

HBL

A hand is shown at the bottom of the frame, with fingers slightly spread. Overlaid on the hand and the dark background is a large, glowing blue circular interface. This interface has a complex, futuristic design with concentric circles, radial lines, and a central area that resembles a fingerprint scanner. The overall aesthetic is high-tech and digital.

SHAPING THE FUTURE
QUARTERLY REPORT
SEPTEMBER 30, 2019

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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. Najeel Samie
Director

Mr. Agha Sher Shah
Director

Mr. Muhammad Aurangzeb
President & CEO

Chief Operating Officer
Mr. Sagheer Mufti

Chief Financial Officer
Mr. Raymond Kotwal

Company Secretary
Ms. Neelofar Hameed

Legal Advisors
Mandviwalla and Zafar
Legal Consultants and Advocates

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Share Registrar

CDC Share Registrar Services 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@cdcsrsl.com
Website: www.cdcsrsl.com

HBL Corporate Secretariat

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Email: corporate.secretariat@hbl.com

Head Office

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Phone: (92-21) 32418000 [50 lines]

Registered Office


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

Corporate Website:
www.hbl.com

Internet Banking:

www.hblbank.com.pk

The background is a dark teal color with a complex digital pattern. In the upper half, there are vertical lines of varying heights, each topped with a binary digit (0 or 1), resembling a digital rain or data stream effect. In the lower half, there are intricate, glowing circuit board patterns with many small dots and lines, suggesting a high-tech or electronic theme.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Directors' Review

On behalf of the Board of Directors, we are pleased to present the condensed interim consolidated financial statements for the nine months ended September 30, 2019.

Domestic Economy

The combination of fiscal and monetary policies employed in FY'19 to stabilize the economy will dampen domestic demand and growth. Higher energy prices, multiple rounds of currency adjustment and import compression policies have resulted in sustained upward pressure on prices. During the quarter, the rebasing of CPI has resulted in a slight decrease in the reported inflation numbers; headline inflation, however, remains on a rising trajectory, increasing to 11.4% in Sep '19, with average inflation for 1Q FY'20 at 10.1%. Real economic activity indicators also show a slowdown, particularly in domestic oriented industries. The contraction of 3.6% in the LSM index in FY'19 has been followed by a further 3.3% decline in Jul '19. Consequently, the GDP growth outlook for FY'20 remains subdued.

The import contraction measures and currency adjustments have helped to reduce the trade deficit by 40% during 2M FY'20. However, this is primarily attributable to a 23% decline in imports – falling international prices have kept export growth weak at 1%, diluting this improvement. Remittances for 2M FY'20 exhibited a seasonal slowing post-Eid, falling by 8% over 2M FY'19, although they have since rebounded. However, the drop in the trade deficit has mostly mitigated this impact, with the current account deficit narrowing by 55% over the same period last year, to 2.8% of GDP.

The fiscal deficit widened to a record high 8.9% of GDP in FY'19, well above the revised estimate of 7.2% presented in the Federal Budget, primarily due to revenue shortfalls. The government's deficit reduction plans in FY'20 are dependent on achieving an ambitious tax revenue of PKR 5.5 trillion. For 1Q FY'20, provisional estimates of tax collection, while below target, do show a healthy increase.

The volatility in the Rupee has subsided as the interbank market has adjusted to the introduction of the market-based exchange rate system and the lower current account deficit has provided external account stability. Monetary easing by the US Federal Reserve and other major central banks has also eased pressure on emerging market currencies. Consequently, the Rupee appreciated slightly (2.3%) against the US Dollar during the quarter. The IMF tranche in July and multilateral and bilateral flows have helped support foreign exchange reserves, which have grown by 3.6% in FY'20, to USD 15 billion.

The equity market continued its downward trajectory during the quarter, hitting a 5-year low in August. As of the quarter end, the PSX index was down 13.5% since the start of the year. There has been a nascent rally as investors believe that interest rates have peaked but a sustained recovery will be dependent on political developments, continued stability in exchange rates and positive economic news.

An IMF delegation visited Pakistan to review progress since the start of the Extended Fund Facility (EFF) program. The mission has broadly commended the government's reform efforts, particularly in the areas of exchange rate stability, the use of monetary policy to control inflation and improvements in tax administration and taxpayer interface. The first full review will take place in late October.

The SBP kept its policy rate unchanged at 13.25% in September, citing that inflation outcomes and projections were in line with earlier expectations. However, the previous monetary tightening has impacted private sector credit which, till August, showed a net decline over Dec'18 levels, compared to an 11% growth in 2018. Banking sector advances and deposits both contracted during the current quarter, moderating the 9M'19 growth to 0.7% and 5.0% respectively. Average spreads for the banking sector widened by 85 bps during 8M'19 compared to the same period last year.

Performance

HBL has reported a 9M'19 Profit before Tax of Rs 18.3 billion, 3% higher than for the same period last year. This is despite the significant impact of the falling Rupee and the equity market, which have together reduced pre-tax profit by Rs 7.4 billion. Profit after tax of Rs 8.8 billion for 9M'19 is, however, Rs 1.1 billion lower than last year, due to the retrospective imposition of Rs 1.9 billion of Super Tax on 2017 earnings. HBL's earnings per share for 9M'19 are at Rs 5.89.

HBL's core domestic business remains on a positive growth trajectory, with market shares of loans and deposits both increasing over the previous quarter. During the year, total domestic deposits increased by Rs 118 billion, to Rs 2.0 trillion. With almost all deposit growth coming from current and savings accounts, the CASA mix improved from 85.4% in Dec'18 to 85.9% in Sep'19. Broad based growth also resulted in domestic advances increasing to Rs 954 billion. International business deposits grew by 12% over Dec'18, with loans rising by nearly 30%. HBL's total deposits thus increased by 7.0%, to Rs 2.3 trillion and total advances grew by 8.1%, to Rs 1.2 trillion.

A growth of Rs 87 billion in average domestic deposits resulted in a 7% growth in the domestic balance sheet. With most of this coming from current accounts, the increase in the cost of deposits was contained. Yields on earning assets increased due to re-pricing of loans and rollover of maturing investments at higher rates. The domestic net interest margin thus improved by 75 bps with net interest income up by 22%. With strengthening overseas balance sheets adding to the domestic growth, total net interest income increased by 23%, to Rs 74.1 billion.

Fee income remained robust, growing 21%, with the domestic business increasing by 20%. The growth was across all business lines with the card and consumer finance businesses, investment banking and trade delivering a particularly strong performance. While the foreign exchange market has seen increased volatility, the Bank's Treasury has capitalized on this trend via careful positioning of the book and by capturing a larger share of Corporate and Commercial customer volumes. As a result, core foreign exchange income for 9M'19 increased by 44% over 9M'18. Total non-fund income (excluding the impact of the rupee devaluation and losses realized on disposal of previously impaired securities) increased by 13% over 9M'18 to Rs 22.8 billion.

The ongoing remediation, legal and regulatory costs related to the Bank's New York branch continue to weigh on the Bank's expenses which increased to Rs 69 billion. The impact of rupee devaluation on international expenses, the incremental cost of HBL Tower, expenses related to new domestic regulations and the cost of increasing financial access to the unbanked – a result of growth in acquisition volumes – also contributed to the increase. We are now seeing a downtrend in some of the large costs incurred over the last couple of years. Despite a strong recovery pipeline, credit stresses are being witnessed across customer segments with credit provisions increasing by Rs 1.4 billion over the prior year, to Rs 1.2 billion.

During the quarter, HBL forged partnerships and introduced digital innovations to enhance customer lifestyle experiences, reinforcing its position as Pakistan's leading bank. Through its partnership with Alkaram Studio, HBL Konnect will integrate its digital solutions for Alkaram Studio shoppers, both online and at physical store-fronts. HBL also signed a landmark agreement with Ufone, extending the first bilateral RMB Trade Finance facility. HBL was nominated as BISP's exclusive funds disbursement partner in Punjab, Sindh and Baluchistan and will be dispersing an aggregate of Rs 120 billion to 6 million women annually.

HBL continues to receive multiple international awards. Asiamoney awarded HBL as the Best Local Bank in the Region for Belt & Road Initiative (BRI), Best Individual BRI Project/Initiative in the Region, and Best Corporate Finance House – Fixed Income. HBL's focus on gender diversity and inclusion was recognized by the Asian Development Bank who awarded HBL the prestigious Gender Champion Award. For the fourth year running, HBL received the Brand of the Year, Banking – Pakistan, at the World Branding Awards.

Movement of Reserves

Rs million

Unappropriated profit brought forward	101,606
Profit attributable to equity holders of the Bank	8,637
Share of re-measurement loss on defined benefit obligations of associate - net	(2)
Transferred from General Reserve	6,074
Transferred from surplus on revaluation of assets – net of tax	251
	14,960
Profit available for appropriations	116,566

Appropriations

Transferred to statutory reserves	(1,099)
Cash dividend – Final 2018	(1,834)
Cash dividend – 1st Interim 2019	(1,834)
Cash dividend – 2nd Interim 2019	(1,834)
	(6,599)

Unappropriated profit carried forward

109,967

Earnings per share (Rs)

5.89

Capital Ratios

During the quarter, HBL has received further subscriptions towards its perpetual Term Finance Certificates which were issued on September 26, 2019. The total issue of Rs 12.374 billion qualifies as Additional Tier 1 (AT1) capital.

Internal capital generation, Rupee appreciation and the AT1 issue all contributed towards improving the capital ratios. Despite continued growth in risk assets, the consolidated CET 1 as of September 30, 2019 has improved by 8 bps from Jun'19 to 11.41%, increasing the headroom over requirements and resulting in more Tier II capital becoming eligible. Tier 1 CAR, supported by the AT1 issue, has increased to 12.42%, 38 bps higher than in June, while the total CAR has improved by 41 bps to 15.55%.

Dividend

The Board of Directors, in its meeting held on October 15, 2019 has declared an interim cash dividend of Rs 1.25 per share (12.50%) for the quarter ended September 30, 2019.

Future Outlook

Pakistan's economic program is off to a promising start, but decisive reform implementation is critical for stronger and sustainable growth. Inflation for Q1 FY'20 has remained within SBP's expected range of 11-12% for FY'20. The higher base effect will reduce inflation going forward, although rising power tariffs will potentially dilute this impact. In its Monetary Policy Statement, the SBP expects economic activity to gradually pick up, on the back of a turn-around in business sentiment. In particular, the agriculture sector is expected to rebound in FY'20 after a tepid performance in FY'19. A potential easing of the rate cycle in the latter part of FY'20 could further support a recovery and improve GDP growth.

However, headwinds remain on both the domestic and international front. While the Government plans to reduce the primary fiscal deficit from 3.5% in FY'19 to 0.6% in FY'20, targets remain stretched. The slowdown in economic activity, along with a lower import bill, will keep revenue collection under pressure; elevated debt servicing and higher PSDP allocation are likely to keep the overall fiscal deficit at over 7% in FY20, before it moderates to more sustainable levels. While some measure of stability has returned to the exchange rate, this is fragile and an oil price spike, caused by developments in the Middle East, could reverse the gains in the current account. The IMF program has provided much-needed fiscal space, but meeting increasingly stringent targets, particularly around Net International Reserves, will be both challenging and critical.

HBL's core business is on a positive growth path, reflected in the results for the first nine months of 2019. HBL's positioning as a Technology Company with a Banking License is embedded in the organization. The Bank continues to introduce new lifestyle features for the more than 1 million users of its market leading mobile app and internet banking platform through partnerships, expanding the API and e-commerce ecosystem. HBL's expanded asset offering on HBL Mobile now includes Credit Cards, with users able to apply for a card with no paperwork and no branch visits. HBL's investment in Konnect is a prime illustration of the Bank's commitment to financial inclusion; in just over a year, 3 million Konnect accounts have been opened, 24% of them by women. HBL is on a journey to raise its service levels, which will be a continuous improvement process. Macroeconomic stresses are being seen but HBL will support its customers and remain at the forefront of national development.

Appreciation and Acknowledgement

On behalf of the Board and management, we would like to place on record our appreciation for the efforts of our Regulators and the Government of Pakistan, in particular, the State Bank of Pakistan, the Ministry of Finance and the Securities and Exchange Commission of Pakistan, for developing and strengthening the banking and financial industry through continuous improvements in the regulatory and governance framework.

We are indebted to our customers, who are our most loyal supporters and who continue to entrust us with their business and confidence. Our shareholders have provided steadfast support and to them and to all our stakeholders, we are deeply grateful. The Board and the management remain committed to maintaining the highest standards of governance and we assure our stakeholders that we will be industry leaders in this area. We would also like to thank our employees and their families for their dedication and their tireless efforts towards the growth of HBL.

On behalf of the Board

Muhammad Aurangzeb
President & Chief Executive Officer

Moez Ahamed Jamal
Director

October 15, 2019

SBP نے ستمبر میں اپنی شرح پالیسی 13.25% میں کوئی تبدیلی نہیں کی کیونکہ افراط زر کے نتائج اور تخمینے سابقہ توقعات کے خطوط پر تھے تاہم سابقہ مالیاتی سختی نے نجی شعبے کے قرضہ جات کو متاثر کیا ہے جس سے اگست تک، دسمبر 2018ء کی سطح کے مقابلے میں 2018ء میں 11% اضافے کی نسبت خالص کمی ظاہر ہوئی۔ رواں سہ ماہی میں بینکنگ کے شعبے میں قرضوں اور ڈپازٹ دونوں کی مد میں تخفیف ہوئی جس میں 2019ء کی نو ماہ بڑھوتری معتدل اور بالترتیب 0.7% اور 5.0% رہی۔ گزشتہ سال اسی مدت کے مقابلے میں 2018ء کے آٹھ ماہ کے دوران بینکنگ سیکٹر کے پھیلاؤ میں اوسطاً 85bps کا اضافہ ہوا۔

کارکردگی

HBL نے مالی سال 2019ء کے نو ماہ کے لیے قبل از محصول منافع 18.3 ارب روپے بیان کیا جو گزشتہ برس اسی دورانیے سے 3% زیادہ ہے۔ یہ روپے اور ایکویٹی مارکیٹ کے زوال کے نمایاں اثرات کے باوجود ہے جنہوں نے مل کر قبل از محصول منافع میں 7.4 ارب روپے کمی کی۔ مالی سال 2019ء کے نو ماہ کا بعد از محصول منافع 8.8 ارب روپے رہا تاہم یہ گزشتہ برس سے 1.1% کم ہے جس کی وجہ سال 2017ء کی آمدن پر 1.9 ارب روپے سپر ٹیکس کا اطلاق ہے۔ HBL کی مالی سال 2019ء کے نو ماہ کی فی حصص آمدن 5.89 روپے ہے۔

HBL کا بنیادی ملکی کاروبار گزشتہ سہ ماہی کے مقابلے میں قرضہ جات اور ڈپازٹ دونوں کے مارکیٹ شیئر میں اضافے کے ساتھ مسلسل مثبت ترقی کی راہ پر گامزن ہے۔ رواں سال کے دوران کل ملکی ڈپازٹس 118 ارب روپے اضافے سے 2.0 کھرب روپے ہو گئے، جن میں سے کم و بیش تمام نمو صرف کرنٹ اور سیونگز اکاؤنٹس کے سبب ہے۔ CASA کے امتزاج میں دسمبر 2018ء کی 85.4% کی نسبت ستمبر 2019ء میں 85.9% کی بہتری آئی۔ وسیع البنیاد نمو سے ملکی قرضہ جات 954 ارب روپے ہو گئے۔ دسمبر 2018ء تک بین الاقوامی کاروباری ڈپازٹس میں 12% نمو جبکہ قرضہ جات میں 30% اضافہ ہوا، چنانچہ HBL کے کل ڈپازٹس 7.0% اضافے سے 2.3 کھرب روپے ہو گئے اور کل قرضہ جات 8.1% اضافے کے ساتھ 1.2 کھرب روپے ہو گئے۔

اوسط ملکی ڈپازٹس میں 87 ارب روپے کے اضافے سے ملکی سیلنس شیٹ میں 7% اضافہ ہوا۔ ان میں سے بیشتر کرنٹ اکاؤنٹ کے باعث ڈپازٹس کے اخراجات میں اضافہ قابو میں رہا۔ قرضہ جات کی قیمتوں پر نظر ثانی اور سرمایہ کاری کی منافع بخش تکمیل پر اعلیٰ منافعوں پر اجرائے ثانیہ سے منافع بخش اثاثوں کی آمدن میں اضافہ ہوا۔ ملکی خالص منافع جاتی گنجائش میں 75bps بہتری کے ساتھ خالص منافع جاتی آمدن میں 22% اضافہ ہوا۔ غیر ملکی سیلنس شیٹ میں تقویت کے ساتھ ملکی ترقی میں نمو کے باعث، کل خالص منافع جاتی آمدن 23% اضافے سے 74.1 ارب روپے ہو گئی۔

فیس کی آمدن میں بھی مسلسل بہتری کے ساتھ 21% جبکہ ملکی کاروبار میں 20% اضافہ ہوا۔ یہ نمو تمام کاروباری شعبوں میں یکساں رہی جبکہ کارڈ اور صارفین قرضہ جاتی کاروبار، سرمایہ کاری بینکاری اور تجارتی شعبوں نے بھرپور کارکردگی کا مظاہرہ کیا۔ گوکہ غیر ملکی زرمبادلہ کی مارکیٹ میں اتار چڑھاؤ میں تیزی رہی تاہم بینک کی ٹریڈری نے اس صورتحال میں بھی محتاط رویہ اختیار کرتے ہوئے کارپوریٹ اور کمرشل کسٹمر کے حجم کا بڑا حصہ حاصل کیا۔ اس کے نتیجے میں بنیادی غیر ملکی زرمبادلہ کی آمدن میں مالی سال 2019ء کے نو ماہ میں مالی سال 2018ء کی اسی مدت کے مقابلے میں 44% اضافہ ہوا۔ کل نان فنڈ آمدن (جس میں روپے کی قدر میں کمی اور پہلے سے ناکارہ ضمانتوں کی تلفی کے نقصانات شامل نہیں) میں مالی سال 2018ء کے نو ماہ کے مقابلے میں 13% اضافے سے 22.8 ارب روپے ہو گئی۔

بینک کی نیویارک برانچ سے متعلق جاری ثالثی / تجدیدی، قانونی اور ضابطی اخراجات کے باعث بینک پر خرچ کا بوجھ قائم رہا جو بڑھ کر 69 ارب روپے ہو گیا۔ روپے کی قدر میں ارزانی کا بین الاقوامی اخراجات پر خاطر خواہ اثر اور HBL ٹاور کی اضافی لاگت، نئے ملکی ضوابط سے متعلق اخراجات، بینک اکاؤنٹ نہ رکھنے والوں (UNBANKED) کے لیے مالیاتی رسائی کے حجم میں اضافے کی لاگت، اخراجات میں اضافے کا سبب ہیں۔ ہم اب پچھلے دو سال میں ہونے والے کچھ بڑے اخراجات میں کمی دیکھ رہے ہیں۔ واپسی کے عمل میں مضبوطی کے باوجود کسٹمر سیگمنٹ میں قرض کا دباؤ بدستور جاری رہا جبکہ پرووژن میں گزشتہ برس 1.4 ارب روپے اضافے سے اس کی مالیت 1.2 ارب روپے ہو گئی۔

