



HBL

More than Just a Bank

Quarterly Report - September 30, 2018

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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

HLB 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.hbllibank.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 nine months ended September 30, 2018.

Domestic Economy

Following a thirteen-year high GDP growth of 5.8% in FY'18, economic growth is expected to slow down in FY'19 as the Government's focus shifts to stabilization. Large Scale Manufacturing grew less than 1% in June and July, an early reflection of this slowdown. It is in this backdrop that the SBP has revised the GDP growth target down to 5% from earlier projections of 6.2% as challenges on the external front and the fiscal side are likely to impede real economic activity. The moderation in inflation over the past three years has now reversed, with headline inflation increasing to 5.6% in 1QFY'19 compared to 3.4% last year, mainly owing to high energy prices and currency adjustments.

The export recovery trend of FY'18 continued into the first quarter of FY'19 with exports growing by 3.6% compared to the same period last year. Higher international oil prices continue to put pressure on the country's import bill, which rose by 6% during 1QFY'19. The trade deficit thus increased by 7.6%, to USD 7.9 billion. Remittances continued to improve, increasing by 13.2% over the prior year, and offsetting the trade imbalance, as a result of which, the current account deficit shrank by 2.6% to USD 3.7 billion in 1QFY'19.

The weakness on the external account is now a real concern with low levels of import cover. Financing the external deficit further drained FX reserves, which fell 9.2% during the quarter, to USD 14.9 billion. The Rupee has been devalued multiple times – in the first week of October, a further adjustment has taken the PKR to 133/USD a decline of 21% over the year. The deteriorating fundamentals prompted a downgrade in Moody's Outlook on Pakistan.

The provisional fiscal deficit for FY'18 was 6.6% of GDP compared to 5.8% in FY'17. The deficit was initially budgeted at 4.1% of GDP, but revenue shortfalls, higher debt servicing and election spending all contributed to the deterioration. The government recently announced a supplementary finance bill to arrest the fiscal slippage and contain the deficit at 5.5% for FY'19. The key decisions comprised of a partial restoration of higher individual tax rates, reduction in development spending and restriction on the purchase of property and cars by non-tax filers.

The slight optimism in the stock market following the smooth transition to the new government was short lived. The market remains jittery amidst uncertainty about Emerging Markets in general, Pakistan's external sector challenges and lack of policy clarity. The PSX saw a net outflow of over USD 200 million in foreign portfolio investment in 1QFY'19 and has since fallen further, losing more than 6.5% of its value since the start of 2018.

In its September Monetary Policy Statement, the SBP increased the policy rate by 100 bps to 8.5%, the fourth increase in 2018 bringing the cumulative policy rate hike to 275 bps for the year. The reasons cited were high inflation expectations, the pressure on the external account and the growing fiscal deficit. Private sector credit off-take increased by Rs 112 billion in the first quarter of FY19, compared to Rs 852 million during the same period last year. Banking sector advances increased by 1.9% over the quarter, while deposits remained at June levels. Average banking spreads for 8MFY'18 tightened by a further 16 bps, to 4.83% as the interest rate hike will only have a lagged effect on spreads.

Performance

HBL's domestic business continues to perform well. Deposits increased by 4.5% over December 2017 to Rs 1.8 trillion, with a Rs 101 billion growth in CASA further improving the ratio to 88.1%. There has been a strong performance in current deposits, which rose by 9.6% over December 2017 to Rs 688 billion; the share of current accounts in the deposit mix improved to 37.3%. HBL's domestic loan book continued its growth trajectory, rising 3.3% during the quarter to Rs 819 billion, a total increase of 16.7% during the nine months. The Bank's market leading Consumer lending business also reached a key landmark, crossing Rs 50 billion in total loans.

The reported financial performance of the Bank for 9M'18 remains affected by several items – the revision in pension costs, the impact of the continued slide in the Rupee on overseas borrowings and expenses, the restructuring of the Bank's international business and the remediation, legal and regulatory costs related to its New York branch. Consequently, HBL's profit before tax for the first nine months of 2018 is Rs 17.7 billion, while profit after tax for the same period is Rs 9.9 billion. Earnings per share for 9M'18 are Rs 6.57, compared to Rs 0.87 for 9M'17 which included the impact of the New York settlement payment.

Average domestic current accounts for the first nine months of 2018 increased by 15% over 9M'17 while average domestic loans increased by 28% over the same period. This improvement in the balance sheet composition offset a 23 bps spread compression resulting from a combination of lower investment yields and the lagged effect of loan repricing compared to deposits. Domestic net interest income for 9M'18 at Rs 56.4 billion is thus 2% higher than for 9M'17. While international revenues have bottomed out and are starting to turn around, these were nevertheless significantly lower than the previous year. Consequently, HBL's total net interest income reduced by 1% YoY to Rs 61.1 billion.

Card related fees and fees from account operations for 9M'18 increased by 38% over the same period last year, driving a 10% growth in core domestic fee income. However, due to the steep decline in income from home remittances, total domestic fees were 3% lower than for 9M'17. Core FX income improved by 55% as Trading businesses leveraged available opportunities in the volatile currency market. Headwinds impacting non-markup income were a 51% reduction in fees and commissions from the International business, a one-time fee reversal in the domestic business, the revaluation loss on overseas borrowings due to the continued slide of the Rupee (Rs 3.2 billion) and non-replication of capital gains realized in 9M'17. Consequently, total non mark-up income for 9M'18 is reported at Rs 15.5 billion.

Headline administrative expenses for 9M'18 showed an increase of 29% over the first nine months of 2017. Costs related to legal, compliance and remediation efforts in NY accounted for more than a third of this increase. In addition, there were several items not present in the expense base for 2017. These included the 1-off charge for pensions, the impact of Rupee devaluation on international expenses, new regulatory requirements of deposit insurance and the cost of HBL's global business and compliance transformation project. On a comparable basis, the Bank's administrative expenses increased by 7.7%. The positive recovery stream led to a continued reduction in domestic non-performing loans, which decreased by Rs 1.9 billion, and provision reversals of Rs 388 million compared to a provision charge of Rs 313 million in 9M'17. However, the slump in the equity markets resulted in the Bank recording an impairment charge of Rs 2.1 billion on investments.

Movement of Reserves

	Rs million
Unappropriated profit brought forward - restated	96,974
Profit attributable to equity holders of the Bank	9,631
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	50
	9,964
Profit available for appropriations	106,938
Appropriations	
Transferred to statutory reserves	(1,082)
Cash Dividend – Final 2017	(1,467)
Cash Dividend – 1st Interim 2018	(1,467)
Cash Dividend – 2nd Interim 2018	(1,467)
	(5,482)
Unappropriated profit carried forward	101,456
Earnings per share (Rs)	6.57

Capital Ratios

HBL continues to follow a conservative dividend policy and optimize its Risk Assets. The Capital Adequacy Ratios remained strong – the Tier 1 CAR at 12.74% is 75 bps higher than December 2017, while the total CAR has increased by 105 bps to over 17%.

Dividend

The Board of Directors, in its meeting held on October 25, 2018 has declared an interim cash dividend of Rs 1.00 per share (10%) for the quarter ended September 30, 2018. This is in addition to the interim cash dividend of Rs 2.00 per share (20%) already declared and paid for the first two quarters of 2018.

Future Outlook

Pakistan's economy faces strong headwinds from rising international oil prices, high interest rates and sharp deterioration in the twin deficits which persist at risky levels. The benign inflation of the last few years is now at an end and growth projections have already been revised downwards. Recently, the Government has stated that it will seek assistance from the IMF to overcome the country's economic challenges. This has been a source of much relief for the commercial sector, which has been anxious to see concrete steps to address the serious issues around dwindling reserves and the Balance of Payments concerns. Over the near term, government borrowing from commercial banks is likely to be much higher, putting upward pressure on interest rates, and potentially crowding out the private sector.

Urgent steps are also needed on the fiscal side. The Government's campaign to fight corruption and investigate overseas assets is a step forward and the actions against tax non-filers are beginning to be felt. However, rebasing the tax/GDP ratio towards regional levels will be more difficult, as this will require taxing sectors that for decades have remained untouched. The circular debt problem has now assumed alarming proportions and hard steps will be required to tackle this, including tariff increases and privatization of inefficient distribution companies.

HBL's results for the nine months of 2018 continue to be impacted by the several headwinds emanating primarily from its international businesses. The underlying performance of the domestic franchise remains robust and on the right trajectory and will be more clearly reflected in headline results once the international business stresses alleviate towards the latter part of next year. HBL's capital has improved to a strong position and the Bank is playing a leading role in supporting the nation's development, the growth of priority sectors and promoting the financial inclusion of Pakistan's unbanked population.

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
October 25, 2018

ڈائریکٹرز جائزہ

مجھے بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2018ء کو ختم ہونے والے نو ماہ کے مختصر عبوری مجموعی مالیاتی گوشوارے پیش کرتے ہوئے مسرت ہو رہی ہے۔

ملکی معیشت

مالی سال 2018ء میں جی ڈی پی میں اضافے کی 13 سالہ بلند 5.8 فیصد شرح کے بعد مالی سال 2019ء میں معاشی اضافہ سست ہونے کی توقع ہے کیونکہ حکومت کی توجہ اب استحکام پر مرکوز ہے۔ لارج اسکیل مینوفیکچرنگ میں جون اور جولائی میں 1 فیصد سے کم اضافہ ہوا جو اس سست روی کی ابتدائی عکاسی کرتا ہے۔ اسی پس منظر میں اسٹیٹ بینک نے جی ڈی پی میں اضافہ کے ہدف کو 6.2 فیصد کے ابتدائی اندازوں میں کمی کر کے 5 فیصد کر دیا ہے کیونکہ بیرونی محاذ اور مالی جانب پر موجود چیلنجز کے باعث حقیقی معاشی سرگرمی میں رکاوٹ کا امکان ہے۔ افراط زر میں گزشتہ تین برسوں تک رہنے والا اعتدال اب پلٹ چکا ہے اور مرکزی افراط زر جو گزشتہ برس 3.4 فیصد تھا مالی سال 2019ء کی پہلی سہ ماہی میں بڑھ کر 5.6 فیصد ہو گیا جس کی اہم وجہ توانائی کی قیمتوں میں اضافہ اور کرنسی ایڈجسٹمنٹ ہیں۔

مالی سال 2018ء کی برآمداتی وصولی کا رجحان اور مالی سال 2019ء کی پہلی سہ ماہی میں جاری رہا اور گزشتہ برس کی اسی مدت کے مقابلے میں برآمدات میں 3.6 فیصد اضافہ ہوا۔ ملکی درآمدات پرتیل کی بین الاقوامی قیمتوں کا دباؤ جاری رہا جو مالی سال 2019ء کی پہلی سہ ماہی میں 6 فیصد بڑھ گئیں جس کے باعث تجارتی خسارہ 7.6 فیصد سے بڑھ کر 7.9 ارب امریکی ڈالر ہو گیا۔ ترسیلات میں بہتری جاری رہی جو پچھلے برس سے 13.2 فیصد بڑھ گئی جس نے تجارتی عدم توازن کی تلافی کی جس کے نتیجے میں کرنٹ اکاؤنٹ کا خسارہ مالی سال 2019ء کی پہلی سہ ماہی میں 2.6 فیصد گھٹ کر 13.7 ارب امریکی ڈالر ہو گیا۔

بیرونی اکاؤنٹ میں کمزوری درآمدی کوری کم سطح کے ساتھ ایک حقیقی تشویش ہے۔ زرمبادلہ کے ذخائر میں بیرونی خسارہ کی فائنلنگ کرنے کے باعث مزید گراؤٹ ہوئی جو سہ ماہی کے دوران 9.2 فیصد تنزلی کے بعد 14.9 ارب امریکی ڈالر رہ گئے۔ روپیہ متعدد مرتبہ گھٹایا گیا اور اکتوبر کے پہلے ہفتے میں مزید ایڈجسٹمنٹ روپیہ کو 133 فی ڈالر پر لے گئی جو پورے برس میں 21 فیصد تنزلی ہے۔ بگڑتی ہوئی بنیادوں کے باعث موڈیز کی پاکستان پر آؤٹ لک کو ڈاؤن گریڈ کر دیا گیا۔

عبوری مالی خسارہ جو مالی سال 2017ء میں 5.8 فیصد تھا مالی سال 2018ء کے تقابل میں جی ڈی پی کا 6.6 فیصد رہا۔ خسارہ ابتدائی طور پر جی ڈی پی کا 4.1 فیصد بجٹ کیا گیا تھا لیکن ریونیو میں کمی، قرضوں کی بلند تر ادائیگی اور انتخابی اخراجات ان سب کی وجہ سے خسارہ میں خرابی پیدا ہوئی۔ حکومت نے ایک ضمنی فائنل بل کا اعلان کیا تاکہ مالی کمی اور خسارہ کو 2019ء میں 5.5 فیصد تک رکھا جائے۔ کلیدی فیصلے بلند انفرادی ٹیکس شرح کی بحالی، ترقیاتی اخراجات میں کمی اور نان ٹیکس فائیلرز کے لئے جائیداد اور گاڑیوں کی خریداری پر پابندی عائد کرنا تھے۔

نئی حکومت کی کسی مشکل کے بغیر تبدیلی کے باعث اسٹاک مارکیٹ میں پیدا ہونے والی خوش امیدیں کم عرصہ ہی رہی۔ مارکیٹ خطرات کی طرف سے چوکنا ہے جس کی وجوہات ابھرتی ہوئی مارکیٹس کی غیر یقینی، پاکستان کے بیرونی شعبہ کے چیلنجز اور واضح پالیسیوں کا فقدان ہیں۔ پاکستان اسٹاک ایکسچینج میں مالی سال 2019ء کی پہلی سہ ماہی میں فارن انویسٹمنٹ پورٹ فولیو میں 200 ملین امریکی ڈالر کا خالص آؤٹ فلو دیکھا گیا اور جب سے مزید تنزلی ہوئی اور 2018ء کے آغاز سے اس کی قدر میں 6.5 فیصد سے مزید گراؤٹ ہوئی۔

اسٹیٹ بینک نے اپنے ستمبر کے مانیٹری پالیسی بیان میں پالیسی ریٹ 100 بی پی ایس بڑھا کر 8.5 فیصد کر دیا جو 2018ء میں چوتھا اضافہ تھا جس کی وجہ سے سال کا مجموعی پالیسی ریٹ میں اضافہ 275 بی پی ایس ہو گیا۔ بیان کی گئی وجوہات میں بلند افراط زر کی توقعات، بیرونی اکاؤنٹ پر دباؤ اور بڑھتا ہوا مالی خسارہ شامل تھے۔ نجی شعبہ میں کریڈٹ کا آف ٹیک مالی سال 2019ء کی پہلی سہ ماہی میں 112 ارب سے روپے سے بڑھ گیا جو اس کے مقابلے میں گزشتہ برس کی اسی مدت میں 852 ارب روپے تھا۔ بینکنگ شعبہ کے قرضہ جات میں سہ ماہی میں 1.9 فیصد اضافہ ہوا جبکہ پازس جون کی سطح پر قائم رہے۔

ریز روز کی تفصیلات

ملین روپے

96,974
9,631
287
(4)
50
9,964
106,938

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 تشخیص پر سرپلس سے منتقل شدہ - محصول کا خالص

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقم

(1,082)
(1,467)
(1,467)
(1,467)
(5,482)

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ - مجموعی حتمی 2017

نقد منافع منقسمہ - پہلا عبوری 2018

نقد منافع منقسمہ - دوئم عبوری 2018

101,456

اختتامی غیر تخصیص شدہ منافع

فی حصص (شیر) آمدنی (روپے)

6.57

کیپیٹل ریشیوز

ایچ بی ایل میں قدامت پسند منافع پالیسی کی مسلسل پیروی کرتا ہے اور وہ اپنے رسک ایسٹس کو بہتر بناتا ہے۔ کیپیٹل ایڈی کیسی ریشیوز (CAR) بدستور مضبوط ہیں۔ CAR Tier 1 12.74 فیصد دسمبر 2017ء سے 75 بی پی ایس زیادہ ہے جبکہ مجموعی CAR 105 بی پی ایس بڑھ کر 17 فیصد سے زائد ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے اپنے اجلاس منعقدہ 25 اکتوبر 2018ء میں 30 ستمبر 2018ء کو ختم ہونے والی سہ ماہی کے لئے 1.00 روپیہ فی شیر عبوری کیش منافع کا اعلان کیا ہے۔ یہ اس 2.00 روپے (20%) فی شیر عبوری کیش منافع کے علاوہ ہے جس کا 2018ء کی پہلی 2 سہ ماہیوں کے لئے پہلے ہی اعلان اور ادائیگی کی جا چکی ہے۔

