

A young girl with a blue and red patterned headscarf and red dots on her cheeks, looking over a stone wall.

HBL

More than Just a Bank

Half Yearly Report - June 30, 2018

Table of Contents

Corporate Information	2
Condensed Interim Consolidated Financial Statements	3
Directors' Review - English	4
Directors' Review - Urdu	7
Condensed Interim Consolidated Statement of Financial Position	11
Condensed Interim Consolidated Profit & Loss Account	12
Condensed Interim Consolidated Statement of Comprehensive Income	13
Condensed Interim Consolidated Statement of Changes in Equity	14
Condensed Interim Consolidated Cash Flow Statement	15
Notes to the Condensed Interim Consolidated Financial Statements	16
Condensed Interim Unconsolidated Financial Statements	33
Directors' Review - English	34
Directors' Review - Urdu	37
Auditors' Review Report	41
Condensed Interim Unconsolidated Statement of Financial Position	42
Condensed Interim Unconsolidated Profit & Loss Account	43
Condensed Interim Unconsolidated Statement of Comprehensive Income	44
Condensed Interim Unconsolidated Statement of Changes in Equity	45
Condensed Interim Unconsolidated Cash Flow Statement	46
Notes to the Condensed Interim Unconsolidated Financial Statements	47

Corporate Information

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Shaffiq Dharamshi
Director

Mr. Moez Ahamed Jamal
Director

Ms. Sadia Khan
Director

Mr. Salim Raza
Director

Dr. Najeeb Samie
Director

Mr. Agha Sher Shah
Director

Mr. Muhammad Aurangzeb
President & CEO

Chief Financial Officer

Mr. Rayomond Kotwal

Company Secretary

Ms. Neelofar Hameed

Legal Advisors

Mandviwalla and Zafar
Legal Consultants and Advocates

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Share Registrar

Central Depository Company of Pakistan Limited
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal
Karachi – 74400, Pakistan
Tel: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 3432-6053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

HBL Corporate Secretariat

Phone: (92-21) 3713-7543
Fax: (92-21) 3514-8370

Head Office

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

Registered Office

Habib Bank Limited
9th Floor, Habib Bank Tower,
Jinnah Avenue, Blue Area,
Islamabad, Pakistan.
Phone: (92-51) 2270856, (92-51) 2821183
Fax: (92-51) 2872205

Websites:

Corporate Website:
www.hbl.com

Internet Banking:
www.hblbank.com.pk



Condensed Interim Consolidated Financial Statements

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the half year ended June 30, 2018.

Domestic Economy

Pakistan's growth trajectory continued in FY18 with a thirteen-year high GDP growth of 5.8%. Real economic activity maintained its momentum from the previous year; the agriculture, industry and services sectors all delivered an improved performance with LSM growth of 6% during 11M FY18. Average inflation remained contained, and well below targeted levels at 3.9%; however, the trend is changing rapidly as headline inflation for June 2018 reached 5.2% and positive developments on the growth front remain tempered by a sharp deterioration in the twin deficits, intensifying the economic challenges.

After declining in FY17, a strong export recovery of 13% has been more than offset by the sheer size of the import bill which, driven by rising oil prices and a strong demand for productive imports, grew by 15%. Consequently, the trade deficit widened by 16% to over USD 31 billion. Although the declining trend in remittances was arrested, growth remained elusive with remittances not even recovering to their FY16 levels. The current account deficit increased by 43% to USD 18 billion which, at 5.7% of GDP, is an all-time high. With limited financial account inflows, FX reserves continued to decline, falling by 23% during the fiscal year to USD 16.4 billion. The Rupee has been under severe pressure with four devaluations since December 2017 eroding its value by 15%.

The fiscal deficit, which was budgeted to reduce to 4.1% of GDP, has instead increased further, and is estimated at 6.8% compared to 5.8% in FY17. Despite provisional estimates of an 11% increase in tax collection over the previous year, shortfalls to revenue targets remain. The response from the tax amnesty scheme has been below expectations, although there is some expectation that the resultant widening of the tax base would result in higher future tax revenue.

The precarious external account has led international rating agencies to take a more critical view on Pakistan. While affirming the country's B3 ratings, Moody's downgraded its Outlook from Stable to Negative citing dwindling foreign reserves, the burgeoning current account deficit and declining access to external financing. Fitch maintained its Outlook at Negative, highlighting largely similar concerns.

The uncertainty created by the political situation in the run up to the elections had led to the stock market being bearish for an extended period, with a net outflow of over USD 100 million in foreign portfolio investment in 2018. Equities have recovered somewhat post the elections, with the PSX rallying by 3.3% to post a gain of 5% since the start of the year.

In its July monetary policy statement, the SBP increased the policy rate by 100 bps to 7.5%, the first increase of this magnitude since 2008. The reversal of the interest rate cycle is now in full swing with three hikes in 2018. The SBP cited pressure on the external account and highlighted risks to macroeconomic stability from the substantial fiscal deficit, higher oil imports and rising inflationary pressures. Private sector credit offtake increased by over Rs 800 billion (18%) in FY18, a significant improvement over the Rs 697 billion growth in FY17. Banking sector advances have increased by 14% over December 2017, while deposits rose by 6%. Average banking spreads compressed by 17 bps compared to the same period last year as the rate increases during the first half of the year will only have a lagged effect on asset yields.

Performance

HBL's domestic business continued its growth momentum, with deposits increasing by 8% over December 2017 to nearly Rs 1.9 trillion, and market share rising to 14.4%. In this period, the Bank added Rs 119 billion in domestic CASA deposits, further improving the CASA ratio to 86.6% as at June 30, 2018. The growth momentum in current deposits delivered a 9.8% growth in just six months. Current accounts reached nearly Rs 690 billion and their share in the deposit mix improved by 70 bps to 36.3% in June 2018. With a renewed focus on quality lending growth, HBL's domestic loan book increased by 13% over December 2017 with corporate loans, Islamic financing and consumer lending making key contributions.

HBL's reported financial performance remains impacted by the revision in pension costs, the impact of the multiple currency devaluations on overseas borrowings and the remediation, legal and regulatory costs related to the Bank's New York branch. In addition, the accelerated shrinkage in the international balance sheet has resulted in significantly reduced revenues and while the cost profile has improved, further reductions will be gradual. As a result, HBL's profit before tax for the first six months of 2018 is Rs 14.1 billion. Profit after tax for the same period is Rs 8.1 billion, with earnings per share for H1 18 at Rs 5.42.

Average domestic loans for H1'18 grew by 28% over H1'17, with all businesses registering significant increases, and average domestic current accounts for the first six months of 2018 increased by 15% over H1'17. This improvement in the Balance Sheet composition more than alleviated the lower spread which declined by 30 bps YoY, as a result of lower investment yields. Domestic net interest income for H1'18 is thus 1% higher than for the first six months of 2017. However, with international revenues under pressure, HBL's total net interest income reduced by 3% YoY to Rs 40.3 billion.

Core FX income improved by 10% as Trading revenues delivered a strong performance. Domestic fee income rose by 8% over H1'17, excluding the impact of the expected drop in revenue from home remittances, as volumes have fallen by over 70%. Account operations, consumer finance and card related fees were key contributors to the growth in fees and commissions. The strong core domestic performance was impacted by a Rs 1.0 billion reduction in fees and commissions from the international business and by the drop in the Rupee which resulted in a loss of Rs 2.5 billion on revaluation of overseas borrowings. Total non mark-up income is therefore reported at Rs 10.7 billion, Rs 5.7 billion lower than in H1'17.

The Bank has embarked on a global business and compliance transformation project through which it intends to raise its operations and customer service to world-class levels. HBL will continue to invest in this area, in state of the art technology, and in building on its market leading brand presence. Excluding the impact of pensions, and the ongoing costs of New York and business transformation, the growth in administrative expenses was contained at single digits. A positive recovery stream has led to a Rs 2.7 billion reduction in domestic non-performing loans, while overseas NPLs have increased as a result of the currency devaluation. Consequently, loan provisions have recorded a reversal of Rs 240 million, compared to a provision of Rs 564 million in H1 17. With stable NPLs, the coverage ratio strengthened to 91.7% and the infection ratio, down to 7.6%, is at its lowest level since the privatization of the Bank.

Movement of Reserves

	Rs million
Unappropriated profit brought forward - restated	96,974
Profit attributable to equity holders of the Bank	7,943
Re-measurement gain on defined benefit obligations – net	287
Share of re-measurement loss on defined benefit obligations of associate - net	(4)
Transferred from surplus on revaluation of assets – net of tax	30
	8,256
Profit available for appropriations	105,230
Appropriations	
Transferred to statutory reserves	(869)
Cash Dividend – Final 2017	(1,467)
Cash Dividend – 1st Interim 2018	(1,467)
Capital contribution to statutory funds of associates	(0)
	(3,803)
Unappropriated profit carried forward	101,427
Earnings per share (Rupees)	5.42

Capital Ratios

In June 2018, HBL was designated as a Domestic Systemically Important Bank (D-SIB) and is the only bank in the highest category "C", which requires the Bank to reserve an additional Tier 1 capital of 2% of Risk Weighted Assets. With this in mind, HBL continues to follow a conservative dividend policy and optimize its Risk Assets. As a result, the Capital Adequacy Ratios continued to improve – the Tier 1 CAR rose by 79 bps from December 2017 to reach 12.8% and the total CAR crossed the 17% mark, increasing by 115 bps to 17.1%.

Dividend

The Board of Directors, in its meeting held on August 2, 2018 has declared an interim cash dividend of Rs 1.00 per share (10%) for the quarter ended June 30, 2018. This is in addition to the interim cash dividend of Rs 1.00 per share (10%) already declared and paid for the first quarter ended March 31, 2018.

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 AA+. The ratings are supported by HBL's strong momentum in its domestic business, improving asset quality, healthy capitalization ratios and strong liquidity profile and reflect the systemic importance of the Bank.

Future Outlook

The twin deficits that have plagued Pakistan's economy had been managed down but have returned in full force. The increasing headwinds on the economic front pose major risks with even the most optimistic reports indicating a slowdown in GDP growth. A sustained economic recovery will be heavily dependent on real structural reforms, diversifying the export base to buildup foreign reserves and a significant widening of the tax net while exercising fiscal discipline. Average headline inflation is projected at 6-7% in FY19; nevertheless, the SBP expects healthy growth in private sector credit to continue, driven by higher working capital requirements on the back of increasing exports.

Some of the downsides that have affected the half yearly reported results are expected to persist for the medium term. However, HBL's domestic business remains on its growth trajectory and the Bank's capital is now at its highest in several years. This will enable it to pursue its objectives of playing a leading role in financing Pakistan's development, furthering financial inclusion of the country's population and expanding the digital retail payments infrastructure.

Appreciation and Acknowledgement

We would like to place on record, our appreciation for 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

Muhammad Aurangzeb
President & Chief Executive Officer
August 2, 2018

ڈائریکٹرز جائزہ

مجھے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2018ء کو ختم ہونے والی پہلی ششماہی کے مختصر عبوری جامع مالیاتی گوشوارے پیش کرتے ہوئے مسرت ہو رہی ہے۔

ملکی معیشت

پاکستانی معیشت کے اضافہ کا سفر مالی سال 2018ء میں بھی جی ڈی پی میں اضافہ کی تیرہ سالہ بلند شرح 5.8 فیصد کے ساتھ جاری رہا۔ گزشتہ برس سے جاری حقیقی معاشی سرگرمی کی رفتار برقرار رہی اور زراعت، صنعت اور خدمات سمیت تمام شعبوں نے بہتر کارکردگی کا مظاہرہ کیا جبکہ لارج اسکیل مینوفیکچرنگ میں مالی سال 2018ء کے گیارہ ماہ میں اضافہ کی شرح 6 فیصد رہی۔ افراط زر کی اوسط شرح بھی حدود میں رہی جو 3.9 فیصد کے طے شدہ ہدف سے خاصی کمتر رہی تاہم اس رجحان میں تبدیلی ہو رہی ہے کیونکہ توانائی اور خوراک کی قیمتوں میں اضافہ کی شرح جون 2018ء میں 5.2 فیصد تک پہنچ گئی جبکہ اضافہ کے محاذ پر مثبت سرگرمیوں میں جڑواں خساروں میں تیز خرابی کے باعث معاملات میں فرق آیا جس کی وجہ سے معاشی چیلنجز کی شدت میں اضافہ ہوا۔

2017ء میں زوال کے بعد برآمدات میں 13 فیصد کے حساب سے مضبوط اضافہ ہوا تاہم اس اضافے کے مثبت اثرات کو درآمدی بل میں ہونے والے 15 فیصد اضافہ نے دھندلا دیا جس میں پٹرول کی بڑھتی ہوئی قیمتوں اور پیداواری درآمدات کی شدت شامل ہیں۔ نتیجتاً تجارتی خسارہ 16 فیصد اضافہ کے ساتھ بڑھ کر 31 ارب امریکی ڈالر سے زائد ہو گیا۔ اگرچہ تجارتی خسارے میں اضافے کے رجحان کو ترسیلات زر کے باعث کچھ فرق پڑا تاہم ترسیلات زر میں 2016ء کی سطح تک بحالی نہ ہونے کے باعث یہ فرق مبہم ہی رہا۔ کرنٹ اکاؤنٹ کا خسارہ 43 فیصد اضافے کے ساتھ بڑھ کر 18 ارب امریکی ڈالر ہو گیا جو جی ڈی پی کے 5.7 فیصد کی شرح سے کسی بھی وقت کا بلند ترین اضافہ ہے۔ مالی کھاتے میں فوری مگر محدود اندرونی بہاؤ میں اضافہ ہوا تاہم زرمبادلہ کے ذخائر میں کمی کا رجحان جاری رہا جو مالی سال میں 23 فیصد گراؤ کے ساتھ 16.4 ارب امریکی ڈالر ہو گیا۔ پاکستانی روپیہ اپنی قدر میں دسمبر 2017ء سے چار مرتبہ کمی کے باعث شدید دباؤ کا شکار رہا جس سے اس کی قوت 15 فیصد کم ہو گئی۔

مالی خسارہ جسے کم کر کے بجٹ میں جی ڈی پی کے 4.1 فیصد پر رکھا گیا تھا تاہم اس کے برعکس اس میں اضافہ ہی ہوا جس کا تخمینہ مالی سال 2017ء کے 5.8 فیصد کے مقابل 6.8 فیصد کیا جا رہا ہے۔ محصولات کی وصولیوں میں گزشتہ برس کے مقابلے میں 11 فیصد کے عبوری اضافے کا تخمینہ ہے تاہم وصولیوں کے اہداف میں کمی پائی جاتی ہے۔ ٹیکس ایمنسٹی اسکیم میں رسپانس توقعات سے کم رہا ہے اگرچہ اس امر کی کچھ توقع کی جا رہی ہے کہ ٹیکس کی بنیاد میں ہونے والا اضافہ مستقبل میں محصولات میں اضافے کا باعث ہوگا۔

بیرونی کھاتے میں موجود بے یقینی کے باعث بین الاقوامی ریٹنگ کے اداروں نے پاکستان کا مزید تنقیدی جائزہ لیا ہے۔ Moody's نے اگرچہ ملک کی B3 ریٹنگ کی تصدیق کی ہے تاہم اس نے مستقبل کے آؤٹ لک میں مستحکم سے منفی کر دیا ہے جس کی وجوہات اس نے کم ہوتے ہوئے زرمبادلہ کے ذخائر تیزی کے ساتھ بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے اور بیرونی مالیات تک کم ہوتی رسائی کو قرار دیا ہے۔ Fitch نے آؤٹ لک منفی برقرار رکھا ہے جبکہ ایسی ہی تشویش کو نمایاں کیا ہے۔

الیکشن سے قبل پیدا ہونے والی غیر یقینی سیاسی فضاء کے باعث اسٹاک مارکیٹ میں عرصہ دراز تک گراؤ کا رجحان رہا جس کے نتیجے میں 2018ء میں بیرونی پورٹ فولیو سرمایہ کاری میں 100 ملین امریکی ڈالر سے زائد خالص بیرونی بہاؤ ریکارڈ کیا گیا۔ تاہم حصص بازار میں الیکشن کے بعد قدرے بحالی دیکھنے میں آئی اور پاکستان اسٹاک ایکسچینج میں 3.3 فیصد اضافہ کی تیزی کے باعث گزشتہ برس سے 5 فیصد کا نفع ریکارڈ کیا گیا۔

اسٹیٹ بینک نے اپنے جولائی کے مالیاتی پالیسی بیان میں پالیسی ریٹ میں 100 bps کا اضافہ کر دیا جو 7.5 فیصد ہو گیا اور اس حجم کا 2008ء کے بعد سے یہ سب سے بڑا اضافہ ہے۔ انٹرسٹ ریٹ سائیکل میں ریورسل اب پورے زور میں ہے جس سے 2018ء میں تین مرتبہ اضافہ ہو چکا ہے۔ اسٹیٹ بینک نے بیرونی کھاتے پر دباؤ کو اس کا سبب قرار دیتے ہوئے ایک بڑے مالیاتی خسارے سے میکرو اکنامک استحکام کو لاحق ہونے والے خطرات کو نمایاں کیا جن

کے پروویژن میں 240 ملین کا ریورسل ریکارڈ کیا گیا جبکہ 2017ء کی پہلی ششماہی میں پروویژن 564 ملین تھے۔ مستحکم غیر متحرک قرضہ جات کے ساتھ کوریج ریشو مضبوط ہو کر 91.7 فیصد ہو گیا جبکہ انفیکشن ریشو کم ہو کر 7.6 فیصد ہو گیا جو کہ بینک کی نجکاری سے لے کر آج تک کی کم ترین سطح ہے۔

ریزرو کی تفصیلات

ملین روپے

96,974
7,943
287
(4)
30
8,256
105,230

افتتاحی غیر تخصیص شدہ منافع - تبدیل شدہ
بینک ایکویٹی کے حامل افراد کے لیے قابل ادائیگی منافع
وضاحت شدہ منفعت کی ذمہ داریوں پر نفع کی دوبارہ پیمائش - خالص
ایسوسی ایٹس کے وضاحت شدہ منفعت کی ذمہ داریوں پر نقصان کی دوبارہ پیمائش کا حصہ - خالص
اثاثہ جات کی دوبارہ تخصیص پر سرپلس سے منتقل شدہ - محصول کا خالص

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

(869)
(1,467)
(1,467)
(0)
(3,803)

قانونی ذخائر میں منتقل شدہ
نقد منافع منقسمہ - مجموعی حتمی 2017
نقد منافع منقسمہ - پہلا عبوری 2018
ایسوسی ایٹس کے غیر منقولہ فنڈز سے سرمائے کا تعاون

101,427

اختتامی غیر تخصیص شدہ منافع

5.42

فی حصص (شیر) آمدنی (روپے)

کیپٹل ریشیوز

جون 2018ء میں ایچ بی ایل کو ایک ملکی انتظامی طور پر اہم بینک (Domestic Systematically Important Bank) تجویز کیا گیا ہے اور یہ بالاترین کیٹیگری "C" میں واحد بینک ہے جس کے باعث بینک کو ایک اضافی Tier 1 کے طور پر رسک ویٹنڈ اثاثے کا 2 فیصد سرمایہ رکھنا ہے۔ اس امر کو ذہن میں رکھتے ہوئے حبیب بینک کو ایک کنزرویٹو ڈویڈنڈ پالیسی پر عمل اور رسک اثاثوں کو بالاترین رکھنا ہوتا ہے۔ نتیجے کے طور پر کیپٹل ایڈیکلیسی ریشوز (CAR) مستقل بہتری کی طرف گامزن ہیں۔ Tier 1 میں دسمبر سے 79 Bps اضافے سے 12.8 فیصد ہوا اور مجموعی (CAR) 115 bps اضافے سے 17 فیصد کی سطح کو عبور کرتے ہوئے 17.1 فیصد ہو گیا۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 2 اگست 2018ء کو منعقد ہونے والے اپنے اجلاس میں 30 جون 2018ء کو ختم ہونے والی سہ ماہی کے لئے 1 روپے فی شیر (10 فیصد) کے حساب سے عبوری نقد منافع (Dividend) کا اعلان کیا ہے۔ یہ عبوری نقد نفع، جو 1 روپے فی شیر (10 فیصد) کے حساب سے 31 مارچ 2018ء کو ختم ہونے والی اول سہ ماہی کے لئے پہلے ہی اعلان اور ادا کیا جا چکا ہے کے علاوہ ہے۔