ڈائریکٹرز کا جائزہ

ہمیں بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2019ء کو ختم ہونے والے نو ماہ کے مختصر عبوری مجموعی مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس ہو رہی ہے۔

ملکی معیشت

معیشت کے استحکام کے لیے مالی سال 2019ء کی مالی وزری پالیسی کا امتزاج مقامی طلب اور نمو کم کر دے گا۔ توانائی کی قیمت میں اضافے، کرنسی کی مطابقت کے متعدد ادوار اور درآمدات میں کمی کی پالیسیوں کے نتیجے میں افراط زر میں اضافے کی صورت میں دباؤ برقرار رہا۔ سہ ماہی کے دوران CPI کے نئے معیارات کے نتیجے میں درج کیے گئے افراط زر کے اعداد و شمار میں معمولی کمی آئی تاہم عمومی افراط زر میں بدستور اضافہ ہوا جس میں ستمبر 2019ء میں شرح 11.4% تک بڑھ گئی جس سے مالی سال 2020ء کی پہلی سہ ماہی کی افراط زر کی اوسط 10.1% تک جائے گی۔ حقیقی اقتصادی سرگرمیوں کے اشاریے، بالخصوص مقامی صنعتوں میں بھی مندی ظاہر کر رہے ہیں۔ بڑے پیمانے پر اشیاء سازی (LSM) انڈیکس میں مالی سال 2019ء میں 3.6% تخفیف جولائی 2019ء میں مزید 3.3% کی واقع ہوئی نتیجتاً مالی سال 2020ء میں GDP کی نمو کی صورت حال ہنوز زیر دباؤ رہے گی۔

درآمدی حوصلہ شکنی کے اقدامات اور کرنسی کی مطابقت سے مالی سال 2020ء کے دو ماہ میں تجارتی خسارے میں 40% کمی ہوئی تاہم اسے بنیادی طور پر درآمدات میں 23% کمی سے منسوب کیا جاسکتا ہے۔ گرتی ہوئی بین الاقوامی قیمتوں نے برآمداتی نمو میں اضافہ 1% کم کیا ہے جس نے اس بہتری کا اثر بھی کم کر دیا۔ ترسیل زر مبادلہ میں مالی سال 2020ء کے دو ماہ میں بعد از عید موسمی کمی واقع ہوئی جو مالی سال 2019ء کے دو ماہ کے مقابلے میں 8% کم تھی حالانکہ ان میں اس وقت سے بہتری آرہی ہے، تاہم تجارتی خسارے میں کمی نے بڑی حد تک ان اثرات میں تخفیف کر دی ہے، جس سے جاری کھاتوں کا خسارہ گزشتہ برس اسی مدت کے مقابلے میں کم ہو کر 55% ہوا جو GDP کا 2.8% ہے۔

مالی سال 2019ء میں مالیاتی خسارہ بنیادی طور پر محصولات کی قلت کے باعث بڑھ کر GDP کی 8.9% کی ریکارڈ بلند ترین سطح پر پہنچ گیا جو وفاقی بجٹ میں پیش کردہ 7.2% کے نظر ثانی شدہ تخمینے سے بلند ہے۔ مالی سال 2020ء کے لیے حکومتی خسارے میں کمی کے منصوبے کا انحصار 5.5 کھرب پاکستانی روپے بطور ٹیکس محصولات کی وصولی پر ہے۔ مالی سال 2020ء کی پہلی سہ ماہی کے لیے محصولات کی وصولی کا عبوری تخمینہ، زیر ہدف رہتے ہوئے بھی ایک حوصلہ افزاء اضافہ ظاہر کر رہا ہے۔

انٹرنیشنل مارکیٹ کے مارکیٹ پر مبنی زر مبادلہ کی شرح کے نظام کے تعارف سے روپے میں اتار چڑھاؤ کا خاتمہ ہوا اور جاری کھاتوں کے خسارے میں کمی سے بیرونی کھاتے مستحکم ہوئے۔ امریکی وفاقی ذخائر کی جانب سے زری سہولت / چھوٹ اور دیگر اہم مرکزی بینکوں کی جانب سے ابھرتی ہوئی مارکیٹوں پر دباؤ میں کمی کی گئی ہے، نتیجتاً سہ ماہی کے دوران روپے کی قدر میں امریکی ڈالر کے موازنے میں معمولی 2.3% اضافہ ہوا ہے۔ جولائی میں IMF کی قسط اور دو طرفہ اور کثیر الاطراف بہاؤ نے بین الاقوامی زر مبادلہ کے ذخائر کو سہارا دیا جو مالی سال 2020ء میں 3.6% یعنی 15 ارب امریکی ڈالر تک بڑھ گئے۔

سہ ماہی کے دوران ایکویٹی مارکیٹ بدستور زوال پذیر رہی اور اگست میں اپنی 5 سال کی کم ترین سطح پر آگئی۔ سہ ماہی کے اختتام پر PSX انڈیکس سال کے آغاز سے 13.5% کم ہو گیا۔ نمونڈیری میں سرمایہ کاروں کی اس سوچ کے باعث کہ منافع کی شرح بڑھ گئی ہے، اضافہ ہوا ہے، مگر مستحکم بحالی کا انحصار سیاسی پیش رفت، زر مبادلہ کی شرح میں مسلسل استحکام اور مثبت اقتصادی خبروں پر ہو گا۔

IMF کے ایک وفد نے توسیعی فنڈ فیسلٹی (EFF) پروگرام کے آغاز کے بعد سے ترقیاتی جائزے کے لیے پاکستان کا دورہ کیا۔ وفد نے حکومت کی اصلاحی کاوشوں کو سراہا خصوصاً زر مبادلہ کی شرح میں استحکام، مہنگائی کے سد باب کے لیے زری پالیسی اور محصولی نظام اور ٹیکس دہندہ کے انٹرفیس کے شعبوں کی تعریف کی۔ اس ضمن میں پہلا جائزہ اکتوبر کے اواخر میں لیا جائے گا۔

سرمائے کا تناسب

سہ ماہی کے دوران HBL کو 26 ستمبر 2019ء کو جاری کیے گئے پریپونکٹل ٹرم فنانس سرٹیفکیٹس پر مزید سبسکرپشنز موصول ہوئیں، جس سے کل 12.374 ارب روپے کے اجراء کے ساتھ بینک Additional Tier 1 (AT1) سرمائے کا اہل قرار پایا۔

اندرونی سرمائے کی پیداوار، روپے کی قدر میں اضافے اور AT1 کے اجراء سے سرمائے کے تناسب میں بہتری آئی۔ رسک اثاثوں میں مسلسل نمو کے باوجود 30 ستمبر 2019ء تک یکجا CET1 میں جون 2019ء سے 8bps بہتری آئی جو 11.41% رہی، جس میں شرائط پر ہیڈ روم میں گنجائش پیدا ہوئی اور اس سے Tier II کا زائد سرمایہ اہل قرار پایا۔ AT1 کے اجراء کی مدد سے Tier I CAR میں 12.42% اضافہ ہوا جو جون کے مقابلے میں 38bps زیادہ ہے جبکہ کل CAR میں 41bps بہتری آئی جو 15.55% ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 15 اکتوبر 2019ء کو منعقد ہونے والے اپنے اجلاس میں 30 ستمبر 2019ء کو اختتام پذیر ہونے والی سہ ماہی کے لیے فی حصص 1.25 روپے (12.50%) کے عبوری نقد منافع منقسمہ کا اعلان کیا ہے۔

مستقبل کی صورت حال

پاکستان کے اقتصادی منصوبے کا آغاز خوش آئند ہے، مگر مستحکم اور پائیدار ترقی کے لیے فیصلہ کن اصلاحات کا اطلاق ضروری ہے۔ مالیاتی سال 2020ء کی پہلی سہ ماہی میں افراط زر SBP کی متوقع حد 11-12% کے اندر رہی۔ تغیر کے اثرات مہنگائی مزید بڑھنے نہیں دیں گے اگرچہ توانائی کی قیمت میں اضافے سے اس کے اثرات میں ممکنہ کمی آئے گی۔ SBP نے اپنے زری پالیسی کے بیان میں توقع ظاہر کی ہے کہ معاشی سرگرمیاں بتدریج بہتری کی جانب گامزن ہوں گی جو کاروباری جذبات کی تبدیلی کے ساتھ ہی ہو گا۔ زرعی شعبے میں بالخصوص مالی سال 2019ء کی نرم گرم کارکردگی کے بعد مالی سال 2020ء میں تیزی متوقع ہے۔ مالی سال کے آخری حصے میں ریٹ سائیکل میں ممکنہ سہولت کی بدولت وصولی میں مدد اور GDP کی نمو بہتر کی جا سکتی ہے۔

تاہم باہر مخالف بدستور ملکی اور بین الاقوامی سطح پر موجود ہے جبکہ حکومت مالی سال 2019ء کے 3.5% بنیادی مالی خسارے میں مالی سال 2020ء میں 0.6% کمی چاہتی ہے جو اب تک ایک مشکل ہدف ہے۔ معاشی سرگرمیوں میں مندی کے ساتھ قلیل درآمدی بل کے باعث محصول کی وصولی زیر دباؤ رہے گی، قرضہ جاتی خدمات میں اضافے اور اعلیٰ PSDP تفویض، مزید پائیدار سطح سے قبل، مالی سال 2020ء کے لیے مالی خسارہ ممکنہ طور پر 7% تک رہے گا۔ استحکام حاصل کرنے کے چند اقدامات زرمبادلہ کی شرح کی صورت میں لوٹ آئے ہیں، یہ ایک نازک مرحلہ ہے اور مشرق وسطیٰ میں پیش رفت سے تیل کی قیمت میں اضافے سے کرنٹ اکاؤنٹ کے فوائد بھی زائل ہو سکتے ہیں۔ IMF پروگرام نے دیرینہ مالی گنجائش فراہم کی ہے، مگر انتہائی مشکل اہداف کا حصول، خصوصاً خالص بین الاقوامی ذخائر کے حوالے سے مشکل اور اہم ہو گا۔

HBL کا بنیادی کاروبار ترقی کی نئی راہ پر ہے مالی سال 2019ء کے پہلے نو ماہ کے نتائج اس کے عکاس ہیں۔ بینکاری لائسنس کے ساتھ ایک ٹیکنالاجی کمپنی کا تصور HBL نے اپنے ادارے میں بھی شامل کیا ہے۔ بینک مسلسل اپنی مارکیٹ میں سر فہرست موبائل ایپ اور انٹرنیٹ بینکنگ کے پلیٹ فارم سے اشتراک کے ذریعے ایک ملین سے زائد استعمال کنندگان کو طرز زندگی میں تبدیلی لانے والی خصوصیات سے متعارف کروا رہا ہے، جس سے API اور ای کامرس ایکوسسٹم میں وسعت آرہی ہے۔ HBL کی HBL موبائل پر توسیع شدہ اثاثہ جات کی پیشکش میں اب کریڈٹ کارڈ بھی شامل ہے، جس میں استعمال کنندہ کو کاغذی کارروائی کے بغیر ہی کارڈ کی درخواست دینی ہوگی اور برانچ بھی نہیں جانا پڑے گا۔ HBL کنیکٹ میں HBL کی سرمایہ کاری بینک کے فنانشل انکلوژن کے عہد کی سب سے عمدہ مثال ہے، محض ایک سال کی قلیل مدت میں 3 ملین کنیکٹ اکاؤنٹ کھولے جا چکے ہیں ان میں سے 24% خواتین ہیں۔ HBL اپنی خدمات کی فراہمی کے معیار اور سطح میں اضافے کے سفر پر گامزن ہے جو ایک مسلسل بہتری کا عمل ہو گا۔ میکرو اکنامک دباؤ کے باوجود HBL اپنے صارفین کی معاونت کرے گا اور ملک و معیشت کی ترقی میں سب سے آگے رہے گا۔

اس سہ ماہی کے دوران HBL نے اشتراک کے ذریعے کسٹمرز کے طرز زندگی میں تبدیلی کے لیے ڈیجیٹل جدت متعارف کروائی جس سے پاکستان کے قائدانہ بینک کے طور پر اس کی حیثیت مستحکم ہو گئی ہے۔ الکریم اسٹوڈیو کے ساتھ اپنی معاونت کے ذریعے HBL کنیکٹ الکریم اسٹوڈیو کے صارفین کے لیے اپنی ڈیجیٹل سہولیات آن لائن اور اسٹور دونوں پر فراہم کرے گا۔ HBL نے Ufone کے ساتھ بھی ایک تاریخی معاہدے پر دستخط کیے ہیں جس میں پہلی بار دو طرفہ RMB ٹریڈ فنانس سہولت فراہم کی جارہی ہے۔ HBL کو پنجاب، سندھ اور بلوچستان میں BISP کا خصوصی فنڈز تقسیم کار نامہ دیا گیا تھا جس کے تحت یہ سالانہ 6 ملین خواتین میں اندازاً 120 ارب روپے تقسیم کرے گا۔

HBL نے کئی معروف بین الاقوامی ایوارڈز وصول کیے۔ اس میں ”ایشیاء منی“ کی جانب سے ریجن کے بہترین مقامی بینک برائے بیٹ لینڈ روڈ انیشی ایٹو (BRI)، ریجن کے بہترین انفرادی BRI پراجیکٹ / انیشی ایٹو اور بہترین کارپوریٹ فنانس ہاؤس۔ فلکسڈ انکم کے اعزازات شامل ہیں۔ ایشیائی ترقیاتی بینک نے HBL کی صنفی تنوع پر توجہ اور شمولیت کے اعتراف میں اسے جینڈر چیمپئن شپ ایوارڈ سے نوازا۔ مسلسل چار سال سے HBL، ورلڈ برانڈنگ ایوارڈز سے برانڈ آف دی ایئر، بینکنگ۔ پاکستان ایوارڈ حاصل کر رہا ہے۔

ذخائر میں اتار چڑھاؤ

ملین روپے

101,606
8,637
(2)
6,074
251
14,960
116,566

افتتاحی غیر تخصیص شدہ منافع

بینک ایکویٹی کے حامل افراد کے لیے قابل ادائیگی منافع

ایسوسی ایٹ کی ذمہ داریوں کی وضاحت شدہ منفعت پر نقصان کی دوبارہ پیمائش کا حصہ۔ خالص

عمومی ذخائر سے منتقل شدہ

اثاثہ جات کی دوبارہ تشخیص پر سرپلس سے منتقل شدہ۔ محصول کا خالص

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ - حتمی 2018ء

نقد منافع منقسمہ - پہلا عبوری 2019ء

نقد منافع منقسمہ - دوسرا عبوری 2019ء

(1,099)
(1,834)
(1,834)
(1,834)
(6,599)
109,967

اختتامی غیر تخصیص شدہ منافع

فی حصص آمدنی (روپے)

5.89

خراج تحسین اور اعتراف

بورڈ اور انتظامیہ کی جانب سے، ہم اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص اسٹیٹ بینک آف پاکستان، وزارت مالیات اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی کاوشوں کا اعتراف کرتے ہیں جو انہوں نے ریگولیٹری اور انتظامی فریم ورک میں مسلسل بہتری کے ذریعے بینکاری اور مالیاتی شعبے کی ترقی اور استحکام کے لیے انجام دیں۔

ہم اپنے کسٹمرز کے ممنون ہیں، جو ہمارے وفادار و مددگار ہیں اور جو اپنے کاروبار کے حوالے سے ہم پر یقین اور اعتماد رکھے ہوئے ہیں۔ ہمیں اپنے حصص یافتگان کا مستقل تعاون حاصل رہا ہے اور ہم اُن کے اور اپنے تمام اسٹیک ہولڈرز کے بے حد مشکور ہیں۔ بورڈ اور مینجمنٹ اعلیٰ ترین معیارات برقرار رکھنے کے لیے اپنے عزم پر قائم ہے اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ ہم اس شعبے میں انڈسٹری کے قائدین ہوں گے۔ ہم HBL کی ترقی میں اپنے ملازمین اور ان کے خاندانوں کی لگن اور انتھک کاوشوں کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ

محمد اورنگزیب

صدر اور چیف ایگزیکٹو آفیسر

معیز احمد جمال
ڈائریکٹر

15 اکتوبر، 2019ء

Condensed Interim Consolidated Statement of Financial Position

As at September 30, 2019

	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	5	259,260,068	279,460,688
Balances with other banks	6	45,872,483	42,642,022
Lendings to financial institutions	7	42,281,639	51,277,336
Investments	8	1,388,477,419	1,390,052,464
Advances	9	1,168,423,728	1,080,440,220
Fixed assets	10	76,233,551	64,083,277
Intangible assets	11	8,800,540	7,865,361
Deferred tax assets	17	-	570,717
Other assets	12	115,416,739	109,461,065
		3,104,766,167	3,025,853,150
LIABILITIES			
Bills payable	13	29,367,768	42,460,568
Borrowings	14	419,076,803	523,319,055
Deposits and other accounts	15	2,286,650,789	2,137,293,065
Liabilities against assets subject to finance lease		-	-
Subordinated debt	16	22,360,000	9,990,000
Deferred tax liabilities	17	2,654,427	-
Other liabilities	18	131,185,718	113,538,251
		2,891,295,505	2,826,600,939
NET ASSETS		213,470,662	199,252,211
REPRESENTED BY			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		65,402,237	64,435,243
Surplus on revaluation of assets - net of tax	19	19,093,790	14,531,643
Unappropriated profit		109,966,617	101,606,320
Total equity attributable to the equity holders of the Bank		209,131,169	195,241,731
Non-controlling interest		4,339,493	4,010,480
		213,470,662	199,252,211
CONTINGENCIES AND COMMITMENTS			
	20		

The annexed notes 1 to 39 form an integral part of these condensed interim consolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeeb Samie
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the nine months ended September 30, 2019

		January 01 to Note September 30, 2019	January 01 to September 30, 2018	July 01 to September 30, 2019	July 01 to September 30, 2018
		(Rupees in '000)			
		(Restated)		(Restated)	
Mark-up / return / profit / interest earned	22	182,631,441	117,074,265	71,541,441	41,542,516
Mark-up / return / profit / interest expensed	23	108,573,082	56,962,724	45,186,470	21,336,118
Net mark-up / return / profit / interest income		74,058,359	60,111,541	26,354,971	20,206,398
Non mark-up / interest income					
Fee and commission income	24	15,456,596	12,739,687	4,779,266	3,504,370
Dividend income		367,646	636,969	53,185	141,283
Share of profit of associates and joint venture		2,212,652	2,324,938	884,273	666,158
Foreign exchange income		302,575	444,090	1,935,226	1,106,059
(Loss) / income from derivatives		(657,532)	(361,337)	365,984	(244,916)
(Loss) / gain on securities - net	25	(2,411,531)	357,300	(297,916)	81,159
Other income	26	506,627	354,547	103,793	127,572
Total non mark-up / interest income		15,777,033	16,496,194	7,823,811	5,381,685
Total income		89,835,392	76,607,735	34,178,782	25,588,083
Non mark-up / interest expenses					
Operating expenses	27	68,969,691	56,266,809	24,001,346	20,075,523
Workers' Welfare Fund		393,094	330,051	190,785	62,168
Other charges	28	404,057	465,994	322,778	156,774
Total non mark-up / interest expenses		69,766,842	57,062,854	24,514,909	20,294,465
Profit before provisions and taxation		20,068,550	19,544,881	9,663,873	5,293,618
Provisions and write offs - net	29	1,783,344	1,863,380	1,272,419	1,740,698
Profit before taxation		18,285,206	17,681,501	8,391,454	3,552,920
Taxation	30	9,460,517	7,771,355	3,494,067	1,770,849
Profit after taxation		8,824,689	9,910,146	4,897,387	1,782,071
Attributable to:					
Equity holders of the Bank		8,637,050	9,631,553	4,931,123	1,688,157
Non-controlling interest		187,639	278,593	(33,736)	93,914
		8,824,689	9,910,146	4,897,387	1,782,071
(Rupees)					
Basic and diluted earnings per share	31	5.89	6.57	3.36	1.15

The annexed notes 1 to 39 form an integral part of these condensed interim consolidated financial statements.