مستقبل کی صورتحال

پاکستان کی معیشت کو بڑھتی ہوئی بین الاقوامی تیل کی قیمتیں، بلند انٹرسٹ ریٹس اور خطرناک سطحوں تک باقی رہنے والے جڑواں خساروں میں تیز خرابی کے باعث سخت باخلاف کا سامنا ہے۔ گزشتہ چند برسوں کا بے ضابطہ زراب اختتام پر ہے جبکہ اضافہ کی پروجیکشنز پہلے ہی تنزلی کی جانب بدل دی گئی ہیں۔ حال ہی میں حکومت نے اعلان کیا کہ وہ ملک کے معاشی چیلنجز سے نمٹنے کے لئے آئی ایم ایف سے مدد مانگے گی۔ یہ تجارتی شعبہ کے لئے خاصا ریلیف کا باعث ہے جو گرتے ہوئے ذخائر اور توازن ادائیگی کے سنگین معاملات میں سدھار کے لئے ٹھوس اقدامات کے لئے فکر مند تھا۔ قریبی مدت میں حکومت کی جانب سے تجارتی بینکوں سے قرض لینے کی رفتار بلند تر رہنے کا امکان ہے جس کی وجہ سے انٹرسٹ ریٹس پر بڑھتا ہوا دباؤ پڑے گا اور نجی شعبہ کے لئے گنجائش کم رہے گی۔

اوسط بینکنگ اسپرڈ مالی سال 2018ء کے 8 ماہ کے لئے مزید 16 بی پی ایس کم ہو کر 4.83 فیصد ہو گئے کیونکہ انٹرسٹ ریٹ میں اضافے کے اثرات اسپرڈ پر آئندہ مرتب ہو گئے۔

کارکردگی

ایچ بی ایل کا مقامی کاروبار مسلسل اچھی کارکردگی دکھا رہا ہے۔ ڈپازٹس دسمبر 2017ء کے مقابلے میں 4.5 فیصد بڑھ کر 1.8 کھرب روپے ہو گئے جبکہ CASA میں 101 ارب روپے کے اضافے نے مزید بہتری پیدا کی جس سے ریشو بڑھ کر 88.1 فیصد ہو گیا۔ کرنٹ ڈپازٹس نے مضبوط کارکردگی دکھائی جو دسمبر 2017ء کے مقابلے میں 9.6 فیصد بڑھ کر 688 ارب روپے ہو گئے اور کرنٹ اکاؤنٹس کا ڈپازٹ مکس میں حصہ بڑھ کر 37.3 فیصد ہو گیا۔ ایچ بی ایل کے مقامی قرضہ جات ترقی کی راہ پر گامزن ہیں جو اس سہ ماہی میں 3.3 فیصد بڑھ کر 819 ارب روپے ہو گئے اور کل اضافہ نو ماہ میں 16.7 فیصد ہو گیا۔ بینک کی کنزیومر قرضہ جات کی مارکیٹ میں قائدانہ حیثیت بھی ایک کلیدی سنگ میل پر پہنچ گئی جس میں بینک کا حصہ 50 ارب روپے سے تجاوز کر گیا۔

2018ء کے 9 ماہ کی رپورٹ کی گئی بینک کی مالی کارکردگی متعدد عناصر سے متاثر رہی ہے جن میں پینشن کی لاگت میں تبدیلی، روپے کی قدر میں لگاتاری کمی کے بیرونی قرضوں اور اخراجات پر اثرات، بینک کے بین الاقوامی کاروبار کی ری اسٹرکچرنگ اور نیویارک برانچ سے متعلق ری میڈی ایشن، قانونی اور ریگولیٹری لاگت شامل ہیں۔ نتیجتاً ایچ بی ایل کا 2018ء کے پہلے 9 ماہ کے لئے قبل از ٹیکس منافع 17.7 ارب روپے رہا جبکہ بعد از ٹیکس منافع اسی مدت کے لئے 9.9 ارب روپے ہے۔ 2018ء کے 9 ماہ کے لئے 2017ء کے 9 ماہ میں جس میں نیویارک برانچ کی سیٹلمنٹ کی ادائیگی بھی شامل ہے 0.87 روپے کے مقابلے میں فی شیئر آمدنی 6.57 روپے رہی۔

اوسط مقامی کرنٹ اکاؤنٹس 2018ء کے پہلے 9 ماہ 2017ء کے 9 ماہ کے مقابلے میں 15 فیصد بڑھ گئے جبکہ اوسط مقامی قرضہ جات میں اسی مدت کے برعکس 28 فیصد اضافہ ہوا۔ بیلنس شیٹ کے تشکیلی عناصر کی بہتری نے 23 بی پی ایس کے اسپرڈ کمپریشن کے اثرات ختم کر دیئے جو سرمایہ کاری کی کم پیداوار اور قرضوں کی ڈپازٹس کے موازناتی ری پرائسنگ کے آئندہ کے اثرات کے ملاپ کے نتیجے میں تھے۔ اسی لئے 56.4 ارب روپے کی خالص مقامی انٹرسٹ آمدنی 2017ء کے 9 ماہ کے لئے 2 فیصد بلند تر ہے۔ باوجود اس امر کے کہ بین الاقوامی آمدنی اپنی انتہائی نچلی سطح تک پہنچ کر رخ بدلنا شروع کر رہی ہے یہ گزشتہ برس کے مقابلے میں اب بھی اچھے خاصے کم ہیں۔ نتیجے کے طور پر ایچ بی ایل کی کل خالص انٹرسٹ آمدنی سال با سال 1 فیصد کم ہو کر 61.1 ارب روپے ہو گئی۔

کارڈ سے متعلق فیس اور اکاؤنٹ آپریشن فیس میں 2018ء کے 9 ماہ کے لئے گزشتہ برس کی اسی مدت کے مقابلے میں 38 فیصد اضافہ ہو گیا جس کی وجہ سے بنیادی مقامی فیسوں کی آمدنی میں 10 فیصد اضافہ ہوا۔ تاہم ترسیلات زر کے ذریعے آمدنی میں خاصی کمی کی وجہ سے کل مقامی فیس 2017ء کے 9 ماہ کے برعکس 3 فیصد کم رہیں۔ بنیادی زر مبادلہ سے آمدنی میں 55 فیصد بہتری پیدا ہوئی کیونکہ تجارتی کاروبار نے سخت غیر یقینی کرنی مارکیٹ میں دستیاب مواقع سے لیوریج حاصل کیا۔ باء مخالف نے نان مارک اپ آمدنی کو متاثر کیا اور وہ بین الاقوامی کاروبار سے حاصل ہونے والی فیس اور کمیشن میں 51 فیصد کمی کا باعث ہوئیں، نیز مقامی کاروبار میں ون ٹائم فیس کی تبدیلی، روپے میں مسلسل گراؤ کے باعث بیرونی قرضوں پر قدر و قیمت کے تعین کی مد میں ہونے والے نقصان اور وہ کسٹمرل گین جو 2017ء کے 9 ماہ میں حاصل کر لئے گئے تھے۔ ان سب عوامل کے نتیجے میں کل نان مارک اپ آمدنی 2018ء کے 9 ماہ کے لئے 15.5 ارب روپے رپورٹ کی گئی۔

کلیدی انتظامی اخراجات میں 2018ء کے 9 ماہ میں 2017ء کے 9 ماہ کے برعکس 29 فیصد اضافہ ہوا۔ ان میں ایک تہائی سے زائد اخراجات نیویارک میں قانونی، تعمیل اور ری میڈی ایشن کی کوششوں کی مد میں ہوئے۔ مزید برآں ایسے متعدد عناصر بھی شامل ہیں جو 2017ء میں نہیں تھے۔ ان میں پینشن کی مد میں ون آف چارج، روپے کی قدر میں کمی کے بین الاقوامی اخراجات پر اثرات، ڈپازٹ انشورنس کی نئی ریگولیٹری ضروریات اور ایچ بی ایل کے گلوبل کاروبار اور مطابقت و تبدیلی ہیئت (Compliance Transformation) پروجیکٹ کی لاگت شامل ہیں۔ موازناتی بنیادوں پر بینک کے انتظامی اخراجات میں 7.7 فیصد اضافہ ہوا۔ مثبت ریکوری بہاؤ کی وجہ سے نان پرفارمنگ قرضہ جات میں مسلسل کمی، جو 1.9 ارب روپے گھٹ گئے، اور 2017ء کے 9 ماہ میں 313 ملین روپے کے مقابل 338 ملین روپے کی پروویژن تبدیلیاں ہوئیں۔ تاہم حصص بازار میں مندی کے نتیجے میں بینک نے 2.1 ارب روپے مالیت کا سرمایہ کاریوں پر ایک امپیئر منٹ چارج عائد کیا۔

مالیاتی جانب بھی فوری اقدامات کی ضرورت ہے۔ کرپشن کے خلاف حکومتی مہم اور بیرونی اثاثوں کی چھان بین ایک پیش قدمی ہے اور نان فائیلرز کے خلاف اقدامات اب محسوس کئے جانے لگے ہیں۔ تاہم ٹیکس / جی ڈی پی ریشو کو علاقائی سطحوں کی جانب ری بیس کرنا زیادہ مشکل ہوگا کیونکہ اس کے لئے ان شعبوں پر ٹیکس عائد کرنا پڑے گا جنہیں عشروں سے ہاتھ نہیں لگایا گیا ہے۔ سرکلر ڈیٹ کا مسئلہ اب خطرناک صورت اختیار کر چکا ہے اور اس سے نمٹنے کے لئے سخت اقدامات کی ضرورت ہوگی جن میں ٹیرف میں اضافے اور غیر مستعد ڈسٹری بیوشن کمپنیز کی نجکاری شامل ہیں۔

ایچ بی ایل کے 2018ء کے 9 ماہ کے نتائج بھی متعدد باخلاف سے متاثر ہوئے ہیں جو بنیادی طور پر اس کے بین الاقوامی کاروبار سے آرہی ہیں۔ مقامی فرنیچر کی بنیادی کارکردگی مضبوط اور درست راہ پر گامزن ہے اور یہ کلیدی نتائج میں زیادہ صاف طور پر منعکس ہوگی جب بین الاقوامی کاروبار کا دباؤ آئندہ برس کے اختتامی حصہ تک کم ہو جائے گا۔ ایچ بی ایل کا سرمایہ بہتر ہو کر ایک مضبوط پوزیشن میں ہے اور قوم کی ترقی کی مدد میں، ترجیحی سیکٹرز کے اضافہ میں اور پاکستان کی اس آبادی کی مالی شمولیت کے بارے میں جوابی بینک کی سہولت سے محروم ہیں ان سب میں بینک ایک قائدانہ کردار ادا کر رہا ہے۔

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

25 اکتوبر 2018ء

Condensed Interim Consolidated Statement of Financial Position

As at September 30, 2018

	Note	(Unaudited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Restated)
ASSETS			
Cash and balances with treasury banks		256,748,994	246,043,030
Balances with other banks		40,597,895	40,804,269
Lendings to financial institutions		29,100,000	33,900,345
Investments	6	1,200,866,894	1,374,807,643
Advances	7	958,682,983	851,502,420
Operating fixed assets	8	67,873,742	62,792,843
Deferred tax asset		2,670,063	-
Other assets		70,067,803	74,251,149
		2,626,608,374	2,684,101,699
LIABILITIES			
Bills payable		28,356,503	33,752,219
Borrowings	9	242,466,402	397,802,667
Deposits and other accounts	10	2,059,235,490	1,998,935,057
Subordinated loan		9,990,000	9,994,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	971,368
Other liabilities		91,380,414	53,830,894
		2,431,428,809	2,495,286,205
NET ASSETS			
		195,179,565	188,815,494
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		58,094,575	52,266,420
Unappropriated profit		101,455,661	96,974,143
Total equity attributable to the equity holders of the Bank		174,218,761	163,909,088
Non-controlling interest		3,856,986	3,487,281
Surplus on revaluation of assets - net of tax	11	17,103,818	21,419,125
		195,179,565	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

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the nine months ended September 30, 2018

	Note	January 01 to September 30, 2018	January 01 to September 30, 2017	July 01 to September 30, 2018	July 01 to September 30, 2017
		----- (Rupees in '000) -----			
Mark-up / return / profit / interest earned	13	117,071,110	109,389,601	41,541,896	37,086,853
Mark-up / return / profit / interest expensed	14	55,950,012	47,413,889	20,703,384	16,512,571
Net mark-up / return / profit / interest income		61,121,098	61,975,712	20,838,512	20,574,282
(Reversal) / provision against advances	7.2	(387,604)	312,818	(144,418)	(251,241)
Provision / (reversal) against off-balance sheet obligations		20,173	(8,992)	17,502	41,241
Provision for diminution in the value of investments	6.2	2,085,134	774,384	1,823,326	126,862
Bad debts written off directly		-	-	-	-
		1,717,703	1,078,210	1,696,410	(83,138)
Net mark-up / return / profit / interest income after provisions		59,403,395	60,897,502	19,142,102	20,657,420
Non mark-up / interest income					
Fee, commission and brokerage income		12,708,959	15,520,466	3,491,492	5,319,304
Dividend income		636,969	959,337	141,283	273,585
Share of profit of associates and joint venture		2,324,938	2,277,455	666,158	374,629
(Loss) / income from dealing in foreign currencies		(568,622)	1,932,472	473,325	616,737
Gain on sale of securities - net		405,771	5,041,126	76,036	3,136,254
Unrealised (loss) / gain on held-for-trading securities		(48,471)	(99,000)	5,123	(75,359)
Other income / (loss)		32,807	662,899	(103,737)	215,877
Total non mark-up / interest income		15,492,351	26,294,755	4,749,680	9,861,027
		74,895,746	87,192,257	23,891,782	30,518,447
Non mark-up / interest expense					
Administrative expenses	15	56,263,712	43,494,750	20,073,255	15,141,213
Other provisions / write offs - net		154,488	403,742	46,665	337,443
Other charges		465,994	2,499	156,774	1,992
Workers' Welfare Fund		330,051	816,850	62,168	280,559
Total non mark-up / interest expenses		57,214,245	44,717,841	20,338,862	15,761,207
Profit before extraordinary / unusual item and taxation		17,681,501	42,474,416	3,552,920	14,757,240
Extraordinary / unusual item - settlement payment to New York State Department of Financial Services		-	23,717,115	-	23,717,115
Profit / (loss) before taxation		17,681,501	18,757,301	3,552,920	(8,959,875)
Taxation					
- Current		9,424,271	15,380,611	3,454,875	5,137,985
- Prior years		-	2,072,385	-	-
- Deferred		(1,652,916)	(250,123)	(1,684,026)	24,832
		7,771,355	17,202,873	1,770,849	5,162,817
Profit / (loss) after taxation		9,910,146	1,554,428	1,782,071	(14,122,692)
Attributable to:					
Equity holders of the Bank		9,631,553	1,270,820	1,688,157	(14,223,780)
Non-controlling interest		278,593	283,608	93,914	101,088
		9,910,146	1,554,428	1,782,071	(14,122,692)
----- (Rupees) -----					
Basic and diluted earnings / (loss) per share		6.57	0.87	1.15	(9.70)

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

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2018

	January 01 to September 30, 2018	January 01 to September 30, 2017	July 01 to September 30, 2018	July 01 to September 30, 2017
	(Rupees in '000)			
Profit / (loss) after taxation for the period attributable to:				
Equity holders of the Bank	9,631,553	1,270,820	1,688,157	(14,223,780)
Non-controlling interest	278,593	283,608	93,914	101,088
	9,910,146	1,554,428	1,782,071	(14,122,692)
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	4,843,967	1,246,261	184,110	695,433
Non-controlling interest	91,112	88,141	15,563	33,973
	4,935,079	1,334,402	199,673	729,406
Share of exchange translation reserve of associates	(97,824)	(25,509)	(78,150)	(75,755)
<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	-	-	-
Share of remeasurement loss on defined benefit obligations of associate - net	(4,205)	(2,542)	-	-
	15,030,209	2,860,779	1,903,594	(13,469,041)
Comprehensive income / (loss) transferred to equity				
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	(4,312,114)	(7,056,075)	(1,314,186)	(5,413,191)
Non-controlling interest	(37,747)	(6,953)	543	9,499
	(4,349,861)	(7,063,028)	(1,313,643)	(5,403,692)
Movement in share of surplus / deficit on revaluation of investments of associates - net of tax	74,369	(1,085,356)	6,825	(294,468)
<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	-	-
Movement in surplus on revaluation of operating fixed assets of associates - net of tax	(1,292)	105,175	(2,507)	-
	1,169	115,254	(2,507)	-
Transferred to surplus on revaluation of operating fixed assets - net of tax	(2,461)	(10,079)	-	-
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	11,202	(459,676)	-	(576,769)
	8,741	(469,755)	-	(576,769)
Total comprehensive income / (loss)	10,764,627	(5,642,106)	594,269	(19,743,970)
Total comprehensive income / (loss) attributable to:				
Equity holders of the Bank	10,432,669	(6,006,902)	484,249	(19,888,530)
Non-controlling interest	331,958	364,796	110,020	144,560
	10,764,627	(5,642,106)	594,269	(19,743,970)

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

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Consolidated Statement of Changes In Equity (Unaudited)

