of sectors with a significant amount directed towards fixed investment. Banking sector advances have grown by 11% since the beginning of the year while market deposits have increased by 7%. Excess liquidity, constantly reducing investment yields and a tendency towards shorter tenors have maintained the squeeze on banking industry spreads which have compressed further, reducing by 23 bps in H1 17 over the corresponding period of last year.

Performance

HBL has delivered a consolidated profit after tax of Rs 15.7 billion for the first half of 2017, 2% lower than for the first six months of 2016. Earnings per share for H1 17 were Rs 10.56 compared to Rs 10.86 in H1 16. Pre-tax profit for the first half of 2017 is Rs 27.7 billion which, for the same period in 2016, was Rs 28.3 billion.

HBL's deposits have crossed the Rs 2 trillion mark, thereby driving the balance sheet to Rs 2.7 trillion, 7.4% higher than in December 2016. The domestic deposit mix continued to improve, as the ratio of domestic current accounts rose from 34.8% in December 2016 to 35.1% in June 2017, and domestic CASA improved from 85.5% to 86.5% over the same period. Improvements in the domestic economy and demand for private sector credit have resulted in strong lending growth with net advances increasing by 11% over December 2016 to Rs 831 billion.

Average domestic loans for H1 17 grew by 28% over H1 16, with all business segments registering significant increases, and average domestic current accounts for the first six months of 2017 increased by 17% over H1 16. This improvement in the Balance Sheet composition somewhat alleviated the pressure on spreads which, nevertheless, continued to decline as a result of falling investment yields and competitive loan pricing. Consequently, net interest income for the half year ended June 30, 2017 remained at the previous year's level of Rs 41.4 billion.

Non mark-up income of Rs 16.4 billion for H1 17 was 14% higher than for the first half of 2016. Fees and commissions increased by 9% to Rs 10.2 billion, with the growth coming from core banking businesses, asset management and home remittances. Despite the drop in remittances into Pakistan, flows through HBL's counters increased by 2.5% for FY17, resulting in the Bank strengthening its market leadership with a 26.6% share. Income from treasury related activities increased by 21%, to Rs 3.9 billion and contribution from the Bank's affiliates rose by 29% to Rs 1.9 billion.

Administrative expenses rose by 11% over H1 16, including the impact of consolidation of the First MicroFinanceBank (FMFB). Excluding this impact, expense growth was contained to single digits, even as HBL continued to invest in its brand, technology and the enhancement of compliance processes and systems. Total non-performing loans were Rs 0.1 billion lower than December 2016 levels and total provisions for the first six months of 2017 reduced by 19% compared to H1 16. The coverage ratio strengthened further, to 92.5% as at June 30, 2017.

Movement of Reserves Rupees in million

Unappropriated profit brought forward	106,142
Profit after taxation attributable to equity holders of the Bank	15,495
Other comprehensive income – net	(3)
Transferred from surplus on revaluation of assets – net of tax	22
Exchange translation realized on transfer of overseas branch to subsidiary	371
	15,885
Appropriations	
Transferred to statutory reserves	(1,585)
Capital contribution from statutory funds of associates	3
Cash dividend – Final 2016	(5,134)
Cash dividend – 1st Interim 2017	(5,134)
	(11,850)
Unappropriated profit carried forward	110,177
Earnings per share (Rs)	10.56

Capital Ratios

The Tier 1 consolidated Capital Adequacy Ratio (CAR) as at June 30, 2017 increased slightly to 12.1% and the total CAR declined marginally to 15.4% as healthy internal capital generation offset the increase in risk assets. The capital ratios remain strong and well above regulatory requirements.

Dividend

The Board of Directors, in its meeting held on August 11, 2017 has declared an interim cash dividend of Rs 3.50 per share (35%) for the quarter ended June 30, 2017. This is in addition to the interim cash dividend of Rs 3.50 per share (35%) already declared and paid for the first quarter ended March 31, 2017.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively with the rating of its subordinated debt also at AAA. The ratings are supported by HBL's diversified revenue streams, healthy capitalization ratios and strong liquidity profile and reflect the systemic importance of the Bank.

Future Outlook

As the country enters the new fiscal year, the economy has performed well on many fronts, recognized by Moody's in their recent reaffirmation of Pakistan's B3 ratings and Stable Outlook. Inflation expectations remain reasonably anchored and the SBP projects inflation to remain in the 4.5 – 5.5% range for FY18. Domestic demand and private sector credit growth are both on an increasing trend, supported by the China Pakistan Economic Corridor (CPEC) projects which are expected to address critical infrastructure needs and remove bottlenecks. Government forecasts are for GDP growth to reach 6% in FY18.

However, there are increasing concerns around exports and external vulnerabilities, fiscal slippages and continuation of reforms under the previous IMF program. These concerns were echoed by the IMF at the conclusion of their recent Article IV consultation. While the decline in exports appears to have bottomed out, with positive global forecasts for growth and trade, a meaningful contribution will take time and require investment. The budgeted fiscal deficit and tax collection targets appear optimistic as the Government is unlikely to rein in spending in an election year. Continued commitment to reform implementation is needed to preserve the nascent macroeconomic stability and reinforce fiscal discipline.

The banking sector challenges will continue, as contained inflation will support a growth-oriented monetary policy; further spread compression is inevitable, with the second tranche of PIBs now having matured in July 2017. Through robust asset growth in the first half of 2017, HBL has demonstrated its commitment to supporting and participating in the development of the country and has adequate reserves of liquidity and capital.

Appreciation and Acknowledgement

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

On behalf of the Board and the management, we take this opportunity to express our gratitude to our customers for entrusting us with their business and to our shareholders for their support and 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 also acknowledge the efforts demonstrated by our employees towards the growth of HBL and thank them for their commitment and dedication.

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
August 11, 2017

ڈائریکٹر کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے میں انتہائی مسرت سے 30 جون 2017 کو اختتام پذیر ہونے والی ششماہی کے مختصر عبوری مجموعی مالیاتی اعداد و شمار پیش کرتا ہوں۔

ملکی معیشت

پاکستان کی مجموعی قومی پیداوار اپنی 10 سالہ تاریخ کی بلند ترین سطح 5.3 فیصد پر موجود ہے جس سے ملک کی بہتر معاشی صورتحال کی عکاسی ہوتی ہے۔ انفراسٹرکچر اور توانائی میں سرمایہ کاری اور صارفین کے اعتماد اور اخراجات میں اضافے سے مقامی اخراجات کی بحالی مستحکم ہوئی ہے۔ زراعت کے شعبے میں ترقی سے مجموعی قومی آمدن میں مزید اضافہ ہوا جو 3.5 فیصد بڑھ گئی ہے اور سروسز میں بڑھوتری تقریباً 6 فیصد رہی۔ مالی سال 2017 کے ابتدائی 11 ماہ کے دوران بڑے صنعتی شعبے میں 5.7 فیصد اضافہ ہوا۔ مجموعی افراط زر بدستور کنٹرول میں رہی اور مالی سال 2017 میں اسٹیٹ بینک کے متعین ہدف 4 فیصد سے 5 فیصد کے درمیان او۔ط۔ 4.2 فیصد رہی۔

درآمدات میں تیزی کے ساتھ 18 فیصد اضافہ ہوا جس کی بڑی وجہ فیول، مشینری اور خوراک کی بھرپور طلب ہے۔ رواں سال برآمدی ہیکجنگ کے اعلان کے باوجود برآمدات گزشتہ سال کے مقابلے میں ایک فیصد کی ساتھ تنزلی کا شکار ہیں۔ اس کے نتیجے میں مالی سال 2016 کے مقابلے میں مالی سال 2017 میں تجارتی خسارہ 39 فیصد بڑھ گیا۔ اس دہائی کے دوران پہلی بار بیرون ملک زرمبادلہ کے ذخائر میں کمی آئی جو 3 فیصد کی سے 19.3 ارب ڈالر ہو گئے، جس کی وجہ قرضوں میں کمی کی پالیسی اور خلیجی ممالک کے حالات میں تیزی سے آنے والی تبدیلی ہے۔ اس سے مجموعی قومی آمدن کا کرنٹ اکاؤنٹ خسارہ 4 فیصد ہو گا۔ غیر ملکی قرضے میں کمی کے باعث رقوم کے بہاؤ میں اضافہ ہوا ہے تاہم یہ موجودہ غیر متوازن کرنٹ اکاؤنٹ میں بہتری کے لئے کافی نہیں ہے جس کے باعث ادائیگیوں کا توازن 1.9 ارب ڈالر کے خسارے میں تبدیل ہو گیا ہے۔ غیر ملکی زرمبادلہ کے ذخائر جون 2017 میں کم ہو کر 21.4 ارب ڈالر ہو گئے ہیں جو دسمبر 2016 میں 23.2 ارب ڈالر تھے۔

مالی ذخائر میں کمی کے باوجود روپیہ ڈالر کے مقابلے میں بدستور مستحکم رہا۔ نئے مالی سال کے آغاز میں بیرونی اکاؤنٹ پر دباؤ کے باعث روپیہ کی قدر میں 3.1 فیصد کی معمولی کمی کے تشویش ہوئی تاہم اس دن کے ساتھ ہی روپیہ کی بحالی کا آغاز ہو گیا اور اس نے اپنی پرانی سطح پر آہستہ آہستہ جگہ بنالی۔ ایم ایس سی آئی میں شمولیت کے باعث اس عرصے میں پاکستانی شیئرز کی مارکیٹ انتہائی عدم استحکام کا شکار رہی اور پاکستان اسٹاک انڈیکس غیر متوقع طور پر 52 ہزار پوائنٹس سے تجاوز کر گیا تھا۔ اس کے نتیجے میں فرنٹیر مارکیٹ فنڈز میں کمی آئی جبکہ ابھر جنگ مارکیٹ میں فنڈز میں نہ ہونے کے ساتھ غیر یقینی سیاسی صورتحال سے شدید تنزلی ہوئی۔ جون 2017 تک پاکستان اسٹاک ایکسچینج 100 انڈیکس میں سال کے آغاز کے مقابلے میں تین فیصد کی کمی آئی اور یہ رجحان مالی سال 2018 کے لئے اس طرح تیز گراؤ کے ساتھ جاری ہے۔

مالی سال 2017 کے ابتدائی 9 ماہ میں تجارتی خسارہ 3.7 فیصد رہا جو گزشتہ سال اسی عرصے کے مقابلے میں 3.4 فیصد زائد رہا اور خسارے میں مالی سال 2016 کے مقابلے میں مالی سال 2017 میں مزید اضافہ کا امکان ہے۔ ٹیکس سے ہم آہنگی بدستور کمزور رہی اور مالی سال 2017 کی ٹیکس وصولی ہدف سے کم رہنے کے ساتھ ریکوری بدستور کم رہی۔ منظم انداز سے اخراجات اور حکومت کی جانب سے نظر ثانی شدہ 4.2 فیصد کی مجموعی قومی آمدن کے ہدف کے باوجود مالی خسارے میں مزید اضافے کی توقع ہے۔

اسٹیٹ بینک نے اپنی پالیسی ریٹ مئی 2016 سے 5.75 فیصد پر برقرار رکھی ہے اور اپنی حالیہ زری پالیسی رپورٹ میں محدود افراط زر اور بیرونی اکاؤنٹ کے چیلنجز کے باعث مسلسل مستحکم ترقی کا امکان ہے۔ مالی سال 2017 میں 748 ارب روپے اضافے کے ساتھ نجی شعبے کے قرضوں میں بے انتہا اضافہ

ریزرو کی تفصیلات

ملین (روپے)

106,142

15,495

(3)

22

371

15,885

(1,585)

3

(5,134)

(5,134)

(11,850)

110,177

10.56

افتتاحی غیر تخصیص شدہ منافع

بینک کے حصص یافتگان سے قابل منسوب منافع

دیگر مجموعی ذرائع سے حاصل خالص آمدن

پائیدار اثاثوں کے از سر نو تخمینے پر اضافی آمدن۔ محصول کے بعد

بیرون ملک برانچ کی ذیلی طور پر منتقلی سے زرمبادلہ کی موجودگی

مختلف مدوں میں رکھی گئی رقوم

غیر منقولہ ریزرو کی منتقلی

ایسوی ایٹس کے غیر منقولہ فنڈز سے سرمائے کا تعاون

کیش ڈیویڈنڈ۔ فائنل 2016

عبوری کیش ڈیویڈنڈ 2017 کی پہلی سہ ماہی

اختتامی غیر تخصیص شدہ منافع

فی حصص آمدن (روپے)

کیپٹل ریشوز

30 جون 2017 کو کیپٹل ایڈیوکیسی ریشو (CAR) معمولی اضافے سے 12.1 فیصد رہا جس کے ساتھ مجموعی CAR معمولی کمی سے 15.4 فیصد رہا کیونکہ بہتر اندرونی سرمائے کی پیدائش اثاثوں کے خطرات میں اضافے کو روکتی ہے۔ کیپٹل ریشوز بدستور مستحکم ہیں اور مطلوبہ ضروریات سے کافی بلند ہیں۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے اپنے 11 اگست کو ہونے والے اجلاس میں 30 جون 2017 کو اختتام پذیر ہونے والی سہ ماہی کے لئے 3.50 روپے فی شیئر (35 فیصد) کا عبوری کیش ڈیویڈنڈ کا اعلان کیا ہے۔ یہ 31 مارچ 2017 کو اختتام پذیر ہونے والی سہ ماہی پر پہلے سے اعلان کردہ 3.50 روپے فی شیئر (35 فیصد) سے الگ ہے اور اسے ادا بھی کیا جا چکا ہے۔

کریڈٹ ریٹنگز

اس سہ ماہی کے دوران JCR-VIS نے بینک کی طویل المیعاد اور مختصر المیعاد کریڈٹ ریٹنگز AAA / A-1+ کی بااثر تیب و تیش کی جبکہ اسکی ذیلی قرض کے شعبے کی ریٹنگ ابھی AAA کے ساتھ توثیق ہوئی۔ ان ریٹنگز کی بدولت ایچ بی ایل کی آمدن کے متنوع بہاؤ، مستحکم سرمائے کی شرح اور مضبوط لیکوڈ بیٹی پروفاٹل اور منظم انداز کے ساتھ بینک کی اہمیت کی عکاسی ہوتی ہے۔

ہو گیا ہے جو کہ پچھلے سال کے مقابلے میں 67 فیصد زیادہ ہے۔ حوصلہ افزاء بات یہ ہے کہ یہ اضافہ وسیع شعبوں میں براہ راست سرمایہ کاری کے طور پر ہوا ہے۔ بینکنگ سیکٹر میں رواں سال کے آغاز سے اب تک 11 فیصد اضافہ ہوا جبکہ مارکیٹ ڈیپازٹس 7 فیصد بڑھ گئے۔ اضافی سرمایہ، سرمایہ کاری کے نتیجے سے منافع میں مسلسل کمی اور کم ریٹ سے بینکنگ انڈسٹری کے پھیلاؤ میں کمی آئی اور گزشتہ سال کی پہلی ششماہی کے مقابلے میں سال 2017 کی پہلی ششماہی میں 23 بی بی ایس کمی آئی۔

کارکردگی

ایچ بی ایل نے سال 2017 کی پہلی ششماہی میں 15.7 ارب روپے کا بعد از مجموعی ٹیکس منافع حاصل کیا جو سال 2016 کے پہلے چھ ماہ کے مقابلے میں 2 فیصد کم ہے۔ سال 2017 کی پہلی ششماہی میں فی شیئر آمدن 10.56 روپے رہی جو سال 2016 کی پہلی ششماہی میں 10.86 روپے تھی۔ سال 2017 کی پہلی ششماہی میں قبل از ٹیکس منافع 27.7 ارب روپے رہا جو سال 2016 میں اسی مدت کے دوران 28.3 ارب روپے تھا۔

ایچ بی ایل کے ڈیپازٹس 2 کھرب سے تجاوز کرنے کے باعث اسکی بیلنس شیٹ دسمبر 2016 کے مقابلے میں 7.4 فیصد اضافے سے 2.7 کھرب روپے پر پہنچ گئی ہے۔ ملکی ڈیپازٹس کس میں بہتری کا سلسلہ جاری رہا، ملکی کرنٹ اکاؤنٹس دسمبر 2016 میں 34.8 فیصد سے بڑھ کر جون 2017 میں 35.1 فیصد ہو گئے اور ملکی کرنٹ اکاؤنٹ سیولنگ اکاؤنٹ (CASA) گزشتہ سال اسی عرصے کے مقابلے میں 85.5 فیصد سے بڑھ کر 86.5 فیصد ہو گئے۔ ملکی معیشت میں بہتری اور نجی شعبے کے قرضوں کی طلب کے نتیجے میں قرضوں سے حاصل آمدن میں مستحکم اضافہ ہوا جو دسمبر 2016 کے مقابلے میں 11 فیصد اضافے سے 831 ارب روپے ہو گئی۔

سال 2017 کی پہلی ششماہی میں اوسط ملکی قرضے سال 2016 میں اسی عرصے کے مقابلے میں 28 فیصد بڑھ گئے جس کے ساتھ تمام کاروباری شعبوں کی رجسٹریشن بھی بڑھی اور سال 2016 کی پہلی ششماہی کے مقابلے میں سال 2017 کے ابتدائی چھ ماہ میں اوسط ملکی کرنٹ اکاؤنٹس میں 17 فیصد اضافہ ہوا۔ بیلنس شیٹ میں اس طرح کی بہتری کی بدولت انٹرسٹ ریٹ اور قیمت کے درمیان فرق پر پڑنے والے دباؤ میں کمی آئی۔ سرمایہ کاری سے پہنچنے والے فائدوں میں کمی اور قرضوں کی لاگت میں مسابقت کے باعث اس فرق میں کمی جاری رہی۔ اس کے نتیجے میں 30 جون 2017 کو اختتام پذیر ہونے والی ششماہی میں خالص مارک اپ آمدن 41.4 ارب روپے کی سطح پر رہی۔