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President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeeb Samie
Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2019

	January 01 to September 30, 2019	January 01 to September 30, 2018	July 01 to September 30, 2019	July 01 to September 30, 2018
	(Rupees in '000)			
Profit after taxation for the period attributable to:				
Equity holders of the Bank	8,637,050	9,631,553	4,931,123	1,688,157
Non-controlling interest	187,639	278,593	(33,736)	93,914
	8,824,689	9,910,146	4,897,387	1,782,071
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 of tax, attributable to:				
Equity holders of the Bank	5,980,236	4,843,967	(2,288,773)	184,110
Non-controlling interest	99,190	91,112	(64,032)	15,563
	6,079,426	4,935,079	(2,352,805)	199,673
Share of exchange translation reserve of associates - net of tax	60,850	(97,824)	38,454	(78,150)
Movement in surplus / deficit on revaluation of investments - net of tax, attributable to:				
Equity holders of the Bank	5,150,718	(4,312,114)	3,060,805	(1,314,186)
Non-controlling interest	42,778	(37,747)	546	543
	5,193,496	(4,349,861)	3,061,351	(1,313,643)
Movement in share of surplus / deficit on revaluation of investments of associates - net of tax	(208,159)	74,369	(67,087)	6,825
<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 of tax	-	287,013	-	-
Share of remeasurement loss on defined benefit obligations of associates - net of tax	(2,109)	(4,205)	-	-
Movement in surplus / deficit on revaluation of fixed assets - net of tax attributable to:				
Equity holders of the Bank	(128,422)	-	-	-
Non-controlling interest	(171)	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	2,461	-	-
	(128,593)	2,461	-	-
Movement in surplus / deficit on revaluation of fixed assets of associates - net of tax	(983)	(1,292)	(2,229)	(2,507)
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	-	11,202	-	-
Transfer to surplus on revaluation of fixed assets - net of tax	-	(2,461)	-	-
	-	8,741	-	-
Total comprehensive income	19,818,617	10,764,627	5,575,071	594,269
Total comprehensive income attributable to:				
Equity holders of the Bank	19,489,181	10,432,669	5,672,293	484,249
Non-controlling interest	329,436	331,958	(97,222)	110,020
	19,818,617	10,764,627	5,575,071	594,269

The annexed notes 1 to 39 form an integral part of these condensed interim consolidated financial statements.

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Director

Condensed Interim Consolidated Statement of Changes In Equity (Unaudited)

For the nine months ended September 30, 2019

	Attributable to shareholders of the Bank											Non-controlling interest	Total
	Share capital	Exchange translation reserve	Reserves				Revenue		Surplus / (deficit) on revaluation of		Sub Total		
			Capital		Non-distributable capital reserve	Capital reserve on acquisition of common control entity	General reserve	Unappropriated profit	Investments	Fixed / Non-banking assets			
			Associates, Joint venture and subsidiary	Bank									
(Rupees in '000)													
Balance as at December 31, 2017	14,668,525	14,264,968	758,707	30,778,524	547,115	(156,706)	6,073,812	96,909,270	(402,933)	21,823,385	185,264,667	3,485,954	188,750,621
Comprehensive income for the nine months ended September 30, 2018													
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 of tax	-	4,843,967	-	-	-	-	-	-	-	-	4,843,967	91,112	4,935,079
Share of exchange translation reserve of associates - net of tax	-	(97,824)	-	-	-	-	-	-	-	-	(97,824)	-	(97,824)
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	-	-	287,013	-	-	287,013	-	287,013
Share of remeasurement loss on defined benefit obligations of associates - net	-	-	-	-	-	-	-	(4,205)	-	-	(4,205)	-	(4,205)
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	(4,312,114)	11,202	(4,300,912)	(37,747)	(4,338,659)
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	-	74,369	(1,292)	73,077	-	73,077
	-	4,746,143	-	-	-	-	-	9,914,361	(4,237,745)	9,910	10,432,669	331,958	10,764,627
Transferred to statutory reserves	-	-	180,482	901,530	-	-	-	(1,082,012)	-	-	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	49,725	-	(49,725)	-	-	-
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)
	-	-	-	-	-	-	-	(4,400,556)	-	-	(4,400,556)	-	(4,400,556)
Balance as at September 30, 2018	14,668,525	19,011,111	939,189	31,680,054	547,115	(156,706)	6,073,812	101,390,788	(4,640,678)	21,783,570	191,296,780	3,817,912	195,114,692
Comprehensive income for the three months ended December 31, 2018													
Profit after taxation for the three months ended December 31, 2018	-	-	-	-	-	-	-	2,424,018	-	-	2,424,018	106,779	2,530,797
Other comprehensive income / (loss)													
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	-	5,969,687	-	-	-	-	-	-	-	-	5,969,687	95,493	6,065,180
Share of exchange translation reserve of associates - net of tax	-	24,796	-	-	-	-	-	-	-	-	24,796	-	24,796
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	-	-	-	(441,920)	-	-	(441,920)	(793)	(442,713)
Share of remeasurement gain on defined benefit obligations of associates - net	-	-	-	-	-	-	-	2,839	-	-	2,839	-	2,839
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	(2,817,583)	129,219	(2,688,364)	(8,309)	(2,696,673)
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	-	131,375	(40,556)	90,819	-	90,819
	-	5,994,483	-	-	-	-	-	1,984,937	(2,686,208)	88,663	5,381,875	193,170	5,575,045
Transferred to statutory reserves	-	-	68,799	277,386	-	-	-	(346,185)	-	-	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	14,306	-	(13,704)	602	(602)	-
Transactions with owners, recorded directly in equity													
3rd interim cash dividend - Rs 1.0 per share	-	-	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)	-	(1,466,852)
	-	-	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)	-	(1,466,852)
Capital contribution from statutory funds of associates	-	-	-	-	-	-	-	29,326	-	-	29,326	-	29,326
Balance as at December 31, 2018	14,668,525	25,005,594	1,007,988	31,957,440	547,115	(156,706)	6,073,812	101,606,320	(7,326,886)	21,858,529	195,241,731	4,010,480	199,252,211
Comprehensive income for the nine months ended September 30, 2019													
Profit after taxation for the nine months ended September 30, 2019	-	-	-	-	-	-	-	8,637,050	-	-	8,637,050	187,639	8,824,689
Other comprehensive income / (loss)													
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	-	5,980,236	-	-	-	-	-	-	-	-	5,980,236	99,190	6,079,426
Share of exchange translation reserve of associates - net of tax	-	60,850	-	-	-	-	-	-	-	-	60,850	-	60,850
Share of remeasurement loss on defined benefit obligations of associates - net	-	-	-	-	-	-	-	(2,109)	-	-	(2,109)	-	(2,109)
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	5,150,718	(128,422)	5,022,296	42,607	5,064,903
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	-	(208,159)	(983)	(209,142)	-	(209,142)
	-	6,041,086	-	-	-	-	-	8,634,941	4,942,559	(129,405)	19,489,181	329,436	19,818,617
Transferred to statutory reserves	-	-	183,225	915,966	-	-	-	(1,099,191)	-	-	-	-	-
Transferred to unappropriated profit	-	-	-	-	-	-	(6,073,812)	6,073,812	-	-	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	251,430	-	(251,007)	423	(423)	-
Transactions with owners, recorded directly in equity													
Final cash dividend - Rs 1.25 per share declared subsequent to the year ended December 31, 2018	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
1st interim cash dividend - Rs 1.25 per share	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
2nd interim cash dividend - Rs 1.25 per share	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
	-	-	-	-	-	-	-	(5,500,695)	-	-	(5,500,695)	-	(5,500,695)
Exchange gain realised on closure of bank branch - net of tax	-	(99,471)	-	-	-	-	-	-	-	-	(99,471)	-	(99,471)
Balance as at September 30, 2019	14,668,525	30,947,209	1,191,213	32,873,406	547,115	(156,706)	-	109,966,617	(2,384,327)	21,478,117	209,131,169	4,339,493	213,470,662

The annexed notes 1 to 39 form an integral part of these condensed interim consolidated financial statements.

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President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeeb Samie
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the nine months ended September 30, 2019

	January 01 to September 30, 2019	January 01 to September 30, 2018
	(Rupees in '000)	(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,285,206	17,681,501
Dividend income	(367,646)	(636,969)
Share of profit of associates and joint venture	(2,212,652)	(2,324,938)
	(2,580,298)	(2,961,907)
	15,704,908	14,719,594
Adjustments:		
Depreciation	3,869,684	2,654,664
Depreciation on right-of-use assets	2,417,727	-
Amortisation	368,704	581,858
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	890,735	-
Provision for diminution in value of investments	585,666	2,085,134
Provision / (reversal) against loans and advances	1,578,699	(79,676)
Provision against other assets	87,483	154,488
(Reversal) / provision against off-balance sheet obligations	(56,932)	20,173
Unrealised loss on held-for-trading securities	52,244	48,471
Exchange gain on goodwill	(193,564)	(162,268)
Exchange gain realised on closure of bank branch - net of tax	(99,471)	-
Gain on sale of fixed assets - net	(87,839)	(52,889)
Workers' Welfare Fund	393,094	330,051
	9,806,230	5,580,006
	25,511,138	20,299,600
(Increase) / decrease in operating assets		
Lendings to financial institutions	8,995,697	4,800,345
Held-for-trading securities	(291,026,008)	9,855,115
Advances	(89,562,207)	(107,100,887)
Other assets (excluding advance taxation)	(19,727,798)	3,822,628
	(391,320,316)	(88,622,799)
(Decrease) / increase in operating liabilities		
Bills payable	(13,092,800)	(5,395,716)
Borrowings from financial institutions	(104,242,252)	(155,336,265)
Deposits and other accounts	149,357,724	60,300,433
Other liabilities	6,195,150	39,294,831
	38,217,822	(61,136,717)
	(327,591,356)	(129,459,916)
Income tax refund / (payment)	5,117,826	(11,654,403)
Net cash flows used in operating activities	(322,473,530)	(141,114,319)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	301,580,553	93,834,361
Net investment in held-to-maturity securities	(1,528,948)	63,469,652
Net investment in associates	1,326,807	579,368
Dividend received	350,123	565,807
Investments in fixed assets	(4,369,932)	(7,048,999)
Investments in intangible assets	(1,110,319)	(998,870)
Proceeds from sale of fixed assets	384,790	81,064
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	6,041,086	4,746,143
Net cash flows from investing activities	302,674,160	155,228,526
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of translation of net investment by non-controlling interest in subsidiary	99,190	91,112
Repayment of subordinated debt	(4,000)	(4,000)
Proceeds from new issue of subordinated debt	12,374,000	-
Payment of lease liability against right-of-use assets	(3,847,474)	-
Dividend paid	(5,792,505)	(3,701,729)
Net cash flows from / (used in) financing activities	2,829,211	(3,614,617)
(Decrease) / increase in cash and cash equivalents during the period	(16,970,159)	10,499,590
Cash and cash equivalents at the beginning of the period	309,562,667	275,842,834
Effect of exchange rate changes on cash and cash equivalents	12,540,043	11,004,465
	322,102,710	286,847,299
Cash and cash equivalents at the end of the period	305,132,551	297,346,889

The annexed notes 1 to 39 form an integral part of these condensed interim consolidated financial statements.

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Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeeb Samie
Director

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

1 THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding company

- Habib Bank Limited, Pakistan

Subsidiaries

- Habib Allied Holding Limited – 90.50% shareholding
- HBL Bank UK Limited – 90.50% effective shareholding
- Habib Finance International Limited – 100% shareholding
- Habib Currency Exchange (Private) Limited – 100% shareholding
- HBL Asset Management Limited – 100% shareholding
- The First MicroFinanceBank Limited - 50.51% shareholding
- Habib Bank Financial Services (Private) Limited – 100% shareholding

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 1,674 (December 31, 2018: 1,697) branches inside Pakistan including 48 (December 31, 2018: 47) Islamic Banking Branches and 45 (December 31, 2018: 46) 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.
- 1.2 During the period, the Bank has closed its branch in Seychelles.
- 1.3 The Bank had earlier commenced an orderly winding down of its operations in Afghanistan and banking operations have ceased as of June 10, 2019. The remaining formalities required for closure are now underway.
- 1.4 During the period, the Bank's subsidiary, HBL Bank UK, has permanently ceased the banking operations of its Rotterdam branch. Regulatory notifications have been filed and closure formalities are in the process of being completed.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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 IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 2.2 The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim consolidated financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

2.3 Standards, interpretations of and amendments to existing accounting standards that have become effective in the current year.

IFRS 16, Leases, became effective for annual reporting periods commencing on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Group's condensed interim financial statements is disclosed in note 3.1.2.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or to not have any significant impact on the Group's financial statements.

2.4 Standards and amendments to existing accounting standards that are not yet effective.

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (annual periods beginning on or after)
- IFRS 3, Business Combinations (Amendments)	January 1, 2020
- IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
	Effective date (periods ending on or after)
- IFRS 9, Financial Instruments	June 30, 2019

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for the Pakistan operations of the Bank in the preparation of these condensed interim consolidated financial statements.

IFRS 9, Financial Instruments, addresses the recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of an impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Group which are exposed to credit risk. The Group is in the process of assessing the full impact of this standard.

The Group expects that adoption of the amendments to existing accounting standards will not affect its financial statements in the period of initial application.

2.5 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant 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, 2018 except as disclosed in note 3.1.

3.1 Change in accounting policies

- 3.1.1 The SBP, vide BPRD Circular Letter No. 5 dated March 22, 2019 has amended the format of condensed interim financial statements of banks in order to align it with the annual financial statements, issued vide BPRD Circular No. 2 of 2018. All banks have been directed to prepare their condensed interim financial statements on the revised format effective from the accounting year beginning on January 1, 2019. Accordingly, the Group has prepared these condensed interim consolidated financial statements on the new format prescribed by the SBP. The amended format introduced certain new disclosures and has resulted in the following significant change:

- The cost of foreign currency swaps (note 23) for the nine months ended September 30, 2019 amounting to Rs 3,852.334 million (September 30, 2018: Rs 1,111.305 million) which was previously shown as part of foreign exchange income / (loss) has now been shown as part of mark-up / return / profit / interest expensed in the consolidated profit and loss account.

- 3.1.2 During the period, IFRS 16, Leases, became applicable to Banks. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered into by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

The Group has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Group has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Group's incremental weighted average borrowing rate of 10.44% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	September 30, 2019 (Rupees in '000)	January 01, 2019 (Rupees in '000)
Total lease liability recognised	11,300,751	11,503,497

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

Right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

	September 30, 2019 (Rupees in '000)	January 01, 2019 (Rupees in '000)
The recognised right-of-use assets relate to the following type of asset:		
Property	11,916,399	12,409,524

The effect of this change in accounting policy is as follows:

Impact on Statement of Financial Position

Increase in fixed assets - right-of-use assets	11,916,399	12,409,524
Decrease in other assets - advances, deposits, advance rent and other prepayments	(1,155,345)	(906,027)
Increase in other assets - advance taxation	240,370	-
Increase in Total assets	11,001,424	11,503,497
Increase in other liabilities - lease liability against right-of-use assets	(11,300,751)	(11,503,497)
Increase in exchange translation reserve	(76,636)	-
Decrease in net assets	(375,963)	-

Impact on Profit and Loss account

Increase in mark-up expense - lease liability against right-of-use assets	(890,735)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(2,417,727)
- Rent expense	2,692,129
Decrease in profit before tax	(616,333)
Decrease in tax	240,370
Decrease in profit after tax	(375,963)

Earnings per share for the nine months ended September 30, 2019 are Rs 0.26 per share lower as a result of the adoption of IFRS 16.