For the nine months ended September 30, 2018

Attributable to shareholders of the Bank											
Share capital	Exchange translation reserve	Reserves						Subtotal	Non-controlling interest	Total	
		Capital			Revenue						
		Statutory reserves	Bank	Non - distributable capital reserve	Capital reserve on acquisition of common control entity	General reserve	Unappropriated profit (restated)				
Associates , joint venture and subsidiary											
(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 nine months ended September 30, 2017	-	-	-	-	-	-	-	1,270,820	1,270,820	283,608	1,554,428
Other comprehensive income / (loss)											
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net	-	1,246,261	-	-	-	-	-	-	1,246,261	88,141	1,334,402
Share of exchange translation reserve of associates	-	(25,509)	-	-	-	-	-	-	(25,509)	-	(25,509)
Share of remeasurement loss on defined benefit obligations of associate - net	-	-	-	-	-	-	-	(2,542)	(2,542)	-	(2,542)
	-	1,220,752	-	-	-	-	-	1,268,278	2,489,030	371,749	2,860,779
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)
2nd interim cash dividend - Rs 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	(15,401,952)	(15,401,952)	-	(15,401,952)
Acquisition of additional interest in HAHM from minority shareholder	-	-	-	-	-	-	-	31,825	31,825	-	31,825
Transferred to statutory reserves	-	-	-	-	-	-	-	-	-	(441,933)	(441,933)
Exchange translation realized on sale of Bank branch to Habibsons Bank	-	(371,022)	136,559	20,775	-	-	-	(157,334)	-	-	-
Capital contribution from statutory funds of associates	-	-	-	-	-	-	-	371,022	-	-	-
	-	-	-	-	-	-	-	23,146	23,146	-	23,146
Balance as at September 30, 2017 (restated)	14,668,525	11,689,458	718,940	30,092,859	547,115	(156,706)	6,073,812	91,473,744	155,107,747	3,365,526	158,473,273
Comprehensive income for the period											
Profit after taxation for the three months ended December 31, 2017 (restated)	-	-	-	-	-	-	-	7,224,391	7,224,391	69,455	7,293,846
Other comprehensive income / (loss)											
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net	-	2,496,647	-	-	-	-	-	-	2,496,647	55,848	2,552,495
Share of exchange translation reserve of associates	-	64,297	-	-	-	-	-	-	64,297	-	64,297
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)
	-	2,560,944	-	-	-	-	-	6,213,350	8,774,294	121,755	8,896,049
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	15,713	15,713	-	15,713
Exchange translation realised on sale of Bank branches	-	14,566	-	-	-	-	-	-	14,566	-	14,566
Transferred to statutory reserves	-	-	39,767	685,665	-	-	-	(725,432)	-	-	-
Capital contribution to statutory funds of associates	-	-	-	-	-	-	-	(3,232)	(3,232)	-	(3,232)
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 nine months ended September 30, 2018	-	-	-	-	-	-	-	9,631,553	9,631,553	278,593	9,910,146
Other comprehensive income / (loss)											
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net	-	4,843,967	-	-	-	-	-	-	4,843,967	91,112	4,935,079
Share of exchange translation reserve of associates	-	(97,824)	-	-	-	-	-	-	(97,824)	-	(97,824)
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)
	-	4,746,143	-	-	-	-	-	9,914,361	14,660,504	369,705	15,030,209
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)
2nd interim cash dividend - Rs 1.0 per share	-	-	-	-	-	-	-	(1,466,852)	(1,466,852)	-	(1,466,852)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	(4,400,556)	(4,400,556)	-	(4,400,556)
Transferred to statutory reserves	-	-	180,482	901,530	-	-	-	49,725	49,725	-	49,725
	-	-	-	-	-	-	-	(1,082,012)	-	-	-
Balance as at September 30, 2018	14,668,525	19,011,111	939,189	31,680,054	547,115	(156,706)	6,073,812	101,455,661	174,218,761	3,856,986	178,075,747

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

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President &
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Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

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Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the nine months ended September 30, 2018

	January 01 to September 30, 2018	January 01 to September 30, 2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before extraordinary / unusual item and taxation	17,681,501	42,474,416
Dividend income	(636,969)	(959,337)
Share of profit of associates and joint venture	(2,324,938)	(2,277,455)
	(2,961,907)	(3,236,792)
	14,719,594	39,237,624
Adjustments for:		
Depreciation	2,654,664	2,466,872
Amortisation	581,858	393,595
(Reversal) / provision against advances	(387,604)	312,818
Provision / (reversal) against off-balance sheet obligations	20,173	(8,992)
Provision for diminution in the value of investments	2,085,134	774,384
Other provisions / write offs - net	154,488	403,742
Unrealized loss on held-for-trading securities	48,471	99,000
Exchange gain on Goodwill	(162,268)	(153,458)
Gain on sale of operating fixed assets - net	(52,889)	(19,098)
Workers' Welfare Fund	330,051	816,850
	5,272,078	5,085,713
	19,991,672	44,323,337
(Increase) / decrease in operating assets		
Lendings to financial institutions	4,800,345	19,892,487
Net investments in held-for-trading securities	9,855,115	(152,703,987)
Advances	(106,792,959)	(98,483,643)
Other assets (excluding advance taxation)	6,329,977	(369,785)
	(85,807,522)	(231,664,928)
(Decrease) / increase in operating liabilities		
Bills payable	(5,395,716)	(605,895)
Borrowings	(155,336,265)	16,932,294
Deposits and other accounts	60,300,433	139,426,252
Other liabilities	36,787,482	7,214,218
	(63,644,066)	162,966,869
	(129,459,916)	(24,374,722)
	(11,654,403)	(19,983,718)
	(141,114,319)	(44,358,440)
Income tax paid		
Net cash flows used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	93,834,361	87,071,177
Net investments in held-to-maturity securities	63,469,652	2,306,094
Net investments in associates	579,368	(2,501,073)
Dividend income received	565,807	865,983
Fixed capital expenditure	(8,047,869)	(16,493,260)
Proceeds from sale of fixed assets	81,064	67,138
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net	4,746,143	1,220,754
Net cash flows from investing activities	155,228,526	72,536,813
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of translation of net investment by non-controlling interest in subsidiary	91,112	88,141
Repayment of subordinated loan	(4,000)	(4,000)
Dividend paid	(3,701,729)	(13,658,170)
Net cash flows used in financing activities	(3,614,617)	(13,574,029)
Cash outflow for settlement payment to New York State Department of Financial Services	-	(23,717,115)
	10,499,590	(9,112,771)
Increase / (decrease) in cash and cash equivalents during the period		
Cash and cash equivalents at the beginning of the period	275,842,834	280,371,785
Effect of exchange rate changes on cash and cash equivalents	11,004,465	4,025,593
	286,847,299	284,397,378
Cash and cash equivalents at the end of the period	297,346,889	275,284,607

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

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Director

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Director

Dr. Najeeb Samie
Director

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 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 cannot be adjusted against the 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 September 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	(130,057)	(131,799)	(803,615)
Increase in surplus on revaluation of assets – net of tax	130,057	131,799	803,615
	For the nine months ended		
	September 30, 2018	September 30, 2017	
	(Rupees in '000)		
Impact on Profit and Loss account	-	-	
Impact on Statement of Comprehensive Income	-	-	

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

3.1.2 As per the accounting policy of the Bank (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 requirements of the respective regulatory regimes in which the branches operate. During the current period, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches of the Bank. Under this accounting standard, provision against advances is determined under the expected credit loss model whereas, previously, it was determined under the incurred loss model. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9 while determining the requirements for provisioning against advances.

The adoption of this standard by these overseas branches resulted in additional provisioning requirement of Rs 21.314 million as at September 30, 2018. This includes Rs 24.728 million in respect of the prior year. As the amount involved is not considered material, this has been incorporated in the current period and the opening balance of retained earnings has not been adjusted.

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	September 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	55,052,254	2,984,799	58,037,053	48,402,667	-	48,402,667
- Pakistan Investment Bonds	3,634,430	-	3,634,430	17,918,321	-	17,918,321
- Sukuks	-	-	-	1,999,062	-	1,999,062
<i>Fully paid-up ordinary shares</i>						
- Listed companies	3,740	-	3,740	274,651	-	274,651
<i>Overseas Government securities</i>						
	125,120	-	125,120	149,311	-	149,311
	58,815,544	2,984,799	61,800,343	68,744,012	-	68,744,012
Held-to-maturity (HTM)						
<i>Federal Government securities</i>						
- Market Treasury Bills	-	-	-	90,938	-	90,938
- Pakistan Investment Bonds	172,902,305	-	172,902,305	229,759,743	-	229,759,743
- Government of Pakistan US Dollar Bonds	125,491	-	125,491	1,177,868	-	1,177,868
<i>Debentures and corporate debt instruments</i>						
- Listed	12,831,817	-	12,831,817	9,551,953	-	9,551,953
- Unlisted	21,338,147	-	21,338,147	21,326,345	-	21,326,345
<i>Overseas Government securities</i>						
	8,062,846	-	8,062,846	16,823,411	-	16,823,411
	215,260,606	-	215,260,606	278,730,258	-	278,730,258
Available-for-sale (AFS)						
<i>Federal Government securities</i>						
- Market Treasury Bills	413,374,796	88,911,732	502,286,528	331,139,959	131,244,262	462,384,221
- Pakistan Investment Bonds	231,211,813	2,516,628	233,728,441	238,503,885	134,373,604	372,877,489
- Government of Pakistan US Dollar Bonds	2,913,499	-	2,913,499	2,257,828	-	2,257,828
- Sukuks	72,577,614	-	72,577,614	83,205,706	-	83,205,706
<i>Fully paid-up ordinary shares</i>						
- Listed companies	15,191,936	-	15,191,936	19,661,232	-	19,661,232
- Unlisted companies	3,761,004	-	3,761,004	2,711,847	-	2,711,847
<i>Debentures and corporate debt instruments</i>						
- Listed	37,382,341	12,463,916	49,846,257	23,898,704	15,378,666	39,277,370
- Unlisted	11,511,310	-	11,511,310	10,771,917	-	10,771,917
<i>Overseas Government securities</i>						
	12,582,196	627,968	13,210,164	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
	800,670,122	104,520,244	905,190,366	721,305,206	280,996,532	1,002,301,738
Investment in associates and joint venture						
	29,200,211	-	29,200,211	27,169,019	-	27,169,019
	1,103,946,483	107,505,043	1,211,451,526	1,095,948,495	280,996,532	1,376,945,027
Provision for diminution in the value of investments						
	(3,588,185)	-	(3,588,185)	(1,503,051)	-	(1,503,051)
	1,100,358,298	107,505,043	1,207,863,341	1,094,445,444	280,996,532	1,375,441,976
Deficit on revaluation of held-for-trading securities						
	(45,738)	(2,733)	(48,471)	(73,353)	-	(73,353)
(Deficit) / surplus on revaluation of available-for-sale securities						
	(7,131,754)	(119,434)	(7,251,188)	(974,143)	224,364	(749,779)
Surplus on revaluation of investments of associates						
	303,212	-	303,212	188,799	-	188,799
Total investments (net of provision)						
	1,093,484,018	107,382,876	1,200,866,894	1,093,586,747	281,220,896	1,374,807,643

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

6.1 The market value of securities classified as held-to-maturity amounted to Rs 211,398.447 million (December 31, 2017: Rs 280,806.402 million).

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

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

Opening balance	1,503,051	866,152
Charge for the period / year	2,664,449	1,289,086
Reversal for the period / year	(22,504)	(203,605)
Reversed on disposal during the period / year	(556,811)	(619,614)
Net charge	2,085,134	465,867
Recoveries against written off investments	-	171,032
Closing balance	3,588,185	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 are subject to a relaxation from Regulation-8 of the Prudential Regulations given by the SBP through its letter No. BPRD/ BRD(policy)/ 2018-21629 dated October 05, 2018. These TFCs are guaranteed by the Government of Pakistan and do not require any provision. 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	June 30, 2018
Himalayan Bank Limited, Nepal	July 15, 2018
Kyrgyz Investment and Credit Bank, Kyrgyz Republic	September 30, 2018
Jubilee General Insurance Company Limited	June 30, 2018
Jubilee Life Insurance Company Limited	June 30, 2018
HLB Cash Fund	September 30, 2018
HLB Energy Fund	September 30, 2018
HLB Equity Fund	September 30, 2018
HLB Financial Planning Fund - Strategic Allocation Plan	September 30, 2018
HLB Government Securities Fund	September 30, 2018
HLB Income Fund	September 30, 2018
HLB Islamic Asset Allocation Fund	September 30, 2018
HLB Islamic Equity Fund	September 30, 2018
HLB Islamic Income Fund	September 30, 2018
HLB Islamic Money Market Fund	September 30, 2018
HLB Islamic Pension Fund - Debt Sub Fund	September 30, 2018
HLB Islamic Pension Fund - Equity Sub Fund	September 30, 2018
HLB Islamic Pension Fund - Money Market Sub Fund	September 30, 2018
HLB Islamic Stock Fund	September 30, 2018
HLB Money Market Fund	September 30, 2018
HLB Multi Asset Fund	September 30, 2018
HLB Pension Fund - Debt Sub Fund	September 30, 2018
HLB Pension Fund - Equity Sub Fund	September 30, 2018
HLB Pension Fund - Money Market Sub Fund	September 30, 2018
HLB Stock Fund	September 30, 2018
HLB Investment Fund - Class A (formerly PICIC Investment Fund)	September 30, 2018
HLB Investment Fund - Class B (formerly PICIC Investment Fund)	September 30, 2018

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

7 ADVANCES

	Note	(Unaudited) September 30, 2018	(Audited) December 31, 2017
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
- In Pakistan		745,271,855	642,772,680
- Outside Pakistan		114,795,283	124,963,052
		860,067,138	767,735,732
Net investment in finance lease - in Pakistan		18,043,151	17,127,661
Islamic financing and related assets	20.1.2	94,868,751	84,408,003
Bills discounted and purchased			
- Payable in Pakistan		21,455,085	16,751,077
- Payable outside Pakistan		34,048,513	34,985,466
		55,503,598	51,736,543
Advances - gross		1,028,482,638	921,007,939
Provision against advances			
- Specific	7.2	(66,384,214)	(66,417,176)
- General		(3,415,441)	(3,088,343)
		(69,799,655)	(69,505,519)
Advances - net of provision		958,682,983	851,502,420

- 7.1 Advances include Rs 78,111.610 million (December 31, 2017: Rs 75,845.392 million) which have been placed under non-performing status as detailed below:

Category of classification	September 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	1,662,746	-	1,662,746	-	-	-	1,662,746	-	1,662,746
Substandard	3,003,027	2,559,055	5,562,082	728,813	457,522	1,186,335	2,274,214	2,101,533	4,375,747
Doubtful	1,556,361	905,418	2,461,779	775,284	440,141	1,215,425	781,077	465,277	1,246,354
Loss	42,198,249	26,226,754	68,425,003	41,132,918	22,849,536	63,982,454	1,065,331	3,377,218	4,442,549
	48,420,383	29,691,227	78,111,610	42,637,015	23,747,199	66,384,214	5,783,368	5,944,028	11,727,396
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

- 7.1.1 Exposure amounting to Rs 1,977.500 million (December 31, 2017: Rs 8,847.914 million) relating to Power Holding (Private) Limited has not been classified as non-performing, in accordance with a relaxation given by the SBP through its letter No. BPRD/ BRD (Policy)/ 021574/ 2018 dated October 03, 2018. The exposure is fully guaranteed by the Government of Pakistan and does not require any provision. However, mark-up income has been suspended on this amount and is only recognized when received.