سال 2017 کی پہلی ششماہی میں نان مارک اپ آمدن سال 2016 کی پہلی ششماہی کے مقابلے میں 14 فیصد زیادہ رہی۔ فیو س اور کمیشنوں سے حاصل آمدن 9 فیصد اضافے سے بڑھ کر 10.2 ارب روپے ہو گئی جس کے ساتھ بینکنگ کے بنیادی لین دین، ایسٹ پیجمنٹ اور ترسیلات زر میں اضافہ رہا۔ پاکستانی ترسیلات زر میں کمی آنے کے باوجود مالی سال 2017 میں ایچ بی ایل کے کاؤنٹرز کے ذریعے رقومات کی فراہمی میں 2.5 فیصد اضافہ ہوا، اس کے نتیجے میں بینک کا مارکیٹ لیڈر شپ شیئر 26.6 فیصد رہا۔ ٹریڈری سے متعلق سرگرمیوں سے حاصل آمدن 21 فیصد اضافے سے 3.9 ارب روپے ہو گئی جبکہ بینک کے شرائط اداروں سے حاصل آمدن 29 فیصد اضافے سے 1.9 ارب روپے ہو گئی۔

انتظامی اخراجات سال 2016 کی پہلی ششماہی کے مقابلے میں 11 فیصد اضافے کے ساتھ فرسٹ ٹائیکرو فنانس بینک (ایف ایم ایف بی) کے مجموعی اثرات شامل ہیں۔ ان اثرات کو الگ کرنے کے ساتھ اخراجات میں اضافہ سنگل ڈیجٹل سہولت دہا، یہاں تک کہ ایچ بی ایل نے اپنے برانڈ، ٹیکنالوجی اور اپنے نظام کو بہتر بنانے کے لئے سرمایہ کاری جاری رکھی۔ مجموعی طور پر نان پرفارمنگ قرضے دسمبر 2016 کی سطح کے مقابلے میں 0.1 ارب روپے تھے اور سال 2017 کے ابتدائی چھ ماہ میں مجموعی غیر متوقع اخراجات سال 2016 کی پہلی ششماہی کے مقابلے میں 19 فیصد کم ہو گئے۔ 30 جون 2017 کو کوریج ریشیو میں مستحکم ہو کر 92.5 فیصد ہو گئی۔

مستقبل کے امکانات

جیسا کہ نئے مالی سال کا آغاز ہو گیا ہے، معیشت نے مختلف شعبوں میں اچھی کارکردگی کا مظاہرہ کیا ہے جسے حالیہ ہی میں موڈی نے پاکستان کی B3 ریٹنگز اور اسٹیل آؤٹ لک کے طور پر توثیق کی ہے۔ افراط زر بدستور ٹھہرنے کا امکان ہے اور اسٹیٹ بینک کے تخمینے کے مطابق مالی سال 2018 میں افراط زر 4.5 فیصد سے 5.5 فیصد رہے گا۔ ملکی طلب اور نجی شعبے کے قرضوں میں اضافے کا رجحان ہے جس میں سی پیک کے پروجیکٹس بھی شامل ہیں۔ ان پروجیکٹس کی بدولت انفراسٹرکچر کی اہم ضروریات پوری ہوں گی اور مختلف رکاوٹوں کا خاتمہ ہوگا۔ حکومت کو توقع ہے کہ مالی سال 2018 میں مجموعی قومی آمدن 6 فیصد ہو جائے گی۔

تاہم بجٹ میں طے شدہ اہداف کی عدم تکمیل اور آئی ایم ایف کے پچھلے پروگرام کے تحت مسلسل اصلاحات کے سبب برآمدات اور بیرونی خطرات سے متعلق تشویش بڑھ رہی ہے۔ ان تشویش کی نشاندہی کا آئی ایم ایف کے حالیہ آرٹیکل سکس کی مشاورت کے اختتام پر بھی ذکر ہے۔ برآمدات میں کمی انتہائی چٹائی سطح پر پہنچی نظر آ رہی ہے، عالمی سطح پر تجارت و ترقی میں مثبت توقع کے ساتھ با معنی تعاون اور درکار سرمایہ کاری میں وقت لگے گا۔ بجٹ کا تجارتی خسارہ اور ٹیکس وصولی کے اہداف بظاہر مثبت نظر آتے ہیں کیونکہ حکومت کی جانب سے انتخابی سال میں اخراجات کنٹرول کرنے کا امکان نہیں ہوتا۔ اصلاحات بر عمل درآمد میں مسلسل عزم کی ضرورت ہے تاکہ پرامید طور پر مجموعی معاشی استحکام آئے اور مالی معاملات کو روانی سے چلانے کا عمل مضبوط کیا جائے۔

بینکنگ سیکٹر کو درپیش مشکلات جاری رہیں گی کیونکہ زری پالیسی میں بہتری سے محدود افراط زر کو مدد ملے گی اور اس کا سکر اوڈ ناگزیر ہے جس کے ساتھ پی آئی بی کی دوسری قسط جولائی 2017 میں پوری ہو رہی ہے۔ سال 2017 کی پہلی ششماہی میں اثاثوں میں بھرپور ترقی کے ساتھ ایچ بی ایل نے ملک کی ترقی میں تعاون اور شرکت کے عزم کا مظاہرہ کیا ہے جس کے پاس متحرک وسائل اور سرمائے کے مناسب ذخائر ہیں۔

اعتراف و ستائش

ہم یہ بات ریکارڈ پر لانا چاہتے ہیں کہ ریگولیٹری اور گورننس کے ضابطے میں مسلسل بہتری کے ذریعے ہم بینکنگ میں استحکام اور مالیاتی شعبے میں ترقی کے لئے اپنے ریگولیٹرز اور حکومت پاکستان بالخصوص وزارت خزانہ، اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی کاوشوں، رہنمائی اور تعاون کو سراہتے ہیں۔

بورڈ اور مینجمنٹ کی جانب سے ہم اس موقع پر اپنے کٹھنر کا شکریہ ادا کرنا چاہیں گے جنہوں نے ہمارے بزنس پر اعتماد کیا اور اپنے شیئر ہولڈرز کے تعاون اور اعتماد کے بھی مشکور ہیں۔ ہم ان کو یہ یقین دہانی کراتے ہیں کہ ہم اعلیٰ معیار اور ایتھ کاروباری انتظام کی مستحکم روایت کو اپنے تمام اقدامات میں برقرار رکھیں گے۔ ہم ایچ بی ایل کی ترقی میں اپنے ملازمین کی کاوشوں کا بھی اعتراف کرتے ہیں اور ان کے عزم و اخلاص کے مشکور ہیں۔

مثنیٰ بورڈ

نعمان کے ڈار

پریذیڈنٹ اور چیف ایگزیکٹو آفیسر

11 اگست، 2017

Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2017

	Note	(Unaudited) June 30, 2017	(Audited) December 31, 2016
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		214,448,349	238,438,283
Balances with other banks		54,864,896	45,959,095
Lendings to financial institutions		50,637,113	34,047,931
Investments	6	1,422,299,429	1,344,404,771
Advances	7	831,007,193	748,466,297
Operating fixed assets	8	49,688,385	36,087,509
Deferred tax asset		-	-
Other assets		70,131,791	59,778,445
		<u>2,693,077,156</u>	<u>2,507,182,331</u>
LIABILITIES			
Bills payable		29,689,951	31,195,900
Borrowings	9	388,002,406	332,822,846
Deposits and other accounts	10	2,002,572,023	1,885,959,026
Subordinated loan		9,996,000	9,998,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		5,214,231	6,090,983
Other liabilities		57,938,640	44,846,706
		<u>2,493,413,251</u>	<u>2,310,913,461</u>
NET ASSETS			
		<u>199,663,905</u>	<u>196,268,870</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		49,773,729	47,958,414
Unappropriated profit		110,177,304	106,142,374
Total equity attributable to the equity holders of the Bank		174,619,558	168,769,313
Non-controlling interest		3,230,465	3,435,710
Surplus on revaluation of assets - net of deferred tax	11	21,813,882	24,063,847
		<u>199,663,905</u>	<u>196,268,870</u>
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial information.

Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2017

	Note	January 01 to June 30, 2017	January 01 to June 30, 2016	April 01 to June 30, 2017	April 01 to June 30, 2016
----- (Rupees in '000) -----					
Mark-up / return / profit / interest earned	13	72,302,748	70,709,613	37,370,623	35,531,501
Mark-up / return / profit / interest expensed	14	30,901,318	29,286,249	16,095,204	14,292,361
Net mark-up / return / profit / interest income		41,401,430	41,423,364	21,275,419	21,239,140
Provision against advances	7.2	564,059	1,209,751	420,749	733,456
Reversal against off-balance sheet obligations		(50,233)	(20,210)	(8,251)	(23,485)
Provision for diminution in the value of investments	6.2	647,664	264,664	427,348	276,180
Bad debts written off directly		-	-	-	-
		1,161,348	1,454,205	839,846	986,151
Net mark-up / return / profit / interest income after provisions		40,240,082	39,969,159	20,435,573	20,252,989
Non mark-up / interest income					
Fee, commission and brokerage income		10,201,162	9,325,634	5,407,682	4,913,381
Dividend income		685,752	630,509	507,785	240,112
Share of profit of associates and joint venture		1,902,826	1,474,884	644,083	738,466
Income from dealing in foreign currencies		1,315,735	736,779	646,101	348,015
Gain on sale of securities - net		1,904,872	1,817,015	629,459	1,456,234
Unrealized (loss) / gain on held-for-trading securities		(23,641)	24,115	20,460	20,709
Other income		447,022	377,086	264,785	69,479
Total non mark-up / interest income		16,433,728	14,386,022	8,120,355	7,786,396
		56,673,810	54,355,181	28,555,928	28,039,385
Non mark-up / interest expense					
Administrative expenses		28,353,537	25,442,727	14,589,868	13,269,394
Other provisions / write offs - net		66,299	58,125	28,774	39,633
Other charges		507	487	406	487
Workers' Welfare Fund		536,291	555,691	272,290	285,052
Total non mark-up / interest expenses		28,956,634	26,057,030	14,891,338	13,594,566
Profit before taxation		27,717,176	28,298,151	13,664,590	14,444,819
Taxation					
- Current		10,242,626	9,790,863	5,330,377	5,159,649
- Prior years		2,072,385	2,318,915	2,072,385	2,318,915
- Deferred		(274,955)	217,053	(335,571)	29,482
		12,040,056	12,326,831	7,067,191	7,508,046
Profit after taxation		15,677,120	15,971,320	6,597,399	6,936,773
Attributable to:					
Equity holders of the Bank		15,494,600	15,924,016	6,462,233	6,901,578
Non-controlling interest		182,520	47,304	135,166	35,195
		15,677,120	15,971,320	6,597,399	6,936,773
----- (Rupees) -----					
Basic and diluted earnings per share		10.56	10.86	4.41	4.71

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial information.

Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2017

	January 01 to June 30, 2017	January 01 to June 30, 2016	April 01 to June 30, 2017	April 01 to June 30, 2016
	------(Rupees in '000)-----			
Profit after taxation for the period attributable to:				
Equity holders of the Bank	15,494,600	15,924,016	6,462,233	6,901,578
Non-controlling interest	182,520	47,304	135,166	35,195
	15,677,120	15,971,320	6,597,399	6,936,773
Other comprehensive income / (loss)				
<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>				
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates attributable to:				
Equity holders of the Bank	601,076	(585,699)	404,695	(400,893)
Non-controlling interest	54,168	(105,875)	40,970	(66,057)
	655,244	(691,574)	445,665	(466,950)
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Reassessment loss on defined benefit obligations - net	(2,544)	-	(2,544)	-
Comprehensive income transferred to equity	16,329,820	15,279,746	7,040,520	6,469,823
Components of comprehensive income / (loss) not reflected in equity				
<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>				
Movement in surplus / (deficit) on revaluation of investments - net of tax attributable to:				
Equity holders of the Bank	(2,328,597)	5,793,412	(928,610)	2,133,700
Non-controlling interest	(16,452)	20,096	(20,303)	6,509
	(2,345,049)	5,813,508	(948,913)	2,140,209
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	-	-	-	-
Transferred from surplus on revaluation of non-banking assets	10,079	262,797	10,079	262,797
	10,079	262,797	10,079	262,797
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	117,093	499,580	117,093	(3,660)
Transferred to surplus on revaluation of operating fixed assets	(10,079)	(262,797)	(10,079)	(262,797)
	107,014	236,783	107,014	(266,457)
Total comprehensive income	14,101,864	21,592,834	6,208,700	8,606,372
Total comprehensive income attributable to:				
Equity holders of the Bank	13,881,628	21,631,309	6,052,867	8,630,725
Non-controlling interest	220,236	(38,475)	155,833	(24,353)
	14,101,864	21,592,834	6,208,700	8,606,372

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial information.

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Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2017

	Attributable to shareholders of the Bank											Non-controlling interest	Total
	Share capital	Exchange translation reserve	Reserves					Revenue		Subtotal			
			Capital		Non-distributable capital reserve	Capital reserve on acquisition of common control entity	General reserve	Unappropriated profit					
			Statutory reserves	Associates, joint venture and subsidiary					Bank				
(Rupees in '000)													
Balance as at December 31, 2015	14,668,525	13,201,447	475,714	26,890,062	547,115	-	6,073,812	96,495,448	158,352,123	1,698,442	160,050,565		
Comprehensive income for the period													
Profit after taxation for the six months ended June 30, 2016	-	-	-	-	-	-	-	15,924,016	15,924,016	47,304	15,971,320		
Other comprehensive income / (loss)													
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(585,699)	-	-	-	-	-	-	(585,699)	(105,875)	(691,574)		
	-	(585,699)	-	-	-	-	-	15,924,016	15,338,317	(58,571)	15,279,746		
Transactions with owners, recorded directly in equity													
Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2015	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)		
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)		
	-	-	-	-	-	-	-	(10,267,968)	(10,267,968)	-	(10,267,968)		
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	18,898	18,898	-	18,898		
Transferred to statutory reserves	-	-	38,920	1,513,334	-	-	-	(1,552,254)	-	-	-		
Non-controlling interest recognised on acquisition of FMFB	-	-	-	-	-	-	-	-	-	1,793,789	1,793,789		
Excess of consideration paid over the net assets of FMFB	-	-	-	-	-	(163,709)	-	-	(163,709)	-	(163,709)		
Capital contribution to statutory funds of associates	-	-	-	-	-	-	-	(11,212)	(11,212)	-	(11,212)		
Balance as at June 30, 2016	14,668,525	12,615,748	514,634	28,403,396	547,115	(163,709)	6,073,812	100,606,928	163,266,449	3,433,660	166,700,109		
Comprehensive income for the period													
Profit after taxation for the six months ended December 31, 2016	-	-	-	-	-	-	-	18,146,129	18,146,129	88,805	18,234,934		
Other comprehensive income / (loss)													
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(1,776,020)	-	-	-	-	-	-	(1,776,020)	(98,988)	(1,875,008)		
- Remeasurement loss on defined benefit obligations- net	-	-	-	-	-	-	-	(624,497)	(624,497)	-	(624,497)		
	-	(1,776,020)	-	-	-	-	-	17,521,632	15,745,612	(10,183)	15,735,429		
Transactions with owners, recorded directly in equity													
2nd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)		
3rd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)		
	-	-	-	-	-	-	-	(10,267,968)	(10,267,968)	-	(10,267,968)		
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	19,195	19,195	-	19,195		
Transferred to statutory reserves	-	-	67,747	1,668,688	-	-	-	(1,736,435)	-	-	-		
Adjustment to non-controlling interest recognised on acquisition of FMFB	-	-	-	-	-	-	-	-	-	12,233	12,233		
Adjustment to consideration paid over the net assets of FMFB	-	-	-	-	-	7,003	-	-	7,003	-	7,003		
Capital contribution to statutory funds of associates	-	-	-	-	-	-	-	(978)	(978)	-	(978)		
Balance as at December 31, 2016	14,668,525	10,839,728	582,381	30,072,084	547,115	(156,706)	6,073,812	106,142,374	168,769,313	3,435,710	172,205,023		
Comprehensive income for the period													
Profit after taxation for the six months ended June 30, 2017	-	-	-	-	-	-	-	15,494,600	15,494,600	182,520	15,677,120		
Other comprehensive income / (loss)													
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	601,076	-	-	-	-	-	-	601,076	54,168	655,244		
- Remeasurement loss on defined benefit obligations- net	-	-	-	-	-	-	-	(2,544)	(2,544)	-	(2,544)		
	-	601,076	-	-	-	-	-	15,492,056	16,093,132	236,888	16,329,820		
Transactions with owners, recorded directly in equity													
Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2016	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)		
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)		
	-	-	-	-	-	-	-	(10,267,968)	(10,267,968)	-	(10,267,968)		
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	22,009	22,009	-	22,009		
Acquisition of additional interest in HABL from minority shareholder	-	-	-	-	-	-	-	-	-	(441,933)	(441,933)		
Transferred to statutory reserves	-	-	85,408	1,499,853	-	-	-	(1,585,261)	-	-	-		
Exchange translation realized on sale of Bank branch to Habibsons Bank	-	(371,022)	-	-	-	-	-	371,022	-	-	-		
Capital contribution from statutory funds of associates	-	-	-	-	-	-	-	3,072	3,072	-	3,072		
Balance as at June 30, 2017	14,668,525	11,069,782	667,789	31,571,937	547,115	(156,706)	6,073,812	110,177,304	174,619,558	3,230,465	177,850,023		

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial information.

Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dhamramshi
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2017

	June 30, 2017	June 30, 2016
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	27,717,176	28,298,151
Dividend income	(685,752)	(630,509)
Share of profit of associates and joint venture	(1,902,826)	(1,474,884)
	<u>(2,588,578)</u>	<u>(2,105,393)</u>
	25,128,598	26,192,758
Adjustment for:		
Depreciation	1,659,196	1,458,509
Amortisation	268,661	215,716
Provision against advances	564,059	1,209,751
Reversal against off-balance sheet obligations	(50,233)	(20,210)
Provision for diminution in the value of investments	647,522	264,664
Other provisions / write offs - net	66,299	58,125
Unrealised loss / (gain) on held-for-trading securities	23,641	(24,115)
Exchange (gain) / loss on Goodwill	(94,592)	170,764
Gain on sale of operating fixed assets - net	(19,763)	(34,919)
Workers' Welfare Fund	536,291	555,691
	<u>3,601,081</u>	<u>3,853,976</u>
	28,729,679	30,046,734
(Increase) / decrease in operating assets		
Lendings to financial institutions	(16,589,182)	3,733,782
Net investments in held-for-trading securities	(77,177,659)	(32,330,987)
Advances	(83,104,955)	(19,655,813)
Other assets	(5,827,631)	(3,467,737)
	<u>(182,699,427)</u>	<u>(51,720,755)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(1,505,949)	8,930,345
Borrowings	55,179,560	(21,291,647)
Deposits and other accounts	116,612,997	130,551,839
Other liabilities	8,703,282	1,600,808
	<u>178,989,890</u>	<u>119,791,345</u>
	25,020,142	98,117,324
Income tax paid	<u>(16,803,105)</u>	<u>(14,570,171)</u>
Net cash flows from operating activities	8,217,037	83,547,153
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(13,092,997)	14,354,664
Net investments in held-to-maturity securities	11,060,590	(82,797,388)
Net investments in associates	(524,537)	(1,051,664)
Dividend income received	706,192	566,470
Net cash outflow on acquisition of PICIC AMC	-	(3,948,939)
Net cash outflow on acquisition of FMFB	-	(596,700)
Fixed capital expenditure	(15,338,825)	(2,701,351)
Proceeds from sale of fixed assets	45,014	41,651
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	601,076	(585,699)
Net cash flows used in investing activities	<u>(16,543,487)</u>	<u>(76,718,956)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of translation of net investment by non-controlling interest in subsidiary	54,168	(105,875)
Repayment of subordinated loan	(2,000)	-
Dividend paid	<u>(6,809,851)</u>	<u>(10,809,561)</u>
Net cash flows used in financing activities	<u>(6,757,683)</u>	<u>(10,915,436)</u>
	(15,084,133)	(4,087,239)
Decrease in cash and cash equivalents during the period		
Cash and cash equivalents at the beginning of the period	282,040,075	209,770,150
Effect of exchange rate changes on cash and cash equivalents	<u>2,357,303</u>	<u>(2,049,401)</u>
	284,397,378	207,720,749
Cash and cash equivalents at the end of the period	<u>269,313,245</u>	<u>203,633,510</u>

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial information.

Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months ended June 30, 2017

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th 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 the Pakistan Stock Exchange. The Bank operates 1,687 (December 31, 2016: 1,677) branches inside Pakistan including 46 (December 31, 2016: 45) Islamic Banking Branches and 54 (December 31, 2016: 54) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 During the period, the Bank has purchased 678,750 ordinary shares of Habib Allied Holding Limited (HAHL) from a minority shareholder. Consequently, the shareholding of the Bank in HAHL has increased from 89.40% to 90.50%.
- 1.2 During the period, the Bank has sold its operations and business in Paris to Habibsons Bank, a subsidiary of HAHL.
- 1.3 During the period, the Bank has entered into an agreement dated March 21, 2017 with Diamond Trust Bank Kenya Limited (DTBKL), an associated company, to transfer / sell the business, assets and liabilities of the Bank's Kenya branches to DTBKL. In consideration, the Bank will receive additional shareholding in DTBKL.

1.4 Authorised Capital

During the period, the authorised capital of the Bank was reduced from Rs. 30 billion to Rs. 29 billion divided into 2.9 billion ordinary shares of Rs. 10 each.

1.5 Business Combinations

Acquisition of PICIC Asset Management Company Limited (PICIC AMC)

In 2016, HBL Asset Management Limited (HBL AML), the Group's wholly owned subsidiary, had purchased 100% of the shares of PICIC AMC for a consideration of Rs. 4.063 billion. Subsequent to the acquisition, the Group incorporated the balances relating to PICIC AMC at their carrying values as at the close of business on March 2, 2016.

In accordance with the requirements of IFRS 3, Business Combinations, the Group had initially recognised Goodwill of Rs. 2.723 billion, representing the excess of the consideration paid over the carrying values of the net identifiable tangible assets acquired. Subsequently, the Group has conducted a valuation exercise and has identified Management Rights as an intangible asset separate from Goodwill. The Management Rights have been valued at Rs. 2.368 billion and the remaining amount of Rs. 355 million, representing the excess of consideration paid over the carrying values of the net identifiable assets acquired, has been recognised as Goodwill. The Group also concluded that the fair values of the remaining acquired assets and liabilities were not different from their carrying values at the time of acquisition and therefore no fair value adjustment is required to these assets.

2 STATEMENT OF COMPLIANCE

This condensed interim consolidated financial information has been prepared in accordance with the accounting framework as disclosed in the annual consolidated financial statements for the year ended December 31, 2016. The disclosures made in this condensed interim consolidated financial information 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. This condensed interim consolidated financial information does not include all the disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

The Companies Ordinance, 1984 has been repealed as a result of the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular no. 17 of 2017, dated July 20, 2017, this condensed interim consolidated financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed interim consolidated financial information are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2016.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of this condensed interim consolidated financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2016.

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, 2016.

INVESTMENTS

	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
(Rupees in '000)						
Investments by type						
Held-for-trading (HFT)						
<i>Federal Government securities</i>						
- Market Treasury Bills	109,735,339	-	109,735,339	32,635,003	-	32,635,003
- Pakistan Investment Bonds	5,711,262	-	5,711,262	8,174,573	-	8,174,573
- Sukuks	2,000,000	-	2,000,000	-	-	-
<i>Fully paid-up ordinary shares</i>						
- Listed companies	370,499	-	370,499	131,436	-	131,436
<i>Overseas Government securities</i>	666,018	-	666,018	376,504	-	376,504
	118,483,118	-	118,483,118	41,317,516	-	41,317,516
Held-to-maturity (HTM)						
<i>Federal Government securities</i>						
- Market Treasury Bills	165,797	-	165,797	29,295,870	-	29,295,870
- Pakistan Investment Bonds	183,982,593	-	183,982,593	173,180,878	-	173,180,878
- Government of Pakistan US Dollar Bonds	1,020,852	-	1,020,852	1,670,392	-	1,670,392
<i>Debentures and corporate debt instruments</i>						
- Listed	10,964,618	-	10,964,618	12,877,180	-	12,877,180
- Unlisted	19,302,707	-	19,302,707	12,449,379	-	12,449,379
<i>Overseas Government securities</i>	29,936,363	-	29,936,363	26,959,821	-	26,959,821
	245,372,930	-	245,372,930	256,433,520	-	256,433,520
Available-for-sale (AFS)						
<i>Federal Government securities</i>						
- Market Treasury Bills	201,032,844	178,380,483	379,413,327	261,883,530	180,967,213	442,850,743
- Pakistan Investment Bonds	359,486,073	100,169,825	459,655,898	326,030,937	58,708,656	384,739,593
- Government of Pakistan US Dollar Bonds	21,900,982	-	21,900,982	22,197,008	-	22,197,008
- Sukuks	83,310,347	-	83,310,347	77,911,455	-	77,911,455
<i>Fully paid-up ordinary shares</i>						
- Listed companies	19,479,451	-	19,479,451	16,876,992	-	16,876,992
- Unlisted companies	2,376,016	-	2,376,016	2,251,466	-	2,251,466
<i>Debentures and corporate debt instruments</i>						
- Listed	30,303,776	6,577,592	36,881,368	41,380,251	-	41,380,251
- Unlisted	11,159,679	-	11,159,679	12,747,798	-	12,747,798
<i>Overseas Government securities</i>	6,407,990	-	6,407,990	5,337,240	-	5,337,240
<i>NIT units</i>	11,113	-	11,113	11,113	-	11,113
<i>Real Estate Investment Trust units</i>	272,162	-	272,162	396,000	-	396,000
<i>Preference shares</i>	100,000	-	100,000	100,000	-	100,000
	735,840,433	285,127,900	1,020,968,333	767,123,790	239,675,869	1,006,799,659
Investment in associates and joint venture	23,929,787	-	23,929,787	22,559,484	-	22,559,484
	1,123,626,268	285,127,900	1,408,754,168	1,087,434,310	239,675,869	1,327,110,179
Provision for diminution in the value of investments	(1,669,708)	-	(1,669,708)	(866,152)	-	(866,152)
	1,121,956,560	285,127,900	1,407,084,460	1,086,568,158	239,675,869	1,326,244,027
Deficit on revaluation of held-for-trading securities	(23,641)	-	(23,641)	(12,057)	-	(12,057)
Surplus on revaluation of available-for-sale securities	14,027,204	516,731	14,543,935	12,633,945	4,412,998	17,046,943
Surplus on revaluation of investments of associates	694,675	-	694,675	1,125,858	-	1,125,858
Total investments (net of provision)	<u>1,136,654,798</u>	<u>285,644,631</u>	<u>1,422,299,429</u>	<u>1,100,315,904</u>	<u>244,088,867</u>	<u>1,344,404,771</u>

6.1 Securities classified as held-to-maturity had a market value of Rs. 250,646.714 million as at June 30, 2017 (December 31, 2016: Rs.261,991.234 million).

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

	(Unaudited) June 30, 2017 (Rupees in '000)	(Audited) December 31, 2016
Opening balance	866,152	617,536
Charge for the period / year	811,103	289,986
Reversal for the period / year	(163,581)	(21,999)
Reversal on disposal during the period / year	-	(19,371)
Net charge for the period / year	647,522	248,616
Recoveries against write off	156,034	-
Closing balance	<u>1,669,708</u>	<u>866,152</u>

6.3 This condensed interim consolidated financial information includes the results of the following associates and joint venture for the periods listed:

	Based on the financial information as at	
Diamond Trust Bank Kenya Limited	March 31, 2017	
Himalayan Bank Limited, Nepal	April 13, 2017	
Kyrgyz Investment and Credit Bank	June 30, 2017	
Jubilee General Insurance Company Limited	March 31, 2017	
Jubilee Life Insurance Company Limited	March 31, 2017	
HBL Cash Fund (formerly PICIC Cash Fund)	June 30, 2017	
HBL Energy Fund (formerly PICIC Energy Fund)	June 30, 2017	
HBL Equity Fund (formerly PICIC Stock Fund)	June 30, 2017	
HBL Government Securities Fund (formerly PICIC Income Fund)	June 30, 2017	
HBL Income Fund	June 30, 2017	
HBL Islamic Asset Allocation Fund	June 30, 2017	
HBL Islamic equity Fund (formerly PICIC Islamic Stock Fund)	June 30, 2017	
HBL Islamic Money Market Fund	June 30, 2017	
HBL Islamic Pension Fund - Debt Sub Fund	June 30, 2017	
HBL Islamic Pension Fund - Equity Sub Fund	June 30, 2017	
HBL Islamic Pension Fund - Money Market Sub Fund	June 30, 2017	
HBL Islamic Stock Fund	June 30, 2017	
HBL Money Market Fund	June 30, 2017	
HBL Multi Asset Fund	June 30, 2017	
HBL Pension Fund - Debt Sub Fund	June 30, 2017	
HBL Pension Fund - Equity Sub Fund	June 30, 2017	
HBL Pension Fund - Money Market Sub Fund	June 30, 2017	
HBL Stock Fund	June 30, 2017	
PICIC Investment Fund	June 30, 2017	

7 ADVANCES

Loans, cash credits, running finances, etc.

- In Pakistan	596,669,454	563,574,263
- Outside Pakistan	141,958,890	119,767,792
	<u>738,628,344</u>	<u>683,342,055</u>

Net investment in finance lease - in Pakistan 17,140,706 16,571,941

Islamic financing and related assets 18.1.1 51,140,867 32,077,220

Bills discounted and purchased

- Payable in Pakistan	23,533,623	16,985,715
- Payable outside Pakistan	70,240,941	68,273,107
	<u>93,774,564</u>	<u>85,258,822</u>
	<u>900,684,481</u>	<u>817,250,038</u>

Advances - gross

Provision against advances

- Specific	(65,649,106)	(65,160,197)
- General	(4,028,182)	(3,623,544)
	<u>(69,677,288)</u>	<u>(68,783,741)</u>
Advances - net of provision	<u>831,007,193</u>	<u>748,466,297</u>

- 7.1 Advances include Rs. 75,351.525 million (December 31, 2016: Rs. 75,446.933 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2017 (Unaudited)								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	1,680,773	33,092	1,713,865	-	-	-	1,680,773	33,092	1,713,865
Substandard	3,446,839	1,319,319	4,766,158	1,203,125	306,169	1,509,294	2,243,714	1,013,150	3,256,864
Doubtful	1,218,490	869,425	2,087,915	609,038	425,442	1,034,480	609,452	443,983	1,053,435
Loss	46,715,878	20,067,709	66,783,587	45,579,580	17,525,752	63,105,332	1,136,298	2,541,957	3,678,255
	53,061,980	22,289,545	75,351,525	47,391,743	18,257,363	65,649,106	5,670,237	4,032,182	9,702,419

Category of classification	December 31, 2016 (Audited)								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	832,359	121,924	954,283	-	-	-	832,359	121,924	954,283
Substandard	3,727,408	2,144,077	5,871,485	1,167,771	525,154	1,692,925	2,559,637	1,618,923	4,178,560
Doubtful	1,188,100	1,816,104	3,004,204	593,638	899,833	1,493,471	594,462	916,271	1,510,733
Loss	46,751,300	18,865,661	65,616,961	45,614,113	16,359,688	61,973,801	1,137,187	2,505,973	3,643,160
	52,499,167	22,947,766	75,446,933	47,375,522	17,784,675	65,160,197	5,123,645	5,163,091	10,286,736

- 7.1.1 Exposure amounting to Rs. 3,390 million relating to Power Holding (Private) Limited, 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 has been suspended on this amount and is only recognized when received.

7.2 Particulars of provision against advances

	Note	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		65,160,197	3,623,544	68,783,741	65,881,113	3,298,099	69,179,212
Exchange Adjustment		203,618	17,821	221,439	(815,785)	(38,618)	(854,403)
Charge for the period / year		2,235,965	372,126	2,608,091	5,039,092	449,178	5,488,270
Reversal for the period / year		(2,022,010)	(22,022)	(2,044,032)	(4,829,119)	(167,996)	(4,997,115)
Net charge against advances for the period / year		213,955	350,104	564,059	209,973	281,182	491,155
Charged off during the period / year	7.4	(121,005)	-	(121,005)	(526,238)	-	(526,238)
Written off during the period / year		(103,087)	-	(103,087)	(262,906)	-	(262,906)
Transfer in on acquisition of FMFB		-	-	-	21,601	91,399	113,000
Transfer from / (to) other liabilities		-	-	-	173,486	(8,518)	164,968
Recoveries against write off		248,699	-	248,699	457,833	-	457,833
Other movements		46,729	36,713	83,442	21,120	-	21,120
Closing balance		65,649,106	4,028,182	69,677,288	65,160,197	3,623,544	68,783,741

- 7.3 General provision represents provision amounting to Rs. 1,744.444 million (December 31, 2016: Rs. 1,655.911 million) against consumer finance portfolio, Rs. 127.751 million (December 31, 2016: Rs. 126.699 million) against advances to small enterprises and Rs. 98.755 million (December 31, 2016: Rs. 75.186 million) against advances to microenterprises. General provision also includes Rs. 2,057.232 million (December 31, 2016: Rs. 1,765.748 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.
- 7.4 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

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

	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	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)	2,969,700	3,204,790	370,050	2,876,769	2,881,595	651,410
- in respect of Key Management Personnel	61,000	63,360	44,860	25,331	59,100	-
Debts due by companies or firms in which the Directors of the Group are interested as directors, partners, advisors or in the case of private companies as members	12,180,409	15,912,639	-	11,252,430	12,151,641	6,678,160

* These represent staff advances given by the Group to its Executives as per their terms of employment.

** This is the maximum amount outstanding at any month end during the period / year.

	Note	(Unaudited) June 30, 2017 (Rupees in '000)	(Audited) December 31, 2016
8 OPERATING FIXED ASSETS			
Capital work-in-progress		15,451,373	1,591,940
Tangible fixed assets		28,894,603	29,171,973
Intangible assets			
- Computer software		937,892	1,013,671
- Management Rights		2,367,577	-
- Goodwill	8.1	2,036,940	4,309,925
		<u>49,688,385</u>	<u>36,087,509</u>
8.1 Goodwill arising on acquisition of			
- Habibsons Bank Limited		1,681,433	1,586,841
- PICIC Asset Management Company Limited	8.1.1	355,507	2,723,084
		<u>2,036,940</u>	<u>4,309,925</u>

8.1.1 As more fully described in note 1.5 of this condensed interim consolidated financial information, during the period an amount of Rs. 2.368 billion has been separately recognised as Management Rights out of the total amount of Rs. 2.723 billion initially recognised as Goodwill on acquisition of PICIC AMC.

8.2 Additions to operating fixed assets

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

Capital work-in-progress

8.2.1 13,859,434 293,965

Tangible fixed assets

Land	-	802,125
Building	190,879	118,205
Machinery	-	13,434
Furniture, fixtures and office equipment	1,068,155	1,047,352
Leasehold Improvements	93,390	266,236
Vehicles	30,319	23,885
	<u>1,382,743</u>	<u>2,271,237</u>

Intangible assets

Computer software	192,325	303,669
Management Rights	2,367,577	-
Goodwill	<u>(2,367,577)</u>	<u>2,723,084</u>
	<u>192,325</u>	<u>3,026,753</u>
	<u>15,434,502</u>	<u>5,591,955</u>

8.2.1 This includes Rs. 13,451.251 million on account of acquisition of a new office building in Karachi.

8.3 Disposal of operating fixed assets

The cost of operating fixed assets disposed off during the period is as follows:

Tangible fixed assets

Furniture, fixtures and office equipment	124,900	378,237
Leasehold Improvements	18,884	47,126
Vehicles	50,198	20,498
	<u>193,982</u>	<u>445,861</u>

9 BORROWINGS

Secured

Borrowings from the SBP under

- Export refinance scheme
- Long term financing facility
- Refinance facility for modernization of SMEs

Repurchase agreement borrowings

Unsecured

- Call money borrowings
- Overdrawn nostro accounts
- Borrowings of overseas branches and subsidiaries
- Other long-term borrowings

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
	21,621,994	21,592,306
	6,273,789	5,250,535
	<u>12,500</u>	<u>13,500</u>
	27,908,283	26,856,341
	<u>285,127,899</u>	<u>243,753,648</u>
	<u>313,036,182</u>	<u>270,609,989</u>
	16,207,500	19,172,398
	1,691,900	7,463,769
	20,367,924	19,886,915
	<u>36,698,900</u>	<u>15,689,775</u>
	74,966,224	62,212,857
	<u>388,002,406</u>	<u>332,822,846</u>

9.1 This includes a loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2016: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5% is payable bi-annually from June 2015.