While implementing IFRS 16, the Group has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Bank has opted not to recognise right-of-use assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

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, 2018.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
5 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	42,519,708	31,732,010
Foreign currencies	5,100,118	4,413,924
	<u>47,619,826</u>	<u>36,145,934</u>
With State Bank of Pakistan in		
Local currency current accounts	66,080,217	89,523,321
Foreign currency current accounts	6,127,726	6,660,233
Foreign currency deposit accounts	18,216,689	18,077,471
	<u>90,424,632</u>	<u>114,261,025</u>
With other Central Banks in		
Foreign currency current accounts	50,783,785	37,297,608
Foreign currency deposit accounts	4,842,490	5,424,122
	<u>55,626,275</u>	<u>42,721,730</u>
With National Bank of Pakistan in		
Local currency current accounts	63,274,344	85,848,781
Local currency deposit account	247,312	355,293
	<u>63,521,656</u>	<u>86,204,074</u>
National Prize Bonds	2,067,679	127,925
	<u>259,260,068</u>	<u>279,460,688</u>
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	236,589	231,594
In deposit accounts	2,349,757	3,284,178
	<u>2,586,346</u>	<u>3,515,772</u>
Outside Pakistan		
In current accounts	17,978,462	16,511,609
In deposit accounts	25,307,675	22,614,641
	<u>43,286,137</u>	<u>39,126,250</u>
	<u>45,872,483</u>	<u>42,642,022</u>
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	1,300,000	8,900,000
Repurchase agreement lendings (reverse repo)	20,492,455	38,045,810
Bai Muajjal receivables		
- with State Bank of Pakistan	20,489,184	-
- with other financial institutions	-	4,331,526
	<u>20,489,184</u>	<u>4,331,526</u>
	<u>42,281,639</u>	<u>51,277,336</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

8	INVESTMENTS	Note	September 30, 2019 (Unaudited)				December 31, 2018 (Audited)			
			Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.1	Investments by type		(Rupees in '000)							
	Held-for-trading (HFT) securities									
	<i>Federal Government securities</i>									
	- Market Treasury Bills		290,079,960	-	(92,928)	289,987,032	2,569,965	-	(1,499)	2,568,466
	- Pakistan Investment Bonds		7,200,083	-	30,449	7,230,532	3,683,617	-	(12,287)	3,671,330
	<i>Foreign securities</i>									
	- Government debt securities		100,835	-	10,235	111,070	90,499	-	24,575	115,074
			297,380,878	-	(52,244)	297,328,634	6,344,081	-	10,789	6,354,870
	Available-for-sale (AFS) securities									
	<i>Federal Government securities</i>									
	- Market Treasury Bills		339,003,004	-	(100,540)	338,902,464	758,446,236	-	(275,397)	758,170,839
	- Pakistan Investment Bonds		425,311,493	-	(4,134,002)	421,177,491	234,800,806	-	(10,064,365)	224,736,441
	- Ijarah Sukuks		4,659,537	-	(135,794)	4,523,743	53,675,083	-	(170,821)	53,504,262
	- Government of Pakistan US Dollar Bonds		4,476,843	(88,471)	164,798	4,553,170	5,759,910	(33,047)	(52,654)	5,674,209
	<i>Shares</i>									
	- Listed companies		10,364,026	(4,361,882)	(184,054)	5,818,090	14,599,566	(4,043,987)	(385,376)	10,170,203
	- Unlisted companies		4,523,429	(82,274)	-	4,441,155	3,761,058	(82,274)	-	3,678,784
	<i>Non-Government debt securities</i>	8.4.2								
	- Unlisted		3,124,389	(270,877)	-	2,853,512	4,949,525	(274,630)	-	4,674,895
	<i>Foreign securities</i>									
	- Government debt securities		39,601,867	(204,781)	316,264	39,713,350	21,179,684	(45,262)	(12,207)	21,122,215
	- Non-Government debt securities									
	- Listed		21,206,731	(493,633)	13,279	20,726,377	50,437,302	(383,589)	(626,014)	49,427,699
	- Unlisted		344,181	(2,166)	1,658	343,673	6,477,305	(2,724)	944	6,475,525
	- Equity securities - Unlisted		5,967	-	-	5,967	5,413	-	-	5,413
	<i>National Investment Trust units</i>		11,113	-	21,716	32,829	11,113	-	31,449	42,562
	<i>Real Estate Investment Trust units</i>		55,000	-	(5,950)	49,050	55,000	-	4,950	59,950
	<i>Preference shares</i>		44,400	-	-	44,400	97,500	-	-	97,500
			852,731,980	(5,504,084)	(4,042,625)	843,185,271	1,154,255,501	(4,865,513)	(11,549,491)	1,137,840,497
	Held-to-maturity (HTM) securities	8.2								
	<i>Federal Government securities</i>									
	- Market Treasury Bills		256,722	-	-	256,722	154,580	-	-	154,580
	- Pakistan Investment Bonds		158,343,324	-	-	158,343,324	172,011,963	-	-	172,011,963
	- Government of Pakistan US Dollar Bonds		-	-	-	-	139,274	-	-	139,274
	- Other Federal Government securities		10,794,000	-	-	10,794,000	-	-	-	-
	<i>Non-Government debt securities</i>									
	- Listed		7,666,860	-	-	7,666,860	9,092,850	-	-	9,092,850
	- Unlisted		30,636,820	-	-	30,636,820	22,538,405	-	-	22,538,405
	<i>Foreign Securities</i>									
	- Government debt securities		7,836,454	(3,237)	-	7,833,217	8,657,345	(609)	-	8,656,736
	- Non-Government debt securities									
	- Listed		1,124,035	-	-	1,124,035	2,535,536	-	-	2,535,536
	- Unlisted		1,209,572	(1,609)	-	1,207,963	1,208,886	(110)	-	1,208,776
			217,867,787	(4,846)	-	217,862,941	216,338,839	(719)	-	216,338,120
	Investment in associates and joint venture		29,903,353	-	197,220	30,100,573	29,013,650	-	505,327	29,518,977
	Total Investments		<u>1,397,883,998</u>	<u>(5,508,930)</u>	<u>(3,897,649)</u>	<u>1,388,477,419</u>	<u>1,405,952,071</u>	<u>(4,866,232)</u>	<u>(11,033,375)</u>	<u>1,390,052,464</u>

8.1.1	Investments given as collateral	(Unaudited) September 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	

The market value of investments given as collateral is as follows:

<i>Federal Government securities</i>			
- Market Treasury Bills		213,543,301	333,213,434
- Pakistan Investment Bonds		24,569,433	29,329,018
<i>Foreign securities</i>			
- Government debt securities		-	674,637
- Non-Government debt securities			
- Listed		-	12,381,600
		<u>238,112,734</u>	<u>375,598,689</u>

8.2 The market value of investments classified as held-to-maturity amounted to Rs 205,458.557 million as at September 30, 2019 (December 31, 2018: Rs 200,465.358 million).

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	(Unaudited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
8.3 Particulars of provision held against diminution in the value of investments		
Opening balance	4,866,232	1,503,051
Exchange adjustments	57,032	41,910
Charge / (reversal) for the period / year		
Charge	2,725,968	4,000,586
Reversal	(53,636)	(28,757)
Reversal on disposal	(2,086,666)	(650,558)
Net charge	585,666	3,321,271
Closing balance	5,508,930	4,866,232

8.4 Particulars of provision against debt securities

	(Unaudited) September 30, 2019		(Audited) December 31, 2018	
Category of classification	Non Performing Investments	Provision	Non Performing Investments	Provision
Domestic	(Rupees in '000)			
Substandard	2,428,511	-	-	-
Loss	270,877	270,877	274,630	274,630
Overseas				
Not past due but impaired	784,010	468,548	724,975	377,549
	3,483,398	739,425	999,605	652,179

8.4.1 In addition to the above, overseas branches hold a general provision of Rs 325.348 million (December 31, 2018: Rs 87.792 million) in accordance with the requirements of IFRS 9.

9

ADVANCES	Note	Performing		Non - performing		Total	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
		September 30,	December 31,	September 30,	December 31,	September 30,	December 31,
		2019	2018	2019	2018	2019	2018
(Rupees in '000)							
Loans, cash credits, running finances, etc.		938,051,809	904,889,946	78,841,054	75,471,126	1,016,892,863	980,361,072
Islamic financing and related assets	36.3	138,615,828	103,488,928	3,215,915	111,174	141,831,743	103,600,102
Bills discounted and purchased		80,367,896	63,223,929	5,061,371	5,248,713	85,429,267	68,472,642
Advances - gross		1,157,035,533	1,071,602,803	87,118,340	80,831,013	1,244,153,873	1,152,433,816
Provision against advances							
- Specific		-	-	(72,019,809)	(68,465,249)	(72,019,809)	(68,465,249)
- General	9.3	(3,710,336)	(3,528,347)	-	-	(3,710,336)	(3,528,347)
		(3,710,336)	(3,528,347)	(72,019,809)	(68,465,249)	(75,730,145)	(71,993,596)
Advances - net of provision		1,153,325,197	1,068,074,456	15,098,531	12,365,764	1,168,423,728	1,080,440,220

	(Unaudited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
9.1 Particulars of advances (Gross)		
In local currency	1,003,581,770	935,571,558
In foreign currencies	240,572,103	216,862,258
	1,244,153,873	1,152,433,816

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

- 9.2 Advances include Rs 87,118.340 million (December 31, 2018: Rs. 80,831.013 million) which have been placed under non-performing status as detailed below:

Category of classification	(Unaudited) September 30, 2019		(Audited) December 31, 2018	
	Non-performing advances	Provision	Non-performing advances	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	4,721,689	-	873,750	-
Substandard	3,134,848	764,559	4,154,859	662,072
Doubtful	2,493,018	1,243,231	1,708,204	852,642
Loss	42,362,770	41,116,961	42,080,394	41,014,020
	52,712,325	43,124,751	48,817,207	42,528,734
Overseas				
Not past due but impaired	1,454,589	304,513	1,703,389	432,809
Overdue by:				
Upto 90 days	781,303	395,599	47,250	3,875
91 to 180 days	301,342	81,149	1,910,162	1,156,936
181 to 365 days	551,737	149,148	1,813,514	1,003,933
> 365 days	31,317,044	27,964,649	26,539,491	23,338,962
	34,406,015	28,895,058	32,013,806	25,936,515
Total	87,118,340	72,019,809	80,831,013	68,465,249

9.3 Particulars of provision against advances

Note	September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	68,465,249	3,528,347	71,993,596	66,417,176	3,088,343	69,505,519
Exchange adjustment	3,109,338	187,268	3,296,606	5,337,123	322,503	5,659,626
Charge for the period / year	4,108,878	297,280	4,406,158	6,111,202	424,324	6,535,526
Reversal for the period / year	(2,614,250)	(213,209)	(2,827,459)	(4,172,302)	(401,867)	(4,574,169)
Net charge against advances	1,494,628	84,071	1,578,699	1,938,900	22,457	1,961,357
Charged off during the period / year - agriculture financing	9.5 (284,756)	-	(284,756)	(477,679)	-	(477,679)
Written off during the period / year	(764,650)	-	(764,650)	(4,750,271)	-	(4,750,271)
Impact of initial adoption of IFRS 9	-	-	-	-	95,044	95,044
Other movement	-	(89,350)	(89,350)	-	-	-
Closing balance	72,019,809	3,710,336	75,730,145	68,465,249	3,528,347	71,993,596

- 9.4 General provision includes provision amounting to Rs 1,805.333 million (December 31, 2018: Rs 1,652.318 million) against the consumer finance portfolio and Rs 275.427 million (December 31, 2018: Rs 232.566 million) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs 1,629.576 million (December 31, 2018: Rs 1,643.463 million) pertaining to overseas branches to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.

- 9.5 These represent non-performing advances for agriculture financing 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.

Note	(Unaudited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
10 FIXED ASSETS		
Capital work-in-progress	10.1 1,504,012	2,426,450
Property and equipment	10.2 74,729,539	61,656,827
	76,233,551	64,083,277
10.1 Capital work-in-progress		
Civil works	466,203	858,424
Equipment	20,465	20,465
Advances to suppliers and contractors	1,017,344	1,547,561
	1,504,012	2,426,450

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

10.2 This includes right-of-use assets amounting to Rs 11,916.399 million (December 31, 2018: NIL) due to adoption of IFRS 16 as detailed in note 3.1.2.

10.3 Additions to fixed assets

(Unaudited)
For the nine months ended
September 30, 2019 September 30, 2018
(Rupees in '000)

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

Capital work-in-progress - net

(922,438) 2,008,029

Property and equipment

Leasehold land
Building on freehold land
Building on leasehold land
Machinery
Leasehold improvements
Furniture and fixtures
Electrical, office and computer equipment
Vehicles

-	63,799
4,349	-
211,972	864,277
47,221	164,797
924,834	513,331
456,935	857,375
3,377,901	2,314,227
69,286	251,242
5,092,498	5,029,048

Right-of-use assets

1,539,167 -

5,709,227 7,037,077

10.4 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Property and equipment

Land
Building on leasehold land
Leasehold improvements
Furniture and fixtures
Electrical, office and computer equipment
Vehicles

-	6,000
285,114	470
3,257	3,202
2,932	5,802
4,354	12,480
1,294	221
296,951	28,175

(Unaudited) (Audited)
September 30, 2019 December 31, 2018
(Rupees in '000)

11 INTANGIBLE ASSETS

Capital work-in-progress

1,170,683 831,891

Computer software
Management rights
Goodwill

2,529,956	2,127,133
2,367,577	2,367,577
2,732,324	2,538,760
7,629,857	7,033,470

8,800,540 7,865,361

(Unaudited)
For the nine months ended
September 30, 2019 September 30, 2018
(Rupees in '000)

11.1 Additions to Intangible assets

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

Capital work-in-progress
Computer software

338,792	28,333
759,590	967,493
1,098,382	995,826

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

12	OTHER ASSETS	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
	Mark-up / return / profit / interest accrued in local currency		40,235,407	29,286,417
	Mark-up / return / profit / interest accrued in foreign currency		3,764,119	2,618,087
	Advances, deposits, advance rent and other prepayments		2,800,282	3,002,255
	Advance taxation		29,446,497	44,618,050
	Advance for subscription of shares		50,000	50,000
	Stationery and stamps on hand		106,901	96,756
	Accrued fees and commissions		738,776	1,042,503
	Due from Government of Pakistan / SBP		1,425,548	1,076,509
	Mark to market gain on forward foreign exchange contracts		5,766,812	9,257,482
	Mark to market gain on derivative instruments		26,817	53,987
	Non-banking assets acquired in satisfaction of claims		1,418,190	1,596,579
	Receivable from defined benefit plan		24,375	35,293
	Branch adjustment account		188,742	678,113
	Acceptances		22,585,321	12,526,361
	Clearing and settlement accounts		6,295,118	1,894,880
	Dividend receivable		21,966	4,443
	Claims against fraud and forgeries		493,264	545,909
	Others		662,490	1,578,900
			<u>116,050,625</u>	<u>109,962,524</u>
	Provision held against other assets	12.1	(913,985)	(923,201)
	Other assets - net of provision		<u>115,136,640</u>	<u>109,039,323</u>
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	280,099	421,742
	Other assets - total		<u>115,416,739</u>	<u>109,461,065</u>
12.1	Provision held against other assets			
	Advances, deposits, advance rent and other prepayments		6,130	5,819
	Non-banking assets acquired in satisfaction of claims		23,120	23,152
	Claims against fraud and forgeries		493,264	545,909
	Suit filed cases		327,298	294,272
	Others		64,173	54,049
			<u>913,985</u>	<u>923,201</u>
12.1.1	Movement in provision against other assets			
	Opening balance		923,201	825,520
	Exchange adjustment		40,420	62,052
	Charge for the period / year		111,754	220,974
	Reversal for the period / year		(24,271)	(13,831)
	Net charge		87,483	207,143
	Written off during the period / year		(137,119)	(164,427)
	Other movement		-	(7,087)
	Closing balance		<u>913,985</u>	<u>923,201</u>
13	BILLS PAYABLE			
	In Pakistan		27,776,013	41,396,984
	Outside Pakistan		1,591,755	1,063,584
			<u>29,367,768</u>	<u>42,460,568</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
14	BORROWINGS		
	Secured		
	Borrowings from the SBP under		
	- Export refinance scheme	35,336,787	33,533,707
	- Long term financing facility	17,968,500	10,453,762
	- Financing facility for renewable energy power plants	439,298	104,853
	- Refinance facility for modernization of SMEs	10,250	14,300
	- Refinance and Credit Guarantee Scheme for Women Entrepreneurs	1,000	-
	- Financing facility for storage of agricultural produce	105,000	7,500
		53,860,835	44,114,122
	Repurchase agreement borrowings	238,099,658	375,076,788
		291,960,493	419,190,910
	Unsecured		
	- Call money borrowings	3,500,000	5,700,000
	- Overdrawn nostro accounts	773,433	6,053,011
	- Borrowings of overseas branches and subsidiaries	68,616,833	43,439,812
	- Other long-term borrowings	54,226,044	48,935,322
	14.1	127,116,310	104,128,145
		419,076,803	523,319,055

14.1 This includes the following:

14.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2018: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5.00% is payable semi-annually from June 2015.

14.1.2 A loan from the China Development Bank amounting to US\$ 184 million (December 31, 2018: US\$ 188 million). The principal amount is payable in six half yearly installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi-annually from June 2017.

14.1.3 A loan from Allied Bank Limited to HBL Asset Management Limited amounting to Rs 2 billion (December 31, 2018: Rs 2 billion). The principal amount is payable in ten equal half yearly installments from June 2020 to December 2024. Interest at KIBOR + 0.75% is payable semi-annually from June 2018.

15 DEPOSITS AND OTHER ACCOUNTS

	September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	696,300,194	141,572,374	837,872,568	665,733,802	138,623,094	804,356,896
Savings deposits	816,963,914	95,811,913	912,775,827	808,534,689	94,595,375	903,130,064
Term deposits	278,298,929	135,209,411	413,508,340	254,106,362	118,117,489	372,223,851
	1,791,563,037	372,593,698	2,164,156,735	1,728,374,853	351,335,958	2,079,710,811
Financial institutions						
Current deposits	4,265,496	2,128,160	6,393,656	5,673,657	2,511,443	8,185,100
Savings deposits	110,342,907	197,675	110,540,582	40,106,567	181,029	40,287,596
Term deposits	5,004,378	555,438	5,559,816	7,110,418	1,999,140	9,109,558
	119,612,781	2,881,273	122,494,054	52,890,642	4,691,612	57,582,254
	1,911,175,818	375,474,971	2,286,650,789	1,781,265,495	356,027,570	2,137,293,065

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
16	SUBORDINATED DEBT		
Tier II Term Finance Certificates	16.1	9,986,000	9,990,000
Additional Tier I Term Finance Certificates	16.2	12,374,000	-
		22,360,000	9,990,000

- 16.1 The Bank has issued Over The Counter (OTC) listed Term Finance Certificates (TFCs) as instruments of redeemable capital under Section 66 of the Companies Act, 2017 and the Basel III Guidelines set by the SBP. The key features of the issue are as follows:

Issue Date	February 19, 2016
Issue amount	Rs 10 billion
Rating	AAA (Triple A) [December 31, 2018: AAA (Triple A)]
Tenor	10 years from the Issue Date
Security	Unsecured and subordinated to all other indebtedness of the Bank including depositors.
Profit payment frequency	Semi-annually in arrears
Redemption	The instrument has been structured to redeem 0.02% of the issue amount semi-annually during the first 108 months after the issue and 99.64% of the issue amount in two equal semi-annual installments in the 114th and 120th months.
Mark-up	Floating rate of return at Base Rate + 0.50%. The Base Rate is defined as the average "Ask Side" rate of the six months Karachi Interbank Offered Rate (KIBOR).
Call option	The Bank may call the TFCs, with the prior written approval of the SBP, on any profit payment date falling on or after the fifth anniversary of the Issue Date, subject to at least 60 days prior notice being given to the investors through the Trustee. The call option, once announced, will be irrevocable.
Lock-in clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Bank's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

- 16.2 The Bank has issued fully paid up, rated, privately placed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates (TFCs) issued as instruments of redeemable capital under Section 66 of the Companies Act, 2017 which qualify as Additional Tier 1 Capital (AT 1) as outlined by the State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013.