7.2 Particulars of provision against advances

	Note	September 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		66,417,176	3,088,343	69,505,519	65,160,197	3,623,544	68,783,741
Exchange adjustment		2,394,890	168,217	2,563,107	1,417,860	102,173	1,520,033
Charge for the period / year		2,828,878	268,457	3,097,335	5,294,493	337,509	5,632,002
Reversal for the period / year		(3,375,363)	(109,576)	(3,484,939)	(4,711,205)	(970,351)	(5,681,556)
Net (reversal) / charge against advances		(546,485)	158,881	(387,604)	583,288	(632,842)	(49,554)
Charged off during the period / year	7.4	(332,533)	-	(332,533)	(400,719)	-	(400,719)
Written off during the period / year		(1,856,762)	-	(1,856,762)	(352,587)	-	(352,587)
Transferred out on sale of Kenya business		-	-	-	(550,276)	(21,002)	(571,278)
Recoveries against write off		307,928	-	307,928	512,684	-	512,684
Other movements		-	-	-	46,729	16,470	63,199
Closing balance		66,384,214	3,415,441	69,799,655	66,417,176	3,088,343	69,505,519

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

- 7.3 General provision represents provision amounting to Rs 1,550.068 million (December 31, 2017: Rs 1,405.701 million) against consumer finance portfolio and Rs 196.313 million (December 31, 2017: Rs 138.195 million) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs 1,669.060 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.**

	September 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	1,498,912	(1,784,870)	2,533,081	2,703,771	1,150,568
- in respect of Key Management Personnel	145,569	204,731	(105,452)	244,848	333,393	197,741
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	174,999,165	(171,144,564)	20,956,923	24,198,429	3,727,476

	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) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
Capital work-in-progress	8.1	19,098,213	17,061,851
Tangible fixed assets		42,495,636	40,036,539
Intangible assets		6,279,893	5,694,453
		<u>67,873,742</u>	<u>62,792,843</u>

- 8.1 This includes Rs 16,183.464 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 Statements (Unaudited)

For the nine months ended September 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 nine months ended
September 30, September 30,
2018 2017
(Rupees in '000)

2,036,362 14,284,047

Tangible fixed assets

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

63,799	-
864,277	298,003
164,797	2,951
3,171,602	1,469,277
513,331	172,955
251,242	51,447
5,029,048	1,994,633

Intangible assets

Computer software
Management Rights
Goodwill

967,493	363,315
-	2,367,577
-	(2,367,577)
967,493	363,315
8,032,903	16,641,995

8.3 Disposal of operating fixed assets

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

Tangible fixed assets

Land
Building
Furniture, fixtures and office equipment
Leasehold Improvements
Vehicles

6,000	-
506	-
458,443	226,990
168,847	19,210
22,316	50,793
656,112	296,993

9 BORROWINGS

Note

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

Secured

Borrowings from the SBP under
- Export refinance scheme
- Long term financing facility
- Financing facility for storage of agricultural produce
- Financing facility for renewable energy power plants
- Refinance facility for modernization of SMEs

24,698,928	26,343,510
10,159,360	9,852,123
8,333	-
77,256	-
15,650	9,500
34,959,527	36,205,133
106,778,271	279,802,790
141,737,798	316,007,923

Repurchase agreement borrowings

Unsecured

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

9.1

21,544,856	11,385,000
1,043,445	1,829,975
33,647,077	28,375,417
44,493,226	40,204,352
100,728,604	81,794,744
242,466,402	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 Statements (Unaudited)

For the nine months ended September 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

Financial institutions

Current accounts - non-remunerative
Savings accounts
Fixed deposits

(Unaudited) September 30, 2018	(Audited) December 31, 2017
(Rupees in '000)	
775,328,878	727,425,393
940,067,695	876,338,346
305,986,820	328,867,254
2,021,383,393	1,932,630,993

6,603,299	5,778,651
29,142,985	59,294,770
2,105,813	1,230,643
37,852,097	66,304,064
2,059,235,490	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

- Investments, attributable to

- Equity holders
- Non-controlling interest

- Non-banking assets acquired in satisfaction of claims

Surplus on revaluation of assets - net of tax

Note	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
	(Restated)	
	21,492,650	21,540,565
	2,936	3,387
11.1	21,495,586	21,543,952
	(4,640,678)	(402,933)
	(42,461)	(4,714)
11.2	(4,683,139)	(407,647)
11.3	291,371	282,820
	17,103,818	21,419,125

11.1 Surplus on revaluation of operating fixed assets

Surplus at the beginning of the period / year

Surplus recognised during the period / year

Transferred from surplus on revaluation of non-banking assets

Surplus realised on disposal of revalued properties during the period - net of deferred tax

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

Related deferred tax liability on surplus realised on disposal of revalued properties

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

Less: related deferred tax liability on

- Revaluation at the beginning of the period / year
- Revaluation recognized during the period / year
- Amount transferred from surplus on revaluation of non-banking assets
- Surplus realised on disposal of revalued properties during the period
- Incremental depreciation charged during the period / year

Surplus on revaluation of operating fixed assets of associates

Related deferred tax liability

22,563,834	12,641,903
-	9,979,303
3,227	15,504
(6,031)	-
(43,504)	(47,370)
(149)	-
(23,425)	(25,506)
22,493,952	22,563,834
1,155,718	708,765
-	467,033
766	5,426
(149)	-
(23,425)	(25,506)
1,132,910	1,155,718
144,678	147,063
(10,134)	(11,227)
134,544	135,836
21,495,586	21,543,952

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
11.2 Surplus / (deficit) on revaluation of investments		
Market Treasury Bills	(120,418)	(81,386)
Pakistan Investment Bonds	(5,666,634)	569,276
Government of Pakistan US Dollar Bonds	(51,393)	496
Sukuks	(763,698)	485,521
Listed equity securities	(334,857)	(1,794,580)
National Investment Trust units	35,092	36,190
Real Estate Investment Trust units	8,000	-
Overseas Government securities	(46,895)	(7,641)
Other debt instruments	(310,385)	42,345
	(7,251,188)	(749,779)
Related tax asset	2,370,961	219,413
	(4,880,227)	(530,366)
Surplus on revaluation of investments of associates	303,212	188,799
Related deferred tax liability	(106,124)	(66,080)
	197,088	122,719
	(4,683,139)	(407,647)
11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus 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	(190)	(168)
Related deferred tax liability on incremental depreciation charged during the period / year	(102)	(90)
	291,397	283,667
Less: related deferred tax liability on		
- Revaluation 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	(102)	(90)
	26	847
	291,371	282,820
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of		
- Government	337,965	273,782
- Financial institutions	1,009,127	441,000
- Others	58,669,666	38,462,882
	60,016,758	39,177,664
12.2 Transaction-related contingent liabilities		
Guarantees in favour of		
- Government	456,891	269,851
- Financial institutions	75,742	1,713,959
- Others	102,054,822	123,407,833
	102,587,455	125,391,643
12.3 Trade-related contingent liabilities		
Letters of credit in favour of		
- Government	13,451,141	49,835,960
- Financial institutions	3,395,075	5,340,244
- Others	99,319,098	81,773,117
	116,165,314	136,949,321

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
12.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>27,036,747</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) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	194,375,965	142,571,667
Sale	122,634,392	84,353,498
12.7 Commitments in respect of forward Government securities transactions		
Purchase	25,360,083	20,243,788
Sale	921,821	-
12.8 Commitments in respect of derivatives		
Foreign currency options		
Purchase	511,122	-
Sale	511,122	-
Cross currency swaps		
Purchase	3,277,445	1,633,987
Sale	3,596,867	1,707,050
Interest rate swaps		
Sale	9,872,527	10,315,539
12.9 Commitments for capital expenditure	2,490,083	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 the accounting year 2016.		
13 MARK-UP / RETURN / PROFIT / INTEREST EARNED		
	(Unaudited) For the nine months ended September 30, 2018	September 30, 2017
	(Rupees in '000)	
On advances	53,724,272	42,624,101
On investments in		
- Held-for-trading securities	5,459,965	4,422,803
- Held-to-maturity securities	13,214,073	11,592,005
- Available-for-sale securities	41,332,920	49,275,269
	60,006,958	65,290,077
On deposits with financial institutions	786,771	771,650
On lendings to financial institutions	2,553,109	703,773
	<u>117,071,110</u>	<u>109,389,601</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

		(Unaudited)	
		For the nine months ended	
		September 30,	September 30,
		2018	2017
		(Rupees in '000)	
14	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On		
	- Deposits	41,530,346	33,516,819
	- Securities sold under repurchase agreement borrowings	9,048,909	10,822,465
	- Other short-term borrowings	2,766,554	1,447,995
	- Long-term borrowings	2,604,203	1,626,610
		<u>55,950,012</u>	<u>47,413,889</u>

- 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, a 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 the original 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 Statements (Unaudited)

For the nine months ended September 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 September 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	11,635,714	-	-	11,635,714
- Real Estate Investment Trust units	63,000	-	-	63,000
- Federal Government securities	-	866,540,844	-	866,540,844
- Debentures and corporate debt instruments	-	55,484,277	-	55,484,277
- Overseas Government securities	-	13,274,573	-	13,274,573
- National Investment Trust units	-	46,205	-	46,205
- Unrealised gain on forward foreign exchange contracts	-	2,139,673	-	2,139,673
- Unrealised gain on derivative instruments	-	81,385	-	81,385
- Unrealised loss on forward foreign exchange contracts	-	3,690,662	-	3,690,662
- Unrealised loss on derivative instruments	-	199,836	-	199,836
Non-financial assets				
- Operating fixed assets	-	-	33,251,817	33,251,817
- Non-banking assets acquired in satisfaction of claims	-	-	1,854,606	1,854,606
Items for which Fair Value is disclosed				
- Federal Government securities	-	167,021,354	-	167,021,354
- Overseas Government securities	-	10,095,351	-	10,095,351
- Debentures and corporate debt instruments	-	34,281,742	-	34,281,742
	11,698,714	1,152,855,902	35,106,423	1,199,661,039

	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 Statements (Unaudited)

For the nine months ended September 30, 2018

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2018 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others
	(Rupees in million)					
Net mark-up income - external	(9,578)	17,757	47,289	4,703	(140)	1,090
Inter-segment revenue / (expense) - net	50,107	(12,754)	(40,787)	-	-	3,434
Non-funded income	8,642	2,320	852	2,394	670	614
Total income	49,171	7,323	7,354	7,097	530	5,138
Total expenses including provision	22,188	(910)	2,075	15,916	294	19,368
Inter-segment administrative cost	11,775	1,721	333	1,234	-	(15,063)
Total expenses including provision	33,963	811	2,408	17,150	294	4,305
Profit / (loss) before tax	15,208	6,512	4,946	(10,053)	236	833
Segment return on assets %	0.69%	0.93%	0.31%	-2.46%	4.25%	0.22%
Segment cost of funds %	2.98%	5.54%	5.50%	1.37%	5.30%	1.35%

	As at September 30, 2018 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others
	(Rupees in million)					
Segment assets (gross of provision)	501,509	592,891	1,133,357	308,179	3,297	161,634
Segment non-performing advances	8,536	39,385	-	29,691	-	500
Segment provision held (including general provision)	6,997	37,418	2,504	25,735	-	1,605
Inter-segment assets / (liabilities)	1,195,439	(285,043)	(988,916)	30,567	(107)	48,060
Segment liabilities and equity	1,689,951	270,430	141,937	313,011	3,190	208,089

	For the nine months ended September 30, 2017 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others
	(Rupees in million)					
Net mark-up income - external	(6,266)	13,563	46,779	6,732	(155)	1,323
Inter-segment revenue / (expense) - net	42,300	(9,333)	(35,685)	-	-	2,718
Non-funded income	9,438	2,236	5,906	3,808	644	4,262
Total income	45,472	6,466	17,000	10,540	489	8,303
Total expenses including provision	19,285	(683)	1,335	10,905	311	14,643
Inter-segment administrative cost	9,074	1,325	257	950	-	(11,606)
Total expenses including provision	28,359	642	1,592	11,855	311	3,037
Profit before extraordinary / unusual item and taxation	17,113	5,824	15,408	(1,315)	178	5,266
Extraordinary / unusual item	-	-	-	-	-	(23,717)
Profit / (loss) before tax	17,113	5,824	15,408	(1,315)	178	(18,451)
Segment return on assets %	0.92%	1.12%	0.99%	-0.25%	3.58%	-10.65%
Segment cost of funds %	2.67%	4.90%	5.05%	1.11%	4.95%	0.82%

	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 Statements (Unaudited)

For the nine months ended September 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 at the period / year end, other than those disclosed elsewhere in these condensed interim consolidated financial statements, are as follows:

	As at September 30, 2018 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint Venture	Other related parties
	(Rupees in '000)					
Statement of financial position						
Deposits	117,327	29,411	10,263,315	10,811,162	-	1,477,213
Maximum deposits during the period	232,076	92,184	13,279,808	14,637,815	-	2,929,619
Borrowings	-	-	2,367,772	2,236,486	1,242,492	-
Investments	-	-	-	26,350,389	3,153,034	6,345,898
Provision for diminution in the value of investments	-	-	-	-	-	(16,058)
Nostro balances	-	-	183,258	5,376	1,263	-
Advances	-	244,848	2,872,414	1,500,000	-	24,709,604
Provision against advances	-	-	-	-	-	(1,726,437)
Mark-up receivable	-	359	24,903	13,208	-	385,664
Other receivable	-	-	11,270	101,005	-	7,619
Mark-up payable	1,023	71	218,204	32,182	20,322	2,201
Other payable	-	-	42,631	57,314	-	2,510,381
Contingencies and Commitments						
Letters of credit	-	-	454,695	-	-	9,864,114
Letters of guarantee	-	-	114,303	-	-	584,485
Forward purchase of Government securities	-	-	4,933,892	-	-	134,514
Interest rate swaps	-	-	1,522,527	1,500,000	-	-
Others						
Securities held as custodian	-	8,555	19,381,390	41,708,430	-	10,843,245
For the nine months ended September 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	-	13,266	225,182	182,398	-	1,039,572
Fee and commission income	-	-	142	1,941,403	-	14,325
Share of profit	-	-	-	1,881,131	443,807	-
Dividend Income	-	-	-	-	-	55,993
Mark-up expense	4,598	325	433,765	305,135	27,688	33,952
Salaries and allowances	-	989,425	-	-	-	-
Contribution to provident and benevolent fund	-	13,730	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	2,448,854
Non-Executive Directors' fees	42,000	-	-	-	-	-
Other loss	-	-	34,655	35,833	-	-
Other expenses	-	-	50,764	-	-	489,873
Insurance premium expense	-	-	-	928,650	-	-

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

For the nine months ended September 30, 2018 (Unaudited)						
Others	Directors	Key Management Personnel	Group Entities	Associates	Joint Venture	Other related parties
	(Rupees in '000)					
Purchase of Government securities	-	25,122	114,854,895	-	-	51,072,310
Sale of Government securities	-	33,307	124,671,362	57,311,907	-	50,712,516
Insurance claims	-	-	-	122,860	-	-

As at December 31, 2017 (Audited)						
Statement of financial position	Directors	Key Management Personnel	Group Entities	Associates	Joint Venture	Other related parties
	(Rupees in '000)					
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
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For the nine months ended September 30, 2017 (Unaudited)						
Profit and Loss Account	Directors	Key Management Personnel	Group Entities	Associates	Joint Venture	Other related parties
	(Rupees in '000)					
Mark-up income	-	8,562	209,451	136,017	-	964,743
Fee and commission income	-	-	4,149	1,936,164	-	-
Share of profit	-	-	-	1,926,969	350,486	-
Dividend Income	-	-	-	-	-	158,006
Loss on sale of securities - net	-	-	-	-	-	858
Mark-up expense	1,668	469	172,867	155,506	10,220	67,207
Salaries and allowances	-	694,428	-	-	-	-
Contribution to provident and benevolent fund	-	12,813	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	467,073
Non-Executive Directors' fees	37,600	-	-	-	-	-
Other income	-	-	17,018	27,578	-	-
Other expenses	-	-	57,311	-	-	309,664
Insurance premium expense	-	-	-	948,642	-	-
Others	-	99,374	28,778,228	34,450	-	17,073,578
Purchase of Government securities	-	105,359	46,812,138	21,723,361	-	23,813,293
Sale of Government securities	-	-	-	116,870	-	-
Insurance claims	-	-	-	-	-	-

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 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 the Net Stable Funding Ratio (NSFR). The objective of the 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 the 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) September 30, 2018	(Unaudited) June 30, 2018	(Audited) December 31, 2017
		----- Total Adjusted Value ----- ----- (Rupees in '000) -----		
	Total HQLA	995,563,263	993,388,080	962,730,144
	Total Net Cash Outflows	546,873,771	546,953,989	520,941,525
	Liquidity Coverage Ratio (%)	182.05%	181.62%	184.81%
	Minimum Requirement (%)	90.00%	90.00%	90.00%

19.2	Net Stable Funding Ratio	(Unaudited) September 30, 2018	(Audited) December 31, 2017
		Total Weighted Value (Rupees in '000)	
	Total Available Stable Funding (ASF)	2,022,954,309	1,946,812,485
	Total Required Stable Funding (RSF)	1,306,218,215	1,229,522,456
	Net Stable Funding Ratio (%)	154.87%	158.34%
	Minimum Requirement (%)	100.00%	100.00%

20 ISLAMIC BANKING BUSINESS

20.1 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION		Note	(Unaudited) September 30, 2018	(Audited) December 31, 2017
			(Rupees in '000)	
ASSETS				
Cash and balances with treasury banks			9,088,272	7,475,822
Due from financial institutions			-	1,614,839
Investments			93,827,029	104,616,358
Islamic financing and related assets - net	20.1.2		94,755,126	84,297,519
Due from Head Office			978,150	66,226
Deferred tax asset			267,294	-
Other assets			2,550,389	1,022,451
			<u>201,466,260</u>	<u>199,093,215</u>
LIABILITIES				
Bills payable			8,249	7,037
Due to financial institutions			27,198,700	24,798,000
Deposits and other accounts	20.1.3		162,448,545	163,448,909
Deferred tax liability			-	172,401
Other liabilities			1,418,161	1,433,836
			<u>191,073,655</u>	<u>189,860,183</u>
			<u>10,392,605</u>	<u>9,233,032</u>
NET ASSETS				
REPRESENTED BY				
Islamic Banking Fund			250,000	250,000
Reserves			-	4,584
Unappropriated profit			10,639,009	8,662,859
			10,889,009	8,917,443
(Deficit) / surplus on revaluation of investments - net of deferred tax			(496,404)	315,589
			<u>10,392,605</u>	<u>9,233,032</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

20.1.1 Commitments in respect of guarantees and letters of credit of the Islamic Banking Business amounted to Rs 213.477 million (December 31, 2017: Rs 271.654 million) and Rs 1,459.193 million (December 31, 2017: Rs 3,921.630 million) respectively. Commitments in respect of forward foreign exchange purchase and sale transactions amounted to Rs 4,785.931 million (December 31, 2017: Rs 3,595.455 million) and Rs 486.339 million (December 31, 2017: Rs 2,439.128 million) respectively.