This also includes a loan from the China Development Bank amounting to US\$ 200 million. The principal amount is payable in six installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi annually.

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts - non-remunerative
Savings accounts
Fixed deposits

Note	(Unaudited) June 30, 2017	(Audited) December 31, 2016
	(Rupees in '000)	

727,941,153	680,376,925
897,259,618	847,295,058
337,147,591	330,430,571
<u>1,962,348,362</u>	<u>1,858,102,554</u>

Financial institutions

Current accounts - non-remunerative
Savings accounts
Fixed deposits

13,778,533	17,204,132
25,315,128	7,722,340
1,130,000	2,930,000
40,223,661	27,856,472
<u>2,002,572,023</u>	<u>1,885,959,026</u>

11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Surplus arising on revaluation of assets - net of deferred tax, on

- Operating fixed assets, attributable to

- Equity holders
- Non-controlling interest

11,115,239	11,126,558
2,439	2,965
<u>11,117,678</u>	<u>11,129,523</u>

- Investments, attributable to

- Equity holders
- Non-controlling interest

9,911,373	12,239,970
(6,276)	10,176

- Non-banking assets acquired in satisfaction of claims

9,905,097	12,250,146
791,107	684,178
<u>21,813,882</u>	<u>24,063,847</u>

11.1 Surplus on revaluation of operating fixed assets

Surplus as at the beginning of the period / year

Surplus recognized during the period / year

Transferred from surplus on revaluation of non-banking assets

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

Related deferred tax asset on incremental depreciation charged during the period / year

11,680,869	11,474,665
-	1,772
15,504	262,797
(21,924)	(37,937)
<u>(11,804)</u>	<u>(20,428)</u>
11,662,645	11,680,869

Less: related deferred tax liability on

- Revaluation as at the beginning of the period / year

- Amount transferred from surplus on revaluation of non-banking assets

- Incremental depreciation charged during the period / year

551,346	571,774
5,425	-
<u>(11,804)</u>	<u>(20,428)</u>
544,967	551,346
<u>11,117,678</u>	<u>11,129,523</u>

11.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills

Pakistan Investment Bonds

Government of Pakistan US Dollar Bonds

Government of Pakistan Sukuku

Listed equity securities

NIT units

Real Estate Investment Trust units

Overseas Government securities

Other debt instruments

(64,615)	(79,920)
11,740,329	11,777,817
1,110,834	1,089,485
1,438,724	1,691,234
248,972	2,471,333
47,459	47,715
20,536	(4,680)
5,685	(1,635)
<u>(3,989)</u>	<u>55,594</u>

Related deferred tax liability

Surplus on revaluation of investments of associates

Related deferred tax (liability) / asset

14,543,935	17,046,943
<u>(5,090,377)</u>	<u>(5,934,049)</u>
9,453,558	11,112,894
694,675	1,125,858
<u>(243,136)</u>	<u>11,394</u>
451,539	1,137,252
<u>9,905,097</u>	<u>12,250,146</u>

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
	(Rupees in '000)	
11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus as at the beginning of the period / year	690,381	-
Surplus recognised during the period / year	117,093	953,418
Transferred to surplus on revaluation of operating fixed assets	(15,504)	(262,797)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(85)	(156)
Related deferred tax liability on incremental depreciation charged during the period / year	(45)	(84)
	<u>791,840</u>	<u>690,381</u>
Less: related deferred tax liability on		
- Revaluation as at the beginning of the period / year	6,203	-
- Revaluation recognised during the period / year	-	6,287
- Amount transferred to surplus on revaluation of operating fixed assets	(5,425)	-
- Incremental depreciation charged during the period / year	(45)	(84)
	<u>733</u>	<u>6,203</u>
	<u>791,107</u>	<u>684,178</u>
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of		
- Government	278,727	275,473
- Financial institutions	295,000	295,000
- Others	28,893,068	38,031,430
	<u>29,466,795</u>	<u>38,601,903</u>
12.2 Transaction-related contingent liabilities		
Guarantees in favour of		
- Government	273,440	683,908
- Financial institutions	1,850,337	1,604,150
- Others	114,350,532	105,514,189
	<u>116,474,309</u>	<u>107,802,247</u>
12.3 Trade-related contingent liabilities		
Letters of credit in favour of		
- Government	68,312,424	62,799,738
- Financial institutions	341	2,734,895
- Others	92,210,705	90,281,441
	<u>160,523,470</u>	<u>155,816,074</u>
12.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>33,050,130</u>	<u>32,775,298</u>
These mainly represent claims filed by former employees of the Group, counter claims by borrowers for damages and other relief and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Group's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in this condensed interim consolidated financial information.		
12.5 Commitments to extend credit		
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.		

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	152,591,432	163,676,454
Sale	152,259,288	165,257,735
12.7 Commitments in respect of forward Government Securities transactions		
Purchase	16,634,736	18,815,026
Sale	2,064,121	9,067,465
12.8 Commitments in respect of derivatives		
Foreign currency options		
Purchase	-	216,840
Sale	-	216,840
Cross currency swaps		
Purchase	10,645,272	1,084,128
Sale	10,520,159	1,096,192
Interest rate swaps		
Purchase	-	34,866
Sale	9,107,547	5,218,200
12.9 Commitments for capital expenditure	2,156,288	824,776
12.10 Taxation		

The income tax return of the Bank has been submitted up to the accounting year 2015 and the audit has also been concluded by the tax authorities under section 122(5A) of the Income Tax Ordinance, 2001.

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

13 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	(Unaudited) For the six months ended	
	June 30, 2017	June 30, 2016
	(Rupees in '000)	
On advances to		
- Customers	27,836,843	23,449,093
- Financial institutions	994	716
	27,837,837	23,449,809
On investments in		
- Held-for-trading securities	2,904,364	1,492,004
- Held-to-maturity securities	7,744,553	9,546,290
- Available-for-sale securities	32,794,762	35,496,850
	43,443,679	46,535,144
On deposits with financial institutions	563,121	362,340
On lendings to financial institutions	458,111	362,320
	72,302,748	70,709,613

14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

		(Unaudited)	
		For the six months ended	
		June 30, 2017	June 30, 2016
		(Rupees in '000)	
On deposits		21,788,924	19,440,361
On securities sold under repurchase agreement borrowings		7,270,523	8,064,411
On other short term borrowings		899,462	918,041
On long term borrowings		942,409	863,436
		<u>30,901,318</u>	<u>29,286,249</u>

15 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its associated undertakings, joint venture company, Group entities, employee benefit schemes of the Group, members of the Key Management Personnel of the Group and its Directors.

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

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

Details of transactions and balances with related parties as at the period / year end, other than those disclosed elsewhere in this condensed interim consolidated financial information, are as follows:

	As at June 30, 2017 (Unaudited)			
	Group Entities	Associates	Joint venture	Other related parties
	----- Rs. in 000 -----			
Statement of financial position				
Deposits	8,700,248	4,580,776	22,676	364,747
Maximum deposits during the period	9,633,008	5,401,319	63,856	518,909
Borrowings	1,189,553	-	1,782,518	-
Investments	-	22,391,672	2,232,790	-
Nostro balances	624,868	-	-	-
Mark-up receivable	37,322	43,056	-	-
Other receivable	-	98,361	128,468	1,529
Mark-up payable	46,523	1,756	1,114	164
Other payable	-	280,590	-	200,844
Others				
Other contingencies	2,297,069	2,157,782	-	-
Securities held as custodian	16,361,000	27,452,905	-	6,746,095
	For the six months ended June 30, 2017 (Unaudited)			
	Group Entities	Associates	Joint venture	Other related parties
	----- Rs. in 000 -----			
Profit and Loss Account				
Mark-up income	126,452	43,227	-	12,720
Share of profit	-	1,589,732	313,094	-
Fee and commission income	-	1,333,752	-	-
Mark-up expense	95,593	88,876	2,992	7,155
Other expense	821	481,504	-	466,514

Statement of financial position

Deposits
Maximum deposits during the year

Borrowings
Investments
Nostro balances
Advances
Mark-up receivable
Other receivable
Mark-up payable
Other payable

Others

Other contingencies
Securities held as custodian

As at December 31, 2016 (Audited)			
Group Entities	Associates	Joint venture	Other related parties
----- Rs. in 000 -----			
6,620,343	5,801,458	48,893	426,558
9,593,529	6,378,540	217,386	591,097
1,114,878	-	1,202,883	-
-	21,768,890	1,916,452	-
115,914	365,426	-	-
15,947	2,269	-	1,251,229
-	207,923	-	20,289
10,305	2,297	128,468	-
-	217,937	5,837	13
		-	497,066
277,530	989,112	-	-
15,537,400	34,717,265	-	4,398,055

For the six months ended June 30, 2016 (Unaudited)

	Group Entities	Associates	Joint venture	Other related parties
	Rs. in 000			
Mark-up income	22,883	4,153	-	-
Share of profit	-	1,195,744	279,140	-
Fee and commission income	-	1,211,707	-	-
Mark-up expense	27,207	43,916	7,630	2,348
Other expense	-	349,466	-	394,782

15.1 Key Management Personnel

Key Management Personnel includes the President / Chief Executive Officer, direct reports to the President, and Chief Executives of the Bank's subsidiaries.

Managerial remuneration (including allowances)
Contribution to provident and benevolent fund
Medical

(Unaudited)	
For the six months ended	
June 30, 2017	June 30, 2016
----- (Rupees in '000) -----	
444,128	408,919
8,175	8,434
11,720	12,618
464,023	429,971

Number of persons

26	24
----	----

15.2 Non-Executive Directors' fees

22,000	18,000
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16 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, other than investments in associates and joint ventures, are estimated using the break-up value of the investee company.

The fair value of unquoted debt securities, fixed term advances, other assets and other liabilities can not be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances and deposits, are frequently repriced.

Fair Value Measurement

The following table provides the fair value measurement hierarchy of those of the Group's assets and liabilities that are recognised at fair value in this condensed interim consolidated financial information:

	As at June 30, 2017 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Items carried at Fair Value				
Financial assets and liabilities				
- Fully paid-up ordinary shares	18,811,720	-	-	18,811,720
- Real Estate Investment Trust units	292,698	-	-	292,698
- NIT units	-	58,572	-	58,572
- Federal Government securities	-	1,075,961,798	-	1,075,961,798
- Overseas Government securities	-	7,073,056	-	7,073,056
- Debentures and corporate debt instruments	-	40,630,212	-	40,630,212
- Unrealised gain on forward foreign exchange contracts	-	1,120,451	-	1,120,451
- Unrealised gain on derivative instruments	-	180,145	-	180,145
- Unrealised loss on forward foreign exchange contracts	-	337,238	-	337,238
- Unrealised loss on derivative instruments	-	4,768	-	4,768
Non-financial assets				
- Operating fixed assets	-	-	22,267,812	22,267,812
- Non-banking assets acquired in satisfaction of claims	-	-	2,260,093	2,260,093
Items for which Fair Value is disclosed				
- Federal Government securities	-	191,772,589	-	191,772,589
- Overseas Government securities	-	29,440,139	-	29,440,139
- Debentures and corporate debt instruments	-	29,433,987	-	29,433,987
	19,104,418	1,376,012,955	24,527,905	1,419,645,278

	As at December 31, 2016 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Items carried at Fair Value				
Financial assets and liabilities				
- Fully paid-up ordinary shares	19,023,342	-	-	19,023,342
- Real Estate Investment Trust units	391,320	-	-	391,320
- NIT units	-	58,828	-	58,828
- Federal Government securities	-	982,983,784	-	982,983,784
- Overseas Government securities	-	5,699,113	-	5,699,113
- Debentures and corporate debt instruments	-	45,493,189	-	45,493,189
- Unrealised gain on forward foreign exchange contracts	-	268,141	-	268,141
- Unrealised gain on derivative instruments	-	115,903	-	115,903
- Unrealised loss on forward foreign exchange contracts	-	1,302,366	-	1,302,366
- Unrealised loss on derivative instruments	-	10,804	-	10,804
Non-financial assets				
- Operating fixed assets	-	-	22,027,981	22,027,981
- Non-banking assets acquired in satisfaction of claims	-	-	2,383,392	2,383,392
Items for which Fair Value is disclosed				
- Federal Government securities	-	208,244,009	-	208,244,009
- Overseas Government securities	-	27,082,536	-	27,082,536
- Debentures and corporate debt instruments	-	26,664,689	-	26,664,689
	19,414,662	1,297,923,362	24,411,373	1,341,749,397

All assets and liabilities for which fair value is measured or disclosed in this condensed interim consolidated financial information are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Valuation techniques used in determination of fair values within level 2 and level 3

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Debentures and corporate debt instruments	Investment in debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in debt securities in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Units of mutual funds	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
Overseas Government securities	The fair values of overseas Government securities are determined on the basis of rates taken from Reuters / Bloomberg.
Derivatives	The Group enters into derivatives contracts with various counterparties. Derivatives that are valued using valuation techniques with market observable inputs are mainly interest rate swaps, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in this condensed consolidated interim financial information.

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2017 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others
	------(Rupees in million)-----					
Net mark-up income - external	(3,899)	9,001	30,958	4,653	(103)	791
Inter-segment revenue / (expense) - net	27,716	(6,019)	(23,617)	-	-	1,920
Non-funded income	6,224	1,404	2,637	2,648	472	3,049
Total income	30,041	4,386	9,978	7,301	369	5,760
Total expenses including provision	12,646	(213)	1,073	6,747	213	9,652
Inter-segment administrative cost	6,066	885	172	635	-	(7,758)
Total expenses including provision	18,712	672	1,245	7,382	213	1,894
Profit before tax	11,329	3,714	8,733	(81)	156	3,866
Segment return on assets %	0.88%	1.06%	0.80%	-0.02%	5.14%	1.68%
Segment cost of funds %	2.65%	4.83%	5.04%	1.09%	5.13%	0.52%

As at June 30, 2017 (Unaudited)						
Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	Total
----- (Rupees in million) -----						
438,006	459,068	1,313,416	444,571	3,639	106,272	2,764,972
8,759	44,026	-	22,290	-	277	75,352
7,579	41,982	1,086	20,530	-	718	71,895
1,071,117	(147,798)	(998,450)	(10,370)	(2,667)	88,168	-
1,501,544	269,288	313,880	413,671	972	193,722	2,693,077

	For the six months ended June 30, 2016 (Unaudited)						Total
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	
Net mark-up income - external	(4,416)	8,383	32,642	4,782	(111)	143	41,423
Inter-segment revenue / (expense) - net	25,394	(5,607)	(22,130)	-	-	2,343	-
Non-funded income	5,522	1,609	2,106	2,440	438	2,271	14,386
Total income	26,500	4,385	12,618	7,222	327	4,757	55,809
Total expenses including provision	11,758	(199)	442	6,859	252	8,399	27,511
Inter-segment administrative cost	5,785	849	165	606	-	(7,405)	-
Total expenses including provision	17,543	650	607	7,465	252	994	27,511
Profit before tax	8,957	3,735	12,011	(243)	75	3,763	28,298
Segment return on assets %	0.80%	1.37%	1.14%	-0.07%	0.46%	1.85%	-
Segment cost of funds %	2.86%	5.28%	5.22%	0.96%	4.13%	0.22%	-

	As at December 31, 2016 (Audited)						
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	Total
	(Rupees in million)						
Segment assets (gross of provision)	400,558	417,371	1,237,983	437,408	4,412	79,638	2,577,370
Segment non-performing advances	7,363	44,923	-	22,948	-	213	75,447
Segment provision held including general provision	7,224	42,272	285	19,805	-	602	70,188
Inter-segment assets / (liabilities)	1,028,724	(145,871)	(931,818)	(14,794)	(2,564)	66,323	-
Segment liabilities and equity	1,422,058	229,228	305,880	402,809	1,848	145,359	2,507,182

18 ISLAMIC BANKING BUSINESS

18.1 Statement of financial position

ASSETS

	Note	(Unaudited) June 30, 2017	(Audited) December 31, 2016
(Rupees in '000)			
Cash and balances with treasury banks		8,578,664	6,183,359
Due from financial institutions		1,614,839	7,458,102
Investments		105,713,465	96,574,596
Islamic financing and related assets	18.1.1	51,031,613	31,972,463
Due from Head Office		3,082,058	-
Other assets		1,404,918	499,088
		<u>171,425,557</u>	<u>142,687,608</u>

LIABILITIES

Bills payable		6,028	4,575
Due to financial institutions		11,927,000	5,754,000
Deposits and other accounts	18.1.2	149,344,978	124,292,123
Due to Head Office		-	3,815,481
Deferred tax liability		503,232	546,132
Other liabilities		997,837	969,169
		<u>162,779,075</u>	<u>135,381,480</u>

NET ASSETS

<u>8,646,482</u>	<u>7,306,128</u>
------------------	------------------

REPRESENTED BY

Islamic Banking Fund	250,000	250,000
Unappropriated profit	<u>7,461,909</u>	<u>6,041,883</u>
	7,711,909	6,291,883
Surplus on revaluation of investments - net of deferred tax	<u>934,573</u>	<u>1,014,245</u>
	<u>8,646,482</u>	<u>7,306,128</u>

Commitments in respect of guarantees and letters of credit of the Islamic Banking Business amounted to Rs. 287.792 million (December 31, 2016: Rs. 281.916 million) and Rs. 3,352.220 million (December 31, 2016: Rs. 382.059 million) respectively. Commitments in respect of forward purchase and sale transactions amounted to Rs. 2,900.074 million (December 31, 2016: Rs. 3,227.835 million) and Rs. 2,907.633 million (December 31, 2016: Rs. 860.338 million) respectively.