The Bank is in the process of obtaining approval for listing from the Pakistan Stock Exchange Limited (PSX). The key features of the issue are as follows:

Issue Date	September 26, 2019
Issue amount	Rs 12.374 billion
Rating	AA+ (Double A plus)
Tenor	Perpetual
Security	Unsecured and subordinated to all other indebtedness of the Bank including depositors, general creditors and holders of the Tier II TFCs. However, they shall rank superior to the claims of ordinary shareholders.
Profit payment frequency	Quarterly in arrears
Redemption	Perpetual, hence not applicable.
Mark-up	Floating rate of return at Base Rate + 1.60%. The Base Rate is defined as the average "Ask Side" rate of the three months Karachi Interbank Offered Rate (KIBOR).
Call option	The Bank may, at its sole discretion, call the TFCs any time after five years from the Issue Date and subject to the following: (a) Prior approval of the SBP has been obtained; and (b) The Bank replaces the TFCs with capital of the same or better quality and the capital position of the Bank is above the minimum capital requirement after the Call Option is exercised.
Lock-in clause	Mark-up will only be paid from the current year's earnings and only if the Bank is in compliance with regulatory capital and liquidity requirements.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	Note	(Unaudited) September 30, 2019	(Audited) December 31, 2018
(Rupees in '000)			
17 DEFERRED TAX LIABILITIES			
Deductible temporary differences on			
- Tax losses of subsidiaries		134,613	83,496
- Tax losses of overseas branches		278,561	249,991
- Provision against investments		1,689,748	1,403,506
- Provision against doubtful debts and off-balance sheet obligations		4,293,983	3,295,092
- Liabilities written back		1,604,923	1,383,110
- Provision against other assets		50,989	45,760
- Deficit on revaluation of investments	19	1,513,510	3,861,947
- Deficit on revaluation of fixed assets		163,960	147,144
- Islamic financing Ijarah		142,552	101,123
- Others		43,243	61,503
		9,916,082	10,632,672
Taxable temporary differences on			
- Accelerated tax depreciation		(2,180,412)	(1,849,670)
- Surplus on revaluation of investments of associates		(76,916)	(176,864)
- Surplus on revaluation of fixed assets	19	(1,183,587)	(1,125,186)
- Surplus on revaluation of fixed assets of associates		(59,461)	(50,608)
- Management rights and goodwill		(178,560)	(157,939)
- Share of profit of associates		(5,619,808)	(4,880,054)
- Exchange translation reserve		(3,271,765)	(1,821,634)
		(12,570,509)	(10,061,955)
Net deferred tax (liabilities) / assets		(2,654,427)	570,717
18 OTHER LIABILITIES			
Mark-up / return / profit / interest payable in local currency		23,110,042	9,863,109
Mark-up / return / profit / interest payable in foreign currency		4,085,816	2,073,700
Security deposits		1,222,000	1,529,172
Accrued expenses		15,429,446	14,224,497
Mark to market loss on forward foreign exchange contracts		7,452,463	6,820,641
Mark to market loss on derivative instruments		2,061,094	1,248,504
Unclaimed dividends		385,204	325,121
Dividends payable		377,122	729,015
Provision for post retirement medical benefits		4,216,664	3,945,133
Provision for employees' compensated absences		3,005,166	3,080,403
Provision against off-balance sheet obligations	18.1	433,673	479,510
Provision for staff retirement benefits		1,206,997	1,101,009
Payable to defined benefit plans		946,847	970,439
Provision for Workers' Welfare Fund		5,089,329	4,697,450
Acceptances		22,585,321	12,526,361
Unearned income		4,086,246	1,010,802
Qarza-e-Hasna Fund		339,004	339,107
Levies and taxes payable		3,255,477	3,920,849
Insurance payable		729,131	670,230
Provision for rewards program expenses		1,370,424	1,087,209
Liability against trading of securities		11,333,174	34,755,041
Clearing and settlement accounts		2,481,922	3,930,956
Provision for donation to HBL Foundation		101,137	125,812
Contingent consideration payable		500,000	500,000
Charity fund		1,430	4,765
Lease liability against right-of-use assets	3.1.2	11,300,751	-
Unclaimed deposits		698,277	30,831
Others		3,381,561	3,548,585
		131,185,718	113,538,251

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
18.1 Provision against off-balance sheet obligations		
Opening balance	479,510	385,361
Exchange adjustment	11,095	11,688
Charge for the period / year	55,380	121,962
Reversal for the period / year	(112,312)	(50,806)
Net (reversal) / charge	(56,932)	71,156
Impact of initial adoption of IFRS 9	-	11,305
Closing balance	433,673	479,510

19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Note	September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Attributable to		Total	Attributable to		Total
	Equity holders	Non-controlling interest		Equity holders	Non-controlling interest	
	(Rupees in '000)					
Surplus / (deficit) arising on revaluation of assets, on:						
- Fixed assets	22,287,208	3,583	22,290,791	22,466,485	4,285	22,470,770
- Fixed assets of associates	152,466	-	152,466	144,596	-	144,596
- Available-for-sale securities	8.1 (4,036,785)	(5,840)	(4,042,625)	(11,500,460)	(49,031)	(11,549,491)
- Available-for-sale securities of associates	8.1 197,220	-	197,220	505,327	-	505,327
- Non-banking assets acquired in satisfaction of claims	280,099	-	280,099	421,742	-	421,742
	18,880,208	(2,257)	18,877,951	12,037,690	(44,746)	11,992,944
Tax on surplus / (deficit) on revaluation of:						
- Fixed assets	1,182,195	1,392	1,183,587	1,123,686	1,500	1,125,186
- Fixed assets of associates	59,461	-	59,461	50,608	-	50,608
- Available-for-sale securities	(1,532,154)	2,152	(1,530,002)	(3,845,111)	1,739	(3,843,372)
- Available-for-sale securities of associates	76,916	-	76,916	176,864	-	176,864
	(213,582)	3,544	(210,038)	(2,493,953)	3,239	(2,490,714)
Surplus on revaluation of assets - net of tax	19,093,790	(5,801)	19,087,989	14,531,643	(47,985)	14,483,658

	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
20 CONTINGENCIES AND COMMITMENTS			
- Guarantees	20.1	186,957,864	159,697,996
- Commitments	20.2	879,053,601	557,039,148
- Other contingent liabilities	20.3	23,654,804	26,316,205
		1,089,666,269	743,053,349
20.1 Guarantees:			
Financial guarantees		53,431,661	42,152,199
Performance guarantees		124,307,509	110,071,040
Other guarantees		9,218,694	7,474,757
		186,957,864	159,697,996

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

		(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
20.2	Commitments:		
	Trade-related contingent liabilities	113,262,412	99,605,884
	Commitments in respect of:		
	- forward foreign exchange contracts	571,976,164	393,775,370
	- forward Government securities transactions	155,991,026	39,177,791
	- derivatives	29,840,061	18,896,504
	- forward lending	6,894,605	3,678,492
	- operating leases	-	602,569
		764,701,856	456,130,726
	Commitments for acquisition of:		
	- fixed assets	459,755	680,462
	- intangible assets	629,578	622,076
		879,053,601	557,039,148
20.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	340,086,209	242,113,533
	Sale	231,889,955	151,661,837
		571,976,164	393,775,370
20.2.2	Commitments in respect of forward Government securities transactions		
	Purchase	81,970,120	33,489,184
	Sale	74,020,906	5,688,607
		155,991,026	39,177,791
20.2.3	Commitments in respect of derivatives		
	Foreign currency options		
	Purchase	-	532,918
	Sale	-	532,918
		-	1,065,836
	Cross Currency swaps		
	Purchase	9,419,864	2,874,784
	Sale	10,942,353	3,490,361
		20,362,217	6,365,145
	Interest rate swaps		
	Purchase	-	-
	Sale	9,477,844	11,465,523
		9,477,844	11,465,523
20.2.4	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to extend credit	6,894,605	3,678,492
	These represent commitments that are irrevocable because they can not be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		
20.2.5	Commitments in respect of operating leases		
	Not later than one year	-	409,045
	Later than one year and not later than five years	-	57,845
	Later than five years	-	135,679
		-	602,569

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
20.3 Other contingent liabilities		
20.3.1 Claims against the Bank not acknowledged as debts	<u>23,654,804</u>	<u>26,316,205</u>

These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Group 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.

20.3.2 The matter relating to the Bank's New York Branch has been disclosed in Note 21.3.2 to the annual consolidated financial statements of the Group for the year ended December 31, 2018. There is no further update on the same.

21 DERIVATIVE INSTRUMENTS

Product Analysis	September 30, 2019 (Unaudited)					
	Foreign currency options		Cross currency swaps		Interest rate Swaps	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market loss	Notional principal	Mark to market loss
	(Rupees in '000)					
Hedging	-	-	-	-	-	-
Market Making	-	-	20,362,217	(1,470,602)	9,477,844	(563,675)
	December 31, 2018 (Audited)					
	Foreign currency options		Cross currency swaps		Interest rate Swaps	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market loss	Notional principal	Mark to market loss
	(Rupees in '000)					
Hedging	-	-	-	-	-	-
Market Making	1,065,836	-	6,365,145	(567,516)	11,465,523	(627,001)

	(Unaudited) For the nine months ended September 30, 2019	(Unaudited) For the nine months ended September 30, 2018
22 MARK-UP / RETURN / PROFIT / INTEREST EARNED		
On:		
Loans and advances	94,237,898	53,727,427
Investments	74,812,924	60,006,958
Lendings to financial institutions	11,963,066	2,553,109
Balances with banks	1,617,553	786,771
	<u>182,631,441</u>	<u>117,074,265</u>

	(Unaudited) For the nine months ended September 30, 2019	(Unaudited) For the nine months ended September 30, 2018 (Restated)
23 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
On:		
Deposits	80,352,442	41,530,346
Securities sold under repurchase agreement borrowings	15,162,536	9,048,909
Borrowings	7,124,359	4,739,437
Subordinated debt	1,190,676	532,727
Cost of foreign currency swaps against foreign currency deposits / borrowings	3,852,334	1,111,305
Lease liability against right-of-use assets	890,735	-
	<u>108,573,082</u>	<u>56,962,724</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

		(Unaudited)	
		For the nine months ended	
		September 30, 2019	September 30, 2018
		(Rupees in '000)	
24	FEE AND COMMISSION INCOME	Note	
	General banking customer fees	3,250,826	2,997,206
	Consumer finance related fees	798,702	757,799
	Card related fees (debit and credit cards)	3,701,944	2,911,820
	Credit related fees	986,424	687,092
	Investment banking fees	1,300,236	540,859
	Commission on trade related products and guarantees	2,191,010	1,781,171
	Commission on cash management	519,510	489,065
	Commission on remittances (including home remittances)	306,168	321,499
	Commission on bancassurance	1,738,118	1,943,169
	Commission on Benazir Income Support Programme (BISP)	405,341	254,143
	Management fee	491,500	637,798
	Merchant discount and interchange fees	1,418,797	1,121,504
	Others	239,841	163,938
		<u>17,348,417</u>	<u>14,607,063</u>
	Less: Sales tax / Federal Excise Duty on fee and commission income	(1,891,821)	(1,867,376)
		<u>15,456,596</u>	<u>12,739,687</u>
25	(LOSS) / GAIN ON SECURITIES - NET		
	Realised	25.1 (2,359,287)	405,771
	Unrealised - held-for-trading	8.1 (52,244)	(48,471)
		<u>(2,411,531)</u>	<u>357,300</u>
25.1	(Loss) / gain on securities - realised		
	On:		
	Federal Government securities		
	- Market Treasury Bills	114,531	52,195
	- Pakistan Investment Bonds	(18,642)	406,786
	- Ijarah Sukuks	(23,857)	(82,559)
	Shares	(2,492,088)	(21,852)
	Non-Government debt securities	(36,727)	300
	Foreign securities	97,496	50,901
		<u>(2,359,287)</u>	<u>405,771</u>
26	OTHER INCOME		
	Incidental charges	132,085	244,179
	Liabilities no longer required written back	52,411	-
	Exchange gain realised on closure of bank branch	165,156	-
	Gain on sale of fixed assets - net	87,839	52,892
	Gain on sale of non-banking assets - net	10,701	-
	Rent on properties	58,435	57,476
		<u>506,627</u>	<u>354,547</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

(Unaudited)
For the nine months ended
September 30, 2019, September 30,
2018
(Rupees in '000)

27 OPERATING EXPENSES

Salaries, allowances, etc.	23,240,278	19,760,736
Charge for defined benefit / contribution plan and other benefits	1,979,856	3,395,258

Property expense

Rent and taxes	861,004	3,195,380
Insurance	84,242	67,886
Utilities cost	1,683,239	1,369,917
Security (including guards)	1,376,001	1,250,375
Repair and maintenance (including janitorial charges)	1,625,592	1,479,426
Depreciation on owned assets	2,187,194	1,392,152
Depreciation on right-of-use assets	2,417,727	-
	10,234,999	8,755,136

Information technology expenses

Software maintenance	1,966,600	1,447,819
Hardware maintenance	522,308	332,561
Depreciation	1,109,485	772,271
Amortisation	368,704	544,723
Network charges	1,070,576	826,899
Consultancy charges	385,341	322,278
	5,423,014	4,246,551

Other operating expenses

Non-Executive Directors' fees	36,800	42,000
Shariah Board's fees and allowances	13,086	5,945
Legal and professional charges	4,461,170	4,002,935
Outsourced services costs	1,133,103	1,024,313
Travelling and conveyance	744,002	613,492
Insurance	578,953	450,507
Remittance charges	479,760	534,729
Security charges	1,068,626	930,949
Repairs and maintenance	504,701	342,385
Depreciation	573,005	538,951
Training and development	263,462	225,753
Postage and courier charges	540,139	431,600
Communication	536,806	528,906
Stationery and printing	2,132,156	898,687
Marketing, advertisement and publicity	2,474,849	2,018,883
Donations	151,603	99,371
Auditors' remuneration	190,829	170,004
Brokerage and commission	415,494	166,662
Subscription	150,839	96,906
Documentation and processing charges	1,773,792	1,033,120
Entertainment	261,938	191,364
Consultancy charges	7,556,758	4,848,645
Deposit insurance premium expense	1,567,824	476,101
Others	481,849	436,920
	28,091,544	20,109,128

68,969,691	56,266,809
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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

		(Unaudited) For the nine months ended	
		September 30, 2019	September 30, 2018
		(Rupees in '000)	
28	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	402,321	455,593
	Penalties imposed by other regulatory bodies	1,736	10,401
		<u>404,057</u>	<u>465,994</u>
29	PROVISIONS AND WRITE OFFS - NET		
	Provision for diminution in value of investments	8.3 585,666	2,085,134
	Provision / (reversal) against loans and advances	9.3 1,578,699	(79,676)
	Provision against other assets	12.1.1 87,483	154,488
	(Reversal) / provision against off-balance sheet obligations	18.1 (56,932)	20,173
	Recoveries against written off / charged off bad debts	(373,046)	(307,928)
	Recoveries against other assets written off	(38,526)	(8,811)
		<u>1,783,344</u>	<u>1,863,380</u>
30	TAXATION		
	- Current	8,120,698	9,424,271
	- Prior years	1,933,029	-
	- Deferred	(593,210)	(1,652,916)
		<u>9,460,517</u>	<u>7,771,355</u>
31	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period attributable to equity holders of the Bank	<u>8,637,050</u>	<u>9,631,553</u>
		(Number)	
	Weighted average number of ordinary shares	<u>1,466,852,508</u>	<u>1,466,852,508</u>
		(Rupees)	
	Basic and diluted earnings per share	<u>5.89</u>	<u>6.57</u>
31.1	Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.		
32	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, certain long term borrowings and subordinated debt 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.		

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Fair value measurements using inputs that are not based on observable market data (i.e. unobservable inputs).

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.
Non-Government debt securities	Investment in non-Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in non-Government debt securities denominated in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Foreign Government debt securities	The fair values of Foreign Government debt 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.
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.

32.1 Fair value of financial assets

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

As at September 30, 2019 (Unaudited)					
	Carrying value / notional value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)				
Financial assets - measured at fair value					
Investments					
- Federal Government securities	1,066,374,432	-	1,066,374,432	-	1,066,374,432
- Shares - listed companies	5,818,090	5,818,090	-	-	5,818,090
- Foreign securities					
Government debt securities	39,824,420	-	39,824,420	-	39,824,420
Non-Government debt securities					
- Listed	20,726,377	-	20,726,377	-	20,726,377
- Unlisted	343,673	-	343,673	-	343,673
- National Investment Trust Units	32,829	-	32,829	-	32,829
- Real Estate Investment Trust units	49,050	49,050	-	-	49,050
	1,133,168,871	5,867,140	1,127,301,731	-	1,133,168,871
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	169,394,046	-	156,275,599	-	156,275,599
- Non-Government debt securities					
- Listed	7,666,860	-	7,663,557	-	7,663,557
- Unlisted	30,636,820	-	21,668,053	8,964,500	30,632,553
- Foreign securities					
Government debt securities	7,833,217	-	8,542,978	-	8,542,978
Non-Government debt securities					
- Listed	1,124,035	-	1,131,908	-	1,131,908
- Unlisted	1,207,963	-	1,211,962	-	1,211,962
	217,862,941	-	196,494,057	8,964,500	205,458,557
	1,351,031,812	5,867,140	1,323,795,788	8,964,500	1,338,627,428

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

As at September 30, 2019 (Unaudited)				
Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
Off-balance sheet financial instruments - measured at fair value				
Commitments				
- Forward foreign exchange contracts	571,976,164	-	(1,685,651)	(1,685,651)
- Forward Government securities transactions	155,991,026	-	1,675	1,675
- Derivative instruments	29,840,061	-	(2,034,277)	(2,034,277)

As at December 31, 2018 (Audited)				
Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				

On balance sheet financial instruments

Financial assets - measured at fair value

Investments				
- Federal Government securities	1,048,325,547	-	1,048,325,547	1,048,325,547
- Shares - listed companies	10,170,203	10,170,203	-	10,170,203
- Foreign securities				
Government debt securities	21,237,289	-	21,237,289	21,237,289
Non-Government debt securities				
- Listed	49,427,699	-	49,427,699	49,427,699
- Unlisted	926,102	-	926,102	926,102
- National Investment Trust Units	42,562	-	42,562	42,562
- Real Estate Investment Trust units	59,950	59,950	-	59,950
	1,130,189,352	10,230,153	1,119,959,199	1,130,189,352

Financial assets - disclosed but not measured at fair value

Investments				
- Federal Government securities	172,305,817	-	156,199,342	156,199,342
- Non-Government debt securities				
- Listed	9,092,850	-	9,224,386	9,224,386
- Unlisted	22,538,405	-	22,573,033	22,573,033
- Foreign securities				
Government debt securities	8,656,736	-	8,734,733	8,734,733
Non-Government debt securities				
- Listed	2,535,536	-	2,524,978	2,524,978
- Unlisted	1,208,776	-	1,208,886	1,208,886
	216,338,120	-	200,465,358	200,465,358
	1,346,527,472	10,230,153	1,320,424,557	1,330,654,710

Off-balance sheet financial instruments - measured at fair value

Commitments				
- Forward foreign exchange contracts	393,775,370	-	2,436,841	2,436,841
- Forward Government securities transactions	39,177,791	-	(24,559)	(24,559)
- Derivative instruments	18,896,504	-	(1,194,517)	(1,194,517)