20.1.2 Islamic financing and related assets - net

	(Unaudited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
Ijarah	1,882,330	1,728,525
Murabaha	773,379	316,442
Diminishing Musharakah	61,826,526	60,591,346
Wakalah	10,000,000	10,000,000
Running Musharakah	4,666,432	1,138,052
Advance for Ijarah	297,771	542,507
Advance for Murabaha	2,513,518	2,968,494
Advance for Diminishing Musharakah	4,827,688	-
Advance for Istisna	7,566,591	4,546,399
Assets / Inventories	514,516	2,576,238
Islamic financing and related assets - gross	94,868,751	84,408,003
Provision against Islamic financing and related assets	(113,625)	(110,484)
Islamic financing and related assets - net	94,755,126	84,297,519

20.1.3 Deposits and other accounts

Current accounts	51,961,413	48,389,707
Savings accounts	82,409,461	87,258,027
Term deposits	22,024,073	13,731,808
Deposits from financial institutions - non - remunerative	134,712	105,001
Deposits from financial institutions - remunerative	5,918,886	13,964,366
	162,448,545	163,448,909

20.2 PROFIT AND LOSS ACCOUNT

	(Unaudited) For the nine months ended September 30, 2018 (Rupees in '000)	September 30, 2017 (Rupees in '000)
Profit earned	8,733,467	6,611,915
Profit expensed	4,922,251	3,099,548
Net profit earned	3,811,216	3,512,367
Provision against non-performing assets	3,141	4,915
Net profit after provisions	3,808,075	3,507,452
Other income		
Fee, commission and brokerage income	150,649	132,887
Loss from dealing in foreign currencies	(23,096)	(32,798)
(Loss) / gain on sale of securities	(49,053)	9,849
Rent on Lockers	4,716	4,666
Others	530	574
Total other income	83,746	115,178
	3,891,821	3,622,630
Administrative expenses	652,231	491,088
Net profit for the period	3,239,590	3,131,542

20.3 Remuneration to Shariah Advisor / Board

	5,945	5,149
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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

	(Unaudited) September 30, 2018	(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	716	723
	1,050	244,828
Payments / Utilization during the period / year		
-Health sector	-	(11,107)
-Others	(100,000)	(1,000)
	(100,000)	(12,107)
Closing balance	134,297	233,247

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

The Board of Directors in its meeting held on October 25, 2018 has declared a cash dividend in respect of the quarter ended September 30, 2018 of Rs 1 per share (September 30, 2017: Rs NIL 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 October 25, 2018.


Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
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 nine months ended September 30, 2018.

Domestic Economy

Following a thirteen-year high GDP growth of 5.8% in FY'18, economic growth is expected to slow down in FY'19 as the Government's focus shifts to stabilization. Large Scale Manufacturing grew less than 1% in June and July, an early reflection of this slowdown. It is in this backdrop that the SBP has revised the GDP growth target down to 5% from earlier projections of 6.2% as challenges on the external front and the fiscal side are likely to impede real economic activity. The moderation in inflation over the past three years has now reversed, with headline inflation increasing to 5.6% in 1QFY'19 compared to 3.4% last year, mainly owing to high energy prices and currency adjustments.

The export recovery trend of FY'18 continued into the first quarter of FY'19 with exports growing by 3.6% compared to the same period last year. Higher international oil prices continue to put pressure on the country's import bill, which rose by 6% during 1QFY'19. The trade deficit thus increased by 7.6%, to USD 7.9 billion. Remittances continued to improve, increasing by 13.2% over the prior year, and offsetting the trade imbalance, as a result of which, the current account deficit shrank by 2.6% to USD 3.7 billion in 1QFY'19.

The weakness on the external account is now a real concern with low levels of import cover. Financing the external deficit further drained FX reserves, which fell 9.2% during the quarter, to USD 14.9 billion. The Rupee has been devalued multiple times – in the first week of October, a further adjustment has taken the PKR to 133/USD a decline of 21% over the year. The deteriorating fundamentals prompted a downgrade in Moody's Outlook on Pakistan.

The provisional fiscal deficit for FY'18 was 6.6% of GDP compared to 5.8% in FY'17. The deficit was initially budgeted at 4.1% of GDP, but revenue shortfalls, higher debt servicing and election spending all contributed to the deterioration. The government recently announced a supplementary finance bill to arrest the fiscal slippage and contain the deficit at 5.5% for FY'19. The key decisions comprised of a partial restoration of higher individual tax rates, reduction in development spending and restriction on the purchase of property and cars by non-tax filers.

The slight optimism in the stock market following the smooth transition to the new government was short lived. The market remains jittery amidst uncertainty about Emerging Markets in general, Pakistan's external sector challenges and lack of policy clarity. The PSX saw a net outflow of over USD 200 million in foreign portfolio investment in 1QFY'19 and has since fallen further, losing more than 6.5% of its value since the start of 2018.

In its September Monetary Policy Statement, the SBP increased the policy rate by 100 bps to 8.5%, the fourth increase in 2018 bringing the cumulative policy rate hike to 275 bps for the year. The reasons cited were high inflation expectations, the pressure on the external account and the growing fiscal deficit. Private sector credit off-take increased by Rs 112 billion in the first quarter of FY19, compared to Rs 852 million during the same period last year. Banking sector advances increased by 1.9% over the quarter, while deposits remained at June levels. Average banking spreads for 8MFY'18 tightened by a further 16 bps, to 4.83% as the interest rate hike will only have a lagged effect on spreads.

Performance

HBL's domestic business continues to perform well. Deposits increased by 4.5% over December 2017 to Rs 1.8 trillion, with a Rs 101 billion growth in CASA further improving the ratio to 88.1%. There has been a strong performance in current deposits, which rose by 9.6% over December 2017 to Rs 688 billion; the share of current accounts in the deposit mix improved to 37.3%. HBL's domestic loan book continued its growth trajectory, rising 3.3% during the quarter to Rs 819 billion, a total increase of 16.7% during the nine months. The Bank's market leading Consumer lending business also reached a key landmark, crossing Rs 50 billion in total loans.

The reported financial performance of the Bank for 9M'18 remains affected by several items – the revision in pension costs, the impact of the continued slide in the Rupee on overseas borrowings and expenses, the restructuring of the Bank's international business and the remediation, legal and regulatory costs related to its New York branch. Consequently, HBL's profit before tax for the first nine months of 2018 is Rs 15.5 billion, while profit after tax for the same period is Rs 9.0 billion. Earnings per share for 9M'18 are Rs 6.15, compared to Rs 0.14 for 9M'17 which included the impact of the New York settlement payment.

Average domestic current accounts for the first nine months of 2018 increased by 15% over 9M'17 while average domestic loans increased by 28% over the same period. This improvement in the balance sheet composition has offset a 23bps spread compression resulting from a combination of lower investment yields and the lagged effect of loan repricing compared to deposits. Domestic net interest income for 9M'18 is thus flat at Rs 53.4 billion YoY. While international revenues have bottomed out and are starting to turn around, these were nevertheless significantly lower than the previous year. Consequently, HBL's total net interest income reduced by 3% YoY to Rs 57.1 billion.

Card related fees and fees from account operations for 9M'18 increased by 38% over the same period last year, driving a 10% growth in core domestic fee income. However, due to the steep decline in income from home remittances, total domestic fees were 4% lower than for 9M'17. Core FX income improved by 33% as Trading businesses leveraged available opportunities in the volatile currency market. Headwinds impacting non-markup income were a 51% reduction in fees and commissions from the International business, a one-time fee reversal in the domestic business, the revaluation loss on overseas borrowings due to the continued slide of the Rupee (Rs 3.2 billion) and non-replication of capital gains realized in 9M'17. Consequently, total non mark-up income for 9M'18 is reported at Rs 12.1 billion.

Headline administrative expenses for 9M'18 showed an increase of 28% over the first nine months of 2017. Costs related to legal, compliance and remediation efforts in NY accounted for more than a third of this increase. In addition, there were several items not present in the expense base for 2017. These included the 1-off charge for pensions, the impact of Rupee devaluation on international expenses, new regulatory requirements of deposit insurance and the cost of HBL's global business and compliance transformation project. On a comparable basis, the Bank's administrative expenses increased by 5.4%. The positive recovery stream led to a continued reduction in domestic non-performing loans, which decreased by Rs 2.1 billion, and provision reversals of Rs 570 million compared to a provision charge of Rs 229 million in 9M'17. However, the slump in the equity markets resulted in the Bank recording an impairment charge of Rs 2.1 billion on investments.

Movement of Reserves

	Rs million
Unappropriated profit brought forward - restated	87,300
Profit after tax	9,015
Re-measurement gain on defined benefit obligations – net	287
Transferred from surplus on revaluation of assets – net of tax	45
	9,347
Profit available for appropriations	96,647
Appropriations	
Transferred to statutory reserves	(902)
Cash Dividend – Final 2017	(1,467)
Cash Dividend – 1st Interim 2018	(1,467)
Cash Dividend – 2nd Interim 2018	(1,467)
	(5,303)
Unappropriated profit carried forward	91,345
Earnings per share (Rupees)	6.15

Capital Ratios

HBL continues to follow a conservative dividend policy and optimize its Risk Assets. The Capital Adequacy Ratios remained strong – the Tier 1 CAR at 13.02% is 92 bps higher than December 2017, while the total CAR has increased by 100 bps to 16.79%.

Dividend

The Board of Directors, in its meeting held on October 25, 2018 has declared an interim cash dividend of Rs 1.00 per share (10%) for the quarter ended September 30, 2018. This is in addition to the interim cash dividend of Rs 2.00 per share (20%) already declared and paid for the first two quarters of 2018.

Future Outlook

Pakistan's economy faces strong headwinds from rising international oil prices, high interest rates and sharp deterioration in the twin deficits which persist at risky levels. The benign inflation of the last few years is now at an end and growth projections have already been revised downwards. Recently, the Government has stated that it will seek assistance from the IMF to overcome the country's economic challenges. This has been a source of much relief for the commercial sector, which has been anxious to see concrete steps to address the serious issues around dwindling reserves and the Balance of Payments concerns. Over the near term, government borrowing from commercial banks is likely to be much higher, putting upward pressure on interest rates, and potentially crowding out the private sector.

Urgent steps are also needed on the fiscal side. The Government's campaign to fight corruption and investigate overseas assets is a step forward and the actions against tax non-filers are beginning to be felt. However, rebasing the tax/GDP ratio towards regional levels will be more difficult, as this will require taxing sectors that for decades have remained untouched. The circular debt problem has now assumed alarming proportions and hard steps will be required to tackle this, including tariff increases and privatization of inefficient distribution companies.

HBL's results for the nine months of 2018 continue to be impacted by the several headwinds emanating primarily from its international businesses. The underlying performance of the domestic franchise remains robust and on the right trajectory and will be more clearly reflected in headline results once the international business stresses alleviate towards the latter part of next year. HBL's capital has improved to a strong position and the Bank is playing a leading role in supporting the nation's development, the growth of priority sectors and promoting the financial inclusion of Pakistan's unbanked population.

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
October 25, 2018

ڈائریکٹرز جائزہ

مجھے بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2018ء کو ختم ہونے والے نو ماہ کے مختصر عبوری غیر جامع مالیاتی گوشوارے پیش کرتے ہوئے مسرت ہو رہی ہے۔

ملکی معیشت

مالی سال 2018ء میں جی ڈی پی میں اضافے کی 13 سالہ بلند 5.8 فیصد شرح کے بعد مالی سال 2019ء میں معاشی اضافہ سست ہونے کی توقع ہے کیونکہ حکومت کی توجہ اب استحکام پر مرکوز ہے۔ لارج اسکیل مینوفیکچرنگ میں جون اور جولائی میں 1 فیصد سے کم اضافہ ہوا جو اس سست روی کی ابتدائی عکاسی کرتا ہے۔ اسی پس منظر میں اسٹیٹ بینک نے جی ڈی پی میں اضافہ کے ہدف کو 6.2 فیصد کے ابتدائی اندازوں میں کمی کر کے 5 فیصد کر دیا ہے کیونکہ بیرونی محاذ اور مالی جانب پر موجود چیلنجز کے باعث حقیقی معاشی سرگرمی میں رکاوٹ کا امکان ہے۔ افراط زر میں گزشتہ تین برسوں تک رہنے والا اعتدال اب پلٹ چکا ہے اور مرکزی افراط زر جو گزشتہ برس 3.4 فیصد تھا مالی سال 2019ء کی پہلی سہ ماہی میں بڑھ کر 5.6 فیصد ہو گیا جس کی اہم وجہ توانائی کی قیمتوں میں اضافہ اور کرنسی ایڈجسٹمنٹ ہیں۔

مالی سال 2018ء کی برآمداتی وصولی کا رجحان اور مالی سال 2019ء کی پہلی سہ ماہی میں جاری رہا اور گزشتہ برس کی اسی مدت کے مقابلے میں برآمدات میں 3.6 فیصد اضافہ ہوا۔ ملکی درآمدات پرتیل کی بین الاقوامی قیمتوں کا دباؤ جاری رہا جو مالی سال 2019ء کی پہلی سہ ماہی میں 6 فیصد بڑھ گئیں جس کے باعث تجارتی خسارہ 7.6 فیصد سے بڑھ کر 7.9 ارب امریکی ڈالر ہو گیا۔ ترسیلات میں بہتری جاری رہی جو پچھلے برس سے 13.2 فیصد بڑھ گئی جس نے تجارتی عدم توازن کی تلافی کی جس کے نتیجے میں کرنٹ اکاؤنٹ کا خسارہ مالی سال 2019ء کی پہلی سہ ماہی میں 2.6 فیصد گھٹ کر 13.7 ارب امریکی ڈالر ہو گیا۔

بیرونی اکاؤنٹ میں کمزوری درآمدی کوری کم سطح کے ساتھ ایک حقیقی تشویش ہے۔ زرمبادلہ کے ذخائر میں بیرونی خسارہ کی فائنلنگ کرنے کے باعث مزید گراؤٹ ہوئی جو سہ ماہی کے دوران 9.2 فیصد تنزلی کے بعد 14.9 ارب امریکی ڈالر رہ گئے۔ روپیہ متعدد مرتبہ گھٹایا گیا اور اکتوبر کے پہلے ہفتے میں مزید ایڈجسٹمنٹ روپیہ کو 133 فی ڈالر پر لے گئی جو پورے برس میں 21 فیصد تنزلی ہے۔ بگڑتی ہوئی بنیادوں کے باعث موڈیز کی پاکستان پر آؤٹ لک کو ڈاؤن گریڈ کر دیا گیا۔

عبوری مالی خسارہ جو مالی سال 2017ء میں 5.8 فیصد تھا مالی سال 2018ء کے تقابل میں جی ڈی پی کا 6.6 فیصد رہا۔ خسارہ ابتدائی طور پر جی ڈی پی کا 4.1 فیصد بجٹ کیا گیا تھا لیکن ریونیو میں کمی، قرضوں کی بلند تر ادائیگی اور انتخابی اخراجات ان سب کی وجہ سے خسارہ میں خرابی پیدا ہوئی۔ حکومت نے ایک ضمنی فائنل بل کا اعلان کیا تاکہ مالی کمی اور خسارہ کو 2019ء میں 5.5 فیصد تک رکھا جائے۔ کلیدی فیصلے بلند انفرادی ٹیکس شرح کی بحالی، ترقیاتی اخراجات میں کمی اور نان ٹیکس فائیلرز کے لئے جائیداد اور گاڑیوں کی خریداری پر پابندی عائد کرنا تھے۔

نئی حکومت کی کسی مشکل کے بغیر تبدیلی کے باعث اسٹاک مارکیٹ میں پیدا ہونے والی خوش امیدیں کم عرصہ ہی رہی۔ مارکیٹ خطرات کی طرف سے چوکنا ہے جس کی وجوہات ابھرتی ہوئی مارکیٹس کی غیر یقینی، پاکستان کے بیرونی شعبہ کے چیلنجز اور واضح پالیسیوں کا فقدان ہیں۔ پاکستان اسٹاک ایکسچینج میں مالی سال 2019ء کی پہلی سہ ماہی میں فارن انویسٹمنٹ پورٹ فولیو میں 200 ملین امریکی ڈالر کا خالص آؤٹ فلو دیکھا گیا اور جب سے مزید تنزلی ہوئی اور 2018ء کے آغاز سے اس کی قدر میں 6.5 فیصد سے مزید گراؤٹ ہوئی۔