میں پٹرول کی بڑھتی ہوئی درآمدات اور بڑھتے ہوئے افراط زر کا دباؤ شامل ہیں۔ نئی شعبہ کا آف ٹیک مالی سال 2018ء میں 800 ارب یعنی 18 فیصد تک بڑھ گیا جو 2017ء کے مالی سال کے 697 ارب روپے کے مقابل ایک بہت اچھی بہتری ہے۔ بینکنگ سیکٹر کے قرضہ جات دسمبر 2017ء کے مقابل 14 فیصد بڑھ گئے جبکہ ڈپازٹس میں 6 فیصد اضافہ ہوا۔ اوسط بینکاری کی شرح منافع پچھلے سال سے 17 bps کم رہی چونکہ بڑھتی ہوئی شرح سود کے اثرات آئندہ مرتب ہونگے۔

کارکردگی

ایچ بی ایل کے ملکی کاروبار نے اپنے اضافے کی رفتار کو برقرار رکھتے ہوئے دسمبر 2017ء کے مقابل ڈپازٹس میں 8 فیصد زائد اضافہ کیا جو تقریباً 1.9 کھرب روپے ہو گئے اور مارکیٹ شیئر بڑھ کر 14.4 فیصد ہو گیا۔ اس عرصے میں بینک نے ملکی CASA ڈپازٹس میں 119 ارب روپے اضافہ کیا جس سے CASA ریشو 30 جون 2018ء کو مزید بہتر ہو کر 86.6 فیصد ہو گیا۔ اضافے کی رفتار ورجان کرنٹ اکاؤنٹس میں بھی بہتر رہی جس سے صرف 6 ماہ میں 9.8 فیصد اضافہ ہو گیا۔ کرنٹ اکاؤنٹس 690 ارب روپے کے قریب پہنچ گئے اور ان کا شیئر ڈپازٹس مرکب میں 70 bps اضافے سے جون 2018ء میں 36.3 فیصد ہو گیا۔ معیاری قرضہ جات کی ترقی کی توجہ کو مرکوز رکھتے ہوئے ایچ بی ایل کے مقامی قرضہ جات میں دسمبر 2017ء کے مقابل 13 فیصد کا اضافہ ہوا جبکہ کارپوریٹ قرضہ جات، اسلامک فنانسنگ اور کنزیومر قرضہ جات کلیدی شراکت دار ہیں۔

ایچ بی ایل کی رپورٹ کی گئی کارکردگی میں پیشین لاگت میں نظر ثانی، متعدد مرتبہ کرنسی ڈی ویلیویشن کے سمندر پار سے لئے گئے قرضہ جات پر اثرات اور ریمیڈی ایشن، بینک کی نیویارک برانچ کے قانونی اور ریگولیٹری لاگت کے زیر اثر رہی۔ مزید برآں بین الاقوامی بیلنس شیٹ میں برق رفتار گراؤٹ کے نتیجے میں آمدنی میں معنی خیز کمی ہوئی ہے جبکہ کاسٹ پروفائل بہتر ہو گئی ہے لیکن اس میں مزید کمی بتدریج ہوگی۔ نتیجتاً ایچ بی ایل کا قبل از ٹیکس منافع 2018ء کی پہلی ششماہی میں 14.1 ارب روپے ہے۔ بعد از ٹیکس منافع اسی مدت میں 8.1 ارب روپے کے ساتھ 2018ء کی اول ششماہی کے لئے فی شیئر آمدنی 5.42 روپے ہے۔

اوسط ملکی قرضے 2018ء کی اول ششماہی میں 2017ء کی اول ششماہی کے مقابل 28 فیصد بڑھ گئے جس میں تمام کاروبار میں معنی خیز اضافہ ریکارڈ کیا گیا اور اوسط ملکی کرنٹ اکاؤنٹس 2018ء کے پہلے 6 ماہ کے لئے 2017ء کی پہلی ششماہی کے مقابل 15 فیصد بڑھ گئے۔ بیلنس شیٹ کمپوزیشن میں اس بہتری نے کمتر اسپرڈ کے اثرات کو گھٹا دیا جو سال بر سال 30 bps گھٹ گیا جو کہ سرمایہ کاری میں کمتر آمدن کا نتیجہ ہے۔ پس 2017ء کے اول 6 ماہ کے عرصہ کے مقابل ملکی خالص انٹرسٹ انکم 2018ء کی اول ششماہی میں 1 فیصد زیادہ ہے۔ تاہم بین الاقوامی آمدنی زبرد باؤ رہنے کی وجہ سے ایچ بی ایل کی کل خالص انٹرسٹ آمدن سال بر سال 3 فیصد کم ہو کر 40.3 ارب روپے ہو گئی۔

بنیادی زرمبادلہ آمدنی میں 10 فیصد بہتری رہی کیونکہ تجارتی آمدنی نے ایک مضبوط کارکردگی کا مظاہرہ کیا۔ ملکی فیس کی آمدن 2017ء کی پہلی ششماہی کے مقابل 8 فیصد بڑھ گئی جس میں گھروں کو بھیجی جانے والی ترسیلات میں متوقع کمی کے اثرات شامل نہیں ہیں کیونکہ ان کے حجم میں 70 فیصد سے زائد کمی واقع ہو گئی ہے۔ فیس اور کمیشن میں اضافہ کی اہم وجوہات میں اکاؤنٹ آپریشن، کنزیومر فنانسنگ اور کارڈ سے متعلق فیس میں اضافہ شامل ہیں۔ مضبوط بنیادی ملکی کارکردگی پر بین الاقوامی کاروبار میں فیس اور کمیشن میں 1 ارب روپے کی کمی اثر انداز ہوئی جبکہ روپے کی قدر میں کمی کے اثرات کی وجہ سے نتائج سمندر پار قرضہ جات کی از سر نو قدر طے کرنے کے باعث 2.5 ارب نقصان ہوا۔ لہذا نان مارک اپ آمدن 10.7 ارب روپے رپورٹ کی گئی ہے جو 2017ء کی اول ششماہی سے 5.7 ارب روپے کم ہے۔

بینک نے گلوبل بزنس اور کمپلائنس ٹرانسفارمیشن کے پروجیکٹ پر کام کا آغاز کر دیا ہے جس کے ذریعے اس کا ارادہ اپنے آپریشنز اور گاہکوں کی خدمات کے معیار کو عالمی سطح تک لے جانا ہے۔ ایچ بی ایل اس میدان میں سرمایہ کاری جاری رکھے گا جس کے تحت اسٹیٹ آف دی آرٹ ٹیکنالوجی حاصل کی جا رہی ہے اور مارکیٹ میں قائدانہ برائڈ کی حیثیت و موجودگی کی برقراری پر کام جاری رہے گا۔ پینشنز کے اثرات اور نیویارک برانچ کی جاری لاگت اور بزنس ٹرانسفارمیشن کے ماسوائے انتظامی اخراجات میں اضافہ کو واحد ہندسے تک محدود رکھا گیا ہے۔ ایک مثبت بحالی کے مستقل عمل سے ملکی غیر متحرک قرضہ جات میں 2.7 ارب روپے کی کمی کی گئی ہے جبکہ سمندر پار غیر متحرک قرضہ جات میں کرنسی کی قدر میں کمی کے باعث اضافہ ہوا ہے۔ ان تمام عوامل کے نتیجے میں قرضوں

کریڈٹ ریٹنگز

بینک کی کریڈٹ ریٹنگ کی JCR-VIS نے بھی دوبارہ +1-AAA/A کے بطور طویل المدت اور قلیل المدت تصدیق علی الترتیب کردی ہے جبکہ اس کے ماتحت قرضوں کی بھی AA+ رکھی ہے۔ ان ریٹنگز کو ایچ بی ایل کے ملکی کاروبار میں مستحکم رفتار کارکردگی، اثاثہ جات کی کوالٹی میں بہتری، صحت مند کپٹل سٹرکچر کے ریشوز اور مضبوط لیکوڈیٹی پر دفائل سے مدد ملی ہے اور یہ بینک کی باقاعدہ نظام کے تحت بہتری کی عکاس ہے۔

مستقبل کی صورتحال

جڑواں خسارے جنہوں نے پاکستانی معیشت کو متاثر کیا ہوا ہے ان میں کسی حد تک انتظامی کوششوں سے کمی ہوگئی تھی تاہم وہ اب پوری قوت سے پلٹ آئے ہیں۔ معاشی محاذ پر با مخالف بڑے خدشات لئے ہوئے ہے حتیٰ کہ خوش گمان ترین رپورٹس بھی جی ڈی پی میں اضافے کو مزید سست رفتار ہو جانے کی نشاندہی کر رہی ہیں۔ ایک پائیدار معاشی بحالی کا زیادہ تر انحصار حقیقی اسٹرکچرل اصلاحات پر ہی ہوگا جس کے مطابق زر مبادلہ کے ذخائر میں اضافے کے لئے برآمدات کی بنیادوں کو مختلف النوع بنانا ہوگا اور ٹیکس نیٹ میں معنی خیز وسعت پیدا کرنا ہوگی جس کے ساتھ ساتھ مالی نظم و ضبط بھی قائم رکھنا ہوگا۔ اوسط خوراک و توانائی پر مبنی افراط زر 2019ء کے لئے 6-7 فیصد تک رہنے کا تخمینہ ہے اس کے باوجود اسٹیٹ بینک کو نجی شعبہ کے کریڈٹ کے تسلسل کی توقع ہے جس کی بنیاد بڑھتی ہوئی برآمدات کی وجہ سے جنم لینے والی بلند تر عامل سرمایہ کی ضروریات ہیں۔

غیر افادی امور جنہوں نے ششماہی نتائج پر منفی اثرات مرتب کئے ہیں ان کی درمیانی مدت میں مسلسل رہنے کی توقع ہے۔ تاہم ایچ بی ایل کا ملکی کاروبار بدستور اضافے کی راہ پر گامزن ہے اور بینک کا سرمایہ اس وقت متعدد برسوں کی بلند ترین سطح پر ہے۔ ان امور کے باعث بینک اس حیثیت میں ہے کہ وہ پاکستان کی مالیاتی ترقی کے ضمن میں اپنے قائدانہ کردار کو برقرار رکھنے کے مقاصد اور ملک کی آبادی کو مالی طور پر شریک عمل رکھے اور خوردہ قیمتوں کی ڈیجیٹل ادائیگی کے انفراسٹرکچر کو وسیع دیتا رہے۔

تشکر و امتنان

ہم اپنے ریگولیٹرز اور حکومت پاکستان کی کاوشوں کی ستائش ریکارڈ پر رکھنا چاہتے ہیں بالخصوص وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے رہنمائی و حمایت اور بینکنگ اور مالیاتی خدمات کے شعبہ میں ریگولیٹری اور انتظامی فریم ورک میں مسلسل بہتری کے ذریعے ترقی و استحکام کے لئے کی گئی کوششوں کو سراہتے ہیں۔

بورڈ اور انتظامیہ کی جانب سے ہم اس موقع پر اپنے کسٹمرز کے کاروباری اعتماد اور اپنے حصص یافتگان کی حمایت اور اعتماد کیلئے اظہار تشکر کرتے ہیں۔ ہم انہیں یقین دلاتے ہیں کہ ہم اپنی تمام کاوشوں میں اعلیٰ ترین معیارات اور اچھے کارپوریٹ انتظام اور اصول و قواعد کی مطابقت کے کلچر کے استمرار کے لئے عزم مصمم پر قائم ہیں۔ ہم اپنے ملازمین کی ایچ بی ایل کی ترقی کے ضمن میں کی گئی تمام کوششوں کا بھی اعتراف کرتے ہیں اور ان کے عزم و وابستگی کا شکریہ ادا کرتے ہیں۔

منجانب بورڈ

محمد اورنگزیب

صدر اور چیف ایگزیکٹو آفیسر

2 اگست 2018ء

Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2018

	Note	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000) (Restated)
ASSETS			
Cash and balances with treasury banks		242,017,177	246,043,030
Balances with other banks		37,752,236	40,804,269
Lendings to financial institutions		51,797,014	33,900,345
Investments	6	1,355,163,121	1,374,807,643
Advances	7	934,613,810	851,502,420
Operating fixed assets	8	66,253,503	62,792,843
Deferred tax asset		291,354	-
Other assets		77,083,684	74,251,149
		2,764,971,899	2,684,101,699
LIABILITIES			
Bills payable		36,563,340	33,752,219
Borrowings	9	333,499,265	397,802,667
Deposits and other accounts	10	2,117,500,540	1,998,935,057
Subordinated loan		9,992,000	9,994,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	971,368
Other liabilities		71,364,969	53,830,894
		2,568,920,114	2,495,286,205
NET ASSETS		196,051,785	188,815,494
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		57,775,747	52,266,420
Unappropriated profit		101,426,904	96,974,143
Total equity attributable to the equity holders of the Bank		173,871,176	163,909,088
Non-controlling interest		3,747,509	3,487,281
Surplus on revaluation of assets - net of tax	11	18,433,100	21,419,125
		196,051,785	188,815,494
CONTINGENCIES AND COMMITMENTS		12	

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2018

	Note	January 01 to June 30, 2018	January 01 to June 30, 2017	April 01 to June 30, 2018	April 01 to June 30, 2017
(Rupees in '000)					
Mark-up / return / profit / interest earned	13	75,529,214	72,302,748	38,506,163	37,370,623
Mark-up / return / profit / interest expensed	14	35,246,628	30,901,318	18,187,080	16,095,204
Net mark-up / return / profit / interest income		40,282,586	41,401,430	20,319,083	21,275,419
(Reversal) / provision against advances	7.2	(243,186)	564,059	(87,004)	420,749
Provision / (reversal) against off-balance sheet obligations		2,671	(50,233)	37,962	(8,251)
Provision for diminution in the value of investments	6.2	261,808	647,522	275,426	427,348
Bad debts written off directly		-	-	-	-
		21,293	1,161,348	226,384	839,846
Net mark-up / return / profit / interest income after provisions		40,261,293	40,240,082	20,092,699	20,435,573
Non mark-up / interest income					
Fee, commission and brokerage income		9,217,467	10,201,162	4,708,584	5,407,682
Dividend income		495,686	685,752	326,010	507,785
Share of profit of associates and joint venture		1,658,780	1,902,826	594,242	644,083
(Loss) / income from dealing in foreign currencies		(1,041,947)	1,315,735	(384,782)	646,101
Gain on sale of securities - net		329,735	1,904,872	229,507	629,459
Unrealized (loss) / gain on held-for-trading securities		(53,594)	(23,641)	(8,006)	20,460
Other income		136,544	447,022	112,591	264,785
Total non mark-up / interest income		10,742,671	16,433,728	5,578,146	8,120,355
		51,003,964	56,673,810	25,670,845	28,555,928
Non mark-up / interest expense					
Administrative expenses	15	36,190,457	28,353,537	18,466,411	14,589,868
Other provisions / write offs - net		107,823	66,299	14,222	28,774
Other charges		309,220	507	303,116	406
Workers' Welfare Fund		267,883	536,291	128,174	272,290
Total non mark-up / interest expenses		36,875,383	28,956,634	18,911,923	14,891,338
Profit before taxation		14,128,581	27,717,176	6,758,922	13,664,590
Taxation					
- Current		5,969,396	10,242,626	3,490,541	5,330,377
- Prior years		-	2,072,385	-	2,072,385
- Deferred		31,110	(274,955)	(172,050)	(335,571)
		6,000,506	12,040,056	3,318,491	7,067,191
Profit after taxation		8,128,075	15,677,120	3,440,431	6,597,399
Attributable to:					
Equity holders of the Bank		7,943,396	15,494,600	3,360,223	6,462,233
Non-controlling interest		184,679	182,520	80,208	135,166
		8,128,075	15,677,120	3,440,431	6,597,399
(Rupees)					
Basic and diluted earnings per share		5.42	10.56	2.29	4.41

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeib Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2018

	January 01 to June 30, 2018	January 01 to June 30, 2017	April 01 to June 30, 2018	April 01 to June 30, 2017
	(Rupees in '000)			
Profit after taxation for the period attributable to:				
Equity holders of the Bank	7,943,396	15,494,600	3,360,223	6,462,233
Non-controlling interest	184,679	182,520	80,208	135,166
	8,128,075	15,677,120	3,440,431	6,597,399
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 - net, attributable to:				
Equity holders of the Bank	4,659,857	550,828	1,326,368	334,908
Non-controlling interest	75,549	54,168	(17,210)	40,970
	4,735,406	604,996	1,309,158	375,878
Share of exchange translation reserve of associates	(19,674)	50,246	(84,985)	67,243
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Remeasurement gain on defined benefit obligations - net	287,013	-	287,013	-
Share of remeasurement loss on defined benefit obligations of associate - net	(4,205)	(2,542)	-	-
Comprehensive income transferred to equity	13,126,615	16,329,820	4,951,617	7,040,520
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	(2,997,928)	(1,642,884)	(1,850,892)	(680,795)
Non-controlling interest	(38,290)	(16,452)	(15,344)	(20,303)
	(3,036,218)	(1,659,336)	(1,866,236)	(701,098)
Share of surplus on revaluation of investments of associates - net of tax	67,544	(790,888)	(190,086)	(247,815)
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Transferred from surplus on revaluation of non-banking assets - net of tax	2,461	10,079	(107)	10,079
Movement in surplus on revaluation of operating fixed assets of associates - net of tax	1,215	105,175	-	-
	3,676	115,254	(107)	10,079
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	11,202	117,093	1,202	117,093
Transferred to surplus on revaluation of operating fixed assets - net of tax	(2,461)	(10,079)	107	(10,079)
	8,741	107,014	1,309	107,014
Total comprehensive income	10,170,358	14,101,864	2,896,497	6,208,700
Total comprehensive income attributable to:				
Equity holders of the Bank	9,948,420	13,881,628	2,848,843	6,052,867
Non-controlling interest	221,938	220,236	47,654	155,833
	10,170,358	14,101,864	2,896,497	6,208,700

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Statement of Changes In Equity (Unaudited)