32.2 Fair value of non-financial assets

As at September 30, 2019 (Unaudited)				
Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
- Fixed assets	45,221,726	-	45,221,726	45,221,726
- Non-banking assets acquired in satisfaction of claims	1,675,169	-	1,675,169	1,675,169
	46,896,895	-	46,896,895	46,896,895
As at December 31, 2018 (Audited)				
Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
- Fixed assets	45,503,874	-	45,503,874	45,503,874
- Non-banking assets acquired in satisfaction of claims	1,995,169	-	1,995,169	1,995,169
	47,499,043	-	47,499,043	47,499,043

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

33 SEGMENT INFORMATION

33.1 Segment details with respect to business activities

	For the nine months ended September 30, 2019 (Unaudited)							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Asset management	Head office / others	Total
Profit and loss account	(Rupees in million)							
Net mark-up / return / profit - external	(38,291)	9,167	38,087	59,747	5,934	(202)	(384)	74,058
Inter segment revenue / (expense) - net	94,495	(3,271)	(31,115)	(65,911)	1,379	-	4,423	-
Non mark-up / return / interest income	5,158	4,682	2,826	976	3,137	488	(1,490)	15,777
Total Income	61,362	10,578	9,798	(5,188)	10,450	286	2,549	89,835
Segment direct expenses	21,225	4,174	1,664	482	19,810	225	22,187	69,767
Inter segment expense allocation	10,768	733	851	198	3,757	-	(16,307)	-
Total expenses	31,993	4,907	2,515	680	23,567	225	5,880	69,767
Provisions	1,160	217	(823)	111	293	-	825	1,783
Profit/ (loss) before tax	28,209	5,454	8,106	(5,979)	(13,410)	61	(4,156)	18,285
As at September 30, 2019 (Unaudited)								
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Asset management	Head office / others	Total
Statement of financial position	(Rupees in million)							
Cash and bank balances	140,214	-	417	59,055	100,060	-	5,387	305,133
Lendings to financial institutions	21,489	-	-	20,793	-	-	-	42,282
Net inter segment lending	1,254,138	-	-	-	121,074	-	76,483	1,451,695
Investments	33,970	-	16,789	1,219,493	77,637	290	40,298	1,388,477
Advances - performing	287,715	55,280	570,922	-	200,165	-	39,243	1,153,325
Advances - non-performing	5,541	165	3,304	-	5,511	-	578	15,099
Others	20,192	1,529	33,794	17,202	17,796	3,061	106,877	200,451
Total assets	1,763,259	56,974	625,226	1,316,543	522,243	3,351	268,866	4,556,462
Borrowings	14,778	-	67,854	242,151	92,294	2,000	-	419,077
Subordinated debt	-	-	-	-	-	-	22,360	22,360
Deposits and other accounts	1,701,980	3,461	190,218	33	353,662	-	37,297	2,286,651
Net inter segment borrowing	-	49,331	346,623	1,055,741	-	-	-	1,451,695
Others	31,587	4,182	20,531	21,292	20,877	463	64,276	163,208
Total liabilities	1,748,345	56,974	625,226	1,319,217	466,833	2,463	123,933	4,342,991
Equity	14,914	-	-	(2,674)	55,410	888	144,933	213,471
Total equity and liabilities	1,763,259	56,974	625,226	1,316,543	522,243	3,351	268,866	4,556,462
Contingencies and commitments	26,907	-	254,203	678,947	105,316	-	24,293	1,089,666

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

For the nine months ended September 30, 2018 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Asset management	Head office / others	Total
Profit and loss account	(Rupees in million)							
Net mark-up / return / profit - external	(17,265)	7,687	19,107	46,276	3,352	(140)	1,095	60,112
Inter segment revenue / (expense) - net	52,422	(2,314)	(14,344)	(40,788)	1,671	-	3,353	-
Non mark-up / return / interest income	4,992	3,642	2,118	1,864	2,596	670	614	16,496
Total Income	40,149	9,015	6,881	7,352	7,619	530	5,062	76,608
Segment direct expenses	18,351	3,112	1,086	441	15,298	294	18,481	57,063
Inter segment expense allocation	11,455	320	1,715	333	1,239	-	(15,062)	-
Total expenses	29,806	3,432	2,801	774	16,537	294	3,419	57,063
Provisions	514	202	(2,067)	1,634	727	-	853	1,863
Profit/ (loss) before tax	9,829	5,381	6,147	4,944	(9,645)	236	790	17,682

As at December 31, 2018 (Audited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Asset management	Head office / others	Total
Statement of financial position	(Rupees in million)							
Cash and bank balances	145,159	-	215	87,342	83,229	-	6,158	322,103
Lendings to financial institutions	13,032	-	-	38,245	-	-	-	51,277
Net inter segment lending	1,218,886	-	-	-	54,497	-	57,585	1,330,968
Investments	74,496	-	17,929	1,181,543	85,755	299	30,030	1,390,052
Advances - performing	266,902	51,416	563,199	-	152,716	-	33,841	1,068,074
Advances - non-performing	2,002	99	4,043	-	6,077	-	145	12,366
Others	12,590	2,112	18,692	20,308	11,172	2,820	114,287	181,981
Total assets	1,733,067	53,627	604,078	1,327,438	393,446	3,119	242,046	4,356,821
Borrowings	10,532	-	59,688	385,532	65,567	2,000	-	523,319
Subordinated debt	-	-	-	-	-	-	9,990	9,990
Deposits and other accounts	1,693,016	2,831	154,212	64	255,030	-	32,140	2,137,293
Net inter segment borrowing	-	47,518	379,197	904,253	-	-	-	1,330,968
Others	18,168	3,278	10,981	44,240	12,753	225	66,354	155,999
Total liabilities	1,721,716	53,627	604,078	1,334,089	333,350	2,225	108,484	4,157,569
Equity	11,351	-	-	(6,651)	60,096	894	133,562	199,252
Total equity and liabilities	1,733,067	53,627	604,078	1,327,438	393,446	3,119	242,046	4,356,821
Contingencies and commitments	24,125	-	142,460	358,144	191,110	-	27,214	743,053

34

RELATED PARTY TRANSACTIONS

The Group has related party relationships with various parties including its Directors, Key Management Personnel, Group entities, associated companies, joint venture and employee benefit schemes of the Group.

Transactions with related parties, other than those under the 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.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

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

Details of transactions and balances with related parties as at the period / year end, are as follows:

As at September 30, 2019 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Statement of financial position						
Balances with other banks						
In current accounts	-	-	217	-	3,727	-
Investments						
Opening balance	-	-	-	25,741,115	3,777,862	4,004,502
Investment made during the period	-	-	-	347,712	-	670,632
Share of profit	-	-	-	1,630,278	582,374	-
Equity method related adjustments	-	-	-	540,289	430,043	-
Investment redeemed / disposed off during the period	-	-	-	(2,949,100)	-	(214,485)
Transfer in / (out) - net	-	-	-	-	-	790,351
Closing balance	-	-	-	25,310,294	4,790,279	5,251,000
Provision for diminution in value of investments	-	-	-	-	-	(24,607)
Advances						
Opening balance	-	234,012	3,536,393	1,500,000	-	13,376,499
Addition during the period	-	51,743	12,677,542	-	-	383,186,481
Repaid during the period	-	(35,237)	(12,800,246)	-	-	(379,845,031)
Closing balance	-	250,518	3,413,689	1,500,000	-	16,717,949
Provision held against advances	-	-	-	-	-	(1,726,437)
Other assets						
Interest / mark-up accrued	-	488	53,064	48,514	-	547,803
Receivable from staff retirement fund	-	-	-	-	-	24,375
Other receivable	-	900	7,429	505,762	-	10,562
	-	1,388	60,493	554,276	-	582,740
Borrowings						
Opening balance	-	-	2,621,585	2,499,514	1,932,152	-
Borrowings during the period	-	-	9,005,081	4,690,961	6,661,725	-
Settled during the period	-	-	(8,375,593)	(6,252,283)	(7,030,223)	-
Closing balance	-	-	3,251,073	938,192	1,563,654	-
Deposits and other accounts						
Opening balance	148,728	23,517	12,066,522	4,524,664	-	778,919
Received during the period	1,010,851	1,099,535	242,152,466	259,966,952	-	91,076,160
Withdrawn during the period	(918,686)	(966,146)	(241,514,298)	(254,005,220)	-	(88,823,660)
Closing balance	240,893	156,906	12,704,690	10,486,396	-	3,031,419
Other liabilities						
Interest / mark-up payable	5,551	842	324,746	43,740	7,145	14,469
Payable to staff retirement fund	-	-	-	-	-	946,847
Other payables	-	-	88,428	179,721	-	102,935
	5,551	842	413,174	223,461	7,145	1,064,251
Contingencies and commitments						
Letter of credit	-	-	625,904	-	-	7,782,145
Letter of guarantee	-	-	144,720	-	-	1,391,646
Forward purchase of Government securities	-	-	523,350	-	-	75,912,481
Forward sale of Government securities	-	-	-	-	-	60,790,695
Interest rate swaps	-	-	1,227,844	1,500,000	-	-
	-	-	2,521,818	1,500,000	-	145,876,967
Others						
Securities held as custodian	-	27,100	6,928,485	26,809,580	-	27,210,710

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	For the nine months ended September 30, 2019 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Profit and loss account						
Income						
Mark-up / return / profit / interest earned	-	12,055	277,703	138,819	-	1,210,390
Fee and commission income	-	-	3,880	1,747,273	244	3,529
Share of profit	-	-	-	1,630,278	582,374	-
Dividend income	-	-	-	-	-	81,776
Loss from derivatives	-	-	(25,647)	(6,758)	-	-
Expenses						
Mark-up / return / profit / interest expensed	10,909	3,583	645,697	248,145	41,914	62,717
Operating expenses						
Salaries and allowances	-	911,551	-	-	-	-
Contribution to provident and benevolent funds	-	16,081	-	-	-	-
Non-Executive Directors' fees	36,800	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	753,112
Insurance premium expense	-	-	-	941,929	-	-
Advertisement and publicity	-	-	61,877	-	-	724,067
Travelling	-	-	24,082	-	-	-
Subscription	-	-	-	-	-	41,712
Donation	-	-	-	-	-	101,137
Brokerage and Commission	-	-	-	-	-	124,872
Other Expenses	-	-	1,388	-	-	723
Provision for diminution in value of investments	-	-	-	-	-	(106,885)
Others						
Purchase of Government securities	-	24,175	108,031,647	19,953,031	-	294,101,001
Sale of Government securities	-	24,457	140,361,091	38,307,507	-	319,912,676
Purchase of foreign currencies	15,863	7,488	1,615,694	5,527	-	4,148
Sale of foreign currencies	19,046	182,161	2,886,661	53,884	-	8,860,491
Insurance claims settled	-	-	-	164,376	-	-

As at December 31, 2018 (Audited)						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Statement of financial position						
Balances with other banks						
In current accounts	-	-	178,527	-	22,884	-
Investments						
Opening balance	-	-	-	24,618,037	2,739,781	5,291,967
Investment made during the year	-	-	-	1,422,668	-	2,248,288
Share of profit	-	-	-	2,119,869	603,114	-
Equity method related adjustments	-	-	-	1,666,446	434,967	-
Investment redeemed / disposed off during the year	-	-	-	(4,085,905)	-	(1,266,953)
Transfer in / (out) - net	-	-	-	-	-	(2,268,800)
Closing balance	-	-	-	25,741,115	3,777,862	4,004,502
Provision for diminution in value of investments	-	-	-	-	-	(131,491)
Advances						
Opening balance	-	145,569	3,147,907	3,962,169	-	16,536,672
Addition during the year	-	200,111	10,215,143	-	-	183,779,040
Repaid during the year	-	(43,073)	(9,826,657)	(2,462,169)	-	(177,108,006)
Transfer in / (out) - net	-	(68,595)	-	-	-	(9,831,207)
Closing balance	-	234,012	3,536,393	1,500,000	-	13,376,499
Provision held against advances	-	-	-	-	-	(1,726,437)

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For the nine months ended September 30, 2019

As at December 31, 2018 (Audited)						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Other assets						
Interest / mark-up accrued	-	430	30,552	34,696	-	226,952
Receivable from staff retirement fund	-	-	-	-	-	35,293
Other receivable	-	-	9,042	1,000,240	-	53,873
	-	430	39,594	1,034,936	-	316,118
Borrowings						
Opening balance	-	-	1,141,977	3,312,516	1,104,172	-
Borrowings during the year	-	-	7,034,084	10,275,781	6,382,456	-
Settled during the year	-	-	(5,554,476)	(11,088,783)	(5,554,476)	-
Closing balance	-	-	2,621,585	2,499,514	1,932,152	-
Deposits and other accounts						
Opening balance	127,426	37,694	10,235,376	9,245,055	22,702	1,501,398
Received during the year	1,461,501	268,006	415,569,471	393,178,308	-	98,984,289
Withdrawn during the year	(1,417,307)	(262,047)	(413,738,325)	(397,898,699)	(22,702)	(99,412,868)
Transfer in / (out) - net	(22,892)	(20,136)	-	-	-	(293,900)
Closing balance	148,728	23,517	12,066,522	4,524,664	-	778,919
Other liabilities						
Interest / mark-up payable	1,604	276	189,843	69,854	9,181	2,426
Payable to staff retirement fund	-	-	-	-	-	970,439
Other payables	-	-	106,489	431,670	-	125,812
	1,604	276	296,332	501,524	9,181	1,098,677
Contingencies and Commitments						
Letter of credit	-	-	580,316	-	-	8,847,142
Letter of guarantee	-	-	155,828	-	-	634,705
Forward purchase of Government securities	-	-	411,707	-	-	9,913,419
Forward sale of Government securities	-	-	-	-	-	809,625
Interest rate swaps	-	-	1,448,856	1,500,000	-	-
	-	-	2,596,707	1,500,000	-	20,204,891
Others						
Securities held as custodian	-	8,000	17,841,345	10,462,950	-	20,053,730
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						
Income						
Mark-up / return / profit / interest earned	-	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
Loss from derivatives	-	-	(34,655)	(35,833)	-	-
Expense						
Mark-up / return / profit / interest expensed	4,598	325	433,765	305,135	27,688	33,952
Operating expenses						
Salaries and Allowances	-	975,696	-	-	-	-
Contribution to provident and benevolent funds	-	13,730	-	-	-	-
Non-Executive Directors' fees	42,000	-	-	-	-	-
Net charge for defined benefit/ contribution plans	-	-	-	-	-	2,448,854
Insurance premium expense	-	-	-	928,650	-	-
Advertisement and publicity	-	-	44,439	-	-	305,679
Travelling	-	-	4,083	-	-	-
Subscription	-	-	-	-	-	35,679
Utilities cost	-	-	-	-	-	4,530
Donation	-	-	-	-	-	96,871
Other expenses	-	-	2,243	1	-	2,722
Provision for diminution in value of investments	-	-	-	-	-	73,865
Others						
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
Purchase of foreign currencies	-	368	1,313,090	-	-	4,430
Sale of foreign currencies	-	112,197	1,403,704	87,000	-	10,668,187
Insurance claims settled	-	-	-	122,860	-	-

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

35	CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
	Minimum Capital Requirement (MCR):			
	Paid-up capital (net of losses)		14,668,525	14,668,525
	Capital Adequacy Ratio (CAR):			
	Eligible Common Equity Tier 1 (CET 1) Capital		140,920,474	141,243,268
	Eligible Additional Tier 1 (AT 1) Capital		12,562,110	61,035
	Total Eligible Tier 1 Capital		153,482,584	141,304,303
	Eligible Tier 2 Capital		38,639,228	49,513,636
	Total Eligible Capital (Tier 1 + Tier 2)		192,121,812	190,817,939
	Risk Weighted Assets (RWAs):			
	Credit Risk		931,347,848	873,803,178
	Market Risk		131,156,700	132,656,725
	Operational Risk		173,042,280	173,042,280
	Total		1,235,546,828	1,179,502,183
	CET 1 Capital Adequacy Ratio		11.41%	11.97%
	Tier 1 Capital Adequacy Ratio		12.42%	11.98%
	Total Capital Adequacy Ratio		15.55%	16.18%
	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		9.90%	7.90%
	of which: capital conservation buffer requirement		1.90%	1.90%
	of which: countercyclical buffer requirement		-	-
	of which: D-SIB buffer requirement	35.1	2.00%	-
	CET1 available to meet buffers (as a percentage of risk weighted assets)		5.41%	5.97%
	Other information:			
	National minimum capital requirements prescribed by the SBP			
	CET1 minimum ratio (%)		9.90%	7.90%
	Tier 1 minimum ratio (%)		11.40%	9.40%
	Total capital minimum ratio (%)		13.90%	11.90%
	Leverage Ratio (LR)			
	Eligible Tier 1 Capital		153,482,584	141,304,303
	Total Exposures		3,530,158,831	3,695,613,262
	Leverage Ratio (%)		4.35%	3.82%
	Minimum Requirement (%)		3.00%	3.00%
	Liquidity Coverage Ratio (LCR)			
	Total Adjusted Value (Rupees in '000)			
	Total High Quality Liquid Assets		857,065,987	987,612,556
	Total Net Cash Outflow		596,467,009	571,294,024
	Liquidity Coverage Ratio (%)		143.69%	172.87%
	Minimum Requirement (%)		100.00%	100.00%
	Net Stable Funding Ratio (NSFR)			
	Total Weighted Value (Rupees in '000)			
	Total Available Stable Funding		2,182,452,114	2,102,952,345
	Total Required Stable Funding		1,533,353,546	1,490,821,433
	Net Stable Funding Ratio (%)		142.33%	141.06%
	Minimum Requirement (%)		100.00%	100.00%
35.1	Under the SBP's framework for Domestic Systemically Important Banks (D-SIBs), the Bank is designated as a D-SIB in category 'C'. Accordingly, with effect from March 31, 2019 the Bank is required to maintain a Higher Loss Absorbency (HLA) capital surcharge of 2% as additional CET 1.			

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

36

ISLAMIC BANKING BUSINESS

The Bank operates 48 (December 31, 2018: 47) Islamic Banking branches and 493 (December 31, 2018: 493) Islamic Banking windows as at September 30, 2019.