اسٹیٹ بینک نے اپنے ستمبر کے مانیٹری پالیسی بیان میں پالیسی ریٹ 100 بی پی ایس بڑھا کر 8.5 فیصد کر دیا جو 2018ء میں چوتھا اضافہ تھا جس کی وجہ سے سال کا مجموعی پالیسی ریٹ میں اضافہ 275 بی پی ایس ہو گیا۔ بیان کی گئی وجوہات میں بلند افراط زر کی توقعات، بیرونی اکاؤنٹ پر دباؤ اور بڑھتا ہوا مالی خسارہ شامل تھے۔ نجی شعبہ میں کریڈٹ کا آف ٹیک مالی سال 2019ء کی پہلی سہ ماہی میں 112 ارب سے روپے سے بڑھ گیا جو اس کے مقابلے میں گزشتہ برس کی اسی مدت میں 852 ارب روپے تھا۔ بینکنگ شعبہ کے قرضہ جات میں سہ ماہی میں 1.9 فیصد اضافہ ہوا جبکہ پازس جون کی سطح پر قائم رہے۔

ریز روز کی تفصیلات

ملین روپے

87,300
9,015
287
45
9,347
96,647

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 تخصیص پر سرپلس سے منتقل شدہ - محصول کا خالص

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقم

(902)
(1,467)
(1,467)
(1,467)
(5,303)

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ - مجموعی حتمی 2017

نقد منافع منقسمہ - پہلا عبوری 2018

نقد منافع منقسمہ - دوئم عبوری 2018

91,345

اختتامی غیر تخصیص شدہ منافع

فی حصص (شیر) آمدنی (روپے)

6.15

کیپیٹل ریشیوز

ایچ بی ایل میں قدامت پسند منافع پالیسی کی مسلسل پیروی کرتا ہے اور وہ اپنے رسک ایسٹس کو بہتر بناتا ہے۔ کیپیٹل ایڈی کیسی ریشیوز (CAR) بدستور مضبوط ہیں۔ Tier 1 CAR 13.02 فیصد دسمبر 2017ء سے 92 بی پی ایس زیادہ ہے جبکہ مجموعی CAR 100 بی پی ایس بڑھ کر 16.79 فیصد سے زائد ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے اپنے اجلاس منعقدہ 25 اکتوبر 2018ء میں 30 ستمبر 2018ء کو ختم ہونے والی سہ ماہی کے لئے 1.00 روپیہ فی شیر عبوری کیش منافع کا اعلان کیا ہے۔ یہ اس 2.00 روپے (20%) فی شیر عبوری کیش منافع کے علاوہ ہے جس کا 2018ء کی پہلی 2 سہ ماہیوں کے لئے پہلے ہی اعلان اور ادائیگی کی جا چکی ہے۔

مستقبل کی صورتحال

پاکستان کی معیشت کو بڑھتی ہوئی بین الاقوامی تیل کی قیمتیں، بلند انٹرسٹ ریٹس اور خطرناک سطحوں تک باقی رہنے والے جڑواں خساروں میں تیز خرابی کے باعث سخت باخلاف کا سامنا ہے۔ گزشتہ چند برسوں کا بے ضرر افراط زر اب اختتام پر ہے جبکہ اضافہ کی پروجیکشنز پہلے ہی تیزی کی جانب بدل دی گئی ہیں۔ حال ہی میں حکومت نے اعلان کیا کہ وہ ملک کے معاشی چیلنجز سے نمٹنے کے لئے آئی ایم ایف سے مدد مانگے گی۔ یہ تجارتی شعبہ کے لئے خاصا ریلیف کا باعث ہے جو گرتے ہوئے ذخائر اور توازن ادائیگی کے سنگین معاملات میں سدھار کے لئے ٹھوس اقدامات کے لئے فکر مند تھا۔ قریبی مدت میں حکومت کی جانب سے تجارتی بینکوں سے قرض لینے کی رفتار بلند تر رہنے کا امکان ہے جس کی وجہ سے انٹرسٹ ریٹس پر بڑھتا ہوا باؤنڈ پڑے گا اور نجی شعبہ کے لئے گنجائش کم رہے گی۔

اوسط بینکنگ اسپرڈ مالی سال 2018ء کے 8 ماہ کے لئے مزید 16 بی پی ایس کم ہو کر 4.83 فیصد ہو گئے کیونکہ انٹرسٹ ریٹ میں اضافے کے اثرات اسپرڈ پر آئندہ مرتب ہونگے۔

کارکردگی

ایچ بی ایل کا مقامی کاروبار مسلسل اچھی کارکردگی دکھا رہا ہے۔ ڈپازٹس دسمبر 2017ء کے مقابلے میں 4.5 فیصد بڑھ کر 1.8 کھرب روپے ہو گئے جبکہ CASA میں 101 ارب روپے کے اضافے نے مزید بہتری پیدا کی جس سے ریشو بڑھ کر 88.1 فیصد ہو گیا۔ کرنٹ ڈپازٹس نے مضبوط کارکردگی دکھائی جو دسمبر 2017ء کے مقابلے میں 9.6 فیصد بڑھ کر 688 ارب روپے ہو گئے اور کرنٹ اکاؤنٹس کا ڈپازٹ مکس میں حصہ بڑھ کر 37.3 فیصد ہو گیا۔ ایچ بی ایل کے مقامی قرضہ جات ترقی کی راہ پر گامزن ہیں جو اس سہ ماہی میں 3.3 فیصد بڑھ کر 819 ارب روپے ہو گئے اور کل اضافہ نو ماہ میں 16.7 فیصد ہو گیا۔ بینک کی کنزیومر قرضہ جات کی مارکیٹ میں قائدانہ حیثیت بھی ایک کلیدی سنگ میل پر پہنچ گئی جس میں بینک کا حصہ 50 ارب روپے سے تجاوز کر گیا۔

2018ء کے 9 ماہ کی رپورٹ کی گئی بینک کی مالی کارکردگی متعدد عناصر سے متاثر رہی ہے جن میں پینشن کی لاگت میں تبدیلی، روپے کی قدر میں لگاتاری کمی کے بیرونی قرضوں اور اخراجات پر اثرات، بینک کے بین الاقوامی کاروبار کی ری اسٹرکچرنگ اور نیویارک برانچ سے متعلق ری میڈی ایشن، قانونی اور ریگولیٹری لاگت شامل ہیں۔ نتیجتاً ایچ بی ایل کا 2018ء کے پہلے 9 ماہ کے لئے قبل از ٹیکس منافع 15.5 ارب روپے رہا جبکہ بعد از ٹیکس منافع اسی مدت کے لئے 9.0 ارب روپے ہے۔ 2018ء کے 9 ماہ کے لئے 2017ء کے 9 ماہ میں جس میں نیویارک برانچ کی سیٹلمنٹ کی ادائیگی بھی شامل ہے 0.14 روپے کے مقابلے میں فی شیئر آمدنی 6.15 روپے رہی۔

اوسط مقامی کرنٹ اکاؤنٹس 2018ء کے پہلے 9 ماہ 2017ء کے 9 ماہ کے مقابلے میں 15 فیصد بڑھ گئے جبکہ اوسط مقامی قرضہ جات میں اسی مدت کے برعکس 28 فیصد اضافہ ہوا۔ بیلنس شیٹ کے تشکیلی عناصر کی بہتری نے 23 بی پی ایس کے اسپرڈ کمپریشن کے اثرات ختم کر دیئے جو سرمایہ کاری کی کم پیداوار اور قرضوں کی ڈپازٹس کے موازناتی ری پرائسنگ کے آئندہ کے اثرات کے ملاپ کے نتیجے میں تھے۔ اسی لئے خالص مقامی انٹرسٹ آمدنی برائے 9 ماہ 2018ء 53.4 ارب روپے سے ہموار رہی۔ باوجود اس امر کے کہ بین الاقوامی آمدنی اپنی انتہائی نچلی سطح تک پہنچ کر رخ بدلتا شروع کر رہی ہے یہ گزشتہ برس کے مقابلے میں اب بھی اچھے خاصے کم ہیں۔ نتیجے کے طور پر ایچ بی ایل کی کل خالص انٹرسٹ آمدنی سال با سال 3 فیصد کم ہو کر 57.1 ارب روپے ہو گئی۔

کارڈ سے متعلق فیس اور اکاؤنٹ آپریشن فیس میں 2018ء کے 9 ماہ کے لئے گزشتہ برس کی اسی مدت کے مقابلے میں 38 فیصد اضافہ ہو گیا جس کی وجہ سے بنیادی مقامی فیسوں کی آمدنی میں 10 فیصد اضافہ ہوا۔ تاہم ترسیلات زر کے ذریعے آمدنی میں خاصی کمی کی وجہ سے کل مقامی فیس 2017ء کے 9 ماہ کے برعکس 4 فیصد کم رہیں۔ بنیادی زر مبادلہ سے آمدنی میں 33 فیصد بہتری پیدا ہوئی کیونکہ تجارتی کاروبار نے سخت غیر یقینی کرنی مارکیٹ میں دستیاب مواقع سے لیوریج حاصل کیا۔ باوجود مخالف نے نان مارک اپ آمدنی کو متاثر کیا اور وہ بین الاقوامی کاروبار سے حاصل ہونے والی فیس اور کمیشن میں 51 فیصد کمی کا باعث ہوئیں، نیز مقامی کاروبار میں ون ٹائم فیس کی تبدیلی، روپے میں مسلسل گراؤ کے باعث بیرونی قرضوں پر قدر و قیمت کے تعین کی مد میں ہونے والے نقصان اور کیپٹل گین جو 2017ء کے 9 ماہ میں حاصل کر لئے گئے تھے۔ ان سب عوامل کے نتیجے میں کل نان مارک اپ آمدنی 2018ء کے 9 ماہ کے لئے 12.1 ارب روپے رپورٹ کی گئی۔

کلیدی انتظامی اخراجات میں 2018ء کے 9 ماہ میں 2017ء کے 9 ماہ کے برعکس 28 فیصد اضافہ ہوا۔ ان میں ایک تہائی سے زائد اخراجات نیویارک میں قانونی، تعمیل اور ری میڈی ایشن کی کوششوں کی مد میں ہوئے۔ مزید برآں ایسے متعدد عناصر بھی شامل ہیں جو 2017ء میں نہیں تھے۔ ان میں پینشن کی مد میں ون آف چارج، روپے کی قدر میں کمی کے بین الاقوامی اخراجات پر اثرات، ڈپازٹ انشورنس کی نئی ریگولیٹری ضروریات اور ایچ بی ایل کے گلوبل کاروبار اور مطابقت و تبدیلی ہیئت (Compliance Transformation) پروجیکٹ کی لاگت شامل ہیں۔ موازناتی بنیادوں پر بینک کے انتظامی اخراجات میں 5.4 فیصد اضافہ ہوا۔ مثبت ریکوری بہاؤ کی وجہ سے نان پرفارمنگ قرضہ جات میں مسلسل کمی، جو 2.1 ارب روپے گھٹ گئے، اور 2017ء کے 9 ماہ میں 229 ملین روپے کے مقابل 570 ملین روپے کی پروویژن تبدیلیاں ہوئیں۔ تاہم حصص بازار میں مندی کے نتیجے میں بینک نے 2.1 ارب روپے مالیت کا سرمایہ کاریوں پر ایک امپیئر منٹ چارج عائد کیا۔

مالیاتی جانب بھی فوری اقدامات کی ضرورت ہے۔ کرپشن کے خلاف حکومتی مہم اور بیرونی اثاثوں کی چھان بین ایک پیش قدمی ہے اور نان فائیلرز کے خلاف اقدامات اب محسوس کئے جانے لگے ہیں۔ تاہم ٹیکس / جی ڈی پی ریشو کو علاقائی سطحوں کی جانب ری بیس کرنا زیادہ مشکل ہوگا کیونکہ اس کے لئے ان شعبوں پر ٹیکس عائد کرنا پڑے گا جنہیں عشروں سے ہاتھ نہیں لگایا گیا ہے۔ سرکلر ڈیٹ کا مسئلہ اب خطرناک صورت اختیار کر چکا ہے اور اس سے نمٹنے کے لئے سخت اقدامات کی ضرورت ہوگی جن میں ٹیرف میں اضافے اور غیر مستعد ڈسٹری بیوشن کمپنیز کی نجکاری شامل ہیں۔

ایچ بی ایل کے 2018ء کے 9 ماہ کے نتائج بھی متعدد باخلاف سے متاثر ہوئے ہیں جو بنیادی طور پر اس کے بین الاقوامی کاروبار سے آرہی ہیں۔ مقامی فرنیچر کی بنیادی کارکردگی مضبوط اور درست راہ پر گامزن ہے اور یہ کلیدی نتائج میں زیادہ صاف طور پر منعکس ہوگی جب بین الاقوامی کاروبار کا دباؤ آئندہ برس کے اختتامی حصہ تک کم ہو جائے گا۔ ایچ بی ایل کا سرمایہ بہتر ہو کر ایک مضبوط پوزیشن میں ہے اور قوم کی ترقی کی مدد میں، ترجیحی سیکٹرز کے اضافہ میں اور پاکستان کی اس آبادی کی مالی شمولیت کے بارے میں جو ابھی بینک کی سہولت سے محروم ہیں ان سب میں بینک ایک قائدانہ کردار ادا کر رہا ہے۔

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

25 اکتوبر 2018ء

Condensed Interim Unconsolidated Statement of Financial Position

As at September 30, 2018

	Note	(Unaudited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Restated)
ASSETS			
Cash and balances with treasury banks		246,960,237	230,256,066
Balances with other banks		22,647,847	28,777,991
Lendings to financial institutions		29,100,000	33,900,345
Investments	6	1,157,475,680	1,335,782,671
Advances	7	906,967,324	800,688,978
Operating fixed assets	8	61,559,676	56,920,682
Deferred tax asset		8,286,137	3,900,457
Other assets		66,731,809	72,831,923
		2,499,728,710	2,563,059,113
LIABILITIES			
Bills payable		28,090,544	33,617,261
Borrowings	9	239,010,808	395,486,210
Deposits and other accounts	10	1,959,001,090	1,899,511,435
Subordinated loan		9,990,000	9,994,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		87,254,778	51,746,248
		2,323,347,220	2,390,355,154
NET ASSETS		176,381,490	172,703,959
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		53,183,465	49,519,342
Unappropriated profit		91,345,699	87,300,494
		159,197,689	151,488,361
Surplus on revaluation of assets - net of deferred tax	11	17,183,801	21,215,598
		176,381,490	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

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the nine months ended September 30, 2018

	Note	January 01 to September 30, 2018	January 01 to September 30, 2017	July 01 to September 30, 2018	July 01 to September 30, 2017
----- (Rupees in '000) -----					
Mark-up / return / profit / interest earned	13	111,284,302	105,402,577	39,370,226	35,563,927
Mark-up / return / profit / interest expensed	14	54,222,022	46,494,503	20,001,494	16,101,881
Net mark-up / return / profit / interest income		57,062,280	58,908,074	19,368,732	19,462,046
(Reversal) / provision against advances	7.2	(569,849)	229,436	(220,943)	(272,626)
Provision / (reversal) against off-balance sheet obligations		20,173	(8,992)	17,502	41,241
Provision for diminution in the value of investments	6.2	2,085,134	774,384	1,823,326	126,862
Bad debts written off directly		-	-	-	-
		1,535,458	994,828	1,619,885	(104,523)
Net mark-up / return / profit / interest income after provisions		55,526,822	57,913,246	17,748,847	19,566,569
Non mark-up / interest income					
Fee, commission and brokerage income		11,296,566	14,018,548	3,024,983	4,796,661
Dividend income		1,276,963	1,890,497	268,189	383,347
(Loss) / income from dealing in foreign currencies		(1,237,460)	1,516,658	140,930	441,055
Gain on sale of securities - net		752,604	4,988,761	201,202	3,170,332
Unrealised (loss) / gain on held-for-trading securities		(48,436)	(99,000)	4,807	(75,359)
Other income / (loss)		17,780	962,349	(108,778)	198,237
Total non mark-up / interest income		12,058,017	23,277,813	3,531,333	8,914,273
		67,584,839	81,191,059	21,280,180	28,480,842
Non mark-up / interest expense					
Administrative expenses	15	51,114,403	39,921,503	18,282,733	13,891,748
Other provisions / write offs - net		154,488	403,742	46,665	337,443
Other charges		465,994	2,499	156,774	1,992
Workers' Welfare Fund		317,028	810,590	55,717	278,416
Total non mark-up / interest expenses		52,051,913	41,138,334	18,541,889	14,509,599
Profit before extraordinary / unusual item and taxation		15,532,926	40,052,725	2,738,291	13,971,243
Extraordinary / unusual item - settlement payment to New York State Department of Financial Services		-	23,717,115	-	23,717,115
Profit / (loss) before taxation		15,532,926	16,335,610	2,738,291	(9,745,872)
Taxation					
- Current		8,795,128	14,725,933	3,182,617	5,105,660
- Prior years		-	2,072,385	-	-
- Deferred		(2,277,505)	(670,456)	(1,889,576)	(60,757)
		6,517,623	16,127,862	1,293,041	5,044,903
Profit / (loss) after taxation		9,015,303	207,748	1,445,250	(14,790,775)
----- (Rupees) -----					
Basic and diluted earnings / (loss) per share		6.15	0.14	0.99	(10.08)

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

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Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2018