For the six months ended June 30, 2018

	Attributable to shareholders of the Bank								Subtotal	Non-controlling interest	Total
	Share capital	Exchange translation reserve	Reserves								
			Capital			Revenue					
			Statutory reserves	Non - distributable capital reserve	Capital reserve on acquisition of common control entity	General reserve	Unappropriated profit (restated)				
Associates, Joint venture and subsidiary	Bank										
(Rupees in '000)											
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
Effect of retrospective change in accounting policy	-	-	-	-	-	-	-	(803,615)	(803,615)	-	(803,615)
Balance as at December 31, 2016 (restated)	14,668,525	10,839,728	582,381	30,072,084	547,115	(156,706)	6,073,812	105,338,759	167,965,698	3,435,710	171,401,408
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 - net	-	550,828	-	-	-	-	-	-	550,828	54,168	604,996
- Share of exchange translation reserve of associates	-	50,246	-	-	-	-	-	-	50,246	-	50,246
-Share of remeasurement loss on defined benefit obligations of associate - net	-	-	-	-	-	-	-	(2,542)	(2,542)	-	(2,542)
	-	601,074	-	-	-	-	-	15,492,058	16,093,132	236,688	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 HAH 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 (restated)	14,668,525	11,069,780	667,789	31,571,937	547,115	(156,706)	6,073,812	109,373,691	173,815,943	3,230,465	177,046,408
Comprehensive income for the period											
Loss after taxation for the six months ended December 31, 2017 (restated)	-	-	-	-	-	-	-	(6,999,389)	(6,999,389)	170,543	(6,828,846)
Other comprehensive income / (loss)											
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net	-	3,192,080	-	-	-	-	-	-	3,192,080	89,821	3,281,901
- Share of exchange translation reserve of associates	-	(11,458)	-	-	-	-	-	-	(11,458)	-	(11,458)
- Remeasurement loss on defined benefit obligations - net	-	-	-	-	-	-	-	(1,010,912)	(1,010,912)	(3,548)	(1,014,460)
-Share of remeasurement loss on defined benefit obligations of associate - net	-	-	-	-	-	-	-	(129)	(129)	-	(129)
	-	3,180,622	-	-	-	-	-	(8,010,430)	(4,829,808)	256,816	(4,572,992)
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)
	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	25,529	25,529	-	25,529
Transferred to / (from) statutory reserves	-	-	90,918	(793,413)	-	-	-	702,495	-	-	-
Exchange translation realised on sale of Bank branch to Habibsons Bank	-	-	-	-	-	-	-	-	-	-	-
Exchange translation realised on sale of Bank branches	-	14,566	-	-	-	-	-	-	14,566	-	14,566
Capital contribution from statutory funds of associates	-	-	-	-	-	-	-	16,842	16,842	-	16,842
Balance as at December 31, 2017 (restated)	14,668,525	14,264,968	758,707	30,778,524	547,115	(156,706)	6,073,812	96,974,143	163,909,088	3,487,281	167,396,369
Comprehensive income for the period											
Profit after taxation for the six months ended June 30, 2018	-	-	-	-	-	-	-	7,943,396	7,943,396	184,679	8,128,075
Other comprehensive income / (loss)											
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net	-	4,659,857	-	-	-	-	-	-	4,659,857	75,549	4,735,406
- Share of exchange translation reserve of associates	-	(19,674)	-	-	-	-	-	-	(19,674)	-	(19,674)
- Remeasurement gain on defined benefit obligations - net	-	-	-	-	-	-	-	287,013	287,013	-	287,013
- Share of remeasurement loss on defined benefit obligations of associate - net	-	-	-	-	-	-	-	(4,205)	(4,205)	-	(4,205)
	-	4,640,183	-	-	-	-	-	8,226,204	12,866,387	260,228	13,126,615
Transactions with owners, recorded directly in equity											
Final cash dividend - Rs 1.0 per share declared subsequent to the year ended December 31, 2017	-	-	-	-	-	-	-	(1,466,852)	(1,466,852)	-	(1,466,852)
1st interim cash dividend - Rs 1.0 per share	-	-	-	-	-	-	-	(1,466,852)	(1,466,852)	-	(1,466,852)
	-	-	-	-	-	-	-	(2,933,704)	(2,933,704)	-	(2,933,704)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	29,768	29,768	-	29,768
Transferred to statutory reserves	-	-	112,139	757,005	-	-	-	(869,144)	-	-	-
Capital contribution to statutory funds of associate	-	-	-	-	-	-	-	(363)	(363)	-	(363)
Balance as at June 30, 2018	14,668,525	18,905,151	870,846	31,535,529	547,115	(156,706)	6,073,812	101,426,904	173,871,176	3,747,509	177,618,685

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2018

	January 01 to June 30, 2018	January 01 to June 30, 2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	14,128,581	27,717,176
Dividend income	(495,686)	(685,752)
Share of profit of associates and joint venture	(1,658,780)	(1,902,826)
	<u>(2,154,466)</u>	<u>(2,588,578)</u>
	11,974,115	25,128,598
Adjustment for:		
Depreciation	1,765,310	1,659,196
Amortisation	337,810	268,661
(Reversal) / provision against advances	(243,186)	564,059
Provision / (reversal) against off-balance sheet obligations	2,671	(50,233)
Provision for diminution in the value of investments	261,808	647,522
Other provisions / write offs - net	107,823	66,299
Unrealized loss on held-for-trading securities	53,594	23,641
Exchange gain on Goodwill	(133,737)	(94,592)
Gain on sale of operating fixed assets - net	(17,675)	(19,763)
Workers' Welfare Fund	267,883	536,291
	<u>2,402,301</u>	<u>3,601,081</u>
	14,376,416	28,729,679
(Increase) / decrease in operating assets		
Lendings to financial institutions	(17,896,669)	(16,589,182)
Net investments in held-for-trading securities	(128,165,655)	(77,177,659)
Advances	(82,868,204)	(83,104,955)
Other assets (excluding advance taxation)	3,011,667	(5,827,631)
	<u>(225,918,861)</u>	<u>(182,699,427)</u>
Increase / (decrease) in operating liabilities		
Bills payable	2,811,121	(1,505,949)
Borrowings	(64,303,402)	55,179,560
Deposits and other accounts	118,565,483	116,612,997
Other liabilities	16,839,952	8,703,282
	<u>73,913,154</u>	<u>178,989,890</u>
	(137,629,291)	25,020,142
	<u>(11,787,587)</u>	<u>(16,803,105)</u>
	(149,416,878)	8,217,037
Income tax paid		
Net cash flows (used in) / from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	97,821,374	(13,092,997)
Net investments in held-to-maturity securities	47,009,200	11,060,590
Net investments in associates	(50,061)	(524,537)
Dividend income received	344,778	706,192
Fixed capital expenditure	(5,328,679)	(15,338,825)
Proceeds from sale of fixed assets	51,770	45,014
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net	4,640,183	601,076
Net cash flows from / (used in) investing activities	144,488,565	(16,543,487)
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of translation of net investment by non-controlling interest in subsidiary	75,549	54,168
Repayment of subordinated loan	(2,000)	(2,000)
Dividend paid	(2,223,122)	(6,809,851)
Net cash flows used in financing activities	(2,149,573)	(6,757,683)
Decrease in cash and cash equivalents during the period	<u>(7,077,886)</u>	<u>(15,084,133)</u>
Cash and cash equivalents at the beginning of the period	277,494,750	282,040,075
Effect of exchange rate changes on cash and cash equivalents	9,352,549	2,357,303
	<u>286,847,299</u>	<u>284,397,378</u>
Cash and cash equivalents at the end of the period	<u>279,769,413</u>	<u>269,313,245</u>

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

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 1,703 (December 31, 2017: 1,703) branches inside Pakistan including 47 (December 31, 2017: 47) Islamic Banking Branches and 48 (December 31, 2017: 48) 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 Habib Finance International Limited, a wholly owned subsidiary of the Bank, has filed for voluntary liquidation and is in the process of completing the required formalities in this regard.

2 STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34. These condensed interim consolidated financial statements do not include all the disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2017 except as disclosed in note 3.1.

3.1 Change in accounting policies

- 3.1.1 The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23 dated Oct 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in Note 4.5.1 of the annual consolidated financial statements for the year ended December 31, 2017), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular asset was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular asset is now to be accounted for in accordance with IFRS, which requires that such deficit can not be adjusted against surplus for any other asset, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	As at June 30, 2018	As at December 31, 2017	As at December 31, 2016
		(Rupees in '000)	
Impact on Statement of Financial Position			
Decrease in unappropriated profit	(129,118)	(131,799)	(803,615)
Increase in surplus on revaluation of assets – net of tax	129,118	131,799	803,615
	For the six months ended		
	June 30, 2018	June 30, 2017	
	(Rupees in '000)		
Impact on Profit and Loss account	-	-	
Impact on Statement of Comprehensive Income	-	-	

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

3.1.2 As per the accounting policy of the Bank (as described in Note 4.4 of the annual consolidated financial statements for the year ended December 31, 2017), the provision against advances of overseas branches is made as per the requirement of the respective regulatory regimes. During the current period, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches of the Bank. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9, while determining the provisioning requirements against advances. Under this standard, provision against loans and advances is determined under expected credit loss model. Previously, this was determined under the incurred loss model.

The adoption of this standard by certain overseas branches resulted in additional provisioning requirement of Rs 18.313 million as at June 30, 2018. This includes Rs 22.280 million in respect of prior year which has been incorporated in the current period and opening balance of retained earnings has not been adjusted as the amount involved is not considered material.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements are the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2017.

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, 2017.

6 INVESTMENTS

Note	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
Investments by type						
Held-for-trading (HFT)						
<i>Federal Government securities</i>						
- Market Treasury Bills	191,327,516	115,414	191,442,930	48,402,667	-	48,402,667
- Pakistan Investment Bonds	5,206,539	-	5,206,539	17,918,321	-	17,918,321
- Sukuks	-	-	-	1,999,062	-	1,999,062
<i>Fully paid-up ordinary shares</i>						
- Listed companies	176,874	-	176,874	274,651	-	274,651
<i>Overseas Government securities</i>						
	125,385	-	125,385	149,311	-	149,311
	196,836,314	115,414	196,951,728	68,744,012	-	68,744,012
Held-to-maturity (HTM)						
<i>Federal Government securities</i>						
- Market Treasury Bills	112,402	-	112,402	90,938	-	90,938
- Pakistan Investment Bonds	185,265,077	-	185,265,077	229,759,743	-	229,759,743
- Government of Pakistan US Dollar Bonds	122,775	-	122,775	1,177,868	-	1,177,868
<i>Debentures and corporate debt instruments</i>						
- Listed	11,449,007	-	11,449,007	9,551,953	-	9,551,953
- Unlisted	22,659,178	-	22,659,178	21,326,345	-	21,326,345
<i>Overseas Government securities</i>						
	12,112,619	-	12,112,619	16,823,411	-	16,823,411
	231,721,058	-	231,721,058	278,730,258	-	278,730,258
Available-for-sale (AFS)						
<i>Federal Government securities</i>						
- Market Treasury Bills	398,368,399	80,923,530	479,291,929	331,139,959	131,244,262	462,384,221
- Pakistan Investment Bonds	143,683,119	108,659,483	252,342,602	238,503,885	134,373,604	372,877,489
- Government of Pakistan US Dollar Bonds	2,688,899	-	2,688,899	2,257,828	-	2,257,828
- Sukuks	78,748,380	-	78,748,380	83,205,706	-	83,205,706
<i>Fully paid-up ordinary shares</i>						
- Listed companies	16,636,844	-	16,636,844	19,661,232	-	19,661,232
- Unlisted companies	3,356,164	-	3,356,164	2,711,847	-	2,711,847
<i>Debentures and corporate debt instruments</i>						
- Listed	35,913,746	12,612,665	48,526,411	23,898,704	15,378,666	39,277,370
- Unlisted	11,550,994	-	11,550,994	10,771,917	-	10,771,917
<i>Overseas Government securities</i>						
	10,649,564	-	10,649,564	8,891,515	-	8,891,515
<i>National Investment Trust units</i>						
	11,113	-	11,113	11,113	-	11,113
<i>Real Estate Investment Trust units</i>						
	55,000	-	55,000	154,000	-	154,000
<i>Preference shares</i>						
	97,500	-	97,500	97,500	-	97,500
	701,759,722	202,195,678	903,955,400	721,305,206	280,996,532	1,002,301,738
Investment in associates and joint venture						
	29,285,085	-	29,285,085	27,169,019	-	27,169,019
	1,159,602,179	202,311,092	1,361,913,271	1,095,948,495	280,996,532	1,376,945,027
Provision for diminution in the value of investments	(1,764,859)	-	(1,764,859)	(1,503,051)	-	(1,503,051)
	1,157,837,320	202,311,092	1,360,148,412	1,094,445,444	280,996,532	1,375,441,976
Deficit on revaluation of held-for-trading securities	(53,560)	(34)	(53,594)	(73,353)	-	(73,353)
(Deficit) / surplus on revaluation of available-for-sale securities	(4,111,233)	(1,113,177)	(5,224,410)	(974,143)	224,364	(749,779)
Surplus on revaluation of investments of associates	292,713	-	292,713	188,799	-	188,799
Total investments (net of provision)	1,153,965,240	201,197,881	1,355,163,121	1,093,586,747	281,220,896	1,374,807,643

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited) For the six months ended June 30, 2018

6.1 The market value of securities classified as held-to-maturity amounted to Rs 231,327.781 million (December 31, 2017: Rs 280,806.402 million) as at June 30, 2018.

6.2 Particulars of provision held against diminution in the value of investments	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017
Opening balance	1,503,051	866,152
Charge for the period / year	600,389	1,289,086
Reversal for the period / year	(3,755)	(203,605)
Reversed on disposal during the period / year	(334,826)	(619,614)
Net (reversal) / charge	261,808	465,867
Recoveries against written off investments	-	171,032
Closing balance	1,764,859	1,503,051

6.3 This includes privately placed TFCs of Pakistan International Airlines Corporation Limited (PIACL) amounting to Rs 4,857.022 million (December 31, 2017: Rs 6,071.278 million) which is guaranteed by the Government of Pakistan and is subject to a relaxation given by the SBP from Regulation-8 of the Prudential Regulations. However, mark-up income has been suspended on this amount and is only recognised when received.

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

Based on the financial statements as at

Diamond Trust Bank Kenya Limited	March 31, 2018
Himalayan Bank Limited, Nepal	April 13, 2018
Kyrgyz Investment and Credit Bank, Kyrgyz Republic	June 30, 2018
Jubilee General Insurance Company Limited	March 31, 2018
Jubilee Life Insurance Company Limited	March 31, 2018
HBL Cash fund	June 30, 2018
HBL Energy Fund	June 30, 2018
HBL Equity Fund	June 30, 2018
HBL Financial Planning Fund - Strategic Allocation Plan	June 30, 2018
HBL Government Securities Fund	June 30, 2018
HBL Income Fund	June 30, 2018
HBL Islamic Asset Allocation Fund	June 30, 2018
HBL Islamic Equity Fund	June 30, 2018
HBL Islamic Income Fund	June 30, 2018
HBL Islamic Money Market Fund	June 30, 2018
HBL Islamic Pension Fund - Debt Sub Fund	June 30, 2018
HBL Islamic Pension Fund - Equity Sub Fund	June 30, 2018
HBL Islamic Pension Fund - Money Market Sub Fund	June 30, 2018
HBL Islamic Stock Fund	June 30, 2018
HBL Money Market Fund	June 30, 2018
HBL Multi Asset Fund	June 30, 2018
HBL Pension Fund - Debt Sub Fund	June 30, 2018
HBL Pension Fund - Equity Sub Fund	June 30, 2018
HBL Pension Fund - Money Market Sub Fund	June 30, 2018
HBL Stock Fund	June 30, 2018
PICIC Investment Fund	June 30, 2018

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited) For the six months ended June 30, 2018

7	ADVANCES	Note	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
	Loans, cash credits, running finances, etc.			
	- In Pakistan		721,137,369	642,772,680
	- Outside Pakistan		118,039,634	124,963,052
			839,177,003	767,735,732
	Net investment in finance lease - in Pakistan		17,688,671	17,127,661
	Islamic financing and related assets	20.1.2	94,371,958	84,408,003
	Bills discounted and purchased			
	- Payable in Pakistan		21,251,880	16,751,077
	- Payable outside Pakistan		31,787,960	34,985,466
			53,039,840	51,736,543
	Advances - gross		1,004,277,472	921,007,939
	Provision against advances			
	- Specific	7.2	(66,363,004)	(66,417,176)
	- General		(3,300,658)	(3,088,343)
			(69,663,662)	(69,505,519)
	Advances - net of provision		934,613,810	851,502,420

7.1 Advances include Rs 75,995.224 million (December 31, 2017: Rs 75,845.392 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2018 (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	1,264,926	-	1,264,926	-	-	-	1,264,926	-	1,264,926
Substandard	2,619,259	1,750,606	4,369,865	1,202,610	210,475	1,413,085	1,416,649	1,540,131	2,956,780
Doubtful	1,288,725	660,506	1,949,231	642,928	313,607	956,535	645,797	346,899	992,696
Loss	42,448,863	25,962,339	68,411,202	41,382,863	22,610,521	63,993,384	1,066,000	3,351,818	4,417,818
	47,621,773	28,373,451	75,995,224	43,228,401	23,134,603	66,363,004	4,393,372	5,238,848	9,632,220

Category of classification	December 31, 2017 (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	1,069,200	32,434	1,101,634	-	-	-	1,069,200	32,434	1,101,634
Substandard	2,891,184	794,075	3,685,259	1,164,228	166,073	1,330,301	1,726,956	628,002	2,354,958
Doubtful	1,560,805	1,022,442	2,583,247	778,980	417,505	1,196,485	781,825	604,937	1,386,762
Loss	44,829,967	23,645,285	68,475,252	43,694,869	20,195,521	63,890,390	1,135,098	3,449,764	4,584,862
	50,351,156	25,494,236	75,845,392	45,638,077	20,779,099	66,417,176	4,713,079	4,715,137	9,428,216

7.2 Particulars of provision against advances

	Note	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		66,417,187	3,088,341	69,505,528	65,160,197	3,623,544	68,783,741
Exchange adjustment		1,901,633	141,261	2,042,894	1,417,860	102,173	1,520,033
Charge for the period / year		1,726,756	178,371	1,905,127	5,294,493	337,509	5,632,002
Reversal for the period / year		(2,040,998)	(107,315)	(2,148,313)	(4,711,205)	(970,351)	(5,681,556)
Net (reversal) / charge against advances		(314,242)	71,056	(243,186)	583,288	(632,842)	(49,554)
Charged off during the period / year	7.4	(276,593)	-	(276,593)	(400,719)	-	(400,719)
Written off during the period / year		(1,596,850)	-	(1,596,850)	(352,587)	-	(352,587)
Transfer out on sale of Kenya business		-	-	-	(550,276)	(21,002)	(571,278)
Recoveries against write off		231,869	-	231,869	512,684	-	512,684
Other movements		-	-	-	46,729	16,470	63,199
Closing balance		66,363,004	3,300,658	69,663,662	66,417,176	3,088,343	69,505,519

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

- 7.3 General provision represents provision amounting to Rs 1,499.653 million (December 31, 2017: Rs 1,405.701 million) against consumer finance portfolio and Rs 184.255 million (December 31, 2017: Rs 138.195 million) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs 1,616.750 million (December 31, 2017: Rs 1,544.447 million) pertaining to overseas locations 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, are fully provided and are in default 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, 2018 (Unaudited)					
	Balance at the beginning of the period	Loans granted / transferred in during the period	Repayments / transferred out during the period	Balance at the end of the period	Maximum total amount of advances including temporary advances outstanding**	Limit sanctioned during the period
----- (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)	2,819,039	1,236,536	(1,675,748)	2,379,827	2,494,910	889,074
- in respect of Key Management Personnel	145,569	91,600	(98,757)	138,412	217,346	55,607
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	17,102,322	111,885,849	(107,015,609)	21,972,562	23,806,516	-

* These represent 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.

	December 31, 2017 (Audited)					
	Balance at the beginning of the year	Loans granted / transferred in during the year	Repayments / transferred out during the year	Balance at the end of the year	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)	2,876,769	771,450	(829,180)	2,819,039	3,099,210	771,450
- in respect of Key Management Personnel	38,221	180,966	(73,618)	145,569	209,438	168,890
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	10,404,154	170,929,393	(164,231,225)	17,102,322	26,606,439	13,766,655

* These represent 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 year.

8 OPERATING FIXED ASSETS

	Note	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
Capital work-in-progress	8.1	19,324,803	17,061,851
Tangible fixed assets		40,829,564	40,036,539
Intangible assets		6,099,136	5,694,453
		<u>66,253,503</u>	<u>62,792,843</u>

- 8.1 This includes Rs 15,803.735 million (December 31, 2017: Rs 14,440.034 million) on account of a new office building in Karachi.

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited) For the six months ended June 30, 2018

8.2 Additions to operating fixed assets

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

Capital work-in-progress

(Unaudited)
For the six months ended
June 30, June 30,
2018 2017
(Rupees in '000)

2,262,952 13,859,434

Tangible fixed assets

Land
Building
Machinery
Furniture, fixtures and office equipment
Leasehold Improvements
Vehicles

63,799	-
140,014	190,879
4,782	-
1,663,421	1,068,155
421,489	93,390
122,644	30,319
2,416,149	1,382,743

Intangible assets

Computer software
Management Rights
Goodwill

605,898	192,325
-	2,367,577
-	(2,367,577)
605,898	192,325
5,284,999	15,434,502

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
Leasehold Improvements
Vehicles

429,342	124,900
150,480	18,884
22,237	50,198
602,059	193,982

9 BORROWINGS

Note

(Unaudited) (Audited)
June 30, December 31,
2018 2017
(Rupees in '000)

Secured

Borrowings from the SBP under
- Export refinance scheme
- Long term financing facility
- Refinance facility for modernization of SMEs

25,696,174	26,343,510
10,516,512	9,852,123
26,167	9,500
36,238,853	36,205,133
200,177,673	279,802,790
236,416,526	316,007,923

Unsecured

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

9.1

24,790,000	11,385,000
681,821	1,829,975
28,058,876	28,375,417
43,552,042	40,204,352
97,082,739	81,794,744
333,499,265	397,802,667

9.1 This includes the following:

9.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2017: 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.