18.1.1 Islamic financing and related assets - net

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
(Rupees in '000)		
Ijarah	1,153,580	852,607
Murabaha	1,424,921	187,072
Diminishing Musharaka	25,144,035	21,211,872
Wakala	10,000,000	-
Istisnah	215,556	439,155
Advance for Ijarah	423,887	172,049
Advance for Murabaha	8,068,120	3,714,525
Advance for Diminishing Musharaka	217,120	98,006
Advance for Istisnah	1,025,175	3,949,781
Assets / Inventories	<u>3,468,473</u>	<u>1,452,153</u>
Islamic financing and related assets - gross	51,140,867	32,077,220
Provision against financings	<u>(109,254)</u>	<u>(104,757)</u>
Islamic financing and related assets - net	<u>51,031,613</u>	<u>31,972,463</u>

18.1.2 Deposits and other accounts

Current accounts	40,251,330	34,805,992
Savings accounts	87,404,445	67,581,654
Term deposits	13,837,113	16,307,798
Deposits from financial institutions - remunerative	7,841,101	5,530,268
Deposits from financial institutions - non - remunerative	<u>10,989</u>	<u>66,411</u>
	<u>149,344,978</u>	<u>124,292,123</u>

		(Unaudited)	
		For the six months ended	
		June 30, 2017	June 30, 2016
		(Rupees in '000)	
18.2	Profit and Loss account		
	Profit earned	4,427,958	3,716,321
	Profit expensed	1,888,439	1,941,004
	Net profit earned	2,539,519	1,775,317
	Depreciation on assets given on ijarah	134,627	98,868
	Provision against financings	4,498	-
		139,125	98,868
	Net profit after depreciation and provisions	2,400,394	1,676,449
	Other income		
	Fee, commission and brokerage income	93,555	61,440
	Income from dealing in foreign currencies	(23,645)	(2,130)
	Gain / (loss) on sale of securities	9,849	-
	Others	390	336
	Total other income	80,149	59,646
		2,480,543	1,736,095
	Administrative expenses	317,375	323,425
	Net profit for the period	2,163,168	1,412,670

19 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 11, 2017 has declared a cash dividend in respect of the quarter ended June 30, 2017 of Rs. 3.50 per share (June 30, 2016: Rs. 3.50 per share). This condensed interim consolidated financial information does not include the effect of these appropriations which will be accounted for subsequent to the period end.

20 GENERAL

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

21 DATE OF AUTHORISATION FOR ISSUE

This condensed interim consolidated financial information was authorised for issue in the Board of Directors meeting held on August 11, 2017.


Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director



Condensed Interim Unconsolidated Financial Information

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial information for the half-year ended June 30, 2017.

Domestic Economy

Pakistan's GDP growth is provisionally estimated at a 10-year high of 5.3%, reflecting the country's improving economic trajectory. This has been underpinned by the revival of domestic demand, with investments in infrastructure and energy, and increase in consumer confidence and spending. GDP growth was further supported by a recovery in the agriculture sector, which grew by 3.5%, a nearly 6% growth in services, and a broad-based increase in Large Scale Manufacturing, which increased by 5.7% for 11M FY17. Headline inflation remained contained, averaging 4.2% during FY17, well within SBP's target of 4 – 5%.

Imports rose sharply by 18%, largely driven by strong demand for fuel, machinery and food. Despite an export package announced earlier this year, exports have stagnated, declining by 1% over last year. Consequently, the trade deficit for FY17 jumped by 39% over FY16. Workers remittances showed a decline for the first time in a decade, reducing by 3% to USD 19.3 billion, as a result of fiscal consolidation and changing dynamics in the GCC countries. This has led to a current account deficit of 4% of GDP. While financial inflows increased due to drawdowns of foreign debt, these were not sufficient to compensate for the current account imbalance, thus tilting the Balance of Payments into a deficit of USD 1.9 billion. Foreign exchange reserves fell to USD 21.4 billion in June 2017 from USD 23.2 billion in December 2016.

Despite the decline in reserves, the Rupee has remained largely stable against the dollar. At the start of the new fiscal year, concerns over external account pressures led to the Rupee depreciating briefly by 3.1%. However, the currency recovered the following day and has re-stabilized at slightly below its previous level. Pakistan's equities have witnessed an extremely volatile period as euphoria over the MSCI inclusion led to an unprecedented bull run with the PSX crossing 52,000. Subsequent retreats by Frontier Market funds, not accompanied by the expected ramp-up from Emerging Market funds, along with heightened political uncertainty, resulted in a steep decline. By June 2017, the PSX 100 had dropped 3% since the start of the year and the pattern has continued into FY18 with record increases followed by equally sharp drops.

The fiscal deficit of 3.7% for 9M FY17 is higher than the 3.4% recorded in the corresponding period of last year and the deficit for FY17 is likely to widen over FY16. Tax compliance remains weak and recovery remains subdued with the FY17 tax collection below targeted levels. Despite relatively disciplined spending, the fiscal deficit is expected to exceed even the revised Government target of 4.2% of GDP.

The SBP has maintained its policy rate at 5.75% since May 2016 and, in its latest monetary policy statement, has based this on the strong likelihood of continued growth, contained inflation and external account challenges. There has been a spurt in private sector credit, with a growth of Rs 748 billion in FY17, 67% higher than the growth in FY16. Encouragingly, this growth has been witnessed across a broad spectrum of sectors with a significant amount directed towards fixed investment. Banking sector advances have grown by 11% since the beginning of the year while market deposits have increased by 7%. Excess liquidity, constantly reducing investment yields and a tendency towards shorter tenors have maintained the squeeze on banking industry spreads which have compressed further, reducing by 23 bps in H1 17 over the corresponding period of last year.

Performance

HLB has delivered an unconsolidated profit after tax of Rs 15.0 billion for the first half of 2017 compared to Rs 15.1 billion achieved for the first six months of 2016. Earnings per share for H1 17 were Rs 10.22 compared to Rs 10.32 in H1 16. Pre-tax profit for the first half of 2017 is Rs 26.1 billion, 3% lower than for H1 16.

HLB's balance sheet has grown by 7.4% over December 2016 to Rs 2.6 trillion. Total deposits increased by 6.2%, crossing Rs 1.9 trillion, with HBL's market share stood at 14.0%. The domestic deposit mix continued to improve, as the ratio of domestic current accounts rose from 34.8% in December 2016 to 35.1% in June 2017, and domestic CASA improved from 85.5% to 86.5% over the same period. Improvements in the domestic economy and demand for private sector credit have resulted in strong lending growth with net advances increasing by 10.3% over December 2016 to Rs 785 billion.

Average domestic loans for H1 17 grew by 28% over H1 16, with all business segments registering significant increases, and average domestic current accounts for the first six months of 2017 increased by 17% over H1 16. This improvement in the Balance Sheet composition somewhat alleviated the pressure on spreads which, nevertheless, continued to decline as a result of falling investment yields and competitive loan pricing. Consequently, net interest income for the half year ended June 30, 2017 has decreased by 2% to Rs 39.4 billion.

Non mark-up income of Rs 14.4 billion for H1 17 was 17% higher than for the first half of 2016. Fees and commissions increased by 6% to Rs 9.2 billion, with the growth coming from core banking businesses, consumer financing businesses and home remittances. Despite the drop in remittances into Pakistan, flows through HBL's counters increased by 2.5% for FY17, resulting in the Bank strengthening its market leadership with a 26.6% share. Income from treasury related activities increased by 35%, to Rs 4.4 billion.

Administrative expenses rose by 9% over H1 16 to Rs 26.0 billion. Total non-performing loans were slightly lower than December 2016 levels and total provisions for the first six months of 2017 reduced by 23% compared to H1 16. The coverage ratio strengthened further, to 94% as at June 30, 2017.

Movement of Reserves

Rupees in million

Unappropriated profit brought forward	97,447
Profit after taxation	14,999
Transferred from surplus on revaluation of assets – net of tax	20
	15,019
Appropriations	
Transferred to statutory reserves	(1,500)
Cash dividend – Final 2016	(5,134)
Cash dividend – 1st Interim 2017	(5,134)
	(11,768)
Unappropriated profit carried forward	100,697
Earnings per share (Rs)	10.22

Capital Ratios

The unconsolidated Capital Adequacy Ratio (CAR) as at June 30, 2017 remained at 15.3% with the Tier 1 CAR at 12.2% as healthy internal capital generation offset the increase in risk assets. The capital ratios remain strong and well above regulatory requirements.

Dividend

The Board of Directors, in its meeting held on August 11, 2017 has declared an interim cash dividend of Rs 3.50 per share (35%) for the quarter ended June 30, 2017. This is in addition to the interim cash dividend of Rs 3.50 per share (35%) already declared and paid for the first quarter ended March 31, 2017.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively with the rating of its subordinated debt also at AAA. The ratings are supported by HBL's diversified revenue streams, healthy capitalization ratios and strong liquidity profile and reflect the systemic importance of the Bank.

Future Outlook

As the country enters the new fiscal year, the economy has performed well on many fronts, recognized by Moody's in their recent reaffirmation of Pakistan's B3 ratings and Stable Outlook. Inflation expectations remain reasonably anchored and the SBP projects inflation to remain in the 4.5 – 5.5% range for FY18. Domestic demand and private sector credit growth are both on an increasing trend, supported by the China Pakistan Economic Corridor (CPEC) projects which are expected to address critical infrastructure needs and remove bottlenecks. Government forecasts are for GDP growth to reach 6% in FY18.

However, there are increasing concerns around exports and external vulnerabilities, fiscal slippages and continuation of reforms under the previous IMF program. These concerns were echoed by the IMF at the conclusion of their recent Article IV consultation. While the decline in exports appears to have bottomed out, with positive global forecasts for growth and trade, a meaningful contribution will take time and require investment. The budgeted fiscal deficit and tax collection targets appear optimistic as the Government is unlikely to rein in spending in an election year. Continued commitment to reform implementation is needed to preserve the nascent macroeconomic stability and reinforce fiscal discipline.

The banking sector challenges will continue, as contained inflation will support a growth-oriented monetary policy; further spread compression is inevitable, with the second tranche of PIBs now having matured in July 2017. Through robust asset growth in the first half of 2017, HBL has demonstrated its commitment to supporting and participating in the development of the country and has adequate reserves of liquidity and capital.

Appreciation and Acknowledgement

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

On behalf of the Board and the management, we take this opportunity to express our gratitude to our customers for entrusting us with their business and to our shareholders for their support and 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 also acknowledge the efforts demonstrated by our employees towards the growth of HBL and thank them for their commitment and dedication.

On behalf of the Board

Nauman K. Dar

President & Chief Executive Officer

August 11, 2017

ڈائریکٹر زکا جائزہ

بورڈ آف ڈائریکٹر ز کی جانب سے میں انتہائی مسرت سے 30 جون 2017 کو اختتام پذیر ہونے والی ششماہی کے مختصر عبوری غیر مجموعی مالیاتی اعداد و شمار پیش کرتا ہوں۔

ملکی معیشت

پاکستان کی مجموعی قومی پیداوار اپنی 10 سالہ تاریخ کی بلند ترین سطح 5.3 فیصد پر موجود ہے جس سے ملک کی بہتر معاشی صورتحال کی عکاسی ہوتی ہے۔ انفراسٹرکچر اور توانائی میں سرمایہ کاری اور صارفین کے اعتماد اور اخراجات میں اضافے سے مقامی اخراجات کی بحالی مستحکم ہوئی ہے۔ زراعت کے شعبے میں ترقی سے مجموعی قومی آمدن میں مزید اضافہ ہوا جو 3.5 فیصد بڑھ گئی ہے اور سروسز میں بڑھوتری تقریباً 6 فیصد رہی۔ مالی سال 2017 کے ابتدائی 11 ماہ کے دوران بڑے صنعتی شعبے میں 5.7 فیصد اضافہ ہوا۔ مجموعی افراط زر بدستور کنٹرول میں رہی اور مالی سال 2017 میں اسٹیٹ بینک کے متعین ہدف 4 فیصد سے 5 فیصد کے درمیان او۔طا۔ 4.2 فیصد رہی۔

درآمدات میں تیزی کے ساتھ 18 فیصد اضافہ ہوا جس کی بڑی وجہ فیول، مشینری اور خوراک کی بھرپور طلب ہے۔ رواں سال برآمدی پیکینج کے اعلان کے باوجود برآمدات گزشتہ سال کے مقابلے میں ایک فیصد کی کمی کا شکار رہیں۔ اس کے نتیجے میں مالی سال 2016 کے مقابلے میں مالی سال 2017 میں تجارتی خسارہ 39 فیصد بڑھ گیا۔ اس دہائی کے دوران پہلی بار بیرونی ملک زرمبادلہ کے ذخائر میں کمی آئی جو 3 فیصد کی کمی سے 19.3 ارب ڈالر ہو گئے، جس کی وجہ قرضوں میں کمی کی پالیسی اور خلیجی ممالک کے حالات میں تیزی سے آنے والی تبدیلی ہے۔ اس سے مجموعی قومی آمدن کا کرنٹ اکاؤنٹ خسارہ 4 فیصد ہو گا۔ غیر ملکی قرضے میں کمی کے باعث قرضوں کے بہاؤ میں اضافہ ہوا ہے تاہم یہ موجودہ غیر متوازن کرنٹ اکاؤنٹ میں بہتری کے لئے کافی نہیں ہے جس کے باعث ادائیگیوں کا توازن 1.9 ارب ڈالر کے خسارے میں تبدیل ہو گیا ہے۔ غیر ملکی زرمبادلہ کے ذخائر جون 2017 میں کم ہو کر 21.4 ارب ڈالر ہو گئے ہیں جو دسمبر 2016 میں 23.2 ارب ڈالر تھے۔

مالی ذخائر میں کمی کے باوجود روپیہ ڈالر کے مقابلے میں بدستور مستحکم رہا۔ نئے مالی سال کے آغاز میں بیرونی اکاؤنٹ پر دباؤ کے باعث روپیہ کی قدر میں 3.1 فیصد کی معمولی کمی سے تشویش ہوئی تاہم اس دن کے ساتھ ہی روپیہ کی بحالی کا آغاز ہو گیا اور اس نے اپنی پرانی سطح پر آہستہ آہستہ جگہ بنالی۔ ایم ایس سی آئی میں شمولیت کے باعث اس عرصے میں پاکستانی شیئرز کی مارکیٹ انتہائی عدم استحکام کا شکار رہی اور پاکستان اسٹاک انڈیکس غیر متوقع طور پر 52 ہزار پوائنٹس سے تجاوز کر گیا تھا۔ اس کے نتیجے میں فرنیچر، مارکیٹ فنڈز میں کمی آئی جبکہ امیر جنگ مارکیٹ میں فنڈز میں نہ ہونے کے ساتھ غیر یقینی سیاسی صورتحال سے شدید تیزی ہوئی۔ جون 2017 تک پاکستان اسٹاک ایکسچینج 100 انڈیکس میں سال کے آغاز کے مقابلے میں تین فیصد کی کمی اور یہ رجحان مالی سال 2018 کے لئے اس طرح تیز گراؤ کے ساتھ جاری ہے۔

مالی سال 2017 کے ابتدائی 9 ماہ میں تجارتی خسارہ 3.7 فیصد رہا جو گزشتہ سال اسی عرصے کے مقابلے میں 3.4 فیصد زائد رہا اور خسارے میں مالی سال 2016 کے مقابلے میں مالی سال 2017 میں مزید اضافے کا امکان ہے۔ ٹیکس سے ہم آہنگی بدستور کمزور رہی اور مالی سال 2017 کی ٹیکس وصولی ہدف سے کم رہنے کے ساتھ ریکوری بدستور کم رہی۔ منظم انداز سے اخراجات اور حکومت کی جانب سے نظربندی شدہ 4.2 فیصد کی مجموعی قومی آمدن کے ہدف کے باوجود مالی خسارے میں مزید اضافے کی توقع ہے۔

اسٹیٹ بینک نے اپنی پالیسی ریٹ مئی 2016 سے 5.75 فیصد پر برقرار رکھی ہے اور اپنی حالیہ زری پالیسی رپورٹ میں محدود افراط زر اور بیرونی اکاؤنٹ کے چیلنجز کے باعث مسلسل مستحکم ترقی کا امکان ہے۔ مالی سال 2017 میں 748 ارب روپے اضافے کے ساتھ نجی شعبے کے قرضوں میں بے انتہا اضافہ

ریزرو کی تفصیلات

ملین (روپے)

97,447

14,999

20

15,019

(1,500)

(5,134)

(5,134)

11,768

100,697

10.22

افتتاحی غیر تخصیص شدہ منافع

بعد از ٹیکس منافع

پاسد ارا اثاثوں کے از سر نو تخمینہ پر اضافی آمدن - محصول کے بعد

مختلف مدوں میں رکھی گئی رقوم

غیر منقولہ ریزرو کی منتقلی

کیش ڈیویڈنڈ - فائنل 2016

عمدوری کیش ڈیویڈنڈ - 2017 کی پہلی سہ ماہی

اختتامی غیر تخصیص شدہ منافع

فی حصص آمدن (روپے)

کیپٹل ریشور

30 جون 2017 کو غیر مجموعی کیپٹل ایڈویسی ریشور (CAR) بدستور 15.3 فیصد پر برقرار رہا جس کے ساتھ 12.2 فیصد پر CAR Tier 1 رہا کیونکہ بہتر اندرونی سرمائے کی پیدائش اثاثوں کے خطرات میں اضافے کو روکتی ہے۔ کیپٹل ریشور بدستور مستحکم ہیں اور مطلوبہ ضروریات سے کافی بلند ہیں۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے اپنے 11 اگست کو ہونے والے اجلاس میں 30 جون 2017 کو اختتام پذیر ہونے والی سہ ماہی کے لئے 3.50 روپے فی شیئر (35 فیصد) کا عمدوری کیش ڈیویڈنڈ کا اعلان کیا ہے۔ یہ 31 مارچ 2017 کو اختتام پذیر ہونے والی سہ ماہی پر پہلے سے اعلان کردہ 3.50 روپے فی شیئر (35 فیصد) سے الگ ہے اور اسے ادا بھی کیا جا چکا ہے۔

کریڈٹ ریٹنگز

اس سہ ماہی کے دوران JCR-VIS نے بینک کی طویل المیعاد اور مختصر المیعاد کریڈٹ ریٹنگز AAA / A-1+ کی باآرتیب توثیق کی جبکہ اسکی ذیلی قرض کے شعبے کی ریٹنگ کی بھی AAA کے ساتھ توثیق ہوئی۔ ان ریٹنگز کی بدولت ایچ بی ایل کی آمدن کے متنوع بہاؤ، مستحکم سرمائے کی شرح اور مضبوط لیکوڈیٹی پروفائل اور منظم انداز کے ساتھ بینک کی اہمیت کی عکاسی ہوتی ہے۔