	January 01 to September 30, 2018	January 01 to September 30, 2017	July 01 to September 30, 2018	July 01 to September 30, 2017
	----- (Rupees in '000) -----			
Profit / (loss) after taxation for the period	9,015,303	207,748	1,445,250	(14,790,775)
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	2,762,593	46,290	(96,809)	363,274
<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	-	-	-
Comprehensive income / (loss) transferred to equity	12,064,909	254,038	1,348,441	(14,427,501)
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	(3,998,024)	(7,031,357)	(1,324,566)	(5,531,818)
<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	-	-
Transferred to surplus on revaluation of operating fixed assets - net of tax	(2,461)	(10,079)	-	-
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	11,202	(459,676)	-	(576,770)
	8,741	(469,755)	-	(576,770)
Total comprehensive income / (loss)	8,078,087	(7,236,995)	23,875	(20,536,089)

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Condensed Interim Unconsolidated Statement of Changes In Equity (Unaudited)

For the nine months ended September 30, 2018

	Share capital	Exchange translation reserve	Reserves		General reserve	Unappropriated profit (restated)	Total
			Capital	Non - distributable capital reserve			
			Statutory reserve				
(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 nine months ended September 30, 2017	-	-	-	-	-	207,748	207,748
Other comprehensive income							
Effect of translation of net investment in foreign branches - net	-	46,290	-	-	-	-	46,290
	-	46,290	-	-	-	207,748	254,038
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)
2nd interim cash dividend - Rs 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(15,401,952)	(15,401,952)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	28,389	28,389
Transferred to statutory reserve	-	-	20,775	-	-	(20,775)	-
Balance as at September 30, 2017 (restated)	14,668,525	10,499,641	30,092,859	547,115	6,073,812	81,456,419	143,338,371
Comprehensive income for the period							
Profit after taxation for the three months ended December 31, 2017 (restated)	-	-	-	-	-	7,522,799	7,522,799
Other comprehensive income / (loss)							
Effect of translation of net investment in foreign branches - net	-	1,976,706	-	-	-	-	1,976,706
Remeasurement loss on defined benefit obligations- net	-	-	-	-	-	(1,007,627)	(1,007,627)
	-	1,976,706	-	-	-	6,515,172	8,491,878
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	14,568	14,568
Exchange translation realised on sale of Bank branches	-	(356,456)	-	-	-	-	(356,456)
Transferred to statutory reserve	-	-	685,665	-	-	(685,665)	-
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 nine months ended September 30, 2018	-	-	-	-	-	9,015,303	9,015,303
Other comprehensive income							
Effect of translation of net investment in foreign branches - net	-	2,762,593	-	-	-	-	2,762,593
Remeasurement gain on defined benefit obligations - net	-	-	-	-	-	287,013	287,013
	-	2,762,593	-	-	-	9,302,316	12,064,909
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)
2nd interim cash dividend - Rs 1.0 per share	-	-	-	-	-	(1,466,852)	(1,466,852)
	-	-	-	-	-	(4,400,556)	(4,400,556)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	44,975	44,975
Transferred to statutory reserve	-	-	901,530	-	-	(901,530)	-
Balance as at September 30, 2018	14,668,525	14,882,484	31,680,054	547,115	6,073,812	91,345,699	159,197,689

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

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Director

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the nine months ended September 30, 2018

	January 01 to September 30, 2018	January 01 to September 30, 2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before extraordinary / unusual item and taxation	15,532,926	40,052,725
Dividend income	(1,276,963)	(1,890,497)
	14,255,963	38,162,228
Adjustments for:		
Depreciation	2,486,655	2,332,051
Amortisation	520,995	379,408
(Reversal) / provision against advances	(569,849)	229,436
Provision / (reversal) against off-balance sheet obligations	20,173	(8,992)
Provision for diminution in the value of investments	2,085,134	774,384
Other provisions / write offs - net	154,488	403,742
Unrealised loss on held-for-trading securities	48,436	99,000
Gain on sale of operating fixed assets - net	(51,717)	(9,749)
Workers' Welfare Fund	317,028	810,590
	5,011,343	5,009,870
	19,267,306	43,172,098
(Increase) / decrease in operating assets		
Lendings to financial institutions	4,800,345	20,854,794
Net investments in held-for-trading securities	6,673,039	(152,829,244)
Advances	(105,708,497)	(89,346,340)
Other assets (excluding advance taxation)	8,221,173	290,434
	(86,013,940)	(221,030,356)
(Decrease) / increase in operating liabilities		
Bills payable	(5,526,717)	(652,263)
Borrowings	(156,475,402)	15,490,532
Deposits and other accounts	59,489,655	131,827,374
Other liabilities	34,759,515	9,423,349
	(67,752,949)	156,088,992
	(134,499,583)	(21,769,266)
	(11,079,163)	(19,425,451)
	(145,578,746)	(41,194,717)
Income tax paid		
Net cash flows used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	103,532,036	85,099,006
Net investments in held-to-maturity securities	60,004,320	332,389
Net investments in subsidiaries	-	(441,933)
Net investments in associates	(186,780)	(2,464,889)
Dividend income received	1,205,801	1,659,726
Fixed capital expenditure	(7,537,535)	(16,108,456)
Proceeds from sale of fixed assets	78,067	21,738
Effect of translation of net investment in foreign branches - net	2,762,593	46,290
Net cash flows from investing activities	159,858,502	68,143,871
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	(4,000)	(4,000)
Dividend paid	(3,701,729)	(13,658,170)
Net cash flows used in financing activities	(3,705,729)	(13,662,170)
Cash outflow for settlement payment to New York State Department of Financial Services	-	(23,717,115)
	10,574,027	(10,430,131)
Decrease in cash and cash equivalents during the period		
Cash and cash equivalents at the beginning of the period	250,247,103	251,694,015
Effects of exchange rate changes on cash and cash equivalents	8,786,954	837,752
	259,034,057	252,531,767
Cash and cash equivalents at the end of the period	269,608,084	242,101,636

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

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 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 cannot be adjusted against the 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 September 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	(130,057)	(131,799)	(803,615)
Increase in surplus on revaluation of assets – net of tax	130,057	131,799	803,615
	For the nine months ended		
	September 30, 2018	September 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 nine months ended September 30, 2018

3.1.2 As per the accounting policy of the Bank (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 requirements of the respective regulatory regimes in which the branches operate. During the current period, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches of the Bank. Under this accounting standard, provision against advances is determined under the expected credit loss model whereas, previously, it was determined under the incurred loss model. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9 while determining the requirements for provisioning against advances.

The adoption of this standard by these overseas branches resulted in additional provisioning requirement of Rs 21.314 million as at September 30, 2018. This includes Rs 24.728 million in respect of the prior year. As the amount involved is not considered material, this has been incorporated in the current period and the opening balance of retained earnings has not been adjusted.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements are 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	September 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Investments by type	(Rupees in '000)					
Held-for-trading (HFT)						
<i>Federal Government securities</i>						
- Market Treasury Bills	54,802,771	2,984,799	57,787,570	47,907,444	-	47,907,444
- Pakistan Investment Bonds	3,634,430	-	3,634,430	17,918,321	-	17,918,321
- Sukuks	-	-	-	1,999,062	-	1,999,062
<i>Fully paid-up ordinary shares</i>						
- Listed companies	3,740	-	3,740	274,651	-	274,651
<i>Overseas Government securities</i>	125,120	-	125,120	149,311	-	149,311
	58,566,061	2,984,799	61,550,860	68,248,789	-	68,248,789
Held-to-maturity (HTM)						
<i>Federal Government securities</i>						
- Market Treasury Bills	-	-	-	-	-	-
- Pakistan Investment Bonds	172,607,616	-	172,607,616	229,596,422	-	229,596,422
- Government of Pakistan US Dollar Bonds	125,491	-	125,491	1,177,868	-	1,177,868
<i>Debentures and corporate debt instruments</i>						
- Listed	10,467,993	-	10,467,993	6,899,728	-	6,899,728
- Unlisted	20,155,098	-	20,155,098	18,078,775	-	18,078,775
<i>Overseas Government securities</i>	6,996,360	-	6,996,360	14,604,085	-	14,604,085
	210,352,558	-	210,352,558	270,356,878	-	270,356,878
Available-for-sale (AFS)						
<i>Federal Government securities</i>						
- Market Treasury Bills	410,031,768	88,911,732	498,943,500	328,211,635	131,244,262	459,455,897
- Pakistan Investment Bonds	231,116,374	2,516,628	233,633,002	238,386,542	134,373,604	372,760,146
- Government of Pakistan US Dollar Bonds	1,834,650	-	1,834,650	1,487,595	-	1,487,595
- Sukuks	72,577,614	-	72,577,614	83,205,706	-	83,205,706
<i>Fully paid-up ordinary shares</i>						
- Listed companies	15,191,936	-	15,191,936	19,661,232	-	19,661,232
- Unlisted companies	3,761,004	-	3,761,004	2,711,847	-	2,711,847
<i>Debentures and corporate debt instruments</i>						
- Listed	7,198,720	11,846,741	19,045,461	283,688	15,378,666	15,662,354
- Unlisted	13,616,319	-	13,616,319	14,086,144	-	14,086,144
<i>Overseas Government securities</i>	10,814,862	-	10,814,862	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
	766,306,860	103,275,101	869,581,961	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	12,508,968	-	12,508,968	12,322,188	-	12,322,188
	1,061,679,649	106,259,900	1,167,939,549	1,057,038,958	280,996,532	1,338,035,490
Provision for diminution in the value of investments	(3,588,185)	-	(3,588,185)	(1,503,051)	-	(1,503,051)
	1,058,091,464	106,259,900	1,164,351,364	1,055,535,907	280,996,532	1,336,532,439
Deficit on revaluation of held-for-trading securities	(45,703)	(2,733)	(48,436)	(73,326)	-	(73,326)
(Deficit) / surplus on revaluation of available-for-sale securities	(6,740,174)	(87,074)	(6,827,248)	(900,806)	224,364	(676,442)
Total investments (net of provision)	1,051,305,587	106,170,093	1,157,475,680	1,054,561,775	281,220,896	1,335,782,671

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

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

	September 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Book value	Market value	Book value	Market value
	(Rupees in '000)			
- Securities classified as held-to-maturity	210,352,558	206,494,724	270,356,878	272,433,165
- Investment in listed associates and joint venture	12,072,737	39,878,667	11,885,957	39,352,301

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

	(Unaudited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
Opening balance	1,503,051	866,152
Charge for the period / year	2,664,449	1,289,086
Reversal for the period / year	(22,504)	(203,605)
Reversed on disposal during the period / year	(556,811)	(619,614)
Net charge	2,085,134	465,867
Recoveries against written off investments	-	171,032
Closing balance	3,588,185	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 are subject to a relaxation from Regulation-8 of the Prudential Regulations given by the SBP through its letter No. BPRD/ BRD(policy)/ 2018-21629 dated October 05, 2018. These TFCs are guaranteed by the Government of Pakistan and do not require any provision. However, mark-up income has been suspended on this amount and is only recognised when received.

	Note	(Unaudited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
7 ADVANCES			
Loans, cash credits, running finances, etc.			
- In Pakistan		725,139,385	628,791,839
- Outside Pakistan		88,207,006	100,618,431
		813,346,391	729,410,270
Net investment in finance lease - in Pakistan		18,043,151	17,127,661
Islamic financing and related assets	20.1.2	94,868,751	84,408,003
Bills discounted and purchased			
- Payable in Pakistan		21,455,085	16,751,077
- Payable outside Pakistan		22,531,324	16,540,552
		43,986,409	33,291,629
Advances - gross		970,244,702	864,237,563
Provision against advances			
- Specific	7.2	(60,269,912)	(60,792,948)
- General		(3,007,466)	(2,755,637)
		(63,277,378)	(63,548,585)
Advances - net of provision		906,967,324	800,688,978

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

- 7.1 Advances include Rs 68,953.442 million (December 31, 2017: Rs 67,037.629 million) which have been placed under non-performing status as detailed below:

Category of classification	September 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	1,562,066	-	1,562,066	-	-	-	1,562,066	-	1,562,066
Substandard	2,960,301	2,559,055	5,519,356	718,756	457,522	1,176,278	2,241,545	2,101,533	4,343,078
Doubtful	1,456,014	905,418	2,361,432	728,007	440,141	1,168,148	728,007	465,277	1,193,284
Loss	42,181,074	17,329,514	59,510,588	41,116,648	16,808,838	57,925,486	1,064,426	520,676	1,585,102
	<u>48,159,455</u>	<u>20,793,987</u>	<u>68,953,442</u>	<u>42,563,411</u>	<u>17,706,501</u>	<u>60,269,912</u>	<u>5,596,044</u>	<u>3,087,486</u>	<u>8,683,530</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>

- 7.1.1 Exposure amounting to Rs 1,977.500 million (December 31, 2017: Rs 8,847.914 million) relating to Power Holding (Private) Limited has not been classified as non-performing, in accordance with a relaxation given by the SBP through its letter No. BPRD/ BRD (Policy)/ 021574/ 2018 dated October 03, 2018. The exposure is fully guaranteed by the Government of Pakistan and does not require any provision. However, mark-up income has been suspended on this amount and is only recognized when received.

7.2 Particulars of provision against advances

	Note	September 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		1,859,240	151,065	2,010,305	782,290	72,468	854,758
Charge for the period / year		2,704,929	210,340	2,915,269	4,996,892	257,577	5,254,469
Reversal for the period / year		(3,375,542)	(109,576)	(3,485,118)	(4,689,330)	(898,245)	(5,587,575)
Net (reversal) / charge against advances		(670,613)	100,764	(569,849)	307,562	(640,668)	(333,106)
Charged off during the period / year	7.4	(332,533)	-	(332,533)	(400,719)	-	(400,719)
Written off during the period / year		(1,664,635)	-	(1,664,635)	(308,726)	-	(308,726)
Transfer out on sale of Kenya and Paris business		-	-	-	(591,554)	(21,004)	(612,558)
Recoveries against write off		285,505	-	285,505	490,809	-	490,809
Other movements		-	-	-	-	16,470	16,470
Closing balance		<u>60,269,912</u>	<u>3,007,466</u>	<u>63,277,378</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 1,550.068 million (December 31, 2017: Rs 1,405.701 million) against consumer finance portfolio. General provision also includes Rs 1,457.398 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 nine months ended September 30, 2018

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

	September 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	1,418,769	(1,754,218)	2,483,590	2,654,280	1,128,856
- in respect of Key Management Personnel	142,108	204,731	(101,991)	244,848	329,931	197,741
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	174,999,165	(170,034,084)	20,956,923	24,198,429	3,727,476
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	605,113	2,265,678	(2,730,587)	140,204	615,717	3,603,227
	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.

Note	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
8 OPERATING FIXED ASSETS		
Capital work-in-progress	8.1 18,948,642	16,995,161
Tangible fixed assets	41,268,103	38,991,464
Intangible assets	1,342,931	934,057
	<u>61,559,676</u>	<u>56,920,682</u>

8.1 This includes Rs 16,183.464 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 nine months ended September 30, 2018

		(Unaudited) For the nine months ended	
		September 30, 2018	September 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	1,953,481	14,184,506
	Tangible fixed assets		
	Land	63,799	-
	Building	857,699	298,003
	Machinery	164,797	2,951
	Furniture, fixtures and office equipment	2,874,824	1,337,214
	Leasehold Improvements	457,754	172,955
	Vehicles	225,194	16,329
		4,644,067	1,827,452
	Intangible assets		
	Computer software	930,685	278,520
		7,528,233	16,290,478
8.3	Disposal of operating fixed assets		
	The cost of operating fixed assets disposed off during the period is as follows:		
	Tangible fixed assets		
	Land	6,000	-
	Building	506	-
	Furniture, fixtures and office equipment	448,361	190,283
	Leasehold Improvements	165,301	19,210
	Vehicles	16,946	3,866
		637,114	213,359
9	BORROWINGS		
	Secured		
	Borrowings from the SBP under		
	- Export refinance scheme	24,698,928	26,343,510
	- Long term financing facility	10,159,360	9,852,123
	- Financing facility for storage of agricultural produce	8,333	-
	- Financing facility for renewable energy power plants	77,256	-
	- Refinance facility for modernization of SMEs	15,650	9,500
		34,959,527	36,205,133
	Repurchase agreement borrowings	105,641,381	279,802,790
		140,600,908	316,007,923
	Unsecured		
	- Call money borrowings	21,544,856	11,385,000
	- Overdrawn nostro accounts	1,029,062	1,540,136
	- Borrowings of overseas branches	33,342,756	28,348,800
	- Other long term borrowings	42,493,226	38,204,351
		98,409,900	79,478,287
		239,010,808	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 nine months ended September 30, 2018