9.1.2 A loan from the China Development Bank amounting to US\$ 192 million (December 31, 2017: US\$ 196 million). The principal amount is payable in six installments from December 2017 to June 2020. Interest at LIBOR+2.45% is payable semi annually commencing from June 15, 2017.

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

- 9.1.3 A loan from Allied Bank Limited amounting to Rs 2 billion (December 31, 2017: Rs 2 billion). The principal amount is payable in ten equal half yearly installments starting from June 2020 to December 2024. Interest at 6 months KIBOR+0.75% is payable bi-annually commencing from June 2018.

10 DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts - non-remunerative
Savings accounts
Fixed deposits

(Unaudited) June 30, 2018	(Audited) December 31, 2017
(Rupees in '000)	
784,377,765	727,425,393
896,848,699	876,338,346
332,543,509	328,867,254
2,013,769,973	1,932,630,993

Financial institutions

Current accounts - non-remunerative
Savings accounts
Fixed deposits

(Unaudited) June 30, 2018	(Audited) December 31, 2017
(Rupees in '000)	
6,226,924	5,778,651
94,584,066	59,294,770
2,919,577	1,230,643
103,730,567	66,304,064
2,117,500,540	1,998,935,057

11 SURPLUS ON REVALUATION OF ASSETS - net of tax

Surplus / (deficit) arising on revaluation of assets - net of tax, on

- Operating fixed assets, attributable to

- Equity holders
- Non-controlling interest

Note

(Unaudited) June 30, 2018	(Audited) December 31, 2017
(Rupees in '000)	
(Restated)	

21,514,944	21,540,565
3,086	3,387
21,518,030	21,543,952

11.1

- Investments, attributable to

- Equity holders
- Non-controlling interest

(3,333,317)	(402,933)
(43,004)	(4,714)

11.2

- Non-banking assets acquired in satisfaction of claims

(3,376,321)	(407,647)
-------------	-----------

11.3

Surplus on revaluation of assets - net of tax

291,391	282,820
18,433,100	21,419,125

11.1 Surplus on revaluation of operating fixed assets

Surplus as at the beginning of the period / year

22,563,834 12,641,903

Surplus recognised during the period / year

- 9,979,303

Transferred from surplus on revaluation of non-banking assets

3,227 15,504

Transferred to unappropriated profit in respect of incremental

depreciation charged during the period / year - net of deferred tax

(29,598) (47,370)

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

(15,937) (25,506)

22,521,526 **22,563,834**

Less: related deferred tax liability on

- Revaluation as at the beginning of the period / year

1,155,718 708,765

- Revaluation recognized during the period / year

- 467,033

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

766 5,426

- Incremental depreciation charged during the period / year

(15,937) (25,506)

1,140,547 **1,155,718**

Surplus on revaluation of operating fixed assets of associates

149,306 147,063

Related deferred tax liability

(12,255) (11,227)

137,051 135,836

21,518,030 **21,543,952**

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
11.2 Surplus / (deficit) on revaluation of investments		
Market Treasury Bills	(145,015)	(81,386)
Pakistan Investment Bonds	(3,063,836)	569,276
Government of Pakistan US Dollar Bonds	(119,127)	496
Sukuks	(62,390)	485,521
Listed equity securities	(1,565,258)	(1,794,580)
National Investment Trust units	38,534	36,190
Real Estate Investment Trust units	9,500	-
Overseas Government securities	(27,023)	(7,641)
Other debt instruments	(289,795)	42,345
	(5,224,410)	(749,779)
Related tax asset	1,657,826	219,413
	(3,566,584)	(530,366)
Surplus on revaluation of investments of associates	292,713	188,799
Related deferred tax liability	(102,450)	(66,080)
	190,263	122,719
	(3,376,321)	(407,647)
11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus as at the beginning of the period / year	283,667	690,381
Surplus recognised / (reversed) during the period / year	11,249	(390,952)
Transferred to surplus on revaluation of operating fixed assets during the period / year	(3,227)	(15,504)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(170)	(168)
Related deferred tax liability on incremental depreciation charged during the period / year	(91)	(90)
	291,428	283,667
Less: related deferred tax liability on		
- Revaluation as at the beginning of the period / year	847	6,203
- Revaluation recognised during the period / year	47	160
- Amount transferred to surplus on revaluation of operating fixed assets during the period / year	(766)	(5,426)
- Incremental depreciation charged during the period / year	(91)	(90)
	37	847
	291,391	282,820
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of		
- Government	337,292	273,782
- Financial institutions	998,410	441,000
- Others	48,933,821	38,462,882
	50,269,523	39,177,664
12.2 Transaction-related contingent liabilities		
Guarantees in favour of		
- Government	462,552	269,851
- Financial institutions	73,616	1,713,959
- Others	112,674,604	123,407,833
	113,210,772	125,391,643
12.3 Trade-related contingent liabilities		
Letters of credit in favour of		
- Government	29,676,239	49,835,960
- Financial institutions	4,531,273	5,340,244
- Others	93,408,899	81,773,117
	127,616,411	136,949,321

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
12.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>28,983,613</u>	<u>28,370,682</u>
12.4.1 These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Group 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 these condensed interim consolidated financial statements.		
12.4.2 The matter relating to the Bank's New York Branch has been disclosed in Note 29 to the annual consolidated financial statements of the Group for the year ended December 31, 2017. There is no further update on the same.		
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, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	164,039,069	142,571,667
Sale	92,281,128	84,353,498
12.7 Commitments in respect of forward Government Securities transactions		
Purchase	29,357,272	20,243,788
Sale	87,375,162	-
12.8 Commitments in respect of derivatives		
Foreign currency options		
Purchase	420,698	-
Sale	420,698	-
Cross currency swaps		
Purchase	2,866,143	1,633,987
Sale	3,151,761	1,707,050
Interest rate swaps		
Purchase	-	-
Sale	10,029,531	10,315,539
12.9 Commitments for capital expenditure	3,489,145	5,026,435
12.10 The income tax returns of the Bank have been submitted upto and including the accounting year 2016. The tax authorities have concluded the audit of the returns under section 122(5A) of the Income Tax Ordinance, 2001 upto accounting year 2016.		
13 MARK-UP / RETURN / PROFIT / INTEREST EARNED		
	(Unaudited) For the six months ended June 30, 2018	June 30, 2017
	(Rupees in '000)	
On advances	33,884,360	27,837,837
On investments in		
- Held-for-trading securities	3,582,715	2,904,364
- Held-to-maturity securities	9,312,617	7,744,553
- Available-for-sale securities	27,017,355	32,794,762
	39,912,687	43,443,679
On deposits with financial institutions	475,788	563,121
On lendings to financial institutions	1,256,379	458,111
	<u>75,529,214</u>	<u>72,302,748</u>

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

		For the six months ended	
		June 30, 2018	June 30, 2017
		(Rupees in '000)	
14	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On		
	- Deposits	25,409,375	21,788,924
	- Securities sold under repurchase agreement borrowings	6,610,182	7,270,523
	- Other short-term borrowings	1,573,520	899,462
	- Long-term borrowings	1,653,551	942,409
		35,246,628	30,901,318

- 15 Further to the disclosure on pension related matters as explained in detail in note 44.2 to the annual consolidated financial statements of the Group for the year ended December 31, 2017, decision on the review petition was announced on April 3, 2018. Consequently, the Group has taken a charge of Rs 1,851.929 million representing the increase in the present value of the Bank's pension scheme related defined benefit obligations. The amount has been estimated based on actuarial valuations.

In accordance with the Honorable Supreme Court's Order the payments to eligible persons are prospectively applied from the date of judgment i.e. February 13, 2018.

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, deposits and certain long term borrowings, are frequently repriced.

All assets and liabilities for which fair value is measured or disclosed in these condensed interim consolidated financial statements 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 denominated in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Overseas Government securities	The fair values of Overseas Government securities are determined 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.
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 these condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

Fair Value Measurement

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

	As at June 30, 2018 (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	13,865,276	-	-	13,865,276
- Real Estate Investment Trust units	64,500	-	-	64,500
- Federal Government securities	-	1,006,284,370	-	1,006,284,370
- Debentures and corporate debt instruments	-	54,205,956	-	54,205,956
- Overseas Government securities	-	10,741,105	-	10,741,105
- National Investment Trust units	-	49,647	-	49,647
- Unrealised gain on forward foreign exchange contracts	-	4,012,324	-	4,012,324
- Unrealised gain on derivative instruments	-	73,341	-	73,341
- Unrealised loss on forward foreign exchange contracts	-	2,658,707	-	2,658,707
- Unrealised loss on derivative instruments	-	43,039	-	43,039
Non-financial assets				
- Operating fixed assets	-	-	32,638,314	32,638,314
- Non-banking assets acquired in satisfaction of claims	-	-	1,854,636	1,854,636
Items for which Fair Value is disclosed				
- Federal Government securities	-	182,759,855	-	182,759,855
- Overseas Government securities	-	14,363,009	-	14,363,009
- Debentures and corporate debt instruments	-	34,204,917	-	34,204,917
	13,929,776	1,309,396,270	34,492,950	1,357,818,996

	As at December 31, 2017 (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	17,004,855	-	-	17,004,855
- Real Estate Investment Trust units	154,000	-	-	154,000
- Federal Government securities	-	989,980,872	-	989,980,872
- Debentures and corporate debt instruments	-	40,285,987	-	40,285,987
- Overseas Government securities	-	9,017,220	-	9,017,220
- National Investment Trust units	-	47,303	-	47,303
- Unrealised gain on forward foreign exchange contracts	-	4,086,999	-	4,086,999
- Unrealised gain on derivative instruments	-	102,616	-	102,616
- Unrealised loss on forward foreign exchange contracts	-	891,964	-	891,964
- Unrealised loss on derivative instruments	-	50,418	-	50,418
Non-financial assets				
- Operating fixed assets	-	-	32,478,149	32,478,149
- Non-banking assets acquired in satisfaction of claims	-	-	1,967,665	1,967,665
Items for which Fair Value is disclosed				
- Federal Government securities	-	232,971,770	-	232,971,770
- Overseas Government securities	-	16,956,040	-	16,956,040
- Debentures and corporate debt instruments	-	30,878,592	-	30,878,592
	17,158,855	1,325,269,781	34,445,814	1,376,874,450

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2018 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others
	(Rupees in million)					
Net mark-up income - external	(4,607)	10,662	30,616	2,982	(92)	723
Inter-segment revenue / (expense) - net	30,718	(7,327)	(25,565)	-	-	2,174
Non-funded income	6,435	1,713	808	1,349	448	(11)
Total income	32,546	5,048	5,859	4,331	356	2,886
Total expenses including provision	13,549	(464)	549	9,509	200	13,554
Inter-segment administrative cost	8,492	1,238	239	890	-	(10,859)
Total expenses including provision	22,041	774	788	10,399	200	2,695
Profit / (loss) before tax	10,505	4,274	5,071	(6,068)	156	191
Segment return on assets %	0.74%	0.98%	0.47%	-2.27%	3.85%	0.09%
Segment cost of funds %	2.77%	5.20%	5.21%	1.43%	5.01%	1.09%

	As at June 30, 2018 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others
	(Rupees in million)					
Segment assets (gross of provision)	527,710	564,587	1,273,331	310,032	3,648	158,001
Segment non-performing advances	7,801	39,377	-	28,373	-	444
Segment provision held (including general provision)	6,837	38,217	1,136	25,060	-	1,087
Inter-segment assets / (liabilities)	1,156,219	(195,181)	(1,046,599)	28,453	(564)	57,672
Segment liabilities and equity	1,677,092	331,189	225,596	313,425	3,084	214,586

	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 / (loss) 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 December 31, 2017 (Audited)					
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others
	(Rupees in million)					
Segment assets (gross of provision)	510,273	477,658	1,295,184	334,731	3,740	134,350
Segment non-performing advances	7,592	42,465	-	25,494	-	294
Segment provision held (including general provision)	6,933	40,516	872	22,606	-	907
Inter-segment assets / (liabilities)	1,062,311	(130,699)	(978,849)	21,101	(564)	26,700
Segment liabilities and equity	1,565,651	306,443	315,463	333,226	3,176	160,143

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

18 RELATED PARTY TRANSACTIONS

The Group has relationships with various related parties, including its directors, members of the key management personnel of the Group, Group entities, associated undertakings, joint venture company and employee benefit schemes of the Group.

Transactions with the 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.

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 these condensed interim consolidated financial statements, are as follows:

	As at June 30, 2018 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint Venture	Other related parties
	(Rupees in '000)					
Statement of financial position						
Deposits	172,658	56,243	10,040,240	2,454,802	-	781,288
Maximum deposits during the period	232,076	90,313	11,821,567	11,257,081	-	2,896,068
Borrowings	-	-	1,826,938	2,186,950	1,214,972	-
Investments	-	-	-	26,513,876	3,063,922	6,030,725
Provision for diminution in the value of investments	-	-	-	-	-	(18,980)
Nostro balances	-	-	244,010	10,353	6,562	-
Advances	-	138,412	3,298,158	1,500,000	-	24,315,687
Provision against advances	-	-	-	-	-	(1,726,437)
Mark-up receivable	-	363	28,728	13,213	-	305,187
Other receivable	-	-	5,412	254,506	-	26,550
Mark-up payable	1,023	74	172,545	12,413	7,673	2,324
Other payable	-	-	22,126	25,491	-	2,443,935
	-	-	-	-	-	-
Contingencies and Commitments						
Letters of credit	-	-	472,826	-	-	10,913,419
Letters of guarantee	-	-	219,555	-	-	705,938
Forward purchase of government securities	-	-	14,131,224	-	-	11,407,338
Forward sale of government securities	-	-	-	-	-	2,154,567
Interest rate swaps	-	-	1,596,197	1,500,000	-	-
Others						
Securities held as custodian	-	8,395	17,938,710	26,718,750	-	17,229,950

	For the six months ended June 30, 2018 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint Venture	Other related parties
	(Rupees in '000)					
Profit and Loss Account						
Mark-up income	-	7,206	147,959	119,880	-	659,965
Fee and commission income	-	-	104	1,287,852	-	11,541
Share of profit	-	-	-	1,402,655	256,125	-
Dividend Income	-	-	-	-	-	36,162
Mark-up expense	3,454	165	269,134	194,416	12,778	24,181
Salaries and allowances	-	711,839	-	-	-	-
Contribution to provident and benevolent fund	-	8,916	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	2,237,482
Non-Executive Directors' fees	28,800	-	-	-	-	-
Other loss	-	-	(7,137)	(1,996)	-	-
Other expenses	-	-	23,761	1	-	456,309
Insurance premium expense	-	-	-	629,426	-	-

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

	For the six months ended June 30, 2018 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint Venture	Other related parties
	(Rupees in '000)					
Others						
Purchase of government securities	-	8,297	83,917,802	-	-	35,962,913
Sale of government securities	-	16,487	90,624,221	26,082,649	-	39,871,938
Insurance claims	-	-	-	36,436	-	-
	As at December 31, 2017 (Audited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint Venture	Other related parties
	(Rupees in '000)					
Statement of financial position						
Deposits	127,426	37,694	22,190,433	9,245,055	22,702	1,501,398
Maximum deposits during the year	165,193	50,047	24,219,104	13,758,153	63,856	2,229,057
Borrowings	-	-	1,141,977	3,312,516	1,104,172	-
Investments	-	-	-	24,618,037	2,739,781	5,291,967
Provision for diminution in the value of investments	-	-	-	-	-	(68,800)
Nostro balances	-	-	169,804	-	-	-
Advances	-	145,569	3,147,907	3,962,169	-	16,536,672
Provision against advances	-	-	-	-	-	(1,726,437)
Mark-up receivable	-	247	18,843	63,280	-	211,963
Other receivable	-	-	4,243	418,657	-	-
Mark-up payable	120	243	95,621	45,720	1,195	4,951
Other payable	-	-	13,722	380,935	-	1,459,635
Contingencies and Commitments						
Letters of credit	-	-	366,972	-	-	13,447,606
Letters of guarantee	-	-	198,059	712,509	-	-
Forward purchase of government securities	-	-	13,232,566	-	-	2,104,644
Interest rate swaps	-	-	1,743,539	1,500,000	-	-
Others						
Securities held as custodian	-	8,220	16,223,810	28,200,745	-	8,478,905
	For the six months ended June 30, 2017 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint Venture	Other related parties
	(Rupees in '000)					
Profit and Loss Account						
Mark-up income	-	3,634	126,452	43,227	-	501,223
Fee and commission income	-	-	6,982	1,354,444	-	-
Share of profit	-	-	-	1,589,732	313,094	-
Dividend Income	-	-	-	-	-	103,187
Loss on sale of securities - net	-	-	-	-	-	(2,428)
Mark-up expense	1,180	330	95,593	88,876	2,992	42,864
Salaries and allowances	-	455,848	-	-	-	-
Contribution to provident and benevolent fund	-	8,175	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	307,962
Non-Executive Directors' fees	22,000	-	-	-	-	-
Other income	-	-	23,828	34,110	-	-
Other expenses	-	-	26,228	-	-	187,386
Insurance premium expense	-	-	-	481,504	-	-
Others						
Purchase of government securities	-	66,184	15,118,468	34,450	-	3,938,503
Sale of government securities	-	65,174	16,108,284	7,607,191	-	6,274,635
Insurance claims	-	-	-	66,972	-	-

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

19 LIQUIDITY STANDARDS

The SBP has introduced two liquidity standards through its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of LCR is to ensure that Banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of NSFR is to reduce funding risk over a longer time horizon by requiring Banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

19.1	Liquidity Coverage Ratio	(Unaudited) June 30, 2018	(Unaudited) March 31, 2018	(Audited) December 31, 2017
		-----Total Adjusted Value----- ----- (Rupees in '000) -----		
	Total HQLA	993,388,080	896,354,690	962,730,144
	Total Net Cash Outflows	546,953,989	539,366,389	520,941,525
	Liquidity Coverage Ratio (%)	181.62%	166.19%	184.81%
	Minimum Requirement (%)	90.00%	90.00%	90.00%

19.2	Net Stable Funding Ratio	(Unaudited) June 30, 2018	(Audited) December 31, 2017
		Total Weighted Value (Rupees in '000)	
	Total Available Stable Funding (ASF)	2,041,199,384	1,946,812,485
	Total Required Stable Funding (RSF)	1,314,468,911	1,229,522,456
	Net Stable Funding Ratio (%)	155.29%	158.34%
	Minimum Requirement (%)	100.00%	100.00%

20 ISLAMIC BANKING BUSINESS

20.1 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION		Note	(Unaudited) June 30, 2018	(Audited) December 31, 2017
			(Rupees in '000)	
ASSETS				
Cash and balances with treasury banks			10,155,982	7,475,822
Due from financial institutions			600,000	1,614,839
Investments			100,420,283	104,616,358
Islamic financing and related assets - net	20.1.2		94,259,759	84,297,519
Due from Head Office			8,309,348	66,226
Deferred tax asset			21,837	-
Other assets			2,238,522	1,022,451
			<u>216,005,731</u>	<u>199,093,215</u>
LIABILITIES				
Bills payable			9,056	7,037
Due to financial institutions			22,467,000	24,798,000
Deposits and other accounts	20.1.3		182,017,587	163,448,909
Deferred tax liability			-	172,401
Other liabilities			1,272,911	1,433,836
			<u>205,766,554</u>	<u>189,860,183</u>
			<u>10,239,177</u>	<u>9,233,032</u>
NET ASSETS				
REPRESENTED BY				
Islamic Banking Fund			250,000	250,000
Reserves			-	4,584
Unappropriated profit			10,029,731	8,662,859
			<u>10,279,731</u>	<u>8,917,443</u>
(Deficit) / surplus on revaluation of investments - net of deferred tax			<u>(40,554)</u>	<u>315,589</u>
			<u>10,239,177</u>	<u>9,233,032</u>

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

20.1.1 Commitments in respect of guarantees and letters of credit of the Islamic Banking Business amounted to Rs 267.226 million (December 31, 2017: Rs 271.654 million) and Rs 1,333.670 million (December 31, 2017: Rs 3,921.630 million) respectively. Commitments in respect of forward foreign exchange purchase and sale transactions amounted to Rs 11,520.919 million (December 31, 2017: Rs 3,595.455 million) and Rs 170.200 million (December 31, 2017: Rs 2,439.128 million) respectively.