	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Cash and balances with treasury banks		10,129,429	19,365,889
Balances with other banks		-	-
Due from financial institutions	36.1	21,489,184	13,031,526
Investments	36.2	34,771,114	75,296,758
Islamic financing and related assets-net	36.3	141,634,729	103,483,404
Fixed assets		692,005	187,491
Intangible assets		-	-
Due from Head Office		30,647,382	4,932,141
Deferred tax assets		52,960	59,787
Other assets		4,810,252	3,718,796
		244,227,055	220,075,792
LIABILITIES			
Bills payable		15,737	8,543
Due to financial institutions	36.4	6,144,079	1,551,617
Deposits and other accounts	36.5	214,621,278	203,247,709
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities		8,531,554	3,917,646
		229,312,648	208,725,515
NET ASSETS			
		14,914,407	11,350,277
REPRESENTED BY			
Islamic Banking Fund		250,000	250,000
Reserves		-	-
Deficit on revaluation of investments - net of tax		(82,834)	(111,034)
Unappropriated profit	36.6	14,747,241	11,211,311
		14,914,407	11,350,277
Contingencies and commitments			
	36.7		
PROFIT AND LOSS ACCOUNT			
		(Unaudited) For the nine months ended September 30, 2019 (Rupees in '000)	September 30, 2018 (Restated)
Profit / return earned	36.8	13,772,948	8,733,467
Profit / return expensed	36.9	6,804,712	4,994,563
Net profit / return		6,968,236	3,738,904
Other income			
Fee and commission income		471,921	473,037
Dividend income		-	-
Foreign exchange income		27,042	49,216
Income from derivatives		-	-
Loss on securities - net		(27,609)	(49,053)
Others		5,895	5,247
Total other income		477,249	478,447
Total income			
		7,445,485	4,217,351
Other expenses			
Operating expenses		1,450,266	1,108,668
Workers' Welfare Fund		118,298	62,111
Other charges		-	-
Total other expenses		1,568,564	1,170,779
Profit before provisions			
Provisions and write offs - net		5,876,921	3,046,572
		80,315	3,141
Profit before taxation			
Taxation		5,796,606	3,043,431
		2,260,676	1,065,201
Profit after taxation			
		3,535,930	1,978,230

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

		(Unaudited) September 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	
36.1	Due from Financial Institutions		
	Unsecured	1,000,000	8,700,000
	Bai Muajjal Receivable from State Bank of Pakistan	20,489,184	-
	Bai Muajjal Receivable from other financial institutions	-	4,331,526
		<u>21,489,184</u>	<u>13,031,526</u>

36.2 Investments by segments

	September 30, 2019 (Unaudited)				December 31, 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government securities								
- Ijarah Sukuks	4,667,246	-	(135,794)	4,531,452	53,682,791	-	(170,822)	53,511,969
- Other Federal Government securities	10,794,000	-	-	10,794,000	-	-	-	-
	15,461,246	-	(135,794)	15,325,452	53,682,791	-	(170,822)	53,511,969
Non-Government debt securities								
- Listed	3,981,941	-	-	3,981,941	5,030,877	-	-	5,030,877
- Unlisted	15,463,721	-	-	15,463,721	16,753,912	-	-	16,753,912
	19,445,662	-	-	19,445,662	21,784,789	-	-	21,784,789
Total Investments	<u>34,906,908</u>	<u>-</u>	<u>(135,794)</u>	<u>34,771,114</u>	<u>75,467,580</u>	<u>-</u>	<u>(170,822)</u>	<u>75,296,758</u>

	(Unaudited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
36.3	Islamic financing and related assets - net	
Ijarah	1,914,304	2,078,449
Murabaha	467,180	672,907
Diminishing Musharakah	82,380,351	66,095,505
Wakalah	10,000,000	10,000,000
Islamic Home Financing	562,572	128,820
Running Musharakah	9,472,718	4,871,319
Advance for Ijarah	456,288	192,485
Advance for Murabaha	1,531,169	4,324,684
Advance for Diminishing Musharakah	7,209,875	995,819
Advance for Istisna	21,430,308	9,920,835
Inventories against Tijarah	347,560	17,578
Inventories against Murabaha	3,693,359	2,416,470
Inventories against Istisna	2,366,059	1,885,231
Islamic financing and related assets - gross	<u>141,831,743</u>	<u>103,600,102</u>
Provision against Islamic financing and related assets		
- Specific	(180,707)	(106,212)
- General	(16,307)	(10,486)
	<u>(197,014)</u>	<u>(116,698)</u>
Islamic financing and related assets - net of provision	<u>141,634,729</u>	<u>103,483,404</u>

36.4 Due to financial institutions

Acceptances from the SBP under Islamic Export Refinance Scheme	3,636,000	1,551,617
Acceptances from the SBP under Islamic Long Term Financing Facility	2,508,079	-
	<u>6,144,079</u>	<u>1,551,617</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

36.5	Deposits and other accounts	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
	Customers			
	Current deposits		54,687,619	44,756,909
	Savings deposits		84,151,555	90,221,909
	Term deposits		24,226,175	39,646,562
			163,065,349	174,625,380
	Financial Institutions			
	Current deposits		133,503	156,967
	Savings deposits		51,295,380	26,478,723
	Term deposits		127,046	1,986,639
			51,555,929	28,622,329
			214,621,278	203,247,709
36.6	Islamic Banking business unappropriated profit			
	Opening Balance		11,211,311	8,569,480
	Add: Islamic Banking profit for the period / year		5,796,606	4,332,623
	Less: Taxation		(2,260,676)	(1,690,792)
	Closing Balance		14,747,241	11,211,311
36.7	Contingencies and commitments			
	- Guarantees	36.7.1	254,686	219,570
	- Commitments	36.7.2	4,616,476	20,811,516
			4,871,162	21,031,086
36.7.1	Guarantees			
	Performance guarantees		246,143	214,177
	Other guarantees		8,543	5,393
			254,686	219,570
36.7.2	Commitments			
	Trade-related contingent liabilities		2,080,477	1,613,153
	Commitments in respect of forward foreign exchange contracts	36.7.2.1	2,535,999	19,198,363
			4,616,476	20,811,516
36.7.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		2,211,698	18,922,353
	Sale		324,301	276,010
			2,535,999	19,198,363
36.8	Profit / return earned			
	On:			
	Financing		9,219,440	4,223,874
	Investments		3,121,571	4,467,090
	Due from financial institutions		1,431,937	42,503
			13,772,948	8,733,467
36.9	Profit / return expensed			
	On:			
	Deposits and other accounts		5,223,936	3,039,674
	Due to financial institutions		1,282,136	1,882,577
	Cost against foreign currency deposits for Wa'ad based transactions		247,703	72,312
	Lease liability against right-of-use assets		50,937	-
			6,804,712	4,994,563

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

37 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 37.1 The Board of Directors in its meeting held on October 15, 2019 has declared a cash dividend of Rs 1.25 per share in respect of the quarter ended September 30, 2019 (September 30, 2018: Rs 1 per share). These condensed interim consolidated financial statements do not include the effect of this appropriation which will be accounted for subsequent to the period end.

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on October 15, 2019.

39 GENERAL

- 39.1 These condensed interim consolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular letter No. 5 dated March 22, 2019 and related clarifications / modifications.
- 39.2 Comparative figures have been re-arranged and reclassified for comparison purposes. The significant reclassification has been disclosed in note 3.1.1 of these condensed interim consolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeeb Samie
Director



CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

Directors' Review

On behalf of the Board of Directors, we are pleased to present the condensed interim unconsolidated financial statements for the nine months ended September 30, 2019.

Domestic Economy

The combination of fiscal and monetary policies employed in FY'19 to stabilize the economy will dampen domestic demand and growth. Higher energy prices, multiple rounds of currency adjustment and import compression policies have resulted in sustained upward pressure on prices. During the quarter, the rebasing of CPI has resulted in a slight decrease in the reported inflation numbers; headline inflation, however, remains on a rising trajectory, increasing to 11.4% in Sep '19, with average inflation for 1Q FY'20 at 10.1%. Real economic activity indicators also show a slowdown, particularly in domestic oriented industries. The contraction of 3.6% in the LSM index in FY'19 has been followed by a further 3.3% decline in Jul '19. Consequently, the GDP growth outlook for FY'20 remains subdued.

The import contraction measures and currency adjustments have helped to reduce the trade deficit by 40% during 2M FY'20. However, this is primarily attributable to a 23% decline in imports – falling international prices have kept export growth weak at 1%, diluting this improvement. Remittances for 2M FY'20 exhibited a seasonal slowing post-Eid, falling by 8% over 2M FY'19, although they have since rebounded. However, the drop in the trade deficit has mostly mitigated this impact, with the current account deficit narrowing by 55% over the same period last year, to 2.8% of GDP.

The fiscal deficit widened to a record high 8.9% of GDP in FY'19, well above the revised estimate of 7.2% presented in the Federal Budget, primarily due to revenue shortfalls. The government's deficit reduction plans in FY'20 are dependent on achieving an ambitious tax revenue of PKR 5.5 trillion. For 1Q FY'20, provisional estimates of tax collection, while below target, do show a healthy increase.

The volatility in the Rupee has subsided as the interbank market has adjusted to the introduction of the market-based exchange rate system and the lower current account deficit has provided external account stability. Monetary easing by the US Federal Reserve and other major central banks has also eased pressure on emerging market currencies. Consequently, the Rupee appreciated slightly (2.3%) against the US Dollar during the quarter. The IMF tranche in July and multilateral and bilateral flows have helped support foreign exchange reserves, which have grown by 3.6% in FY'20, to USD 15 billion.

The equity market continued its downward trajectory during the quarter, hitting a 5-year low in August. As of the quarter end, the PSX index was down 13.5% since the start of the year. There has been a nascent rally as investors believe that interest rates have peaked but a sustained recovery will be dependent on political developments, continued stability in exchange rates and positive economic news.

An IMF delegation visited Pakistan to review progress since the start of the Extended Fund Facility (EFF) program. The mission has broadly commended the government's reform efforts, particularly in the areas of exchange rate stability, the use of monetary policy to control inflation and improvements in tax administration and taxpayer interface. The first full review will take place in late October.

The SBP kept its policy rate unchanged at 13.25% in September, citing that inflation outcomes and projections were in line with earlier expectations. However, the previous monetary tightening has impacted private sector credit which, till August, showed a net decline over Dec'18 levels, compared to an 11% growth in 2018. Banking sector advances and deposits both contracted during the current quarter, moderating the 9M'19 growth to 0.7% and 5.0% respectively. Average spreads for the banking sector widened by 85 bps during 8M'19 compared to the same period last year.

Performance

HBL has reported a 9M'19 Profit before Tax of Rs 17.6 billion, 13% higher than for the same period last year. This is despite the significant impact of the falling Rupee and the equity market, which have together reduced pre-tax profit by Rs 7.4 billion. Profit after tax of Rs 9.2 billion for 9M'19 is, however, only marginally higher than the Rs 9.0 billion in the same period last year, due to the retrospective imposition of Rs 1.9 billion of Super Tax on 2017 earnings. HBL's earnings per share for 9M'19 are at Rs 6.24.

HBL's core domestic business remains on a positive growth trajectory, with market shares of loans and deposits both increasing over the previous quarter. During the year, total domestic deposits increased by Rs 118 billion, to Rs 2.0 trillion. With almost all deposit growth coming from current and savings accounts, the CASA mix improved from 85.4% in Dec'18 to 85.9% in Sep'19. Broad based growth also resulted in domestic advances increasing to Rs 954 billion. International business deposits grew by 9% over Dec'18, with loans rising by nearly 23%. HBL's total deposits thus increased by 6.5%, to Rs 2.2 trillion and total advances grew by 6.3%, to Rs 1.1 trillion.

A growth of Rs 87 billion in average domestic deposits resulted in a 7% growth in the domestic balance sheet. With most of this coming from current accounts, the increase in the cost of deposits was contained. Yields on earning assets increased due to re-pricing of loans and rollover of maturing investments at higher rates. The domestic net interest margin thus improved by 80 bps with net interest income up by 22%. With strengthening overseas balance sheets adding to the domestic growth, total net interest income increased by 23%, to Rs 69.0 billion.

Fee income remained robust, growing by 22% to Rs 13.9 billion. The growth was across all business lines with the card and consumer finance businesses, investment banking and trade delivering a particularly strong performance. While the foreign exchange market has seen increased volatility, the Bank's Treasury has capitalized on this trend via careful positioning of the book and by capturing a larger share of Corporate and Commercial customer volumes. As a result, core foreign exchange income for 9M'19 increased by 55% over 9M'18. Total non-fund income (excluding the impact of the rupee devaluation and losses realized on disposal of previously impaired securities) increased by 19% over 9M'18 to Rs 20.1 billion.

The ongoing remediation, legal and regulatory costs related to the Bank's New York branch continue to weigh on the Bank's expenses which increased to Rs 62.5 billion. The impact of rupee devaluation on international expenses, the incremental cost of HBL Tower, expenses related to new domestic regulations and the cost of increasing financial access to the unbanked – a result of growth in acquisition volumes – also contributed to the increase. We are now seeing a downtrend in some of the large costs incurred over the last couple of years. Despite a strong recovery pipeline, credit stresses are being witnessed across customer segments with credit provisions increasing by Rs 1.1 billion over the prior year, to Rs 0.7 billion.

During the quarter, HBL forged partnerships and introduced digital innovations to enhance customer lifestyle experiences, reinforcing its position as Pakistan's leading bank. Through its partnership with Alkaram Studio, HBL Konnect will integrate its digital solutions for Alkaram Studio shoppers, both online and at physical store-fronts. HBL also signed a landmark agreement with Ufone, extending the first bilateral RMB Trade Finance facility. HBL was nominated as BISP's exclusive funds disbursement partner in Punjab, Sindh and Baluchistan and will be dispersing an aggregate of Rs 120 billion to 6 million women annually.

HBL continues to receive multiple international awards. Asiamoney awarded HBL as the Best Local Bank in the Region for Belt & Road Initiative (BRI), Best Individual BRI Project/Initiative in the Region, and Best Corporate Finance House – Fixed Income. HBL's focus on gender diversity and inclusion was recognized by the Asian Development Bank who awarded HBL the prestigious Gender Champion Award. For the fourth year running, HBL received the Brand of the Year, Banking – Pakistan, at the World Branding Awards.

Movement of Reserves

	Rs million
Unappropriated profit brought forward	91,883
Profit after tax	9,160
Transferred from General Reserve	6,074
Transferred from surplus on revaluation of assets – net of tax	247
	15,481
Profit available for appropriations	107,364
Appropriations	
Transferred to statutory reserves	(916)
Cash dividend – Final 2018	(1,834)
Cash dividend – 1st Interim 2019	(1,834)
Cash dividend – 2nd Interim 2019	(1,834)
	(6,417)
Unappropriated profit carried forward	100,947
Earnings per share (Rs)	6.24

Capital Ratios

During the quarter, HBL has received further subscriptions towards its perpetual Term Finance Certificates which were issued on September 26, 2019. The total issue of Rs 12.374 billion qualifies as Additional Tier 1 (AT1) capital.

Internal capital generation, Rupee appreciation and the AT1 issue all contributed towards improving the capital ratios. Despite continued growth in risk assets, the unconsolidated CET 1 as of September 30, 2019 has improved by 5 bps from Jun'19 to 12.43%, increasing the headroom over requirements and resulting in more Tier II capital becoming eligible. Tier 1 CAR, supported by the AT1 issue, has increased to 13.54%, 39 bps higher than in June, while the total CAR has improved by 41 bps to 17.09%.

Dividend

The Board of Directors, in its meeting held on October 15, 2019 has declared an interim cash dividend of Rs 1.25 per share (12.50%) for the quarter ended September 30, 2019.

Future Outlook

Pakistan's economic program is off to a promising start, but decisive reform implementation is critical for stronger and sustainable growth. Inflation for Q1 FY'20 has remained within SBP's expected range of 11-12% for FY'20. The higher base effect will reduce inflation going forward, although rising power tariffs will potentially dilute this impact. In its Monetary Policy Statement, the SBP expects economic activity to gradually pick up, on the back of a turn-around in business sentiment. In particular, the agriculture sector is expected to rebound in FY'20 after a tepid performance in FY'19. A potential easing of the rate cycle in the latter part of FY'20 could further support a recovery and improve GDP growth.

However, headwinds remain on both the domestic and international front. While the Government plans to reduce the primary fiscal deficit from 3.5% in FY'19 to 0.6% in FY'20, targets remain stretched. The slowdown in economic activity, along with a lower import bill, will keep revenue collection under pressure; elevated debt servicing and higher PSDP allocation are likely to keep the overall fiscal deficit at over 7% in FY20, before it moderates to more sustainable levels. While some measure of stability has returned to the exchange rate, this is fragile and an oil price spike, caused by developments in the Middle East, could reverse the gains in the current account. The IMF program has provided much-needed fiscal space, but meeting increasingly stringent targets, particularly around Net International Reserves, will be both challenging and critical.

HBL's core business is on a positive growth path, reflected in the results for the first nine months of 2019. HBL's positioning as a Technology Company with a Banking License is embedded in the organization. The Bank continues to introduce new lifestyle features for the more than 1 million users of its market leading mobile app and internet banking platform through partnerships, expanding the API and e-commerce ecosystem. HBL's expanded asset offering on HBL Mobile now includes Credit Cards, with users able to apply for a card with no paperwork and no branch visits. HBL's investment in Konnect is a prime illustration of the Bank's commitment to financial inclusion; in just over a year, 3 million Konnect accounts have been opened, 24% of them by women. HBL is on a journey to raise its service levels, which will be a continuous improvement process. Macroeconomic stresses are being seen but HBL will support its customers and remain at the forefront of national development.

Appreciation and Acknowledgement

On behalf of the Board and management, we would like to place on record our appreciation for the efforts of our Regulators and the Government of Pakistan, in particular, the State Bank of Pakistan, the Ministry of Finance and the Securities and Exchange Commission of Pakistan, for developing and strengthening the banking and financial industry through continuous improvements in the regulatory and governance framework.

We are indebted to our customers, who are our most loyal supporters and who continue to entrust us with their business and confidence. Our shareholders have provided steadfast support and to them and to all our stakeholders, we are deeply grateful. The Board and the management remain committed to maintaining the highest standards of governance and we assure our stakeholders that we will be industry leaders in this area. We would also like to thank our employees and their families for their dedication and their tireless efforts towards the growth of HBL.