		(Unaudited) September 30, 2018	(Audited) December 31, 2017
		(Rupees in '000)	
10	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Current accounts - non-remunerative	731,210,409	682,227,276
	Savings accounts	929,347,165	864,002,017
	Fixed deposits	261,822,352	288,149,686
		<u>1,922,379,926</u>	<u>1,834,378,979</u>
	Financial institutions		
	Current accounts - non-remunerative	5,372,366	4,607,043
	Savings accounts	29,142,985	59,294,770
	Fixed deposits	2,105,813	1,230,643
		<u>36,621,164</u>	<u>65,132,456</u>
		<u>1,959,001,090</u>	<u>1,899,511,435</u>
		(Unaudited) September 30, 2018	(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	21,330,141	21,372,465
	- Investments	(4,437,711)	(439,687)
	- Non-banking assets acquired in satisfaction of claims	291,371	282,820
	Surplus on revaluation of assets - net of deferred tax	<u>17,183,801</u>	<u>21,215,598</u>
11.1	Surplus on revaluation of operating fixed assets		
	Surplus 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
	Surplus realised on disposal of revalued properties during the period - net of deferred tax	(6,031)	-
	Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(38,754)	(42,789)
	Related deferred tax liability on surplus realised on disposal of revalued properties	(149)	-
	Related deferred tax liability on incremental depreciation charged during the period / year	(20,868)	(23,039)
		<u>22,446,492</u>	<u>22,509,067</u>
	Less: related deferred tax liability on		
	- Revaluation 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
	- Surplus realised on disposal of revalued properties during the period	(149)	-
	- Incremental depreciation charged during the period / year	(20,868)	(23,039)
		<u>1,116,351</u>	<u>1,136,602</u>
		<u>21,330,141</u>	<u>21,372,465</u>
		(Unaudited) September 30, 2018	(Audited) December 31, 2017
		(Rupees in '000)	
11.2	Surplus / (deficit) on revaluation of investments		
	Market Treasury Bills	(120,000)	(81,235)
	Pakistan Investment Bonds	(5,665,430)	569,841
	Government of Pakistan US Dollar Bonds	920	38,635
	Sukuks	(763,698)	485,521
	Listed equity securities	(334,857)	(1,794,580)
	National Investment Trust units	35,092	36,190
	Real Estate Investment Trust units	8,000	-
	Overseas Government securities	(21,598)	4,460
	Other debt instruments	34,323	64,726
		<u>(6,827,248)</u>	<u>(676,442)</u>
	Related deferred tax asset	<u>2,389,537</u>	<u>236,755</u>
		<u>(4,437,711)</u>	<u>(439,687)</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus 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	(190)	(168)
Related deferred tax liability on incremental depreciation charged during the period / year	(102)	(90)
	291,397	283,667
Less: related deferred tax liability on		
- Revaluation 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	(102)	(90)
	26	847
	291,371	282,820
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of		
- Government	337,965	273,782
- Financial institutions	1,009,127	441,000
- Others	58,253,517	38,462,882
	59,600,609	39,177,664
12.2 Transaction-related contingent liabilities		
Guarantees in favour of		
- Government	456,891	269,851
- Financial institutions	74,227	1,713,959
- Others	102,060,084	122,433,335
	102,591,202	124,417,145
12.3 Trade-related contingent liabilities		
Letters of credit in favour of		
- Government	13,451,141	49,835,960
- Financial institutions	1,576,585	5,340,244
- Others	98,609,682	78,286,626
	113,637,408	133,462,830
12.4 Other contingencies		
Claims against the Bank not acknowledged as debts	26,976,730	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 nine months ended September 30, 2018

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	179,822,729	131,801,937
Sale	107,880,525	73,766,803
12.7 Commitments in respect of forward Government securities transactions		
Purchase	25,360,083	20,243,788
Sale	921,821	-
12.8 Commitments in respect of derivatives		
Foreign currency options		
Purchase	511,122	-
Sale	511,122	-
Cross currency swaps		
Purchase	3,277,445	1,633,987
Sale	3,596,867	1,707,050
Interest rate swaps		
Sale	9,872,527	10,315,539
12.9 Commitments for capital expenditure	2,490,083	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 the accounting year 2016.		

	(Unaudited) For the nine months ended September 30, 2018	September 30, 2017
	(Rupees in '000)	
13 MARK-UP / RETURN / PROFIT / INTEREST EARNED		
On advances	48,927,686	39,569,266
On investments in		
- Held-for-trading securities	5,459,965	4,422,803
- Held-to-maturity securities	13,149,491	11,489,867
- Available-for-sale securities	40,631,380	48,635,067
	59,240,836	64,547,737
On deposits with financial institutions	562,671	579,869
On lendings to financial institutions	2,553,109	705,705
	111,284,302	105,402,577

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

		(Unaudited) For the nine months ended	
		September 30, 2018	September 30, 2017
		(Rupees in '000)	
14	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On		
	- Deposits	40,123,018	32,594,064
	- Securities sold under repurchase agreement borrowings	9,040,114	10,822,465
	- Other short-term borrowings	2,561,918	1,451,364
	- Long-term borrowings	2,496,972	1,626,610
		54,222,022	46,494,503

- 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, a 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 the original 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 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 nine months ended September 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 September 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	11,635,714	-	-	11,635,714
- Real Estate Investment Trust units	63,000	-	-	63,000
- Federal Government securities	-	861,828,015	-	861,828,015
- Debentures and corporate debt instruments	-	23,405,723	-	23,405,723
- Overseas Government securities	-	10,904,568	-	10,904,568
- National Investment Trust units	-	46,205	-	46,205
- Unrealised gain on forward foreign exchange contracts	-	1,918,298	-	1,918,298
- Unrealised gain on derivative instruments	-	81,385	-	81,385
- Unrealised loss on forward foreign exchange contracts	-	3,269,190	-	3,269,190
- Unrealised loss on derivative instruments	-	199,836	-	199,836
Non-financial assets				
- Operating fixed assets	-	-	33,157,023	33,157,023
- Non-banking assets acquired in satisfaction of claims	-	-	1,854,606	1,854,606
Items for which fair value is disclosed				
- Federal Government securities	-	166,726,664	-	166,726,664
- Overseas Government securities	-	9,029,689	-	9,029,689
- Debentures and corporate debt instruments	-	30,738,371	-	30,738,371
- Associates and Joint venture	39,878,667	-	-	39,878,667
	<u>51,577,381</u>	<u>1,108,147,944</u>	<u>35,011,629</u>	<u>1,194,736,954</u>
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
	<u>56,511,156</u>	<u>1,283,836,529</u>	<u>34,232,196</u>	<u>1,374,579,881</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the nine months ended September 30, 2018 (Unaudited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
	(Rupees in million)					
Net mark-up income - external	(9,578)	17,757	47,289	3,662	(2,068)	57,062
Inter-segment revenue / (expense) - net	50,107	(12,754)	(40,787)	-	3,434	-
Non-funded income	8,642	2,320	852	1,769	(1,525)	12,058
Total Income	49,171	7,323	7,354	5,431	(159)	69,120
Total expenses including provision	22,188	(910)	2,075	13,400	16,834	53,587
Inter-segment administrative cost	11,775	1,721	333	1,234	(15,063)	-
Total expenses including provision	33,963	811	2,408	14,634	1,771	53,587
Profit / (loss) before tax	15,208	6,512	4,946	(9,203)	(1,930)	15,533
Segment return on assets %	0.69%	0.93%	0.31%	-3.07%	-0.57%	-
Segment cost of funds %	2.98%	5.54%	5.50%	2.00%	0.93%	-
As at September 30, 2018 (Unaudited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
	(Rupees in million)					
Segment assets (gross of provision)	501,509	592,891	1,133,357	209,434	130,274	2,567,465
Segment non-performing advances	8,536	39,385	-	20,794	238	68,953
Segment provision held (including general provision)	6,997	37,418	2,504	19,482	1,335	67,736
Inter-segment assets / (liabilities)	1,195,439	(285,043)	(988,916)	31,076	47,444	-
Segment liabilities and equity	1,689,951	270,430	141,937	221,028	176,383	2,499,729
For the nine months ended September 30, 2017 (Unaudited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
	(Rupees in million)					
Net mark-up income - external	(6,266)	13,563	46,779	5,552	(719)	58,909
Inter-segment revenue / (expense) - net	42,300	(9,333)	(35,685)	-	2,718	-
Non-funded income	9,438	2,236	5,906	2,832	2,865	23,277
Total Income	45,472	6,466	17,000	8,384	4,864	82,186
Total expenses including provision	19,285	(683)	1,335	9,135	13,061	42,133
Inter-segment administrative cost	9,074	1,325	257	950	(11,606)	-
Total expenses including provision	28,359	642	1,592	10,085	1,455	42,133
Profit before extraordinary / unusual item and taxation	17,113	5,824	15,408	(1,701)	3,409	40,053
Extraordinary / unusual item	-	-	-	-	(23,717)	(23,717)
Profit / (loss) before tax	17,113	5,824	15,408	(1,701)	(20,308)	16,336
Segment return on assets %	0.92%	1.12%	0.99%	-0.44%	-12.09%	-
Segment cost of funds %	2.67%	4.90%	5.05%	1.33%	0.66%	-
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 nine months ended September 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, subsidiaries, 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 at the period / year end, other than those disclosed elsewhere in these condensed interim unconsolidated financial statements, are as follows:

	As at September 30, 2018 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Statement of financial position							
Deposits	117,327	22,850	7,099,155	977,808	10,786,058	-	1,477,213
Maximum deposits during the period	232,076	52,542	8,784,686	1,428,274	14,150,284	-	2,929,619
Borrowings	-	-	1,989,855	-	2,236,486	1,242,492	-
Investments	-	-	-	17,672,678	12,373,303	135,665	6,345,898
Provision for diminution in the value of investments	-	-	-	-	-	-	(16,058)
Nostro balances	-	-	183,258	203,881	5,376	1,263	-
Advances	-	244,848	2,872,414	140,204	1,500,000	-	24,709,604
Provision against advances	-	-	-	-	-	-	(1,726,437)
Mark-up receivable	-	359	24,903	72,905	13,208	-	385,664
Other receivable	-	-	5,908	76,416	89,438	-	2,500
Mark-up payable	1,023	71	130,530	416	31,506	20,322	2,201
Other payable	-	-	34,655	120,142	56,114	-	2,510,323
Contingencies and Commitments							
Letters of credit	-	-	454,695	-	-	-	9,864,114
Letters of guarantee	-	-	114,303	100,142	-	-	584,485
Forward purchase of Government securities	-	-	4,933,892	-	-	-	134,514
Interest rate swaps	-	-	1,522,527	-	1,500,000	-	-
Others							
Securities held as custodian	-	8,555	19,381,390	412,943	41,708,430	-	10,843,245

	For the nine months ended September 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	-	13,266	225,182	277,911	180,982	-	1,039,572
Fee and commission income	-	-	142	-	1,941,403	-	14,325
Dividend income	-	-	-	-	652,158	-	55,993
Gain on sale of securities - net	-	-	-	-	373,883	-	-
Mark-up expense	4,598	302	281,116	28,762	300,729	27,688	33,952
Salaries and allowances	-	853,246	-	-	-	-	-
Contribution to provident and benevolent fund	-	11,346	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	2,448,854
Non-Executive Directors' fees	42,000	-	-	-	-	-	-
Other income / (loss)	-	-	(34,655)	29,652	(35,833)	-	-
Other expenses	-	-	46,648	232,007	-	-	412,312
Insurance premium expense	-	-	-	-	878,007	-	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

For the nine months ended September 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	-	25,122	114,854,895	-	-	51,072,310
Sale of Government securities	-	33,307	124,671,362	1,244,262	57,311,907	50,712,516
Insurance claims	-	-	-	-	122,860	-

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 investments	-	-	-	-	-	-	(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
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For the nine months ended September 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	-	8,562	209,451	330,803	114,048	-	964,743
Fee and commission income	-	-	4,149	2,308	1,936,164	-	-
Dividend income	-	-	-	-	373,415	46,941	158,006
Loss on sale of securities - net	-	-	-	-	-	-	858
Mark-up expense	1,668	469	144,630	40,657	154,920	10,220	67,207
Salaries and allowances	-	523,958	-	-	-	-	-
Contribution to provident and benevolent fund	-	10,881	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	467,073
Non-Executive Directors' fees	37,600	-	-	-	-	-	-
Other income	-	-	17,018	21,196	27,578	-	-
Other expenses	-	-	55,398	15,162	-	-	309,664
Insurance premium expense	-	-	-	-	925,757	-	-

Others

Purchase of Government securities	-	99,374	28,778,228	-	34,450	-	17,073,578
Sale of Government securities	-	105,359	46,812,138	-	21,723,361	-	23,813,293
Insurance claims	-	-	-	-	116,870	-	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 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 the Net Stable Funding Ratio (NSFR). The objective of the 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 the 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) September 30, 2018	(Unaudited) June 30, 2018	(Audited) December 31, 2017
		----- Total Adjusted Value ----- ----- (Rupees in '000) -----		
	Total HQLA	995,563,263	993,388,080	962,730,144
	Total Net Cash Outflows	546,873,771	546,953,989	520,941,525
	Liquidity Coverage Ratio (%)	182.05%	181.62%	184.81%
	Minimum Requirement (%)	90.00%	90.00%	90.00%

19.2	Net Stable Funding Ratio	(Unaudited) September 30, 2018	(Audited) December 31, 2017
		Total Weighted Value (Rupees in '000)	
	Total Available Stable Funding (ASF)	2,022,954,309	1,946,812,485
	Total Required Stable Funding (RSF)	1,306,218,215	1,229,522,456
	Net Stable Funding Ratio (%)	154.87%	158.34%
	Minimum Requirement (%)	100.00%	100.00%

20 ISLAMIC BANKING BUSINESS

20.1 STATEMENT OF FINANCIAL POSITION

ASSETS

Cash and balances with treasury banks		9,088,272	7,475,822
Due from financial institutions		-	1,614,839
Investments		93,827,029	104,616,358
Islamic financing and related assets - net	20.1.2	94,755,126	84,297,519
Due from Head Office		978,150	66,226
Deferred tax asset		267,294	-
Other assets		2,550,389	1,022,451
		201,466,260	199,093,215

LIABILITIES

Bills payable		8,249	7,037
Due to financial institutions		27,198,700	24,798,000
Deposits and other accounts	20.1.3	162,448,545	163,448,909
Deferred tax liability		-	172,401
Other liabilities		1,418,161	1,433,836
		191,073,655	189,860,183

NET ASSETS

REPRESENTED BY

Islamic Banking Fund		250,000	250,000
Reserves		-	4,584
Unappropriated profit		10,639,009	8,662,859
		10,889,009	8,917,443
(Deficit) / surplus on revaluation of investments - net of deferred tax		(496,404)	315,589
		10,392,605	9,233,032

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

20.1.1 Commitments in respect of guarantees and letters of credit of the Islamic Banking Business amounted to Rs 213.477 million (December 31, 2017: Rs 271.654 million) and Rs 1,459.193 million (December 31, 2017: Rs 3,921.630 million) respectively. Commitments in respect of forward foreign exchange purchase and sale transactions amounted to Rs 4,785.931 million (December 31, 2017: Rs 3,595.455 million) and Rs 486.339 million (December 31, 2017: Rs 2,439.128 million) respectively.

20.1.2 Islamic financing and related assets - net

	(Unaudited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
Ijarah	1,882,330	1,728,525
Murabaha	773,379	316,442
Diminishing Musharakah	61,826,526	60,591,346
Wakalah	10,000,000	10,000,000
Running Musharakah	4,666,432	1,138,052
Advance for Ijarah	297,771	542,507
Advance for Murabaha	2,513,518	2,968,494
Advance for Diminishing Musharakah	4,827,688	-
Advance for Istisna	7,566,591	4,546,399
Assets / Inventories	514,516	2,576,238
Islamic financing and related assets - gross	94,868,751	84,408,003
Provision against Islamic financing and related assets	(113,625)	(110,484)
Islamic financing and related assets - net	94,755,126	84,297,519

20.1.3 Deposits and other accounts

Current accounts	51,961,413	48,389,707
Savings accounts	82,409,461	87,258,027
Term deposits	22,024,073	13,731,808
Deposits from financial institutions - non - remunerative	134,712	105,001
Deposits from financial institutions - remunerative	5,918,886	13,964,366
	162,448,545	163,448,909

20.2 PROFIT AND LOSS ACCOUNT

	(Unaudited) For the nine months ended September 30, 2018 (Rupees in '000)	September 30, 2017 (Rupees in '000)
Profit earned	8,733,467	6,611,915
Profit expensed	4,922,251	3,099,548
Net profit earned	3,811,216	3,512,367
Provision against non-performing assets	3,141	4,915
Net profit after provisions	3,808,075	3,507,452
Other income		
Fee, commission and brokerage income	150,649	132,887
Loss from dealing in foreign currencies	(23,096)	(32,798)
(Loss) / gain on sale of securities	(49,053)	9,849
Rent on lockers	4,716	4,666
Others	530	574
Total other income	83,746	115,178
Administrative expenses	3,891,821	3,622,630
Net profit for the period	652,231	491,088
	3,239,590	3,131,542
20.3 Remuneration to Shariah Advisor / Board	5,945	5,149

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2018

	(Unaudited) September 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	716	723
	1,050	244,828
Payments / Utilization during the period / year		
-Health sector	-	(11,107)
-Others	(100,000)	(1,000)
	(100,000)	(12,107)
Closing balance	134,297	233,247

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

The Board of Directors in its meeting held on October 25, 2018 has declared a cash dividend in respect of the quarter ended September 30, 2018 of Rs 1 per share (September 30, 2017: Rs NIL 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 authorised for issue in the Board of Directors meeting held on October 25, 2018.

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director



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