20.1.2 Islamic financing and related assets - net

	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
Ijarah	1,895,064	1,728,525
Murabaha	1,004,982	316,442
Diminishing Musharakah	61,135,583	60,591,346
Wakalah	10,000,000	10,000,000
Running Musharakah	3,308,591	1,138,052
Advance for Ijarah	295,564	542,507
Advance for Murabaha	4,573,477	2,968,494
Advance for Diminishing Musharakah	4,432,536	-
Advance for Istisna	5,917,609	4,546,399
Assets / Inventories	1,808,552	2,576,238
Islamic financing and related assets - gross	94,371,958	84,408,003
Provision against Islamic financing and related assets	(112,199)	(110,484)
Islamic financing and related assets - net	94,259,759	84,297,519

20.1.3 Deposits and other accounts

Current accounts	52,723,392	48,389,707
Savings accounts	102,270,427	87,258,027
Term deposits	21,111,293	13,731,808
Deposits from financial institutions - non - remunerative	95,995	105,001
Deposits from financial institutions - remunerative	5,816,480	13,964,366
	182,017,587	163,448,909

20.2 PROFIT AND LOSS ACCOUNT

	(Unaudited) For the six months ended	
	June 30, 2018 (Rupees in '000)	June 30, 2017 (Rupees in '000)
Profit earned	5,667,177	4,293,331
Profit expensed	3,129,057	1,888,439
Net profit earned	2,538,120	2,404,892
Provision against non-performing assets	1,715	4,498
Net profit after provisions	2,536,405	2,400,394
Other income		
Fee, commission and brokerage income	101,799	90,410
Income / (loss) from dealing in foreign currencies	23,144	(23,645)
(Loss) / gain on sale of securities	(21,762)	9,849
Rent on Lockers	3,285	3,145
Others	346	390
Total other income	106,812	80,149
Administrative expenses	402,443	317,375
Net profit for the period	2,240,774	2,163,168
20.3 Remuneration to Shariah Advisor / Board	3,960	3,180

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017
20.4 Charity Fund		
Opening balance	233,247	526
Additions during the period / year		
-Income purification	334	244,105
-Penalty on delayed payment	268	723
	602	244,828
Payments / Utilization during the period / year		
-Health sector	-	(11,107)
-Others	-	(1,000)
	-	(12,107)
Closing balance	<u>233,849</u>	<u>233,247</u>

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

The Board of Directors in its meeting held on August 2, 2018 has declared a cash dividend in respect of the quarter ended June 30, 2018 of Rs 1 per share (June 30, 2017: Rs 3.50 per share). These condensed interim consolidated financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

22 **GENERAL**

Comparative figures have been rearranged and reclassified for comparison purposes.

23 **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on August 2, 2018.


Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeel Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director



Condensed Interim Unconsolidated Financial Statements

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the half year ended June 30, 2018.

Domestic Economy

Pakistan's growth trajectory continued in FY18 with a thirteen-year high GDP growth of 5.8%. Real economic activity maintained its momentum from the previous year; the agriculture, industry and services sectors all delivered an improved performance with LSM growth of 6% during 11M FY18. Average inflation remained contained, and well below targeted levels at 3.9%; however, the trend is changing rapidly as headline inflation for June 2018 reached 5.2% and positive developments on the growth front remain tempered by a sharp deterioration in the twin deficits, intensifying the economic challenges.

After declining in FY17, a strong export recovery of 13% has been more than offset by the sheer size of the import bill which, driven by rising oil prices and a strong demand for productive imports, grew by 15%. Consequently, the trade deficit widened by 16% to over USD 31 billion. Although the declining trend in remittances was arrested, growth remained elusive with remittances not even recovering to their FY16 levels. The current account deficit increased by 43% to USD 18 billion which, at 5.7% of GDP, is an all-time high. With limited financial account inflows, FX reserves continued to decline, falling by 23% during the fiscal year to USD 16.4 billion. The Rupee has been under severe pressure with four devaluations since December 2017 eroding its value by 15%.

The fiscal deficit, which was budgeted to reduce to 4.1% of GDP, has instead increased further, and is estimated at 6.8% compared to 5.8% in FY17. Despite provisional estimates of an 11% increase in tax collection over the previous year, shortfalls to revenue targets remain. The response from the tax amnesty scheme has been below expectations, although there is some expectation that the resultant widening of the tax base would result in higher future tax revenue.

The precarious external account has led international rating agencies to take a more critical view on Pakistan. While affirming the country's B3 ratings, Moody's downgraded its Outlook from Stable to Negative citing dwindling foreign reserves, the burgeoning current account deficit and declining access to external financing. Fitch maintained its Outlook at Negative, highlighting largely similar concerns.

The uncertainty created by the political situation in the run up to the elections had led to the stock market being bearish for an extended period, with a net outflow of over USD 100 million in foreign portfolio investment in 2018. Equities have recovered somewhat post the elections, with the PSX rallying by 3.3% to post a gain of 5% since the start of the year.

In its July monetary policy statement, the SBP increased the policy rate by 100 bps to 7.5%, the first increase of this magnitude since 2008. The reversal of the interest rate cycle is now in full swing with three hikes in 2018. The SBP cited pressure on the external account and highlighted risks to macroeconomic stability from the substantial fiscal deficit, higher oil imports and rising inflationary pressures. Private sector credit offtake increased by over Rs 800 billion (18%) in FY18, a significant improvement over the Rs 697 billion growth in FY17. Banking sector advances have increased by 14% over December 2017, while deposits rose by 6%. Average banking spreads compressed by 17 bps compared to the same period last year as the rate increases during the first half of the year will only have a lagged effect on asset yields.

Performance

HBL's domestic business continued its growth momentum, with deposits increasing by 8% over December 2017 to nearly Rs 1.9 trillion, and market share rising to 14.4%. In this period, the Bank added Rs 119 billion in domestic CASA deposits, further improving the CASA ratio to 86.6% as at June 30, 2018. The growth momentum in current deposits delivered a 9.8% growth in just six months. Current accounts reached nearly Rs 690 billion and their share in the deposit mix improved by 70 bps to 36.3% in June 2018. With a renewed focus on quality lending growth, HBL's domestic loan book increased by 13% over December 2017 with corporate loans, Islamic financing and consumer lending making key contributions.

HBL's reported financial performance remains impacted by the revision in pension costs, the impact of the multiple currency devaluations on overseas borrowings and the remediation, legal and regulatory costs related to the Bank's

New York branch. In addition, the accelerated shrinkage in the international balance sheet has resulted in significantly reduced revenues and while the cost profile has improved, further reductions will be gradual. As a result, HBL's profit before tax for the first six months of 2018 is Rs 12.8 billion. Profit after tax for the same period is Rs 7.6 billion, with earnings per share for H1'18 at Rs 5.16.

Average domestic loans for H1'18 grew by 28% over H1'17, with all businesses registering significant increases, and average domestic current accounts for the first six months of 2018 increased by 15% over H1'17. However, the impact of spread reduction coupled with a drop in international results was more than able to offset the 11% growth in average domestic balance sheet. Consequently, total net interest income has declined by 4% YoY to Rs 37.7 billion.

Core FX income improved by 4% as Trading revenues delivered a strong performance. Domestic fee income rose by 7% over H1'17, excluding the impact of the expected drop in revenue from home remittances, as volumes have fallen by over 70%. Account operations, consumer finance and card related fees were key contributors to the growth in fees and commissions. The strong core domestic performance was impacted by a Rs 0.8 billion reduction in fees and commissions from the international business and by the drop in the Rupee which resulted in a loss of Rs 2.5 billion on revaluation of overseas borrowings. Total non mark-up income is therefore reported at Rs 8.5 billion, Rs 5.8 billion lower than in H1'17.

The Bank has embarked on a global business and compliance transformation project through which it intends to raise its operations and customer service to world-class levels. HBL will continue to invest in this area, in state of the art technology, and in building on its market leading brand presence. Excluding the impact of pensions, and the ongoing costs of New York and business transformation, the growth in administrative expenses was contained at single digits. A positive recovery stream has led to a Rs 2.9 billion reduction in domestic non-performing loans, while overseas NPLs have increased as a result of the currency devaluation. Consequently, loan provisions have recorded a reversal of Rs 349 million, compared to a provision of Rs 502 million in H1'17. With stable NPLs, the coverage ratio strengthened to 94.4% and the infection ratio, down to 7.0%, is at its lowest level since the privatization of the Bank.

Movement of Reserves

	Rs million
Unappropriated profit brought forward - restated	87,300
Profit after tax	7,570
Re-measurement gain on defined benefit obligations – net	287
Transferred from surplus on revaluation of assets – net of tax	27
	7,884
Profit available for appropriations	95,184
Appropriations	
Transferred to statutory reserves	(757)
Cash Dividend – Final 2017	(1,467)
Cash Dividend – 1st Interim 2018	(1,467)
	(3,691)
Unappropriated profit carried forward	91,493
Earnings per share (Rupees)	5.16

Capital Ratios

In June 2018, HBL was designated as a Domestic Systemically Important Bank (D-SIB) and is the only bank in the highest category "C", which requires the Bank to reserve an additional Tier 1 capital of 2% of Risk Weighted Assets. With this in mind, HBL continues to follow a conservative dividend policy and optimize its Risk Assets. As a result, the Capital Adequacy Ratios continued to improve – the Tier 1 CAR rose by 88 bps from December 2017 to reach 13.0% and the total CAR increased by 104 bps to 16.8%.

Dividend

The Board of Directors, in its meeting held on August 2, 2018 has declared an interim cash dividend of Rs 1.00 per share (10%) for the quarter ended June 30, 2018. This is in addition to the interim cash dividend of Rs 1.00 per share (10%) already declared and paid for the first quarter ended March 31, 2018.

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 AA+. The ratings are supported by HBL's strong momentum in its domestic business, improving asset quality, healthy capitalization ratios and strong liquidity profile and reflect the systemic importance of the Bank.

Future Outlook

The twin deficits that have plagued Pakistan's economy had been managed down but have returned in full force. The increasing headwinds on the economic front pose major risks with even the most optimistic reports indicating a slowdown in GDP growth. A sustained economic recovery will be heavily dependent on real structural reforms, diversifying the export base to buildup foreign reserves and a significant widening of the tax net while exercising fiscal discipline. Average headline inflation is projected at 6-7% in FY19; nevertheless, the SBP expects healthy growth in private sector credit to continue, driven by higher working capital requirements on the back of increasing exports.

Some of the downsides that have affected the half yearly reported results are expected to persist for the medium term. However, HBL's domestic business remains on its growth trajectory and the Bank's capital is now at its highest in several years. This will enable it to pursue its objectives of playing a leading role in financing Pakistan's development, furthering financial inclusion of the country's population and expanding the digital retail payments infrastructure.

Appreciation and Acknowledgement

We would like to place on record, our appreciation for 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

Muhammad Aurangzeb
President & Chief Executive Officer
August 2, 2018

ڈائریکٹرز جائزہ

مجھے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2018ء کو ختم ہونے والی پہلی ششماہی کے مختصر عبوری غیر جامع مالیاتی گوشوارے پیش کرتے ہوئے مسرت ہو رہی ہے۔

ملکی معیشت

پاکستانی معیشت کے اضافہ کا سفر مالی سال 2018ء میں بھی جی ڈی پی میں اضافہ کی تیرہ سالہ بلند شرح 5.8 فیصد کے ساتھ جاری رہا۔ گزشتہ برس سے جاری حقیقی معاشی سرگرمی کی رفتار برقرار رہی اور زراعت، صنعت اور خدمات سمیت تمام شعبوں نے بہتر کارکردگی کا مظاہرہ کیا جبکہ لارج اسکیل مینوفیکچرنگ میں مالی سال 2018ء کے گیارہ ماہ میں اضافہ کی شرح 6 فیصد رہی۔ افراط زر کی اوسط شرح بھی حدود میں رہی جو 3.9 فیصد کے طے شدہ ہدف سے خاصی کمتر رہی تاہم اس رجحان میں تبدیلی ہو رہی ہے کیونکہ توانائی اور خوراک کی قیمتوں میں اضافہ کی شرح جون 2018ء میں 5.2 فیصد تک پہنچ گئی جبکہ اضافہ کے محاذ پر مثبت سرگرمیوں میں جڑواں خساروں میں تیز خرابی کے باعث معاملات میں فرق آیا جس کی وجہ سے معاشی چیلنجز کی شدت میں اضافہ ہوا۔

2017ء میں زوال کے بعد برآمدات میں 13 فیصد کے حساب سے مضبوط اضافہ ہوا تاہم اس اضافے کے مثبت اثرات کو درآمدی بل میں ہونے والے 15 فیصد اضافہ نے دھندلا دیا جس میں پٹرول کی بڑھتی ہوئی قیمتوں اور پیداواری درآمدات کی شدت شامل ہیں۔ نتیجتاً تجارتی خسارہ 16 فیصد اضافہ کے ساتھ بڑھ کر 31 ارب امریکی ڈالر سے زائد ہو گیا۔ اگرچہ تجارتی خسارے میں اضافے کے رجحان کو ترسیلات زر کے باعث کچھ فرق پڑا تاہم ترسیلات زر میں 2016ء کی سطح تک بحالی نہ ہونے کے باعث یہ فرق مبہم ہی رہا۔ کرنٹ اکاؤنٹ کا خسارہ 43 فیصد اضافے کے ساتھ بڑھ کر 18 ارب امریکی ڈالر ہو گیا جو جی ڈی پی کے 5.7 فیصد کی شرح سے کسی بھی وقت کا بلند ترین اضافہ ہے۔ مالی کھاتے میں فوری مگر محدود اندرونی بہاؤ میں اضافہ ہوا تاہم زرمبادلہ کے ذخائر میں کمی کا رجحان جاری رہا جو مالی سال میں 23 فیصد گراؤ کے ساتھ 16.4 ارب امریکی ڈالر ہو گیا۔ پاکستانی روپیہ اپنی قدر میں دسمبر 2017ء سے چار مرتبہ کمی کے باعث شدید دباؤ کا شکار رہا جس سے اس کی قوت 15 فیصد کم ہو گئی۔

مالی خسارہ جسے کم کر کے بجٹ میں جی ڈی پی کے 4.1 فیصد پر رکھا گیا تھا تاہم اس کے برعکس اس میں اضافہ ہی ہوا جس کا تخمینہ مالی سال 2017ء کے 5.8 فیصد کے مقابل 6.8 فیصد کیا جا رہا ہے۔ محصولات کی وصولیوں میں گزشتہ برس کے مقابلے میں 11 فیصد کے عبوری اضافے کا تخمینہ ہے تاہم وصولیوں کے اہداف میں کمی پائی جاتی ہے۔ ٹیکس ایمنسٹی اسکیم میں رسپانس توقعات سے کم رہا ہے اگرچہ اس امر کی کچھ توقع کی جا رہی ہے کہ ٹیکس کی بنیاد میں ہونے والا اضافہ مستقبل میں محصولات میں اضافے کا باعث ہوگا۔

بیرونی کھاتے میں موجود بے یقینی کے باعث بین الاقوامی ریٹنگ کے اداروں نے پاکستان کا مزید تنقیدی جائزہ لیا ہے۔ Moody's نے اگرچہ ملک کی B3 ریٹنگ کی تصدیق کی ہے تاہم اس نے مستقبل کے آؤٹ لک میں مستحکم سے منفی کر دیا ہے جس کی وجوہات اس نے کم ہوتے ہوئے زرمبادلہ کے ذخائر تیزی کے ساتھ بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے اور بیرونی مالیات تک کم ہوتی رسائی کو قرار دیا ہے۔ Fitch نے آؤٹ لک منفی برقرار رکھا ہے جبکہ ایسی ہی تشویش کو نمایاں کیا ہے۔

الیکشن سے قبل پیدا ہونے والی غیر یقینی سیاسی فضاء کے باعث اسٹاک مارکیٹ میں عرصہ دراز تک گراؤ کا رجحان رہا جس کے نتیجے میں 2018ء میں بیرونی پورٹ فولیو سرمایہ کاری میں 100 ملین امریکی ڈالر سے زائد خالص بیرونی بہاؤ ریکارڈ کیا گیا۔ تاہم حصص بازار میں الیکشن کے بعد قدرے بحالی دیکھنے میں آئی اور پاکستان اسٹاک ایکسچینج میں 3.3 فیصد اضافہ کی تیزی کے باعث گزشتہ برس سے 5 فیصد کا نفع ریکارڈ کیا گیا۔

اسٹیٹ بینک نے اپنے جولائی کے مالیاتی پالیسی بیان میں پالیسی ریٹ میں 100 bps کا اضافہ کر دیا جو 7.5 فیصد ہو گیا اور اس حجم کا 2008ء کے بعد سے یہ سب سے بڑا اضافہ ہے۔ انٹرسٹ ریٹ سائیکل میں ریورسل اب پورے زور میں ہے جس سے 2018ء میں تین مرتبہ اضافہ ہو چکا ہے۔ اسٹیٹ بینک نے بیرونی کھاتے پر دباؤ کو اس کا سبب قرار دیتے ہوئے ایک بڑے مالیاتی خسارے سے میکرو اکنامک استحکام کو لاحق ہونے والے خطرات کو نمایاں کیا جن

کے پروویژن میں 349 ملین کارپوریٹل ریکارڈ کیا گیا جبکہ 2017ء کی پہلی ششماہی میں پروویژن 502 ملین تھے۔ مستحکم غیر متحرک قرضہ جات کے ساتھ کوریج ریشو مضبوط ہو کر 94.4 فیصد ہو گیا جبکہ انفیکشن ریشو کم ہو کر 7.0 فیصد ہو گیا جو کہ بینک کی نجکاری سے لے کر آج تک کی کم ترین سطح ہے۔

ریزروز کی تفصیلات

ملین روپے

87,300
7,570
287
27
7,884
95,184

افتتاحی غیر تخصیص شدہ منافع - تبدیل شدہ
بعد از ٹیکس منافع

وضاحت شدہ منفعت کی ذمہ داریوں پر نفع کی دوبارہ پیمائش - خالص
اثاثہ جات کی دوبارہ تشخیص پر سرپلس سے منتقل شدہ - محصول کا خالص

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقم

(757)
(1,467)
(1,467)
(3,691)

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ - مجموعی حتمی 2017

نقد منافع منقسمہ - پہلا عبوری 2018

91,493
5.16

اختتامی غیر تخصیص شدہ منافع

فی حصص (شیر) آمدنی (روپے)