مستقبل کے امکانات

جیسا کہ نئے مالی سال کا آغاز ہو گیا ہے، معیشت نے مختلف شعبوں میں اچھی کارکردگی کا مظاہرہ کیا ہے جسے حال ہی میں موڈی نے پاکستان کی B3 ریٹنگز اور اسٹیل آؤٹ لک کے طور پر توثیق کی ہے۔ افراط زر بدستور ٹھہرنے کا امکان ہے اور اسٹیٹ بینک کے تخمینے کے مطابق مالی سال 2018 میں افراط زر

ہو گیا ہے جو پچھلے سال سے 67 فیصد زیادہ ہے۔ حوصلہ افزاء بات یہ ہے کہ یہ اضافہ وسیع شعبوں میں براہ راست سرمایہ کاری کے طور پر ہوا ہے۔ بینکنگ سیکٹر میں رواں سال کے آغاز سے اب تک 11 فیصد اضافہ ہوا جبکہ مارکیٹ ڈیپازٹس 7 فیصد بڑھ گئے۔ اضافی سرمایہ، سرمایہ کاری کے نتیجے سے منافع میں مسلسل کمی اور کم ریٹ سے بینکنگ انڈسٹری کے پھیلاؤ میں کمی آئی اور گزشتہ سال کی پہلی ششماہی کے مقابلے میں سال 2017 کی پہلی ششماہی میں 23 بی بی ایس کی کمی آئی۔

کارکردگی

ایچ بی ایل نے سال 2017 کی پہلی ششماہی میں 15 ارب روپے کا غیر مجموعی بعد از ٹیکس منافع حاصل کیا جبکہ اسکے مقابلے میں سال 2016 کے پہلے چھ ماہ میں 15.1 ارب روپے کا منافع حاصل کیا گیا تھا۔ سال 2017 کی پہلی ششماہی میں فی شیئر آمدن 10.22 روپے رہی جو سال 2016 کی پہلی ششماہی میں 10.32 روپے تھی۔ سال 2017 کی پہلی ششماہی میں قبل از ٹیکس منافع 26.1 ارب روپے رہا جو گزشتہ سال اسی عرصے کے مقابلے میں 3 فیصد کم ہے۔

ایچ بی ایل کی بیلنس شیٹ دسمبر 2016 کے مقابلے میں 7.4 فیصد اضافے سے 2.6 کھرب ہو گئی۔ مجموعی ڈیپازٹس 6.2 فیصد اضافے سے 1.9 کھرب ہو گئے جس کے ساتھ ایچ بی ایل کا مارکیٹ شیئر 14 فیصد پر موجود ہے۔ ملکی ڈیپازٹس کمزور ہیں بہتری کا سلسلہ جاری رہا، ملکی کرنٹ اکاؤنٹس دسمبر 2016 میں 34.8 فیصد سے بڑھ کر جون 2017 میں 35.1 فیصد ہو گئے اور ملکی کرنٹ اکاؤنٹ سیوگ اکاؤنٹ (CASA) گزشتہ سال اسی عرصے کے مقابلے میں 85.5 فیصد سے بڑھ کر 86.5 فیصد ہو گئے۔ ملکی معیشت میں بہتری اور نجی شعبے کے قرضوں کی طلب کے نتیجے میں قرضوں سے حاصل آمدن میں مستحکم اضافہ ہو جو دسمبر 2016 کے مقابلے میں 10.3 فیصد اضافے سے 785 ارب روپے ہو گئی۔

سال 2017 کی پہلی ششماہی میں اوسط ملکی قرضے سال 2016 میں اسی عرصے کے مقابلے میں 28 فیصد بڑھ گئے جس کے ساتھ تمام کاروباری شعبوں کی رجسٹریشن بڑھی اور سال 2016 کی پہلی ششماہی کے مقابلے میں سال 2017 کے ابتدائی چھ ماہ میں اوسط ملکی کرنٹ اکاؤنٹس میں 17 فیصد اضافہ ہوا۔ بیلنس شیٹ میں اتنی بہتری کی بدولت انٹرسٹ ریٹ اور قیمت کے درمیان فرق پر پڑنے والے باؤڈ میں کمی آئی۔ سرمایہ کاری سے ملنے والے فائدوں میں کمی اور قرضوں کی لاگت میں مسابقت کے باعث اس فرق میں کمی جاری رہی۔ اس کے نتیجے میں 30 جون 2017 کو اختتام پذیر ہونے والی ششماہی میں خالص مارک اپ آمدن 2 فیصد کمی کے ساتھ 39.4 ارب روپے رہی۔

سال 2017 کی پہلی ششماہی میں نان مارک اپ آمدن سال 2016 کی پہلی ششماہی کے مقابلے میں 17 فیصد زیادہ رہی۔ فیوٹس اور کمیشنوں سے حاصل آمدن 6 فیصد اضافے سے بڑھ کر 9.2 ارب روپے ہو گئی جس کے ساتھ بینکنگ کے بنیادی لین دین، کمزور فنانسنگ بزنس اور ترسیلات زر میں اضافہ رہا۔ پاکستانی ترسیلات زر میں کمی آنے کے باوجود ایچ بی ایل کے کاؤنٹرز کے ذریعے قوامت کی فراہمی میں مالی سال 2017 میں 2.5 فیصد اضافہ ہوا، اس کے نتیجے میں بینک کا مارکیٹ لیڈر شپ شیئر 26.6 فیصد رہا۔ ٹریڈری سے متعلق سرگرمیوں سے حاصل آمدن 35 فیصد اضافے سے 4.4 ارب روپے ہو گئی۔

انتظامی اخراجات سال 2016 کی پہلی ششماہی کے مقابلے میں 9 فیصد اضافے سے 26 ارب روپے رہے۔ مجموعی طور پر نان پرفارمنگ قرضوں میں دسمبر 2016 کے سطح کے مقابلے میں معمولی کمی آئی اور سال 2017 کے ابتدائی چھ ماہ میں مجموعی طور پر غیر متوقع اخراجات سال 2016 کی پہلی ششماہی کے مقابلے میں 23 فیصد کم ہو گئے۔ کوآرڈینیشن 30 جون 2017 کو مزید مستحکم ہو کر 94 فیصد ہو گیا۔

4.5 فیصد سے 5.5 فیصد رہے گا۔ ملکی طلب اور انجني شعبے کے قرضوں میں اضافے کا رجحان ہے جس میں سی پیک کے پروجیکٹس بھی شامل ہے۔ ان پروجیکٹس کی بدولت انفراسٹرکچر کی اہم ضروریات پوری ہوں گی اور مختلف رکاوٹوں کا خاتمہ ہوگا۔ حکومت کو توقع ہے کہ مالی سال 2018 میں مجموعی قومی آمدن 6 فیصد ہو جائے گی۔

تاہم بجٹ میں طے شدہ اہداف کی عدم تکمیل اور آئی ایم ایف کے پچھلے پروگرام کے تحت مسلسل اصلاحات کے سبب برآمدات اور بیرونی خطرات سے متعلق تشویش بڑھ رہی ہے۔ ان تشویش کی نشاندہی کا آئی ایم ایف کے حالیہ آرٹیکل سکس کی مشاورت کے اختتام پر بھی ذکر ہے۔ برآمدات میں کی انتہائی چٹائی سطح پر پہنچتی نظر آ رہی ہے، عالمی سطح پر تجارت و ترقی میں مثبت توقع کے ساتھ با معنی تعاون اور درکار سرمایہ کاری میں وقت لگے گا۔ بجٹ کا تجارتی خسارہ اور ٹیکس وصولی کے اہداف بظاہر مثبت نظر آتے ہیں کیونکہ حکومت کی جانب سے انتخابی سال میں اخراجات کنٹرول کرنے کا امکان نہیں ہوتا۔ اصلاحات پر عمل درآمد میں مسلسل عزم کی ضرورت ہے تاکہ پرامید طور پر مجموعی معاشی استحکام آئے اور مالی معاملات کو روانی سے چلانے کا عمل مضبوط کیا جائے۔

بینکنگ سیکٹر کو درپیش مشکلات جاری رہیں گی کیونکہ زری پالیسی میں بہتری سے محدود افراط زر کو مدد ملے گی اور اس کا سکنڈاؤ ناگزیر ہے جس کے ساتھ بی آئی بی کی دوسری قسط جولائی 2017 میں پوری ہو رہی ہے۔ سال 2017 کی پہلی ششماہی میں اثاثوں میں بھرپور ترقی کے ساتھ ایچ بی ایل نے ملک کی ترقی میں تعاون اور شرکت کے عزم کا مظاہرہ کیا ہے جس کے پاس متحرک وسائل اور سرمائے کے مناسب ذخائر ہیں۔

اعتراف و ستائش

ہم یہ بات ریکارڈ پر لانا چاہتے ہیں کہ ریگولیٹری اور گورننس کے ضابطے میں مسلسل بہتری کے ذریعے ہم بینکنگ میں استحکام اور مالیاتی شعبے میں ترقی کے لئے اپنے ریگولیٹرز اور حکومت پاکستان بالخصوص وزارت خزانہ، اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی کاوشوں، رہنمائی اور تعاون کو سراہتے ہیں۔

بورڈ اور مینجمنٹ کی جانب سے ہم اس موقع پر اپنے کسٹمرز کا شکریہ ادا کرنا چاہیں گے جنہوں نے ہمارے بزنس پر اعتماد کیا اور اپنے شیئر ہولڈرز کے تعاون اور اعتماد کے بھی مشکور ہیں۔ ہم ان کو یہ یقین دہانی کراتے ہیں کہ ہم اعلیٰ معیار اور ایچ کاروباری انتظام کی مستحکم روایت کو اپنے تمام اقدامات میں برقرار رکھیں گے۔ ہم ایچ بی ایل کی ترقی میں اپنے ملازمین کی کاوشوں کا بھی اعتراف کرتے ہیں اور ان کے عزم و اخلاص کے مشکور ہیں۔

مغائب بورڈ

نعمان کے ڈار

پریذیڈنٹ اور چیف ایگزیکٹو آفیسر

11 اگست، 2017

Auditors' Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Habib Bank Limited ("the Bank") as at June 30, 2017 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, condensed interim unconsolidated cash flow statement and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures for the quarters ended June 30, 2017 and June 30, 2016 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Scope of Review

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

Conclusion

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

A. F. Ferguson & Co.

Chartered Accountants

Engagement Partner: Salman Hussain

Dated: August 11, 2017

Karachi

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2017

	Note	(Unaudited) June 30, 2017	(Audited) December 31, 2016
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		198,446,742	219,788,876
Balances with other banks		36,451,532	32,742,891
Lendings to financial institutions		50,637,113	35,010,238
Investments	6	1,388,306,024	1,304,722,761
Advances	7	785,142,388	712,132,554
Operating fixed assets	8	44,225,393	30,792,535
Deferred tax asset		-	-
Other assets		68,164,502	58,593,524
		<u>2,571,373,694</u>	<u>2,393,783,379</u>
LIABILITIES			
Bills payable		29,543,608	31,108,762
Borrowings	9	389,015,186	335,083,298
Deposits and other accounts	10	1,904,027,049	1,793,370,392
Subordinated loan		9,996,000	9,998,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		439,482	1,856,554
Other liabilities		53,254,263	40,299,393
		<u>2,386,275,588</u>	<u>2,211,716,399</u>
NET ASSETS			
		<u>185,098,106</u>	<u>182,066,980</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		48,329,231	47,146,362
Unappropriated profit		100,697,043	97,446,624
		163,694,799	159,261,511
Surplus on revaluation of assets - net of deferred tax	11	21,403,307	22,805,469
		<u>185,098,106</u>	<u>182,066,980</u>
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes 1 to 21 form an integral part of this condensed interim unconsolidated financial information.

Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2017

	Note	January 01 to June 30, 2017	January 01 to June 30, 2016	April 01 to June 30, 2017	April 01 to June 30, 2016
------(Rupees in '000)-----					
Mark-up / return / profit / interest earned	13	69,838,650	69,513,501	36,108,452	34,796,581
Mark-up / return / profit / interest expensed	14	30,392,622	29,057,330	15,836,210	14,157,171
Net mark-up / return / profit / interest income		39,446,028	40,456,171	20,272,242	20,639,410
Provision against advances	7.2	502,062	1,205,303	377,037	729,008
Reversal against off-balance sheet obligations		(50,233)	(20,210)	(8,251)	(23,485)
Provision for diminution in the value of investments	6.2	647,522	264,664	427,348	276,180
Bad debts written off directly		-	-	-	-
		1,099,351	1,449,757	796,134	981,703
Net mark-up / return / profit / interest income after provisions		38,346,677	39,006,414	19,476,108	19,657,707
Non mark-up / interest income					
Fee, commission and brokerage income		9,221,887	8,661,276	4,899,186	4,567,842
Dividend income		1,507,150	943,513	1,140,685	415,699
Income from dealing in foreign currencies		1,075,603	527,367	516,964	241,281
Gain on sale of securities - net		1,818,429	1,748,208	580,040	1,422,461
Unrealised (loss) / gain on held-for-trading securities		(23,641)	24,115	20,460	20,709
Other income		764,112	362,618	586,917	107,208
Total non mark-up / interest income		14,363,540	12,267,097	7,744,252	6,775,200
		52,710,217	51,273,511	27,220,360	26,432,907
Non mark-up / interest expense					
Administrative expenses		26,029,755	23,799,025	13,351,574	12,370,747
Other provisions / write offs - net		66,299	58,125	28,774	39,633
Other charges		507	487	406	487
Workers' Welfare Fund		532,174	551,544	270,487	282,327
Total non mark-up / interest expenses		26,628,735	24,409,181	13,651,241	12,693,194
Profit before taxation		26,081,482	26,864,330	13,569,119	13,739,713
Taxation					
- Current		9,620,273	9,308,644	5,059,067	4,908,915
- Prior years		2,072,385	2,318,915	2,072,385	2,318,915
- Deferred		(609,699)	103,430	(441,760)	(102,604)
		11,082,959	11,730,989	6,689,692	7,125,226
Profit after taxation		14,998,523	15,133,341	6,879,427	6,614,487
------(Rupees)-----					
Basic and diluted earnings per share		10.22	10.32	4.69	4.51

The annexed notes 1 to 21 form an integral part of this condensed interim unconsolidated financial information.

Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2017

	January 01 to June 30, 2017	January 01 to June 30, 2016	April 01 to June 30, 2017	April 01 to June 30, 2016
	(Rupees in '000)			
Profit after taxation for the period	14,998,523	15,133,341	6,879,427	6,614,487
Other comprehensive income / (loss)				
<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>				
Effect of translation of net investment in foreign branches	(316,984)	264,756	(305,258)	46,441
Comprehensive income transferred to equity	14,681,539	15,398,097	6,574,169	6,660,928
Components of comprehensive income / (loss) not reflected in equity				
<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>				
Movement in surplus / (deficit) on revaluation of investments - net of tax	(1,499,538)	5,122,905	(732,648)	1,637,481
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	-	-	-	-
Transferred from surplus on revaluation of non-banking assets	10,079	262,797	10,079	262,797
	10,079	262,797	10,079	262,797
Movement in surplus / (deficit) on revaluation of non-banking assets- net of tax	117,093	499,580	117,093	(3,660)
Transferred to surplus on revaluation of operating fixed assets	(10,079)	(262,797)	(10,079)	(262,797)
	107,014	236,783	107,014	(266,457)
Total comprehensive income	13,299,094	21,020,582	5,958,614	8,294,749

The annexed notes 1 to 21 form an integral part of this condensed interim unconsolidated financial information.

Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2017

	Share capital	Exchange translation reserve	Reserves				Total
			Capital		Revenue		
			Statutory reserve	Non - distributable capital reserve	General reserve	Unappropriated profit	
(Rupees in '000)							
Balance as at December 31, 2015	14,668,525	11,043,004	26,890,062	547,115	6,073,812	89,933,889	149,156,407
Comprehensive income for the period							
Profit after taxation for the six months ended June 30, 2016	-	-	-	-	-	15,133,341	15,133,341
Other comprehensive income / (loss)							
- Effect of translation of net investment in foreign branches	-	264,756	-	-	-	-	264,756
	-	264,756	-	-	-	15,133,341	15,398,097
Transactions with owners, recorded directly in equity							
Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2015	-	-	-	-	-	(5,133,984)	(5,133,984)
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(10,267,968)	(10,267,968)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	16,607	16,607
Transferred to statutory reserve	-	-	1,513,334	-	-	(1,513,334)	-
Balance as at June 30, 2016	14,668,525	11,307,760	28,403,396	547,115	6,073,812	93,302,535	154,303,143
Comprehensive income for the period							
Profit after taxation for the six months ended December 31, 2016	-	-	-	-	-	16,686,878	16,686,878
Other comprehensive income / (loss)							
- Effect of translation of net investment in foreign branches	-	(854,409)	-	-	-	-	(854,409)
- Remeasurement loss on defined benefit obligations- net	-	-	-	-	-	(623,038)	(623,038)
	-	(854,409)	-	-	-	16,063,840	15,209,431
Transactions with owners, recorded directly in equity							
2nd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
3rd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(10,267,968)	(10,267,968)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	16,905	16,905
Transferred to statutory reserve	-	-	1,668,688	-	-	(1,668,688)	-
Balance as at December 31, 2016	14,668,525	10,453,351	30,072,084	547,115	6,073,812	97,446,624	159,261,511
Comprehensive income for the period							
Profit after taxation for the six months ended June 30, 2017	-	-	-	-	-	14,998,523	14,998,523
Other comprehensive income / (loss)							
- Effect of translation of net investment in foreign branches	-	(316,984)	-	-	-	-	(316,984)
	-	(316,984)	-	-	-	14,998,523	14,681,539
Transactions with owners, recorded directly in equity							
Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2016	-	-	-	-	-	(5,133,984)	(5,133,984)
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(10,267,968)	(10,267,968)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	19,717	19,717
Transferred to statutory reserve	-	-	1,499,853	-	-	(1,499,853)	-
Balance as at June 30, 2017	14,668,525	10,136,367	31,571,937	547,115	6,073,812	100,697,043	163,694,799

The annexed notes 1 to 21 form an integral part of this condensed interim unconsolidated financial information.

Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2017

	June 30, 2017	June 30, 2016
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	26,081,482	26,864,330
Dividend income	(1,507,150)	(943,513)
	<u>24,574,332</u>	<u>25,920,817</u>
Adjustment for:		
Depreciation	1,572,945	1,406,732
Amortisation	260,975	213,145
Provision against advances	502,062	1,205,303
Reversal against off-balance sheet obligations	(50,233)	(20,210)
Provision for diminution in the value of investments	647,522	264,664
Other provisions / write offs - net	66,299	58,125
Unrealised loss / (gain) on held-for-trading securities	23,641	(24,115)
Gain on sale of operating fixed assets - net	(10,493)	(34,518)
Workers' Welfare Fund	532,174	551,544
	<u>3,544,892</u>	<u>3,620,670</u>
	<u>28,119,224</u>	<u>29,541,487</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(15,626,875)	3,083,809
Net investments in held-for-trading securities	(77,476,802)	(32,330,987)
Advances	(73,511,896)	(19,638,371)
Other assets	(4,826,148)	(3,528,007)
	<u>(171,441,721)</u>	<u>(52,413,556)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(1,565,154)	8,979,760
Borrowings	53,931,888	(23,930,001)
Deposits and other accounts	110,656,657	130,564,741
Other liabilities	9,014,812	(2,098,329)
	<u>172,038,203</u>	<u>113,516,171</u>
	<u>28,715,706</u>	<u>90,644,102</u>
	<u>(16,390,283)</u>	<u>(14,013,782)</u>
Income tax paid	<u>12,325,423</u>	<u>76,630,320</u>
Net cash flows from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(17,809,722)	18,933,207
Net investments in held-to-maturity securities	9,651,352	(82,614,377)
Net investment in subsidiaries	(441,933)	(2,000,000)
Net investments in associates	(484,233)	(914,575)
Dividend income received	1,390,173	879,474
Fixed capital expenditure	(15,150,426)	(2,456,645)
Proceeds from sale of operating fixed assets	14,708	40,524
Effect of translation of net investment in foreign branches	(316,984)	264,756
Net cash flows used in investing activities	<u>(23,147,065)</u>	<u>(67,867,636)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	(2,000)	-
Dividend paid	(6,809,851)	(10,809,561)
Net cash flows used in financing activities	<u>(6,811,851)</u>	<u>(10,809,561)</u>
Decrease in cash and cash equivalents during the period	<u>(17,633,493)</u>	<u>(2,046,877)</u>
Cash and cash equivalents at the beginning of the period	<u>252,149,958</u>	<u>183,568,830</u>
Effects of exchange rate changes on cash and cash equivalents	<u>381,809</u>	<u>163,006</u>
	<u>252,531,767</u>	<u>183,731,836</u>
Cash and cash equivalents at the end of the period	<u>234,898,274</u>	<u>181,684,959</u>

The annexed notes 1 to 21 form an integral part of this condensed interim unconsolidated financial information.

Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months ended June 30, 2017

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th 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 the Pakistan Stock Exchange. The Bank operates 1,687 (December 31, 2016: 1,677) branches inside Pakistan including 46 (December 31, 2016: 45) Islamic Banking Branches and 54 (December 31, 2016: 54) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 During the period, the Bank has purchased 678,750 ordinary shares of Habib Allied Holding Limited (HAHL) from a minority shareholder. Consequently, the shareholding of the Bank in HAHL has increased from 89.40% to 90.50%.
- 1.2 During the period, the Bank has sold its operations and business in Paris to Habibsons Bank, a subsidiary of HAHL.
- 1.3 During the period, the Bank has entered into an agreement dated March 21, 2017 with Diamond Trust Bank Kenya Limited (DTBKL), an associated company, to transfer / sell the business, assets and liabilities of the Bank's Kenya branches to DTBKL. In consideration, the Bank will receive additional shareholding in DTBKL.
- 1.4 **Authorised Capital**

During the period, the authorised capital of the Bank was reduced from Rs. 30 billion to Rs. 29 billion divided into 2.9 billion ordinary shares of Rs. 10 each.

2 STATEMENT OF COMPLIANCE

This condensed interim unconsolidated financial information has been prepared in accordance with the accounting framework as disclosed in the annual unconsolidated financial statements for the year ended December 31, 2016. The disclosures made in this condensed interim unconsolidated financial information 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. This condensed interim unconsolidated financial information does not include all the disclosures required for annual financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2016.

The Companies Ordinance, 1984 has been repealed as a result of the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular no. 17 of 2017, dated July 20, 2017, this condensed interim unconsolidated financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

3 ACCOUNTING POLICY

The accounting policies adopted in the preparation of this condensed interim unconsolidated financial information are consistent with those followed in the preparation of the unconsolidated financial statements for the year ended December 31, 2016.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of this condensed interim unconsolidated financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2016.

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, 2016.

6 INVESTMENTS

Investments by type

Held-for-trading (HFT)

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Sukuk

Fully paid-up ordinary shares

- Listed companies

Overseas Government securities

Note	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in '000)						
	109,735,339	-	109,735,339	32,335,860	-	32,335,860
	5,711,262	-	5,711,262	8,174,573	-	8,174,573
	2,000,000	-	2,000,000	-	-	-
	370,499	-	370,499	131,436	-	131,436
	666,018	-	666,018	376,504	-	376,504
	118,483,118	-	118,483,118	41,018,373	-	41,018,373

Held-to-maturity (HTM)

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Government of Pakistan US Dollar Bonds

Debentures and corporate debt instruments

- Listed
- Unlisted

Overseas Government securities

	-	-	-	28,912,507	-	28,912,507
	183,718,875	-	183,718,875	172,917,957	-	172,917,957
	1,020,852	-	1,020,852	1,670,392	-	1,670,392
	7,469,816	-	7,469,816	8,084,970	-	8,084,970
	17,307,226	-	17,307,226	10,503,868	-	10,503,868
	26,713,531	-	26,713,531	23,791,958	-	23,791,958
	236,230,300	-	236,230,300	245,881,652	-	245,881,652

Available-for-sale (AFS)

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Government of Pakistan US Dollar Bonds
- Sukuks

Fully paid-up ordinary shares

- Listed companies
- Unlisted companies

Debentures and corporate debt instruments

- Listed
- Unlisted

Overseas Government securities

NIT units

Real Estate Investment Trust units

Preference shares

	198,538,370	178,380,483	376,918,853	259,463,927	180,967,213	440,431,140
	359,267,984	100,169,825	459,437,809	325,812,579	58,708,656	384,521,235
	20,017,795	-	20,017,795	20,671,573	-	20,671,573
	83,310,347	-	83,310,347	77,911,455	-	77,911,455
	19,479,451	-	19,479,451	16,876,992	-	16,876,992
	2,376,016	-	2,376,016	2,251,466	-	2,251,466
	9,305,685	6,577,592	15,883,277	15,814,316	-	15,814,316
	14,305,314	-	14,305,314	15,885,761	-	15,885,761
	4,879,430	-	4,879,430	4,154,760	-	4,154,760
	11,113	-	11,113	11,113	-	11,113
	272,162	-	272,162	396,000	-	396,000
	100,000	-	100,000	100,000	-	100,000
	711,863,667	285,127,900	996,991,567	739,349,942	239,675,869	979,025,811

Investment in subsidiary companies

Investment in associates and joint venture

Provision for diminution in the value of investments

Deficit on revaluation of held-for-trading securities

Surplus on revaluation of available-for-sale securities

Total investments (net of provision)

1.1	13,945,202	-	13,945,202	13,503,269	-	13,503,269
6.1	9,702,729	-	9,702,729	9,218,496	-	9,218,496
	1,090,225,016	285,127,900	1,375,352,916	1,048,971,732	239,675,869	1,288,647,601
6.2	(1,669,708)	-	(1,669,708)	(866,152)	-	(866,152)
	1,088,555,308	285,127,900	1,373,683,208	1,048,105,580	239,675,869	1,287,781,449
	(23,641)	-	(23,641)	(12,057)	-	(12,057)
11.2	14,129,726	516,731	14,646,457	12,540,371	4,412,998	16,953,369
	1,102,661,393	285,644,631	1,388,306,024	1,060,633,894	244,088,867	1,304,722,761

6.1 The market value of investment classified as held-to-maturity and investment in listed associates and joint venture is as follows:

	June 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Book value	Market value	Book value	Market value
(Rupees in '000)				
- Investment classified as held-to-maturity	236,230,300	241,449,164	245,881,652	250,109,970
- Investment in listed associates and joint venture	9,266,498	38,063,663	8,782,265	30,884,859

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

Note	(Unaudited) June 30, 2017 (Rupees in '000)	(Audited) December 31, 2016
Opening balance	866,152	617,536
Charge for the period / year	811,103	289,986
Reversal for the period / year	118,350,581	(21,999)
Reversal on disposal during the period / year	-	(19,371)
Net charge for the period / year	647,522	248,616
Recoveries against write off	156,034	-
Closing balance	<u>1,669,708</u>	<u>866,152</u>

7 ADVANCES

Loans, cash credits, running finances, etc.		
- In Pakistan	588,607,558	557,878,935
- Outside Pakistan	<u>118,350,639</u>	<u>99,958,539</u>
	<u>706,958,197</u>	<u>657,837,474</u>
Net investment in finance lease - in Pakistan	17,140,706	16,571,941
Islamic financing and related assets	18.1.1 51,140,867	32,077,220
Bills discounted and purchased		
- Payable in Pakistan	23,533,623	16,985,715
- Payable outside Pakistan	<u>50,742,220</u>	<u>52,501,861</u>
	<u>74,275,843</u>	<u>69,487,576</u>
Advances - gross	<u>849,515,613</u>	<u>775,974,211</u>
Provision against advances		
- Specific	7.2 (60,693,897)	(60,513,286)
- General	<u>(3,679,328)</u>	<u>(3,328,371)</u>
	<u>(64,373,225)</u>	<u>(63,841,657)</u>
Advances - net of provision	<u>785,142,388</u>	<u>712,132,554</u>

7.1 Advances include Rs. 68,574.805 million (December 31, 2016: Rs. 68,621.823 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2017 (Unaudited)								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other assets especially mentioned	1,633,782	33,092	1,666,874	-	-	-	1,633,782	33,092	1,666,874
Substandard	3,431,903	1,319,319	4,751,222	1,199,404	306,169	1,505,573	2,232,499	1,013,150	3,245,649
Doubtful	1,194,129	869,425	2,063,554	597,065	425,442	1,022,507	597,064	443,983	1,041,047
Loss	46,709,752	13,383,403	60,093,155	45,573,732	12,592,085	58,165,817	1,136,020	791,318	1,927,338
	<u>52,969,566</u>	<u>15,605,239</u>	<u>68,574,805</u>	<u>47,370,201</u>	<u>13,323,696</u>	<u>60,693,897</u>	<u>5,599,365</u>	<u>2,281,543</u>	<u>7,880,908</u>
Category of classification	December 31, 2016 (Audited)								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other assets especially mentioned	803,344	121,924	925,268	-	-	-	803,344	121,924	925,268
Substandard	3,716,751	2,144,077	5,860,828	1,165,290	525,154	1,690,444	2,551,461	1,618,923	4,170,384
Doubtful	1,173,937	1,816,104	2,990,041	586,969	899,833	1,486,802	586,968	916,271	1,503,239
Loss	46,746,262	12,099,424	58,845,686	45,609,211	11,726,829	57,336,040	1,137,051	372,595	1,509,646
	<u>52,440,294</u>	<u>16,181,529</u>	<u>68,621,823</u>	<u>47,361,470</u>	<u>13,151,816</u>	<u>60,513,286</u>	<u>5,078,824</u>	<u>3,029,713</u>	<u>8,108,537</u>

- 7.1.1 Exposure amounting to Rs. 3,390 million relating to Power Holding (Private) Limited, 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 has been suspended on this amount and is only recognised when received.

7.2 Particulars of provision against advances

Note	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	60,513,286	3,328,371	63,841,657	60,735,843	2,924,766	63,660,609
Exchange adjustment	(1,260)	4,173	2,913	(152,654)	7,060	(145,594)
Charge for the period / year	2,200,384	333,555	2,533,939	4,863,811	449,178	5,312,989
Reversal for the period / year	(2,009,855)	(22,022)	(2,031,877)	(4,829,119)	(44,115)	(4,873,234)
Net charge against advances for the period / year	190,529	311,533	502,062	34,692	405,063	439,755
Charged off during the period / year	7.4 (121,005)	-	(121,005)	(526,238)	-	(526,238)
Written off during the period / year	(82,916)	-	(82,916)	(230,796)	-	(230,796)
Transfer from / (to) other liabilities	-	-	-	173,486	(8,518)	164,968
Recoveries against write off	236,543	-	236,543	457,833	-	457,833
Other movements	(41,280)	35,251	(6,029)	21,120	-	21,120
Closing balance	60,693,897	3,679,328	64,373,225	60,513,286	3,328,371	63,841,657

- 7.3 General provision represents provision amounting to Rs. 1,744.444 million (December 31, 2016: Rs. 1,655.911 million) against consumer finance portfolio and Rs. 127.751 million (December 31, 2016: Rs. 126.699 million) against advances to small enterprises. General provision also includes Rs. 1,807.133 million (December 31, 2016: Rs. 1,545.761 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

- 7.4 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

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

	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	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)	2,969,700	3,204,790	370,050	2,876,769	2,881,595	651,410
- in respect of Key Management Personnel	61,000	63,360	44,860	25,331	59,100	-
Debts due by companies or firms in which the Directors of the Bank are interested as directors, partners, advisors or in the case of private companies as members	11,131,869	14,864,099	-	11,252,430	12,151,641	6,678,160
Debts due by Subsidiary company	2,606,240	2,649,873	-	2,685,681	4,165,014	-

* These represent staff advances given by the Bank to its Executives as per their terms of employment.

** This is the maximum amount outstanding at any month end during the period / year.

		(Unaudited) June 30, 2017 (Rupees in '000)	(Audited) December 31, 2016
8	OPERATING FIXED ASSETS		
	Capital work-in-progress	15,330,208	1,557,938
	Tangible fixed assets	28,065,411	28,327,904
	Intangible assets	829,774	906,693
		<u>44,225,393</u>	<u>30,792,535</u>
8.1	Additions to operating fixed assets		
		(Unaudited)	
Note		June 30, 2017	June 30, 2016
		(Rupees in '000)	
	The following additions have been made to operating fixed assets during the period:		
	Capital work-in-progress	8.1.1	13,772,270
			254,178
	Tangible fixed assets		
	Land	-	802,125
	Building	189,799	118,205
	Machinery	-	13,434
	Furniture, fixtures and office equipment	1,005,054	1,024,414
	Leasehold Improvements	93,390	266,236
	Vehicles	16,322	22,589
		1,304,565	2,247,003
	Intangible assets	183,499	203,729
		<u>15,260,334</u>	<u>2,704,910</u>
8.1.1	This includes Rs. 13,451.251 million on account of acquisition of a new office building in Karachi.		
8.2	Disposal of operating fixed assets		
	The cost of operating fixed assets disposed off during the period is as follows:		
	Tangible fixed assets		
	Furniture, fixtures and office equipment	119,788	374,294
	Leasehold Improvements	18,884	47,126
	Vehicles	3,272	19,581
		<u>141,944</u>	<u>441,001</u>
9	BORROWINGS		
		(Unaudited) June 30, 2017 (Rupees in '000)	(Audited) December 31, 2016
	Secured		
	Borrowings from the SBP under		
	- Export refinance scheme	21,621,994	21,592,306
	- Long term financing facility	6,273,789	5,250,535
	- Refinance facility for modernization of SMEs	12,500	13,500
		27,908,283	26,856,341
	Repurchase agreement borrowings	285,127,899	243,753,648
		<u>313,036,182</u>	<u>270,609,989</u>
	Unsecured		
	- Call money borrowings	16,207,500	19,815,965
	- Overdrawn nostro accounts	3,548,524	7,877,216
	- Borrowings of overseas branches	19,524,080	21,090,353
	- Other long-term borrowings	36,698,900	15,689,775
		75,979,004	64,473,309
		<u>389,015,186</u>	<u>335,083,298</u>

- 9.1 This includes a loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2016: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5% is payable bi-annually from June 2015.

This also includes a loan from the China Development Bank amounting to US\$ 200 million . The principal amount is payable in six installments from December 2017 to June 2020. Interest at LIBOR+2.45% is payable semi annually.