کیپٹل ریشوز

جون 2018ء میں ایچ بی ایل کو ایک ملکی انتظامی طور پر اہم بینک (Domestic Systematically Important Bank) تجویز کیا گیا ہے اور یہ بالاترین کیٹیگری "C" میں واحد بینک ہے جس کے باعث بینک کو ایک اضافی Tier 1 کے طور پر رسک ویٹنڈ اثاثے کا 2 فیصد سرمایہ رکھنا ہے۔ اس امر کو ذہن میں رکھتے ہوئے حبیب بینک کو ایک کنزرویٹو ڈویڈنڈ پالیسی پر عمل اور رسک اثاثوں کو بالاترین رکھنا ہوتا ہے۔ نتیجے کے طور پر کیپٹل ایڈیکسی ریشوز (CAR) مستقل بہتری کی طرف گامزن ہیں۔ Tier 1 میں دسمبر سے 88 bps اضافے سے 13.0 فیصد ہوا اور مجموعی (CAR) 104 bps میں 16.8 فیصد ہو گیا۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 2 اگست 2018ء کو منعقد ہونے والے اپنے اجلاس میں 30 جون 2018ء کو ختم ہونے والی سہ ماہی کے لئے 1 روپے فی شیر (10 فیصد) کے حساب سے عبوری نقد منافع (Dividend) کا اعلان کیا ہے۔ یہ عبوری نقد منافع جو 1 روپے فی شیر (10 فیصد) کے حساب سے 31 مارچ 2018ء کو ختم ہونے والی اوّل سہ ماہی کے لئے پہلے ہی اعلان اور ادا کیا جا چکا ہے کے علاوہ ہے۔

میں پٹرول کی بڑھتی ہوئی درآمدات اور بڑھتے ہوئے افراط زر کا دباؤ شامل ہیں۔ نئی شعبہ کا آف ٹیک مالی سال 2018ء میں 800 ارب یعنی 18 فیصد تک بڑھ گیا جو 2017ء کے مالی سال کے 697 ارب روپے کے مقابل ایک بہت اچھی بہتری ہے۔ بینکنگ سیکٹر کے قرضہ جات دسمبر 2017ء کے مقابل 14 فیصد بڑھ گئے جبکہ ڈپازٹس میں 6 فیصد اضافہ ہوا۔ اوسط بینکاری کی شرح منافع پچھلے سال سے 17 bps کم رہی چونکہ بڑھتی ہوئی شرح سود کے اثرات آئندہ مرتب ہونگے۔

کارکردگی

ایچ بی ایل کے ملکی کاروبار نے اپنے اضافے کی رفتار کو برقرار رکھتے ہوئے دسمبر 2017ء کے مقابل ڈپازٹس میں 8 فیصد زائد اضافہ کیا جو تقریباً 1.9 کھرب روپے ہو گئے اور مارکیٹ شیئر بڑھ کر 14.4 فیصد ہو گیا۔ اس عرصے میں بینک نے ملکی CASA ڈپازٹس میں 119 ارب روپے اضافہ کیا جس سے CASA ریشو 30 جون 2018ء کو مزید بہتر ہو کر 86.6 فیصد ہو گیا۔ اضافے کی رفتار ورجان کرنٹ اکاؤنٹس میں بھی بہتر رہی جس سے صرف 6 ماہ میں 9.8 فیصد اضافہ ہو گیا۔ کرنٹ اکاؤنٹس 690 ارب روپے کے قریب پہنچ گئے اور ان کا شیئر ڈپازٹس مرکب میں 70 bps اضافے سے جون 2018ء میں 36.3 فیصد ہو گیا۔ معیاری قرضہ جات کی ترقی کی توجہ کو مرکوز رکھتے ہوئے ایچ بی ایل کے مقامی قرضہ جات میں دسمبر 2017ء کے مقابل 13 فیصد کا اضافہ ہوا جبکہ کارپوریٹ قرضہ جات، اسلاک فنانسنگ اور کنزیومر قرضہ جات کلیدی شراکت دار ہیں۔

ایچ بی ایل کی رپورٹ کی گئی کارکردگی میں پیشین لاگت میں نظر ثانی، متعدد مرتبہ کرنسی ڈی ویلیویشن کے سمندر پار سے لئے گئے قرضہ جات پر اثرات اور ریویڈی ایشن، بینک کی نیویارک برانچ کے قانونی اور ریگولیٹری لاگت کے زیر اثر رہی۔ مزید برآں بین الاقوامی بیننس شیٹ میں برق رفتار گراؤ کے نتیجے میں آمدنی میں معنی خیز کمی ہوئی ہے جبکہ کاسٹ پروفائل بہتر ہو گئی ہے لیکن اس میں مزید کمی بتدریج ہوگی۔ نتیجتاً ایچ بی ایل کا قبل از ٹیکس منافع 2018ء کی پہلی ششماہی میں 12.8 ارب روپے ہے۔ بعد از ٹیکس منافع اسی مدت میں 7.6 ارب روپے کے ساتھ 2018ء کی اوّل ششماہی کے لئے فی شیئر آمدنی 5.16 روپے ہے۔

اوسط ملکی قرضہ جات 2018ء کی اوّل ششماہی میں 2017ء کی اوّل ششماہی کے مقابلے میں 28 فیصد بڑھ گئے جس میں تمام کاروبار میں معنی خیز اضافہ ریکارڈ کیا گیا اور اوسط ملکی کرنٹ اکاؤنٹس 2018ء کے پہلے چھ ماہ میں 2017ء کے پہلے چھ ماہ سے 15 فیصد بڑھ گئے۔ تاہم اسپریڈ میں کمی اور بین الاقوامی نتائج میں کمی نے مل کر ایسے اثرات مرتب کئے جن کے باعث اوسط ملکی بیننس شیٹس میں 11 فیصد کا اضافہ بے اثر ہو گیا۔ نتیجتاً کل خالص انٹرسٹ آمدنی سال بر سال 4 فیصد کم ہو کر 37.7 ارب روپے رہ گئی۔

بنیادی زرمبادلہ آمدنی میں 4 فیصد بہتری رہی کیونکہ تجارتی آمدنی نے ایک مضبوط کارکردگی کا مظاہرہ کیا۔ ملکی فیس کی آمدن 2017ء کی پہلی ششماہی کے مقابل 7 فیصد بڑھ گئی جس میں گھروں کو بھیجی جانے والی ترسیلات میں متوقع کمی کے اثرات شامل نہیں ہیں کیونکہ ان کے حجم میں 70 فیصد سے زائد کمی واقع ہو گئی ہے۔ فیس اور کمیشن میں اضافہ کی اہم وجوہات میں اکاؤنٹ آپریشن، کنزیومر فنانسنگ اور کارڈ سے متعلق فیس میں اضافہ شامل ہیں۔ مضبوط بنیادی ملکی کارکردگی پر بین الاقوامی کاروبار میں فیس اور کمیشن میں 0.8 ارب روپے کی کمی اثر انداز ہوئی جبکہ روپے کی قدر میں کمی کے اثرات کی وجہ سے نتائج سمندر پار قرضہ جات کی ازسر نو قدر طے کرنے کے باعث 2.5 ارب نقصان ہوا۔ لہذا نان مارک اپ آمدن 8.5 ارب روپے رپورٹ کی گئی ہے جو 2017ء کی اوّل ششماہی سے 5.8 ارب روپے کم ہے۔

بینک نے گلوبل بزنس اور کمپلائنس ٹرانسپارینس کے پروجیکٹ پر کام کا آغاز کر دیا ہے جس کے ذریعے اس کا ارادہ اپنے آپریشنز اور گاہکوں کی خدمات کے معیار کو عالمی سطح تک لے جانا ہے۔ ایچ بی ایل اس میدان میں سرمایہ کاری جاری رکھے گا جس کے تحت اسٹیٹ آف دی آرٹ ٹیکنالوجی حاصل کی جا رہی ہے اور مارکیٹ میں قائدانہ برانڈ کی حیثیت و موجودگی کی برقراری پر کام جاری رہے گا۔ پیشین کے اثرات اور نیویارک برانچ کی جاری لاگت اور بزنس ٹرانسپارینس کے ماسوائے انتظامی اخراجات میں اضافہ کو واحد ہندسے تک محدود رکھا گیا ہے۔ ایک مثبت بحالی کے مستقل عمل سے ملکی غیر متحرک قرضہ جات میں 2.9 ارب روپے کی کمی کی گئی ہے جبکہ سمندر پار غیر متحرک قرضہ جات میں کرنسی کی قدر میں کمی کے باعث اضافہ ہوا ہے۔ ان تمام عوامل کے نتیجے میں قرضوں

کریڈٹ ریٹنگز

بینک کی کریڈٹ ریٹنگ کی JCR-VIS نے بھی دوبارہ +1-AAA/A کے بطور طویل المدت اور قلیل المدت تصدیق علی الترتیب کردی ہے جبکہ اس کے ماتحت قرضوں کی بھی AA+ رکھی ہے۔ ان ریٹنگز کو ایچ بی ایل کے ملکی کاروبار میں مستحکم رفتار کارکردگی، اثاثہ جات کی کوالٹی میں بہتری، صحت مند کپچلر نزیشن کے ریشوز اور مضبوط لیکوڈیٹی پر وفائل سے مدد ملی ہے اور یہ بینک کی باقاعدہ نظام کے تحت بہتری کی عکاس ہے۔

مستقبل کی صورتحال

جڑواں خسارے جنہوں نے پاکستانی معیشت کو متاثر کیا ہوا ہے ان میں کسی حد تک انتظامی کوششوں سے کمی ہوگئی تھی تاہم وہ اب پوری قوت سے پلٹ آئے ہیں۔ معاشی محاذ پر با مخالف بڑے خدشات لئے ہوئے ہے حتیٰ کہ خوش گمان ترین رپورٹس بھی جی ڈی پی میں اضافے کو مزید سست رفتار ہو جانے کی نشاندہی کر رہی ہیں۔ ایک پائیدار معاشی بحالی کا زیادہ تر انحصار حقیقی اسٹرکچرل اصلاحات پر ہی ہوگا جس کے مطابق زر مبادلہ کے ذخائر میں اضافے کے لئے برآمدات کی بنیادوں کو مختلف النوع بنانا ہوگا اور ٹیکس نیٹ میں معنی خیز وسعت پیدا کرنا ہوگی جس کے ساتھ ساتھ مالی نظم و ضبط بھی قائم رکھنا ہوگا۔ اوسط خوراک و توانائی پر مبنی افراط زر 2019ء کے لئے 6-7 فیصد تک رہنے کا تخمینہ ہے اس کے باوجود اسٹیٹ بینک کو نجی شعبہ کے کریڈٹ کے تسلسل کی توقع ہے جس کی بنیاد بڑھتی ہوئی برآمدات کی وجہ سے جنم لینے والی بلند تر عامل سرمایہ کی ضروریات ہیں۔

غیر افادی امور جنہوں نے ششماہی نتائج پر منفی اثرات مرتب کئے ہیں ان کی درمیانی مدت میں مسلسل رہنے کی توقع ہے۔ تاہم ایچ بی ایل کا ملکی کاروبار بدستور اضافے کی راہ پر گامزن ہے اور بینک کا سرمایہ اس وقت متعدد برسوں کی بلند ترین سطح پر ہے۔ ان امور کے باعث بینک اس حیثیت میں ہے کہ وہ پاکستان کی مالیاتی ترقی کے ضمن میں اپنے قائدانہ کردار کو برقرار رکھنے کے مقاصد اور ملک کی آبادی کو مالی طور پر شریک عمل رکھے اور خوردہ قیمتوں کی ڈیجیٹل ادائیگی کے انفراسٹرکچر کو توسیع دیتا رہے۔

تشکر و امتنان

ہم اپنے ریگولیٹرز اور حکومت پاکستان کی کاوشوں کی ستائش ریکارڈ پر رکھنا چاہتے ہیں بالخصوص وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے رہنمائی و حمایت اور بینکنگ اور مالیاتی خدمات کے شعبہ میں ریگولیٹری اور انتظامی فریم ورک میں مسلسل بہتری کے ذریعے ترقی و استحکام کے لئے کی گئی کوششوں کو سراہتے ہیں۔

بورڈ اور انتظامیہ کی جانب سے ہم اس موقع پر اپنے کسٹمرز کے کاروباری اعتماد اور اپنے حصص یافتگان کی حمایت اور اعتماد کیلئے اظہار تشکر کرتے ہیں۔ ہم انہیں یقین دلاتے ہیں کہ ہم اپنی تمام کاوشوں میں اعلیٰ ترین معیارات اور اچھے کارپوریٹ انتظام اور اصول و قواعد کی مطابقت کے کلچر کے استمرار کے لئے عزم مصمم پر قائم ہیں۔ ہم اپنے ملازمین کی ایچ بی ایل کی ترقی کے ضمن میں کی گئی تمام کوششوں کا بھی اعتراف کرتے ہیں اور ان کے عزم و وابستگی کا شکریہ ادا کرتے ہیں۔

منجانب بورڈ

محمد اورنگزیب

صدر اور چیف ایگزیکٹو آفیسر

2 اگست 2018ء

Independent Auditor's Review Report to the Members of Habib Bank Limited on Review of Interim Unconsolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Habib Bank Limited ("the Bank") as at June 30, 2018 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of other comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the quarters ended June 30, 2018 and June 30, 2017 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 statements 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 statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Salman Hussain.

A.F. Ferguson & Co.
Chartered Accountants

Dated: August 6, 2018
Karachi

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2018

	Note	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Restated)
ASSETS			
Cash and balances with treasury banks		230,370,238	230,256,066
Balances with other banks		22,343,649	28,777,991
Lendings to financial institutions		51,797,014	33,900,345
Investments	6	1,307,914,704	1,335,782,671
Advances	7	886,346,911	800,688,978
Operating fixed assets	8	60,072,441	56,920,682
Deferred tax asset		5,681,695	3,900,457
Other assets		74,393,486	72,831,923
		2,638,920,138	2,563,059,113
LIABILITIES			
Bills payable		36,367,561	33,617,261
Borrowings	9	331,736,321	395,486,210
Deposits and other accounts	10	2,014,153,927	1,899,511,435
Subordinated loan		9,992,000	9,994,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		68,845,862	51,746,248
		2,461,095,671	2,390,355,154
NET ASSETS		177,824,467	172,703,959
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		53,135,749	49,519,342
Unappropriated profit		91,493,452	87,300,494
		159,297,726	151,488,361
Surplus on revaluation of assets - net of deferred tax	11	18,526,741	21,215,598
		177,824,467	172,703,959
CONTINGENCIES AND COMMITMENTS			
	12		

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2018

	Note	January 01 to June 30, 2018	January 01 to June 30, 2017	April 01 to June 30, 2018	April 01 to June 30, 2017
(Rupees in '000)					
Mark-up / return / profit / interest earned	13	71,914,076	69,838,650	36,636,636	36,108,452
Mark-up / return / profit / interest expensed	14	34,220,528	30,392,622	17,672,164	15,836,210
Net mark-up / return / profit / interest income		37,693,548	39,446,028	18,964,472	20,272,242
(Reversal) / provision against advances	7.2	(348,906)	502,062	(145,115)	377,037
Provision / (reversal) against off-balance sheet obligations		2,671	(50,233)	37,962	(8,251)
Provision for diminution in the value of investments	6.2	261,808	647,522	275,426	427,348
Bad debts written off directly		-	-	-	-
		(84,427)	1,099,351	168,273	796,134
Net mark-up / return / profit / interest income after provisions		37,777,975	38,346,677	18,796,199	19,476,108
Non mark-up / interest income					
Fee, commission and brokerage income		8,271,583	9,221,887	4,217,517	4,899,186
Dividend income		1,008,774	1,507,150	626,097	1,140,685
(Loss) / income from dealing in foreign currencies		(1,378,390)	1,075,603	(547,757)	516,964
Gain on sale of securities - net		551,402	1,818,429	487,938	580,040
Unrealised (loss) / gain on held-for-trading securities		(53,243)	(23,641)	(7,655)	20,460
Other income		126,558	764,112	109,693	586,917
Total non mark-up / interest income		8,526,684	14,363,540	4,885,833	7,744,252
		46,304,659	52,710,217	23,682,032	27,220,360
Non mark-up / interest expense					
Administrative expenses	15	32,831,670	26,029,755	16,607,028	13,351,574
Other provisions / write offs - net		107,823	66,299	14,222	28,774
Other charges		309,220	507	303,116	406
Workers' Welfare Fund		261,311	532,174	125,361	270,487
Total non mark-up / interest expenses		33,510,024	26,628,735	17,049,727	13,651,241
Profit before taxation		12,794,635	26,081,482	6,632,305	13,569,119
Taxation					
- Current		5,612,511	9,620,273	3,294,993	5,059,067
- Prior years		-	2,072,385	-	2,072,385
- Deferred		(387,929)	(609,699)	(274,713)	(441,760)
		5,224,582	11,082,959	3,020,280	6,689,692
Profit after taxation		7,570,053	14,998,523	3,612,025	6,879,427
(Rupees)					
Basic and diluted earnings per share		5.16	10.22	2.46	4.69

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2018

	January 01 to June 30, 2018	January 01 to June 30, 2017	April 01 to June 30, 2018	April 01 to June 30, 2017
	(Rupees in '000)			
Profit after taxation for the period	7,570,053	14,998,523	3,612,025	6,879,427
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 - net	2,859,402	54,038	1,008,321	65,764
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Remeasurement gain on defined benefit obligations - net	287,013	-	287,013	-
Comprehensive income transferred to equity	10,716,468	15,052,561	4,907,359	6,945,191
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	(2,673,458)	(1,499,538)	(1,699,519)	(732,648)
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Transferred from surplus on revaluation of non-banking assets - net of tax	2,461	10,079	(107)	10,079
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	11,202	117,093	1,202	117,093
Transferred to surplus on revaluation of operating fixed assets - net of tax	(2,461)	(10,079)	107	(10,079)
	8,741	107,014	1,309	107,014
Total comprehensive income	8,054,212	13,670,116	3,209,042	6,329,636

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Statement of Changes In Equity (Unaudited)

For the six months ended June 30, 2018

	Reserves						Total
	Share capital	Exchange translation reserve	Capital		Revenue		
			Statutory reserve	Non - distributable capital reserve	General reserve	Unappropriated profit (restated)	
----- (Rupees in '000) -----							
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
Effect of retrospective change in accounting policy	-	-	-	-	-	(803,615)	(803,615)
Balance as at December 31, 2016 (restated)	14,668,525	10,453,351	30,072,084	547,115	6,073,812	96,643,009	158,457,896
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							
- Effect of translation of net investment in foreign branches - net	-	54,038	-	-	-	-	54,038
	-	54,038	-	-	-	14,998,523	15,052,561
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
Exchange translation realised on sale of Bank branches	-	(371,022)	-	-	-	-	(371,022)
Transferred to statutory reserve	-	-	1,499,853	-	-	(1,499,853)	-
Balance as at June 30, 2017 (restated)	14,668,525	10,136,367	31,571,937	547,115	6,073,812	99,893,428	162,891,184
Comprehensive income for the period							
Loss after taxation for the six months ended December 31, 2017 (restated)	-	-	-	-	-	(7,267,976)	(7,267,976)
Other comprehensive income / (loss)							
- Effect of translation of net investment in foreign branches - net	-	1,968,958	-	-	-	-	1,968,958
- Remeasurement loss on defined benefit obligations- net	-	-	-	-	-	(1,007,627)	(1,007,627)
	-	1,968,958	-	-	-	(8,275,603)	(6,306,645)
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)	(5,133,984)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	23,240	23,240
Exchange translation realised on sale of Bank branches	-	14,566	-	-	-	-	14,566
Transferred from statutory reserve	-	-	(793,413)	-	-	793,413	-
Balance as at December 31, 2017 (restated)	14,668,525	12,119,891	30,778,524	547,115	6,073,812	87,300,494	151,488,361
Comprehensive income for the period							
Profit after taxation for the six months ended June 30, 2018	-	-	-	-	-	7,570,053	7,570,053
Other comprehensive income							
- Effect of translation of net investment in foreign branches - net	-	2,859,402	-	-	-	-	2,859,402
- Remeasurement gain on defined benefit obligations - net	-	-	-	-	-	287,013	287,013
	-	2,859,402	-	-	-	7,857,066	10,716,468
Transactions with owners, recorded directly in equity							
Final cash dividend - Rs 1.0 per share declared subsequent to the year ended December 31, 2017	-	-	-	-	-	(1,466,852)	(1,466,852)
1st interim cash dividend - Rs 1.0 per share	-	-	-	-	-	(1,466,852)	(1,466,852)
	-	-	-	-	-	(2,933,704)	(2,933,704)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	26,601	26,601
Transferred to statutory reserve	-	-	757,005	-	-	(757,005)	-
Balance as at June 30, 2018	14,668,525	14,979,293	31,535,529	547,115	6,073,812	91,493,452	159,297,726

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2018

	January 01 to June 30, 2018	January 01 to June 30, 2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,794,635	26,081,482
Dividend income	(1,008,774)	(1,507,150)
	11,785,861	24,574,332
Adjustments for:		
Depreciation	1,627,454	1,572,945
Amortisation	324,549	260,975
(Reversal) / provision against advances	(348,906)	502,062
Provision / (reversal) against off-balance sheet obligations	2,671	(50,233)
Provision for diminution in the value of investments	261,808	647,522
Other provisions / write offs - net	107,823	66,299
Unrealised loss on held-for-trading securities	53,243	23,641
Gain on sale of operating fixed assets - net	(16,431)	(10,493)
Workers' Welfare Fund	261,311	532,174
	2,273,522	3,544,892
	14,059,383	28,119,224
(Increase) / decrease in operating assets		
Lendings to financial institutions	(17,896,669)	(15,626,875)
Net investments in held-for-trading securities	(127,627,547)	(77,476,802)
Advances	(85,309,027)	(73,511,896)
Other assets (excluding advance taxation)	4,254,322	(4,826,148)
	(226,578,921)	(171,441,721)
Increase / (decrease) in operating liabilities		
Bills payable	2,750,300	(1,565,154)
Borrowings	(63,749,889)	53,931,888
Deposits and other accounts	114,642,492	110,656,657
Other liabilities	16,412,063	9,014,812
	70,054,966	172,038,203
	(142,464,572)	28,715,706
Income tax paid	(11,463,323)	(16,390,283)
Net cash flows (used in) / from operating activities	(153,927,895)	12,325,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	105,850,961	(17,809,722)
Net investments in held-to-maturities securities	45,562,337	9,651,352
Net investments in subsidiaries	-	(441,933)
Net investments in associates	(345,847)	(484,233)
Dividend income received	857,866	1,390,173
Fixed capital expenditure	(4,977,305)	(15,150,426)
Proceeds from sale of fixed assets	25,433	14,708
Effect of translation of net investment in foreign branches - net	2,859,402	(316,984)
Net cash flows from / (used in) investing activities	149,832,847	(23,147,065)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	(2,000)	(2,000)
Dividend paid	(2,223,122)	(6,809,851)
Net cash flows used in financing activities	(2,225,122)	(6,811,851)
	(6,320,170)	(17,633,493)
Decrease in cash and cash equivalents during the period		
Cash and cash equivalents at the beginning of the period	251,508,365	252,149,958
Effects of exchange rate changes on cash and cash equivalents	7,525,692	381,809
	259,034,057	252,531,767
Cash and cash equivalents at the end of the period	252,713,887	234,898,274

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

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 1,703 (December 31, 2017: 1,703) branches inside Pakistan including 47 (December 31, 2017: 47) Islamic Banking Branches and 48 (December 31, 2017: 48) 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 Habib Finance International Limited, a wholly owned subsidiary of the Bank, has filed for voluntary liquidation and is in the process of completing the required formalities in this regard.

2 STATEMENT OF COMPLIANCE

These condensed interim unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34. These condensed interim unconsolidated financial statements do not include all the disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2017.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those followed in the preparation of the unconsolidated financial statements for the year ended December 31, 2017 except as disclosed in note 3.1.

3.1 Change in accounting policies

- 3.1.1 The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23 dated Oct 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in Note 4.5.1 of the annual unconsolidated financial statements for the year ended December 31, 2017), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular asset was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular asset is now to be accounted for in accordance with IFRS, which requires that such deficit can not be adjusted against surplus for any other asset, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	As at June 30, 2018	As at December 31, 2017	As at December 31, 2016
	(Rupees in '000)		
Impact on Statement of Financial Position			
Decrease in unappropriated profit	(129,118)	(131,799)	(803,615)
Increase in surplus on revaluation of assets – net of tax	129,118	131,799	803,615
	For the six months ended		
	June 30, 2018	June 30, 2017	
	(Rupees in '000)		
Impact on Profit and Loss account	-	-	
Impact on Statement of Comprehensive Income	-	-	

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

3.1.2 As per the accounting policy of the Bank (as described in Note 4.4 of the annual unconsolidated financial statements for the year ended December 31, 2017), the provision against advances of overseas branches is made as per the requirement of the respective regulatory regimes. During the current period, IFRS 9, Financial Instruments: Classification & Measurement, became applicable for certain overseas branches of the Bank. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9, while determining the provisioning requirements against advances. Under this standard, provision against loans and advances is determined under expected credit loss model. Previously, this was determined under the incurred loss model.

The adoption of this standard by certain overseas branches resulted in additional provisioning requirement of Rs 18.313 million as at June 30, 2018. This includes Rs 22.280 million in respect of prior year which has been incorporated in the current period and opening balance of retained earnings has not been adjusted as the amount involved is not considered material.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2017.

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, 2017.

6 INVESTMENTS

Note	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	(Rupees in '000)					
Investments by type						
Held-for-trading (HFT)						
<i>Federal Government securities</i>						
- Market Treasury Bills	190,232,041	115,414	190,347,455	47,907,444	-	47,907,444
- Pakistan Investment Bonds	5,206,539	-	5,206,539	17,918,321	-	17,918,321
- Sukuks	-	-	-	1,999,062	-	1,999,062
<i>Fully paid-up ordinary shares</i>						
- Listed companies	176,874	-	176,874	274,651	-	274,651
<i>Overseas Government securities</i>	125,385	-	125,385	149,311	-	149,311
	195,740,839	115,414	195,856,253	68,248,789	-	68,248,789
Held-to-maturity (HTM)						
<i>Federal Government securities</i>						
- Market Treasury Bills	-	-	-	-	-	-
- Pakistan Investment Bonds	185,102,492	-	185,102,492	229,596,422	-	229,596,422
- Government of Pakistan US Dollar Bonds	122,775	-	122,775	1,177,868	-	1,177,868
<i>Debentures and corporate debt instruments</i>						
- Listed	9,134,303	-	9,134,303	6,899,728	-	6,899,728
- Unlisted	20,379,574	-	20,379,574	18,078,775	-	18,078,775
<i>Overseas Government securities</i>	10,055,397	-	10,055,397	14,604,085	-	14,604,085
	224,794,541	-	224,794,541	270,356,878	-	270,356,878
Available-for-sale (AFS)						
<i>Federal Government securities</i>						
- Market Treasury Bills	396,473,487	80,923,530	477,397,017	328,211,635	131,244,262	459,455,897
- Pakistan Investment Bonds	143,566,635	108,659,483	252,226,118	238,386,542	134,373,604	372,760,146
- Government of Pakistan US Dollar Bonds	1,631,221	-	1,631,221	1,487,595	-	1,487,595
- Sukuks	78,748,380	-	78,748,380	83,205,706	-	83,205,706
<i>Fully paid-up ordinary shares</i>						
- Listed companies	16,636,844	-	16,636,844	19,661,232	-	19,661,232
- Unlisted companies	3,356,164	-	3,356,164	2,711,847	-	2,711,847
<i>Debentures and corporate debt instruments</i>						
- Listed	3,918,870	12,612,665	16,531,535	283,688	15,378,666	15,662,354
- Unlisted	13,596,500	-	13,596,500	14,086,144	-	14,086,144
<i>Overseas Government securities</i>	6,970,837	-	6,970,837	3,868,899	-	3,868,899
<i>National Investment Trust units</i>	11,113	-	11,113	11,113	-	11,113
<i>Real Estate Investment Trust units</i>	55,000	-	55,000	154,000	-	154,000
<i>Preference shares</i>	97,500	-	97,500	97,500	-	97,500
	665,062,551	202,195,678	867,258,229	692,165,901	280,996,532	973,162,433
Investment in subsidiary companies	13,945,202	-	13,945,202	13,945,202	-	13,945,202
Investment in associates and joint venture						
	12,668,035	-	12,668,035	12,322,188	-	12,322,188
	1,112,211,168	202,311,092	1,314,522,260	1,057,038,958	280,996,532	1,338,035,490
Provision for diminution in the value of investments	(1,764,859)	-	(1,764,859)	(1,503,051)	-	(1,503,051)
	1,110,446,309	202,311,092	1,312,757,401	1,055,535,907	280,996,532	1,336,532,439
Deficit on revaluation of held-for-trading securities	(53,209)	(34)	(53,243)	(73,326)	-	(73,326)
(Deficit) / surplus on revaluation of available-for-sale securities	(3,676,277)	(1,113,177)	(4,789,454)	(900,806)	224,364	(676,442)
Total investments (net of provision)	1,106,716,823	201,197,881	1,307,914,704	1,054,561,775	281,220,896	1,335,782,671

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the six months ended June 30, 2018

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, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Book value	Market value	Book value	Market value
	----- (Rupees in '000) -----			
- Investment classified as held-to-maturity	224,794,541	224,401,635	270,356,878	272,433,165
- Investment in listed associates and joint venture	12,231,804	40,633,613	11,885,957	39,352,301

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

	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
Opening balance	1,503,051	866,152
Charge for the period / year	600,389	1,289,086
Reversal for the period / year	(3,755)	(203,605)
Reversed on disposal during the period / year	(334,826)	(619,614)
Net charge	261,808	465,867
Recoveries against written off investments	-	171,032
Closing balance	1,764,859	1,503,051

6.3 This includes privately placed TFCs of Pakistan International Airlines Corporation Limited (PIACL) amounting to Rs 4,857.022 million (December 31, 2017: Rs 6,071.278 million) which is guaranteed by the Government of Pakistan and is subject to a relaxation given by the SBP from Regulation-8 of the Prudential Regulations. However, mark-up income has been suspended on this amount and is only recognised when received.

	Note	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
7 ADVANCES			
Loans, cash credits, running finances, etc.			
- In Pakistan		702,664,896	628,791,839
- Outside Pakistan		91,706,060	100,618,431
		794,370,956	729,410,270
Net investment in finance lease - in Pakistan		17,688,671	17,127,661
Islamic financing and related assets	20.1.2	94,371,958	84,408,003
Bills discounted and purchased			
- Payable in Pakistan		21,251,880	16,751,077
- Payable outside Pakistan		21,877,377	16,540,552
		43,129,257	33,291,629
Advances - gross		949,560,842	864,237,563
Provision against advances			
- Specific	7.2	(60,306,174)	(60,792,948)
- General		(2,907,757)	(2,755,637)
		(63,213,931)	(63,548,585)
Advances - net of provision		886,346,911	800,688,978

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

7.1 Advances include Rs 66,933.731 million (December 31, 2017: Rs 67,037.629 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2018 (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	1,162,757	-	1,162,757	-	-	-	1,162,757	-	1,162,757
Substandard	2,584,598	1,750,606	4,335,204	1,194,573	210,475	1,405,048	1,390,025	1,540,131	2,930,156
Doubtful	1,222,682	660,506	1,883,188	611,341	313,607	924,948	611,341	346,899	958,240
Loss	42,433,268	17,119,314	59,552,582	41,368,838	16,607,340	57,976,178	1,064,430	511,974	1,576,404
	<u>47,403,305</u>	<u>19,530,426</u>	<u>66,933,731</u>	<u>43,174,752</u>	<u>17,131,422</u>	<u>60,306,174</u>	<u>4,228,553</u>	<u>2,399,004</u>	<u>6,627,557</u>

Category of classification	December 31, 2017 (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	1,025,320	32,434	1,057,754	-	-	-	1,025,320	32,434	1,057,754
Substandard	2,872,439	794,075	3,666,514	1,159,974	166,073	1,326,047	1,712,465	628,002	2,340,467
Doubtful	1,534,738	1,022,442	2,557,180	767,369	417,505	1,184,874	767,369	604,937	1,372,306
Loss	44,823,375	14,932,806	59,756,181	43,688,631	14,593,396	58,282,027	1,134,744	339,410	1,474,154
	<u>50,255,872</u>	<u>16,781,757</u>	<u>67,037,629</u>	<u>45,615,974</u>	<u>15,176,974</u>	<u>60,792,948</u>	<u>4,639,898</u>	<u>1,604,783</u>	<u>6,244,681</u>

7.2 Particulars of provision against advances

	Note	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
		Specific	General	Total	Specific	General	Total
		----- Rupees in '000 -----					
Opening balance		60,792,948	2,755,637	63,548,585	60,513,286	3,328,371	63,841,657
Exchange adjustment		1,500,765	127,124	1,627,889	782,290	72,468	854,758
Charge for the period / year		1,656,330	132,311	1,788,641	4,996,892	257,577	5,254,469
Reversal for the period / year		(2,030,232)	(107,315)	(2,137,547)	(4,689,330)	(898,245)	(5,587,575)
Net (reversal) / charge against advances		(373,902)	24,996	(348,906)	307,562	(640,668)	(333,106)
Charged off during the period / year	7.4	(276,593)	-	(276,593)	(400,719)	-	(400,719)
Written off during the period / year		(1,558,147)	-	(1,558,147)	(308,726)	-	(308,726)
Transfer out on sale of Kenya and Paris business		-	-	-	(591,554)	(21,004)	(612,558)
Recoveries against write off		221,103	-	221,103	490,809	-	490,809
Other movements		-	-	-	-	16,470	16,470
Closing balance		<u>60,306,174</u>	<u>2,907,757</u>	<u>63,213,931</u>	<u>60,792,948</u>	<u>2,755,637</u>	<u>63,548,585</u>

7.3 General provision represents provision amounting to Rs 1,499.653 million (December 31, 2017: Rs 1,405.701 million) against consumer finance portfolio. General provision also includes Rs 1,408.104 million (December 31, 2017: Rs 1,349.936 million) pertaining to overseas locations 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, are fully provided and are in default 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.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the six months ended June 30, 2018

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

	June 30, 2018 (Unaudited)					
	Balance at the beginning of the period	Loans granted / transferred in during the period	Repayments / transferred out during the period	Balance at the end of the period	Maximum total amount of advances including temporary advances outstanding**	Limit sanctioned during the period
(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)	2,819,039	1,163,745	(1,654,928)	2,327,856	2,442,939	873,577
- in respect of Key Management Personnel	142,108	91,600	(95,296)	138,412	213,884	55,607
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	15,991,842	111,885,849	(105,905,129)	21,972,562	23,806,516	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	605,113	2,094,445	(2,071,682)	627,876	605,125	-

* These represent 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.

	December 31, 2017 (Audited)					
	Balance at the beginning of the year	Loans granted / transferred in during the year	Repayments / transferred out during the year	Balance at the end of the year	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)	2,876,769	771,450	(829,180)	2,819,039	3,099,210	771,450
- in respect of Key Management Personnel	38,221	175,367	(71,480)	142,108	204,016	162,585
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	10,404,154	169,816,908	(164,229,220)	15,991,842	25,397,530	12,573,928
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	2,685,681	263,742	(2,344,310)	605,113	2,663,766	13,893

* These represent 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 year.

8	OPERATING FIXED ASSETS	Note	(Unaudited) June 30, 2018	(Audited) December 31, 2017
			(Rupees in '000)	
	Capital work-in-progress	8.1	19,177,232	16,995,161
	Tangible fixed assets		39,694,766	38,991,464
	Intangible assets		1,200,443	934,057
			<u>60,072,441</u>	<u>56,920,682</u>

8.1 This includes Rs 15,803.735 million (December 31, 2017: Rs 14,440.034 million) on account of a new office building in Karachi.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

		(Unaudited) For the six months ended	
		June 30, 2018	June 30, 2017
		(Rupees in '000)	
8.2	Additions to operating fixed assets		
	The following additions have been made to operating fixed assets during the period:		
	Capital work-in-progress	2,182,071	13,772,270
	Tangible fixed assets		
	Land	63,799	-
	Building	140,014	189,799
	Machinery	4,782	-
	Furniture, fixtures and office equipment	1,542,385	1,005,054
	Leasehold Improvements	344,108	93,390
	Vehicles	114,418	16,322
		2,209,506	1,304,565
	Intangible assets	587,299	183,499
		4,978,876	15,260,334
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	394,512	119,788
	Leasehold Improvements	124,691	18,884
	Vehicles	16,868	3,272
		536,071	141,944
9	BORROWINGS		
	Secured		
	Borrowings from the SBP under		
	- Export refinance scheme	25,696,174	26,343,510
	- Long term financing facility	10,516,512	9,852,123
	- Refinance facility for modernization of SMEs	26,167	9,500
		36,238,853	36,205,133
	Repurchase agreement borrowings	200,177,673	279,802,790
		236,416,526	316,007,923
	Unsecured		
	- Call money borrowings	24,790,000	11,385,000
	- Overdrawn nostro accounts	744,396	1,540,136
	- Borrowings of overseas branches	28,233,357	28,348,800
	- Other long term borrowings	41,552,042	38,204,351
		95,319,795	79,478,287
		331,736,321	395,486,210
9.1	This includes the following:		
9.1.1	A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2017: 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.		
9.1.2	A loan from the China Development Bank amounting to US\$ 192 million (December 31, 2017: US\$196 million). The principal amount is payable in six installments from December 2017 to June 2020. Interest at LIBOR+2.45% is payable semi annually commencing from June 15, 2017.		

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

		(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
10	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Current accounts - non-remunerative	733,173,573	682,227,276
	Savings accounts	883,154,635	864,002,017
	Fixed deposits	295,315,833	288,149,686
		<u>1,911,644,041</u>	<u>1,834,378,979</u>
	Financial institutions		
	Current accounts - non-remunerative	5,006,243	4,607,043
	Savings accounts	94,584,066	59,294,770
	Fixed deposits	2,919,577	1,230,643
		<u>102,509,886</u>	<u>65,132,456</u>
		<u>2,014,153,927</u>	<u>1,899,511,435</u>
		(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000) (Restated)
11	SURPLUS ON REVALUATION OF ASSETS - net of deferred tax		
	Surplus / (deficit) arising on revaluation of assets - net of deferred tax, on		
	- Operating fixed assets	11.1 21,348,495	21,372,465
	- Investments	11.2 (3,113,145)	(439,687)
	- Non-banking assets acquired in satisfaction of claims	11.3 291,391	282,820
	Surplus on revaluation of assets - net of deferred tax	<u>18,526,741</u>	<u>21,215,598</u>
11.1	Surplus on revaluation of operating fixed assets		
	Surplus as at the beginning of the period / year	22,509,067	12,598,958
	Surplus recognised during the period / year	-	9,960,433
	Transferred from surplus on revaluation of non-banking assets	3,227	15,504
	Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(26,431)	(42,789)
	Related deferred tax liability on incremental depreciation charged during the period / year	<u>(14,232)</u>	<u>(23,039)</u>
		22,471,631	22,509,067
	Less: related deferred tax liability on		
	- Revaluation as at the beginning of the period / year	1,136,602	693,788
	- Revaluation recognised during the period / year	-	460,427
	- Amount transferred from surplus on revaluation of non-banking assets	766	5,426
	- Incremental depreciation charged during the period / year	<u>(14,232)</u>	<u>(23,039)</u>
		1,123,136	1,136,602
		<u>21,348,495</u>	<u>21,372,465</u>
11.2	Surplus / (deficit) on revaluation of investments		
	Market Treasury Bills	(144,616)	(81,235)
	Pakistan Investment Bonds	(3,063,063)	569,841
	Government of Pakistan US Dollar Bonds	(26,481)	38,635
	Sukuks	(62,390)	485,521
	Listed equity securities	(1,565,258)	(1,794,580)
	National Investment Trust units	38,534	36,190
	Real Estate Investment Trust units	9,500	-
	Overseas Government securities	8,307	4,460
	Other debt instruments	16,013	64,726
		<u>(4,789,454)</u>	<u>(676,442)</u>
	Related deferred tax asset	<u>1,676,309</u>	<u>236,755</u>
		<u>(3,113,145)</u>	<u>(439,687)</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017
11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus as at the beginning of the period / year	283,667	690,381
Surplus recognised / (reversed) during the period / year	11,249	(390,952)
Transferred to surplus on revaluation of operating fixed assets during the period / year	(3,227)	(15,504)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(170)	(168)
Related deferred tax liability on incremental depreciation charged during the period / year	(91)	(90)
	291,428	283,667
Less: related deferred tax liability on		
- Revaluation as at beginning of the period / year	847	6,203
- Revaluation recognised during the period / year	47	160
- Amount transferred to surplus on revaluation of operating fixed assets during the period / year	(766)	(5,426)
- Incremental depreciation charged during the period / year	(91)	(90)
	37	847
	291,391	282,820
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of		
- Government	337,292	273,782
- Financial institutions	996,919	441,000
- Others	48,497,166	38,462,882
	49,831,377	39,177,664
12.2 Transaction-related contingent liabilities		
Guarantees in favour of		
- Government	462,552	269,851
- Financial institutions	73,616	1,713,959
- Others	112,591,815	122,433,335
	113,127,983	124,417,145
12.3 Trade-related contingent liabilities		
Letters of credit in favour of		
- Government	29,676,239	49,835,960
- Financial institutions	3,583,872	5,340,244
- Others	92,836,434	78,286,626
	126,096,545	133,462,830
12.4 Other contingencies		
Claims against the Bank not acknowledged as debts	28,917,372	28,314,434
12.4.1 These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Bank 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 these condensed interim unconsolidated financial statements.		
12.4.2 The matter relating to the Bank's New York Branch has been disclosed in Note 29 to the annual unconsolidated financial statements of the Bank for the year ended December 31, 2017. There is no further update on the same.		
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.		