	Note	(Unaudited) June 30, 2017	(Audited) December 31, 2016
		(Rupees in '000)	
10 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Current accounts - non-remunerative		679,619,763	638,928,970
Savings accounts		885,443,908	834,591,076
Fixed deposits		304,257,129	297,557,281
		<u>1,869,320,800</u>	<u>1,771,077,327</u>
Financial institutions			
Current accounts - non-remunerative		7,904,772	10,746,198
Savings accounts		25,671,477	8,616,867
Fixed deposits		1,130,000	2,930,000
		<u>34,706,249</u>	<u>22,293,065</u>
		<u>1,904,027,049</u>	<u>1,793,370,392</u>
11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax			
Surplus arising on revaluation of assets - net of deferred tax, on			
- Operating fixed assets	11.1	11,092,002	11,101,555
- Investments	11.2	9,520,198	11,019,736
- Non-banking assets acquired in satisfaction of claims	11.3	791,107	684,178
		<u>21,403,307</u>	<u>22,805,469</u>
11.1 Surplus on revaluation of operating fixed assets			
Surplus as at the beginning of the period / year		11,637,924	11,424,672
Surplus recognised during the period / year		-	1,772
Transferred from surplus on revaluation of non-banking assets		15,504	262,797
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(19,632)	(33,356)
Related deferred tax liability on incremental depreciation charged during the period / year		<u>(10,571)</u>	<u>(17,961)</u>
		11,623,225	11,637,924
Less: related deferred tax liability / asset on			
- Revaluation as at the beginning of the period / year		536,369	554,330
- Amount transferred from surplus on revaluation of non-banking assets		5,425	-
- incremental depreciation charged during the period / year		<u>(10,571)</u>	<u>(17,961)</u>
		<u>531,223</u>	<u>536,369</u>
		<u>11,092,002</u>	<u>11,101,555</u>

(Unaudited)
June 30,
2017

(Audited)
December 31,
2016

(Rupees in '000)

11.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills	(64,442)	(78,715)
Pakistan Investment Bonds	11,739,947	11,775,363
Government of Pakistan US Dollar Bonds	1,172,841	1,081,041
Government of Pakistan Sukuks	1,438,724	1,691,234
Listed equity securities	248,972	2,471,333
NIT units	47,459	47,715
Real Estate Investment Trust units	20,536	(4,680)
Overseas Government securities	17,787	(1,117)
Other debt instruments	24,633	(28,805)
	14,646,457	16,953,369
Related deferred tax liability	(5,126,259)	(5,933,633)
	<u>9,520,198</u>	<u>11,019,736</u>

11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus as at the beginning of the period / year	690,381	-
Surplus recognised during the period / year	117,093	953,418
Transferred to surplus on revaluation of operating fixed assets	(15,504)	(262,797)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(85)	(156)
Related deferred tax liability on incremental depreciation charged during the period / year	(45)	(84)
	791,840	690,381
Less: related deferred tax liability on		
- Revaluation as at the beginning of the period / year	6,203	-
- Revaluation recognised during the period / year	-	6,287
- Amount transferred to surplus on revaluation of operating fixed assets	(5,425)	-
- Incremental depreciation charged during the period / year	(45)	(84)
	733	6,203
	<u>791,107</u>	<u>684,178</u>

12 CONTINGENCIES AND COMMITMENTS

12.1 Direct credit substitutes - financial guarantees

Guarantees in favour of		
- Government	278,727	275,473
- Financial institutions	295,000	295,000
- Others	28,935,708	38,160,335
	<u>29,509,435</u>	<u>38,730,808</u>

12.2 Transaction-related contingent liabilities

Guarantees in favour of		
- Government	273,440	683,908
- Financial institutions	1,850,337	1,604,150
- Others	111,555,996	103,998,282
	<u>113,679,773</u>	<u>106,286,340</u>

12.3 Trade-related contingent liabilities

Letter of credit in favour of		
- Government	68,312,424	62,799,738
- Financial institutions	341	2,734,895
- Others	89,813,847	89,687,410
	<u>158,126,612</u>	<u>155,222,043</u>

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
	(Rupees in '000)	
12.4 Other contingencies		
Claims against the Bank not acknowledged as debts	33,048,115	32,773,275
These mainly represent claims filed by former employees of the Bank, counter claims by borrowers for damages and other relief and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in this condensed interim unconsolidated financial information.		
12.5 Commitments to extend credit		
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.		
	(Unaudited) June 30, 2017	(Audited) December 31, 2016
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	142,805,739	146,407,029
Sale	142,481,708	147,918,207
12.7 Commitments in respect of forward Government Securities transactions		
Purchase	16,634,736	18,815,026
Sale	2,064,121	9,067,465
12.8 Commitments in respect of derivatives		
Foreign currency options		
Purchase	-	216,840
Sale	-	216,840
Cross currency swap		
Purchase	1,322,725	1,084,128
Sale	1,332,694	1,096,192
Interest rate swaps		
Purchase	-	34,866
Sale	9,107,547	5,218,200
12.9 Commitments for capital expenditure	2,156,288	824,776
12.10 Taxation		

The income tax return of the Bank has been submitted up to the accounting year 2015 and the audit has also been concluded by the tax authorities under section 122(5A) of the Income Tax Ordinance, 2001.

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

13 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	(Unaudited)	
	June 30, 2017	June 30, 2016
	(Rupees in '000)	
On advances to		
- Customers	25,921,495	22,748,469
- Financial institutions	994	716
	25,922,489	22,749,185
On investments in		
- Held-for-trading securities	2,904,364	1,492,004
- Held-to-maturity securities	7,744,553	9,381,818
- Available-for-sale securities	32,361,933	35,282,586
	43,010,850	46,156,408
On deposits with financial institutions	445,269	245,588
On lendings to financial institutions	460,042	362,320
	<u>69,838,650</u>	<u>69,513,501</u>

14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

On deposits	21,280,990	19,271,648
On securities sold under repurchase agreement borrowings	7,270,523	8,064,411
On other short term borrowings	898,700	857,834
On long term borrowings	942,409	863,437
	<u>30,392,622</u>	<u>29,057,330</u>

15 RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its subsidiaries, associated undertakings, joint venture company, Group entities, employee benefit schemes of the Bank, members of the Key Management Personnel of the Bank and its Directors.

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

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

Details of transactions and balances with related parties as at the period / year end, other than those disclosed elsewhere in this condensed interim unconsolidated financial information, are as follows:

	As at June 30, 2017 (Unaudited)				
	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	-----Rupees in 000-----				
Statement of financial position					
Deposits	7,776,902	470,261	4,525,298	14,294	364,747
Maximum Deposits during the period	8,657,794	495,459	5,345,842	63,856	518,909
Borrowings	1,189,553	1,467,956	-	1,782,518	-
Investments	-	17,090,836	9,695,532	7,197	-
Nostro balances	624,868	3,889,101	-	-	-
Overdrawn nostro balances	-	294,467	-	-	-
Mark-up receivable	37,322	107,473	30,256	-	-
Other receivable	-	9,824	79,849	128,468	1,529
Mark-up payable	35,917	1,459	1,605	1,114	164
Other payable	-	-	280,590	-	200,844
Others					
Other contingencies	2,297,069	-	2,157,782	-	-
Securities held as custodian	16,361,000	-	27,452,905	-	6,746,095

Profit and loss account

For the six months ended June 30, 2017 (Unaudited)					
Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties	
Rupees in 000					
Mark-up income	126,452	314,337	30,426	-	12,720
Fee and commission income	-	1,671	1,333,752	-	-
Other income	-	15,034	-	-	-
Mark-up expense	83,840	24,750	82,281	2,992	7,155
Other expense	821	179	476,405	-	466,514
Dividend income	-	-	821,397	-	-

Statement of financial position

Statement of financial position					
Deposits	5,528,358	684,639	5,740,470	42,695	426,558
Maximum deposits during the year	9,593,529	768,975	6,378,540	217,386	591,097
Borrowings	1,114,878	4,187,454	-	1,202,883	-
Investments	-	16,641,232	9,211,299	7,197	-
Nostro balances	115,914	1,439,280	-	-	-
Overdrawn nostro balances	-	413,447	-	-	-
Advances	-	-	-	-	1,251,229
Lendings	-	962,306	-	-	-
Mark-up receivable	15,947	312,812	2,221	-	20,289
Other receivable	-	-	207,923	128,468	-
Mark-up payable	10,305	12,374	2,297	5,837	13
Other payable	-	-	217,937	-	497,066
Others					
Other contingencies	277,530	37,875	989,112	-	-
Securities held as custodian	15,537,400	-	34,717,265	-	4,398,055

Profit and loss account

For the six months ended June 30, 2016 (Unaudited)					
Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties	
Rupees in 000					
Mark-up income	22,283	284,262	4,153	-	-
Fee and commission income	-	4,041	1,211,707	-	-
Other income	-	14,334	-	-	-
Mark-up expense	27,207	50,691	43,916	7,630	2,348
Other expense	-	-	349,466	-	394,782
Dividend income	-	-	313,004	-	-

15.1 Key Management Personnel

Key Management Personnel includes the President / Chief Executive Officer and direct reports to the President.

	(Unaudited)	
	June 30, 2017	June 30, 2016
	(Rupees in '000)	
Managerial remuneration (including allowances)	341,910	330,635
Contribution to provident and benevolent fund	6,918	8,079
Medical	9,485	11,249
	<u>358,313</u>	<u>349,963</u>
Number of persons	<u>19</u>	<u>20</u>
15.2 Non-Executive Directors' fees	<u>22,000</u>	<u>18,000</u>

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, other than investments in associates and joint ventures, are estimated using the break-up value of the investee company.

The fair value of unquoted debt securities, fixed term advances, other assets and other liabilities can not be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances and deposits, are frequently repriced.

Fair Value Measurement

The following table provides the fair value measurement hierarchy of those of the Bank's assets and liabilities that are recognised at fair value in this condensed interim unconsolidated financial information:

	As at June 30, 2017 (Unaudited)			Total
	Level 1	Level 2	Level 3	
	Rupees in 000			
Items carried at fair value				
Financial assets and liabilities				
- Fully paid-up ordinary shares	18,811,720	-	-	18,811,720
- Real Estate Investment Trust units	292,698	-	-	292,698
- NIT units	-	58,572	-	58,572
- Federal Government securities	-	1,071,427,844	-	1,071,427,844
- Overseas Government securities	-	5,556,598	-	5,556,598
- Debentures and corporate debt instruments	-	19,660,799	-	19,660,799
- Unrealised gain on forward foreign exchange contracts	-	976,751	-	976,751
- Unrealised gain on derivative instruments	-	180,145	-	180,145
- Unrealised loss on forward foreign exchange contracts	-	337,238	-	337,238
- Unrealised loss on derivative instruments	-	4,768	-	4,768
Non-financial assets				
- Operating fixed assets	-	-	21,876,900	21,876,900
- Non-banking assets acquired in satisfaction of claims	-	-	2,260,093	2,260,093
Items for which fair value is disclosed				
- Federal Government securities	-	189,597,130	-	189,597,130
- Overseas Government securities	-	26,740,404	-	26,740,404
- Debentures and corporate debt instruments	-	25,111,630	-	25,111,630
- Associates and joint venture	38,063,663	-	-	38,063,663
	<u>57,168,081</u>	<u>1,339,651,879</u>	<u>24,136,993</u>	<u>1,420,956,953</u>
	As at December 31, 2016 (Audited)			
	Level 1	Level 2	Level 3	Total
	Rupees in 000			
Items carried at fair value				
Financial assets and liabilities				
- Fully paid-up ordinary shares	19,023,342	-	-	19,023,342
- Real Estate Investment Trust units	391,320	-	-	391,320
- NIT units	-	58,828	-	58,828
- Federal Government securities	-	978,511,612	-	978,511,612
- Overseas Government securities	-	4,517,150	-	4,517,150
- Debentures and corporate debt instruments	-	19,842,795	-	19,842,795
- Unrealised gain on forward foreign exchange contracts	-	268,141	-	268,141
- Unrealised gain on derivative instruments	-	115,903	-	115,903
- Unrealised loss on forward foreign exchange contracts	-	1,232,680	-	1,232,680
- Unrealised loss on derivative instruments	-	10,804	-	10,804
Non-financial assets				
- Operating fixed assets	-	-	21,624,592	21,624,592
- Non-banking assets acquired in satisfaction of claims	-	-	2,383,392	2,383,392
Items for which fair value is disclosed				
- Federal Government securities	-	207,591,731	-	207,591,731
- Overseas Government securities	-	23,879,693	-	23,879,693
- Debentures and corporate debt instruments	-	18,638,546	-	18,638,546
- Associates and joint venture	30,884,859	-	-	30,884,859
	<u>50,299,521</u>	<u>1,254,667,883</u>	<u>24,007,984</u>	<u>1,328,975,388</u>

All assets and liabilities for which fair value is measured or disclosed in this condensed interim unconsolidated financial information are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Valuation techniques used in determination of fair values within level 2 and level 3.

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Debentures and corporate debt instruments	Investment in debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in debt securities in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Units of mutual funds	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
Overseas Government securities	The fair values of Overseas Government securities are determined on the basis of rates taken from Reuters / Bloomberg.
Derivatives	The Bank enters into derivatives contracts with various counterparties. Derivatives that are valued using valuation techniques with market observable inputs are mainly interest rate swaps, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in this condensed unconsolidated financial information.

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2017 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
	----- (Rupees in million) -----					
Net mark-up income - external	(3,899)	9,001	30,958	3,876	(490)	39,446
Inter-segment revenue / (expense) - net	27,716	(6,019)	(23,617)	-	1,920	-
Non-funded income	6,224	1,404	2,637	1,977	2,122	14,364
Total Income	30,041	4,386	9,978	5,853	3,552	53,810
Total expenses including provision	12,646	(213)	1,073	5,558	8,664	27,728
Inter-segment administrative cost	6,066	885	172	635	(7,758)	-
Total expenses including provision	18,712	672	1,245	6,193	906	27,728
Profit before tax	11,329	3,714	8,733	(340)	2,646	26,082
Segment return on assets %	0.88%	1.06%	0.80%	-0.13%	1.46%	-
Segment cost of funds %	2.65%	4.83%	5.04%	1.35%	0.27%	-

	As at June 30, 2017 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
----- (Rupees in million) -----						
Segment assets (gross of provision)	438,006	459,068	1,313,416	332,188	95,287	2,637,965
Segment non-performing advances	8,759	44,026	-	15,605	185	68,575
Segment provision held including general provision	7,579	41,982	1,086	15,347	597	66,591
Inter-segment assets / (liabilities)	1,071,117	(147,798)	(998,450)	(2,484)	77,615	-
Segment liabilities and equity	1,501,544	269,288	313,880	314,357	172,305	2,571,374
For the six months ended June 30, 2016 (Unaudited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
----- (Rupees in million) -----						
Net mark-up income - external	(4,416)	8,383	32,642	3,877	(30)	40,456
Inter-segment revenue / (expense) - net	25,394	(5,607)	(22,130)	-	2,343	-
Non-funded income	5,522	1,609	2,106	1,855	1,175	12,267
Total Income	26,500	4,385	12,618	5,732	3,488	52,723
Total expenses including provision	11,758	(199)	442	5,659	8,199	25,859
Inter-segment administrative cost	5,785	849	165	606	(7,405)	-
Total expenses including provision	17,543	650	607	6,265	794	25,859
Profit before tax	8,957	3,735	12,011	(533)	2,694	26,864
Segment return on assets %	0.80%	1.37%	1.14%	-0.22%	1.33%	-
Segment cost of funds %	2.86%	5.28%	5.22%	1.19%	0.23%	-
As at December 31, 2016 (Audited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
----- (Rupees in million) -----						
Segment assets (gross of provision)	400,558	417,371	1,237,983	325,731	77,381	2,459,024
Segment non-performing advances	7,363	44,923	-	16,182	154	68,622
Segment provision held including general provision	7,224	42,272	285	14,948	512	65,241
Inter-segment assets / (liabilities)	1,028,724	(145,871)	(931,818)	(12,283)	61,248	-
Segment liabilities and equity	1,422,058	229,228	305,880	298,500	138,117	2,393,783
Segment gross earnings on liability / asset %	9.97%	10.10%	9.73%	3.67%	4.80%	-
Segment cost of funds %	5.20%	7.73%	8.83%	0.81%	1.26%	-

18 ISLAMIC BANKING BUSINESS

18.1 Statement of financial position

	Note	(Unaudited) June 30, 2017	(Audited) December 31, 2016
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		8,578,664	6,183,359
Due from financial institutions		1,614,839	7,458,102
Investments		105,713,465	96,574,596
Islamic financing and related assets	18.1.1	51,031,613	31,972,463
Due from Head Office		3,082,058	-
Other assets		1,404,918	499,088
		<u>171,425,557</u>	<u>142,687,608</u>
LIABILITIES			
Bills payable		6,028	4,575
Due to financial institutions		11,927,000	5,754,000
Deposits and other accounts	18.1.2	149,344,978	124,292,123
Due to Head Office		-	3,815,481
Deferred tax liability		503,232	546,132
Other liabilities		997,837	969,169
		<u>162,779,075</u>	<u>135,381,480</u>
NET ASSETS		<u>8,646,482</u>	<u>7,306,128</u>
REPRESENTED BY			
Islamic Banking Fund		250,000	250,000
Unappropriated profit		7,461,909	6,041,883
		<u>7,711,909</u>	<u>6,291,883</u>
Surplus on revaluation of investments - net of deferred tax		934,573	1,014,245
		<u>8,646,482</u>	<u>7,306,128</u>

Commitments in respect of guarantees and letters of credit of the Islamic Banking Business amounted to Rs. 287.792 million (December 31, 2016: Rs. 281.916 million) and Rs. 3,352.220 million (December 31, 2016: Rs.382.059 million) respectively. Commitments in respect of forward purchase and sale transactions amounted to Rs. 2,900.074 million (December 31, 2016: Rs. 3,227.835 million) and Rs. 2,907.633 million (December 31, 2016:Rs. 860.338 million) respectively.

		(Unaudited) June 30, 2017	(Audited) December 31, 2016
(Rupees in '000)			
18.1.1	Islamic financing and related assets - net		
	Ijarah	1,153,580	852,607
	Murabaha	1,424,921	187,072
	Diminishing Musharaka	25,144,035	21,211,872
	Wakala	10,000,000	-
	Istisnah	215,556	439,155
	Advance for Ijarah	423,887	172,049
	Advance for Murabaha	8,068,120	3,714,525
	Advance for Diminishing Musharaka	217,120	98,006
	Advance for Istisnah	1,025,175	3,949,781
	Assets / Inventories	<u>3,468,473</u>	<u>1,452,153</u>
	Islamic financing and related assets - gross	51,140,867	32,077,220
	Provision against financings	<u>(109,254)</u>	<u>(104,757)</u>
	Islamic financing and related assets - net	<u>51,031,613</u>	<u>31,972,463</u>
18.1.2	Deposits and other accounts		
	Current accounts	40,251,330	34,805,992
	Savings accounts	87,404,445	67,581,654
	Term deposits	13,837,113	16,307,798
	Deposits from financial institutions - remunerative	7,841,101	5,530,268
	Deposits from financial institutions - non - remunerative	<u>10,989</u>	<u>66,411</u>
		<u>149,344,978</u>	<u>124,292,123</u>

18.2 **Profit and Loss account**

		(Unaudited)	
		For the six months ended	
		June 30, 2017	June 30, 2016
		(Rupees in '000)	
Profit earned		4,427,958	3,716,321
Profit expensed		1,888,439	1,941,004
Net profit earned		2,539,519	1,775,317
Depreciation on assets given on ijarah		134,627	98,868
Provision against financings		4,498	-
		139,125	98,868
Net profit after depreciation and provisions		2,400,394	1,676,449
Other income			
Fee, commission and brokerage income		93,555	61,440
Income from dealing in foreign currencies		(23,645)	(2,130)
Gain / (loss) on sale of securities		9,849	-
Others		390	336
Total other income		80,149	59,646
		2,480,543	1,736,095
Administrative expenses		317,375	323,425
Net profit for the period		2,163,168	1,412,670

19 **NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on August 11, 2017 has declared a cash dividend in respect of the quarter ended June 30, 2017 of Rs. 3.50 per share (June 30, 2016: Rs. 3.50 per share). This condensed interim unconsolidated financial information does not include the effect of these appropriations which will be accounted for subsequent to the period end.

20 **GENERAL**

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

21 **DATE OF AUTHORISATION FOR ISSUE**

This condensed interim unconsolidated financial information was authorised for issue in the Board of Directors meeting held on August 11, 2017.

Nauman K. Dar
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