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	150,194,397	131,801,937
Sale	80,551,348	73,766,803
12.7 Commitments in respect of forward Government Securities transactions		
Purchase	29,357,272	20,243,788
Sale	87,375,162	-
12.8 Commitments in respect of derivatives		
Foreign currency options		
Purchase	420,698	-
Sale	420,698	-
Cross currency swaps		
Purchase	2,866,143	1,633,987
Sale	3,151,761	1,707,050
Interest rate swaps		
Purchase	-	-
Sale	10,029,531	10,315,539
12.9 Commitments for capital expenditure	3,489,145	5,026,435
12.10 The income tax returns of the Bank have been submitted upto and including the accounting year 2016. The tax authorities have concluded the audit of the returns under section 122(5A) of the Income Tax Ordinance, 2001 upto accounting year 2016.		
	(Unaudited) For the six months ended June 30, 2018 (Rupees in '000)	June 30, 2017
13 MARK-UP / RETURN / PROFIT / INTEREST EARNED		
On advances	30,858,253	25,922,489
On investments in		
- Held-for-trading securities	3,582,715	2,904,364
- Held-to-maturity securities	9,260,558	7,744,553
- Available-for-sale securities	26,620,093	32,361,933
	39,463,366	43,010,850
On deposits with financial institutions	336,078	445,269
On lendings to financial institutions	1,256,379	460,042
	71,914,076	69,838,650

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

		(Unaudited)	
		For the six months ended	
		June 30, 2018	June 30, 2017
		(Rupees in '000)	
14	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On		
	- Deposits	24,524,188	21,280,990
	- Securities sold under repurchase agreement borrowings	6,610,182	7,270,523
	- Other short-term borrowings	1,530,221	898,700
	- Long-term borrowings	1,555,937	942,409
		34,220,528	30,392,622

- 15 Further to the disclosure on pension related matters as explained in detail in note 44.2 to the annual unconsolidated financial statements of the Bank for the year ended December 31, 2017, decision on the review petition was announced on April 3, 2018. Consequently, the Bank has taken a charge of Rs 1,851.929 million representing the increase in the present value of the Bank's pension scheme related defined benefit obligations. The amount has been estimated based on actuarial valuations.

In accordance with the Honorable Supreme Court's Order the payments to eligible persons are prospectively applied from the date of judgment i.e. February 13, 2018.

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 subsidiaries, 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, deposits and certain long term borrowings, are frequently repriced.

All assets and liabilities for which fair value is measured or disclosed in these condensed interim unconsolidated financial statements 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 the 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 denominated in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Overseas Government securities	The fair values of Overseas Government securities are determined 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.
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 these condensed interim unconsolidated financial statements.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

Fair Value Measurement

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

	As at June 30, 2018 (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	13,865,276	-	-	13,865,276
- Real Estate Investment Trust units	64,500	-	-	64,500
- Federal Government securities	-	1,002,213,989	-	1,002,213,989
- Debentures and corporate debt instruments	-	20,917,472	-	20,917,472
- Overseas Government securities	-	7,097,707	-	7,097,707
- National Investment Trust units	-	49,647	-	49,647
- Unrealised gain on forward foreign exchange contracts	-	3,878,469	-	3,878,469
- Unrealised gain on derivative instruments	-	73,341	-	73,341
- Unrealised loss on forward foreign exchange contracts	-	2,177,809	-	2,177,809
- Unrealised loss on derivative instruments	-	43,039	-	43,039
Non-financial assets				
- Operating fixed assets	-	-	32,432,719	32,432,719
- Non-banking assets acquired in satisfaction of claims	-	-	1,854,636	1,854,636
Items for which fair value is disclosed				
- Federal Government securities	-	182,484,522	-	182,484,522
- Overseas Government securities	-	12,305,787	-	12,305,787
- Debentures and corporate debt instruments	-	29,611,326	-	29,611,326
- Associates and Joint venture	40,633,613	-	-	40,633,613
	54,563,389	1,260,853,108	34,287,355	1,349,703,852

	As at December 31, 2017 (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	17,004,855	-	-	17,004,855
- Real Estate Investment Trust units	154,000	-	-	154,000
- Federal Government securities	-	985,708,629	-	985,708,629
- Debentures and corporate debt instruments	-	16,693,355	-	16,693,355
- Overseas Government securities	-	4,006,706	-	4,006,706
- National Investment Trust units	-	47,303	-	47,303
- Unrealised gain on forward foreign exchange contracts	-	3,902,373	-	3,902,373
- Unrealised gain on derivative instruments	-	102,616	-	102,616
- Unrealised loss on forward foreign exchange contracts	-	891,964	-	891,964
- Unrealised loss on derivative instruments	-	50,418	-	50,418
Non-financial assets				
- Operating fixed assets	-	-	32,264,531	32,264,531
- Non-banking assets acquired in satisfaction of claims	-	-	1,967,665	1,967,665
Items for which fair value is disclosed				
- Federal Government securities	-	232,717,654	-	232,717,654
- Overseas Government securities	-	14,736,714	-	14,736,714
- Debentures and corporate debt instruments	-	24,978,797	-	24,978,797
- Associates and Joint venture	39,352,301	-	-	39,352,301
	56,511,156	1,283,836,529	34,232,196	1,374,579,881

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the six months ended June 30, 2018 (Unaudited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
	(Rupees in million)					
Net mark-up income - external	(4,607)	10,662	30,616	2,308	(1,285)	37,694
Inter-segment revenue / (expense) - net	30,718	(7,327)	(25,565)	-	2,174	-
Non-funded income	6,435	1,713	808	908	(1,337)	8,527
Total Income	32,546	5,048	5,859	3,216	(448)	46,221
Total expenses including provision	13,549	(464)	549	7,838	11,954	33,426
Inter-segment administrative cost	8,492	1,238	239	890	(10,859)	-
Total expenses including provision	22,041	774	788	8,728	1,095	33,426
Profit / (loss) before tax	10,505	4,274	5,071	(5,512)	(1,543)	12,795
Segment return on assets %	0.74%	0.98%	0.47%	-2.78%	-0.67%	-
Segment cost of funds %	2.77%	5.20%	5.21%	1.86%	0.69%	-
As at June 30, 2018 (Unaudited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
	(Rupees in million)					
Segment assets (gross of provision)	527,710	564,587	1,273,331	206,784	132,395	2,704,807
Segment non-performing advances	7,801	39,377	-	19,530	226	66,934
Segment provision held (including general provision)	6,837	38,217	1,136	18,848	849	65,887
Inter-segment assets / (liabilities)	1,156,219	(195,181)	(1,046,599)	31,942	53,619	-
Segment liabilities and equity	1,677,092	331,189	225,596	219,878	185,165	2,638,920
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 / (loss) 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 December 31, 2017 (Audited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
	(Rupees in million)					
Segment assets (gross of provision)	510,273	477,658	1,295,184	227,413	118,408	2,628,936
Segment non-performing advances	7,592	42,465	-	16,782	199	67,038
Segment provision held (including general provision)	6,933	40,516	872	16,810	746	65,877
Inter-segment assets / (liabilities)	1,062,311	(130,699)	(978,849)	23,854	23,383	-
Segment liabilities and equity	1,565,651	306,443	315,463	234,457	141,045	2,563,059

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

18 RELATED PARTY TRANSACTIONS

The Bank has relationships with various related parties, including its directors, members of the key management personnel of the Bank, Group entities, associated undertakings, joint venture company and employee benefit schemes of the Bank.

Transactions with the 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.

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 these condensed interim unconsolidated financial statements, are as follows:

	As at June 30, 2018 (Unaudited)						Other related parties
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	
	(Rupees in '000)						
Statement of financial position							
Deposits	172,658	25,428	6,833,554	852,265	2,429,698	-	781,288
Maximum deposits during the period	232,076	50,672	8,614,881	1,320,432	10,769,550	-	2,896,068
Borrowings	-	-	1,458,744	759,358	2,186,950	1,214,972	-
Investments	-	-	-	17,590,118	12,532,370	135,665	6,030,725
Provision for diminution in the value of investment	-	-	-	-	-	-	(18,980)
Nostro balances	-	-	244,010	755,150	10,353	6,562	-
Advances	-	138,412	3,298,158	627,876	1,500,000	-	24,315,687
Provision against advances	-	-	-	-	-	-	(1,726,437)
Mark-up receivable	-	363	28,728	12,243	13,213	-	305,187
Other receivable	-	-	51	78,468	232,299	-	26,550
Mark-up payable	1,023	74	103,273	34,313	12,194	7,673	2,324
Other payable	-	-	15,868	-	24,891	-	2,443,935
Contingencies and Commitments							
Letters of credit	-	-	472,826	-	-	-	10,913,419
Letters of guarantee	-	-	219,555	106,525	-	-	705,938
Forward purchase of government securities	-	-	14,131,224	-	-	-	11,407,338
Forward sale of government securities	-	-	-	-	-	-	2,154,567
Interest rate swaps	-	-	1,596,197	-	1,500,000	-	-
Others							
Securities held as custodian	-	8,395	17,938,710	404,607	26,718,750	-	17,229,950
	For the six months ended June 30, 2018 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Profit and loss account							
Mark-up income	-	7,206	147,959	120,887	118,479	-	659,965
Fee and commission income	-	-	104	-	1,287,852	-	11,541
Dividend income	-	-	-	-	513,089	-	36,162
Gain on sale of securities - net	-	-	-	-	255,787	-	-
Mark-up expense	3,454	154	176,146	152,463	190,569	12,778	24,181
Salaries and allowances	-	612,348	-	-	-	-	-
Contribution to provident and benevolent fund	-	7,339	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	2,237,482
Non-Executive Directors' fees	28,800	-	-	-	-	-	-
Other (loss) / income	-	-	(7,137)	24,275	(1,996)	-	-
Other expenses	-	-	21,056	-	1	-	408,954
Insurance premium expense	-	-	-	-	597,712	-	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

For the six months ended June 30, 2018 (Unaudited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Others							
Purchase of government securities	-	8,297	83,917,802	-	-	-	35,962,913
Sale of government securities	-	16,487	90,624,221	1,244,262	26,082,649	-	39,871,938
Insurance claims	-	-	-	-	36,436	-	-

As at December 31, 2017 (Audited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						

Statement of financial position

Deposits	127,426	33,952	20,367,146	1,030,077	9,219,513	22,702	1,501,398
Maximum deposits during the year	165,193	46,305	21,888,137	1,094,208	9,716,844	63,856	2,211,732
Borrowings	-	-	479,694	1,247,874	3,312,516	1,104,172	-
Investments	-	-	-	17,259,428	12,186,523	135,665	5,291,967
Provision for diminution in the value of investment	-	-	-	-	-	-	(68,800)
Nostro balances	-	-	169,804	3,130,468	-	-	-
Overdrawn nostro balances	-	-	-	72,537	-	-	-
Advances	-	142,108	3,147,907	605,113	2,851,690	-	16,536,672
Provision against advances	-	-	-	-	-	-	(1,726,437)
Mark-up receivable	-	246	18,843	94,744	33,268	-	211,963
Other receivable	-	-	-	57,492	416,040	-	-
Mark-up payable	120	241	72,633	4,289	44,699	1,195	4,951
Other payable	-	-	8,066	14,496	380,935	-	1,459,635

Contingencies and Commitments

Letters of credit	-	-	366,972	-	-	-	13,447,606
Letters of guarantee	-	-	198,059	120,794	712,509	-	-
Forward foreign exchange contracts - Purchase	-	-	-	661,261	-	-	-
Forward foreign exchange contracts - Sale	-	-	-	659,694	-	-	-
Forward purchase of government securities	-	-	13,232,566	-	-	-	2,104,644
Interest rate swaps	-	-	1,743,539	-	1,500,000	-	-

Others

Securities held as custodian	-	8,220	16,223,810	-	28,200,745	-	8,478,905
------------------------------	---	-------	------------	---	------------	---	-----------

For the six months ended June 30, 2017 (Unaudited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						

Profit and loss account

Mark-up income	-	3,634	126,452	314,337	30,426	-	501,223
Fee and commission income	-	-	6,982	1,671	1,354,444	-	-
Dividend income	-	-	-	-	821,397	-	103,187
Gain on sale of securities - net	-	-	-	-	-	-	(2,428)
Mark-up expense	1,180	330	83,840	24,750	82,281	2,992	42,864
Salaries and allowances	-	351,395	-	-	-	-	-
Contribution to provident and benevolent fund	-	6,918	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	307,962
Non-Executive Directors' fees	22,000	-	-	-	-	-	-
Other income	-	-	23,828	15,034	34,110	-	-
Other expenses	-	-	26,228	103	-	-	187,386
Insurance premium expense	-	-	-	-	476,405	-	-

Others

Purchase of Government securities	-	66,184	15,118,468	-	34,450	-	3,938,503
Sale of Government of securities	-	65,174	16,108,284	-	7,607,191	-	6,274,635
Insurance claims	-	-	-	-	66,972	-	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

19 LIQUIDITY STANDARDS

The SBP has introduced two liquidity standards through its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of LCR is to ensure that Banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of NSFR is to reduce funding risk over a longer time horizon by requiring Banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

19.1	Liquidity Coverage Ratio	(Unaudited) June 30, 2018	(Unaudited) March 31, 2018	(Audited) December 31, 2017
		-----Total Adjusted Value----- ----- (Rupees in '000) -----		
	Total HQLA	993,388,080	896,354,690	962,730,144
	Total Net Cash Outflows	546,953,989	539,366,389	520,941,525
	Liquidity Coverage Ratio (%)	181.62%	166.19%	184.81%
	Minimum Requirement (%)	90.00%	90.00%	90.00%

19.2	Net Stable Funding Ratio	(Unaudited) June 30, 2018	(Audited) December 31, 2017
		Total Weighted Value (Rupees in '000)	
	Total Available Stable Funding (ASF)	2,041,199,384	1,946,812,485
	Total Required Stable Funding (RSF)	1,314,468,911	1,229,522,456
	Net Stable Funding Ratio (%)	155.29%	158.34%
	Minimum Requirement (%)	100.00%	100.00%

20 ISLAMIC BANKING BUSINESS

20.1	STATEMENT OF FINANCIAL POSITION	Note	(Unaudited) June 30, 2018	(Audited) December 31, 2017
			(Rupees in '000)	
	ASSETS			
	Cash and balances with treasury banks		10,155,982	7,475,822
	Due from financial institutions		600,000	1,614,839
	Investments		100,420,283	104,616,358
	Islamic financing and related assets - net	20.1.2	94,259,759	84,297,519
	Due from Head Office		8,309,348	66,226
	Deferred tax asset		21,837	-
	Other assets		2,238,522	1,022,451
			216,005,731	199,093,215
	LIABILITIES			
	Bills payable		9,056	7,037
	Due to financial institutions		22,467,000	24,798,000
	Deposits and other accounts	20.1.3	182,017,587	163,448,909
	Deferred tax liability		-	172,401
	Other liabilities		1,272,911	1,433,836
			205,766,554	189,860,183
	NET ASSETS		10,239,177	9,233,032
	REPRESENTED BY			
	Islamic Banking Fund		250,000	250,000
	Reserves		-	4,584
	Unappropriated profit		10,029,731	8,662,859
			10,279,731	8,917,443
	(Deficit) / surplus on revaluation of investments - net of deferred tax		(40,554)	315,589
			10,239,177	9,233,032

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

20.1.1 Commitments in respect of guarantees and letters of credit of the Islamic Banking Business amounted to Rs 267.226 million (December 31, 2017: Rs 271.654 million) and Rs 1,333.670 million (December 31, 2017: Rs 3,921.630 million) respectively. Commitments in respect of forward foreign exchange purchase and sale transactions amounted to Rs 11,520.919 million (December 31, 2017: Rs 3,595.455 million) and Rs 170.200 million (December 31, 2017: Rs 2,439.128 million) respectively.

	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017
20.1.2 Islamic financing and related assets - net		
Ijarah	1,895,064	1,728,525
Murabaha	1,004,982	316,442
Diminishing Musharakah	61,135,583	60,591,346
Wakalah	10,000,000	10,000,000
Running Musharakah	3,308,591	1,138,052
Advance for Ijarah	295,564	542,507
Advance for Murabaha	4,573,477	2,968,494
Advance for Diminishing Musharakah	4,432,536	-
Advance for Istisna	5,917,609	4,546,399
Assets / Inventories	1,808,552	2,576,238
Islamic financing and related assets - gross	94,371,958	84,408,003
Provision against Islamic financing and related assets	(112,199)	(110,484)
Islamic financing and related assets - net	94,259,759	84,297,519

20.1.3 Deposits and other accounts

Current accounts	52,723,392	48,389,707
Savings accounts	102,270,427	87,258,027
Term deposits	21,111,293	13,731,808
Deposits from financial institutions - non - remunerative	95,995	105,001
Deposits from financial institutions - remunerative	5,816,480	13,964,366
	182,017,587	163,448,909

	(Unaudited) For the six months ended June 30, 2018	June 30, 2017 (Rupees in '000)
20.2 PROFIT AND LOSS ACCOUNT		

Profit earned	5,667,177	4,293,331
Profit expensed	3,129,057	1,888,439
Net profit earned	2,538,120	2,404,892
Provision against non-performing assets	1,715	4,498
Net profit after provisions	2,536,405	2,400,394

Other income

Fee, commission and brokerage income	101,799	90,410
Income / (loss) from dealing in foreign currencies	23,144	(23,645)
(Loss) / gain on sale of securities	(21,762)	9,849
Rent on lockers	3,285	3,145
Others	346	390
Total other income	106,812	80,149
Administrative expenses	2,643,217	2,480,543
Net profit for the period	402,443	317,375
	2,240,774	2,163,168

20.3 Remuneration to Shariah Advisor / Board

	3,960	3,180
--	-------	-------

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
20.4 Charity Fund		
Opening balance	233,247	526
Additions during the period / year		
-Income purification	334	244,105
-Penalty on delayed payment	268	723
	602	244,828
Payments / Utilization during the period / year		
-Health sector	-	(11,107)
-Others	-	(1,000)
	-	(12,107)
Closing balance	233,849	233,247

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

The Board of Directors in its meeting held on August 2, 2018 has declared a cash dividend in respect of the quarter ended June 30, 2018 of Rs 1 per share (June 30, 2017: Rs 3.50 per share). These condensed interim unconsolidated financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

22 **GENERAL**

Comparative figures have been rearranged and reclassified for comparison purposes.

23 **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim unconsolidated financial statements were authorized for issue in the Board of Directors meeting held on August 2, 2018.

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director



111-111-425 | www.hbl.com