On behalf of the Board

Muhammad Aurangzeb
President & Chief Executive Officer

Moez Ahamed Jamal
Director

October 15, 2019

SBP نے ستمبر میں اپنی شرح پالیسی 13.25% میں کوئی تبدیلی نہیں کی کیونکہ افراط زر کے نتائج اور تخمینے سابقہ توقعات کے خطوط پر تھے تاہم سابقہ مالیاتی سختی نے نجی شعبے کے قرضہ جات کو متاثر کیا ہے جس سے اگست تک، دسمبر 2018ء کی سطح کے مقابلے میں 2018ء میں 11% اضافے کی نسبت خالص کمی ظاہر ہوئی۔ رواں سہ ماہی میں بینکنگ کے شعبے میں قرضوں اور ڈپازٹ دونوں کی مد میں تخفیف ہوئی جس میں 2019ء کی نو ماہ بڑھوتری معتدل اور بالترتیب 0.7% اور 5.0% رہی۔ گزشتہ سال اسی مدت کے مقابلے میں 2018ء کے آٹھ ماہ کے دوران بینکنگ سیکٹر کے پھیلاؤ میں اوسطاً 85bps کا اضافہ ہوا۔

کارکردگی

HBL نے مالی سال 2019ء کے نو ماہ کے لیے قبل از محصول منافع 17.6 ارب روپے ظاہر کیا جو گزشتہ برس اسی دورانیے سے 13% زیادہ ہے۔ یہ روپے اور ایکویٹی مارکیٹ کے زوال کے نمایاں اثرات کے باوجود ہے جنہوں نے مل کر قبل از محصول منافع میں 7.4 ارب روپے کمی کی۔ مالی سال 2019ء کے نو ماہ کا بعد از محصول منافع 9.2 ارب روپے رہا تاہم یہ گزشتہ برس کے 9.0 ارب روپے سے معمولی زیادہ ہے جس کی وجہ سال 2017ء کی آمدن پر 1.9 ارب روپے سپر ٹیکس کا اطلاق ہے۔ HBL کی مالی سال 2019ء کے نو ماہ کی فی حصص آمدن 6.24 روپے ہے۔

HBL کا بنیادی ملکی کاروبار گزشتہ سہ ماہی کے مقابلے میں قرضہ جات اور ڈپازٹ دونوں کے مارکیٹ شیئر میں اضافے کے ساتھ مسلسل مثبت ترقی کی راہ پر گامزن ہے۔ رواں سال کے دوران کل ملکی ڈپازٹس 118 ارب روپے اضافے سے 2.0 کھرب روپے ہو گئے، جن میں سے کم و بیش تمام نمو صرف کرنٹ اور سیونگز اکاؤنٹس کے سبب ہے۔ CASA کے امتزاج میں دسمبر 2018ء کی 85.4% کی نسبت ستمبر 2019ء میں 85.9% کی بہتری آئی۔ وسیع البنیاد نمو سے ملکی قرضہ جات 954 ارب روپے ہو گئے۔ دسمبر 2018ء تک بین الاقوامی کاروباری ڈپازٹس میں 9% نمو جبکہ قرضہ جات میں 23% اضافہ ہوا، چنانچہ HBL کے کل ڈپازٹس 6.5% اضافے سے 2.2 کھرب روپے ہو گئے اور کل قرضہ جات 6.3% اضافے کے ساتھ 1.1 کھرب روپے ہو گئے۔

اوسط ملکی ڈپازٹس میں 87 ارب روپے کے اضافے سے ملکی سیلنس شیٹ میں 7% کا اضافہ ہوا۔ ان میں سے بیشتر کرنٹ اکاؤنٹ کے باعث ڈپازٹس کے اخراجات میں اضافہ ہیں۔ قرضہ جات کی قیمتوں پر نظر ثانی اور سرمایہ کاری کی منافع بخش تکمیل پر اعلیٰ منافعوں پر اجرائے ثانیہ سے منافع بخش اثاثوں کی آمدن میں اضافہ ہوا۔ ملکی خالص منافع جاتی گنجائش میں 80bps بہتری کے ساتھ خالص منافع جاتی آمدن میں 22% اضافہ ہوا۔ غیر ملکی سیلنس شیٹ میں تقویت کے ساتھ ملکی ترقی میں نمو کے باعث کل خالص منافع جاتی آمدن 23% اضافے سے 69.0 ارب روپے ہو گئی۔

فیس کی آمدن میں بھی مسلسل بہتری کے ساتھ 22% اضافہ 13.9 ارب روپے ہوا۔ یہ نمو تمام کاروباری شعبوں میں یکساں رہی جبکہ کارڈ اور صارفی قرضہ جاتی کاروبار، سرمایہ کاری بینکاری اور تجارتی شعبوں نے بھرپور کارکردگی کا مظاہرہ کیا۔ گوکہ غیر ملکی زر مبادلہ کی مارکیٹ میں اتار چڑھاؤ میں تیزی رہی تاہم بینک کی ٹریڈری نے اس صورتحال میں بھی محتاط رویہ اختیار کرتے ہوئے کارپوریٹ اور کمرشل کسٹمر کے حجم کا بڑا حصہ حاصل کیا۔ اس کے نتیجے میں بنیادی غیر ملکی زر مبادلہ کی آمدن میں مالی سال 2019ء کے نو ماہ میں مالی سال 2018ء کی اسی مدت کے مقابلے میں 55% اضافہ ہوا۔ کل نان فنڈ آمدن (جس میں روپے کی قدر میں کمی اور پہلے سے ناکارہ ضمانتوں کی تلفی کے نقصانات شامل نہیں) میں مالی سال 2018ء کے نو ماہ کے مقابلے میں 19% اضافے سے 28.1 ارب روپے ہو گئی۔

بینک کی نیویارک برانچ سے متعلق جاری ثالثی / تجدیدی، قانونی اور ضابطی اخراجات کے باعث بینک پر خرچ کا بوجھ قائم رہا جو بڑھ کر 62.5 ارب روپے ہو گئے۔ روپے کی قدر میں ارزانی کے بین الاقوامی اخراجات پر خاطر خواہ اثر اور HBL ٹاور کی اضافی لاگت، نئے ملکی ضوابط سے متعلق اخراجات، بینک اکاؤنٹ نہ رکھنے والوں (UNBANKED) کے لیے مالیاتی رسائی کے حجم میں اضافے کی لاگت اخراجات میں اضافے کا سبب ہیں۔ ہم اب پچھلے دو سال میں ہونے والے کچھ بڑے اخراجات میں کمی دیکھ رہے ہیں۔ واپسی کے عمل میں مضبوطی کے باوجود کسٹمر سیگمنٹ میں قرض کا دباؤ بدستور جاری رہا جبکہ پرووژن گزشتہ برس 1.1 ارب روپے کے اضافے سے اس کی مالیت 0.7 ارب روپے ہو گئی۔

ڈائریکٹرز کا جائزہ

ہمیں بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2019ء کو ختم ہونے والے نو ماہ کے مختصر عبوری غیر مجموعی مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس ہو رہی ہے۔

ملکی معیشت

معیشت کے استحکام کے لیے مالی سال 2019ء کی مالی وزری پالیسی کا امتزاج مقامی طلب اور نمو کم کر دے گا۔ توانائی کی قیمت میں اضافے، کرنسی کی مطابقت کے متعدد ادوار اور درآمدات میں کمی کی پالیسیوں کے نتیجے میں افراط زر میں اضافے کی صورت میں دباؤ برقرار رہا۔ سہ ماہی کے دوران CPI کے نئے معیارات کے نتیجے میں درج کیے گئے افراط زر کے اعداد و شمار میں معمولی کمی آئی تاہم عمومی افراط زر میں بدستور اضافہ ہوا جس میں ستمبر 2019ء میں شرح 11.4% تک بڑھ گئی جس سے مالی سال 2020ء کی پہلی سہ ماہی کی افراط زر کی اوسط 10.1% تک جائے گی۔ حقیقی اقتصادی سرگرمیوں کے اشاریے، بالخصوص مقامی صنعتوں میں بھی مندی ظاہر کر رہے ہیں۔ بڑے پیمانے پر اشیاء سازی (LSM) انڈیکس میں مالی سال 2019ء میں 3.6% تخفیف جولائی 2019ء میں مزید 3.3% کی واقع ہوئی نتیجتاً مالی سال 2020ء میں GDP کی نمو کی صورت حال ہنوز زیر دباؤ رہے گی۔

درآمدی حوصلہ شکنی کے اقدامات اور کرنسی کی مطابقت سے مالی سال 2020ء کے دو ماہ میں تجارتی خسارے میں 40% کمی ہوئی تاہم اسے بنیادی طور پر درآمدات میں 23% کمی سے منسوب کیا جاسکتا ہے۔ گرتی ہوئی بین الاقوامی قیمتوں نے برآمداتی نمو میں اضافہ 1% کم کیا ہے جس نے اس بہتری کا اثر بھی کم کر دیا۔ ترسیل زر مبادلہ میں مالی سال 2020ء کے دو ماہ میں بعد از عید موسمی کمی واقع ہوئی جو مالی سال 2019ء کے دو ماہ کے مقابلے میں 8% کم تھی حالانکہ ان میں اس وقت سے بہتری آرہی ہے، تاہم تجارتی خسارے میں کمی نے بڑی حد تک ان اثرات میں تخفیف کر دی ہے، جس سے جاری کھاتوں کا خسارہ گزشتہ برس اسی مدت کے مقابلے میں کم ہو کر 55% ہوا جو GDP کا 2.8% ہے۔

مالی سال 2019ء میں مالیاتی خسارہ بنیادی طور پر محصولات کی قلت کے باعث بڑھ کر GDP کی 8.9% کی ریکارڈ بلند ترین سطح پر پہنچ گیا جو وفاقی بجٹ میں پیش کردہ 7.2% کے نظر ثانی شدہ تخمینے سے بلند ہے۔ مالی سال 2020ء کے لیے حکومتی خسارے میں کمی کے منصوبے کا انحصار 5.5 کھرب پاکستانی روپے بطور ٹیکس محصولات کی وصولی پر ہے۔ مالی سال 2020ء کی پہلی سہ ماہی کے لیے محصولات کی وصولی کا عبوری تخمینہ، زیر ہدف رہتے ہوئے بھی ایک حوصلہ افزاء اضافہ ظاہر کر رہا ہے۔

انٹرنیشنل مارکیٹ کے مارکیٹ پر مبنی زر مبادلہ کی شرح کے نظام کے تعارف سے روپے میں اتار چڑھاؤ کا خاتمہ ہوا اور جاری کھاتوں کے خسارے میں کمی سے بیرونی کھاتے مستحکم ہوئے۔ امریکی وفاقی ذخائر کی جانب سے زری سہولت / چھوٹ اور دیگر اہم مرکزی بینکوں کی جانب سے ابھرتی ہوئی مارکیٹوں پر دباؤ میں کمی کی گئی ہے، نتیجتاً سہ ماہی کے دوران روپے کی قدر میں امریکی ڈالر کے موازنے میں معمولی 2.3% اضافہ ہوا ہے۔ جولائی میں IMF کی قسط اور دو طرفہ اور کثیر الاطراف بہاؤ نے بین الاقوامی زر مبادلہ کے ذخائر کو سہارا دیا جو مالی سال 2020ء میں 3.6% یعنی 15 ارب امریکی ڈالر تک بڑھ گئے۔

سہ ماہی کے دوران ایکویٹی مارکیٹ بدستور زوال پذیر رہی اور اگست میں اپنی 5 سال کی کم ترین سطح پر آگئی۔ سہ ماہی کے اختتام پر PSX انڈیکس سال کے آغاز سے 13.5% کم ہو گیا۔ نمونڈیری میں سرمایہ کاروں کی اس سوچ کے باعث کہ منافع کی شرح بڑھ گئی ہے، اضافہ ہوا ہے، مگر مستحکم بحالی کا انحصار سیاسی پیش رفت، زر مبادلہ کی شرح میں مسلسل استحکام اور مثبت اقتصادی خبروں پر ہو گا۔

IMF کے ایک وفد نے توسیعی فنڈ فیسلٹی (EFF) پروگرام کے آغاز کے بعد سے ترقیاتی جائزے کے لیے پاکستان کا دورہ کیا۔ وفد نے حکومت کی اصلاحی کاوشوں کو سراہا خصوصاً زر مبادلہ کی شرح میں استحکام، مہنگائی کے سد باب کے لیے زری پالیسی اور محصولی نظام اور ٹیکس دہندہ کے انٹرفیس کے شعبوں کی تعریف کی۔ اس ضمن میں پہلا جائزہ اکتوبر کے اواخر میں لیا جائے گا۔

سرمائے کا تناسب

سہ ماہی کے دوران HBL کو 26 ستمبر 2019ء کو جاری کیے گئے پریپوزیٹل ٹرم فنانس سرٹیفکیٹس پر مزید سبسکریپشنز موصول ہوئیں، جس سے کل 12.374 ارب روپے کے اجراء کے ساتھ بینک Additional Tier 1 (AT1) سرمائے کا اہل قرار پایا۔

اندرونی سرمائے کی پیداوار، روپے کی قدر میں اضافے اور AT1 کے اجراء سے سرمائے کے تناسب میں بہتری آئی۔ رسک اثاثوں میں مسلسل نمو کے باوجود 30 ستمبر 2019ء تک یکجا CET1 میں جون 2019ء سے 5bps بہتری آئی جو 12.43% رہی، جس میں شرائط پر ہیڈ روم میں گنجائش پیدا ہوئی اور اس سے Tier II کا زائد سرمایہ اہل قرار پایا۔ AT1 کے اجراء کی مدد سے Tier I CAR میں 13.54% اضافہ ہوا جو جون کے مقابلے میں 39bps زیادہ ہے جبکہ کل CAR میں 41bps بہتری آئی جو 17.09% ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 15 اکتوبر 2019ء کو منعقد ہونے والے اپنے اجلاس میں 30 ستمبر 2019ء کو اختتام پذیر ہونے والی سہ ماہی کے لیے فی حصص 1.25 روپے (12.50%) کے عبوری نقد منافع منقسمہ کا اعلان کیا ہے۔

مستقبل کی صورت حال

پاکستان کے اقتصادی منصوبے کا آغاز خوش آئند ہے، مگر مستحکم اور پائیدار ترقی کے لیے فیصلہ کن اصلاحات کا اطلاق ضروری ہے۔ مالیاتی سال 2020ء کی پہلی سہ ماہی میں افراط زر SBP کی متوقع حد 11-12% کے اندر رہی۔ تغیر کے اثرات مہنگائی مزید بڑھنے نہیں دیں گے اگرچہ توانائی کی قیمت میں اضافے سے اس کے اثرات میں ممکنہ کمی آئے گی۔ SBP نے اپنے زری پالیسی کے بیان میں توقع ظاہر کی ہے کہ معاشی سرگرمیاں بتدریج بہتری کی جانب گامزن ہوں گی جو کاروباری جذبات کی تبدیلی کے ساتھ ہی ہو گا۔ زرعی شعبے میں بالخصوص مالی سال 2019ء کی نرم گرم کارکردگی کے بعد مالی سال 2020ء میں تیزی متوقع ہے۔ مالی سال کے آخری حصے میں ریٹ سائیکل میں ممکنہ سہولت کی بدولت وصولی میں مدد اور GDP کی نمو بہتر کی جا سکتی ہے۔

تاہم باہر مخالف بدستور ملکی اور بین الاقوامی سطح پر موجود ہے جبکہ حکومت مالی سال 2019ء کے 3.5% بنیادی مالی خسارے میں مالی سال 2020ء میں 0.6% کمی چاہتی ہے جو اب تک ایک مشکل ہدف ہے۔ معاشی سرگرمیوں میں مندی کے ساتھ قلیل درآمدی بل کے باعث محصول کی وصولی زیر دباؤ رہے گی؛ قرضہ جاتی خدمات میں اضافے اور اعلیٰ PSDP تفویض، مزید پائیدار سطح سے قبل مالی سال 2020ء کے لیے مالی خسارہ ممکنہ طور پر 7% تک رہے گا۔ استحکام حاصل کرنے کے چند اقدامات زرمبادلہ کی شرح کی صورت میں لوٹ آئے ہیں، یہ ایک نازک مرحلہ ہے اور مشرق وسطیٰ میں پیش رفت سے تیل کی قیمت میں اضافے سے کرنٹ اکاؤنٹ کے فوائد بھی زائل ہو سکتے ہیں۔ IMF پروگرام نے دیرینہ مالی گنجائش فراہم کی ہے، مگر انتہائی مشکل اہداف کا حصول، خصوصاً خالص بین الاقوامی ذخائر کے حوالے سے مشکل اور اہم ہو گا۔

HBL کا بنیادی کاروبار ترقی کی نئی راہ پر ہے مالی سال 2019ء کے پہلے نو ماہ کے نتائج اس کے عکاس ہیں۔ بینکاری لائسنس کے ساتھ ایک ٹیکنالاجی کمپنی کا تصور HBL نے اپنے ادارے میں بھی شامل کیا ہے۔ بینک مسلسل اپنی مارکیٹ میں سر فہرست موبائل ایپ اور انٹرنیٹ بینکنگ کے پلیٹ فارم سے اشتراک کے ذریعے ایک ملین سے زائد استعمال کنندگان کو طرز زندگی میں تبدیلی لانے والی خصوصیات سے متعارف کروا رہا ہے، جس سے API اور ای کامرس ایکوسسٹم میں وسعت آرہی ہے۔ HBL کی HBL موبائل پر توسیع شدہ اثاثہ جات کی پیشکش میں اب کریڈٹ کارڈ بھی شامل ہے، جس میں استعمال کنندہ کو کاغذی کارروائی کے بغیر ہی کارڈ کی درخواست دینی ہوگی اور برانچ بھی نہیں جانا پڑے گا۔ HBL کنیکٹ میں HBL کی سرمایہ کاری بینک کے فنانشل انکلوژن کے عہد کی سب سے عمدہ مثال ہے، محض ایک سال کی قلیل مدت میں 3 ملین کنیکٹ اکاؤنٹ کھولے جا چکے ہیں ان میں سے 24% خواتین ہیں۔ HBL اپنی خدمات کی فراہمی کے معیار اور سطح میں اضافے کے سفر پر گامزن ہے جو ایک مسلسل بہتری کا عمل ہو گا۔ میکرو اکنامک دباؤ کے باوجود HBL اپنے صارفین کی معاونت کرے گا اور ملک و معیشت کی ترقی میں سب سے آگے رہے گا۔

اس سہ ماہی کے دوران HBL نے اشتراک کے ذریعے کسٹمرز کے طرز زندگی میں تبدیلی کے لیے ڈیجیٹل جدت متعارف کروائی جس سے پاکستان کے قائدانہ بینک کے طور پر اس کی حیثیت مستحکم ہو گئی ہے۔ الکر م اسٹوڈیو کے ساتھ اپنی معاونت کے ذریعے HBL کنیکٹ الکر م اسٹوڈیو کے صارفین کے لیے اپنی ڈیجیٹل سہولیات آن لائن اور اسٹور دونوں پر فراہم کرے گا۔ HBL نے Ufone کے ساتھ بھی ایک تاریخی معاہدے پر دستخط کیے ہیں جس میں پہلی بار دو طرفہ RMB ٹریڈ فنانس سہولت فراہم کی جارہی ہے۔ HBL کو پنجاب، سندھ اور بلوچستان میں BISP کا خصوصی فنڈز تقسیم کار نامہ دیا گیا تھا جس کے تحت سالانہ 6 ملین خواتین میں اندازاً 120 ارب روپے تقسیم کرے گا۔

HBL نے کئی معروف بین الاقوامی ایوارڈز وصول کیے۔ اس میں ”ایشیاء منی“ کی جانب سے ریجن کے بہترین مقامی بینک برائے سیٹ اینڈ روڈ انیشی ایٹو (BRI)، ریجن کے بہترین انفرادی BRI پراجیکٹ / انیشی ایٹو اور بہترین کارپوریٹ فنانس ہاؤس۔ فلسڈ انکم کے اعزازات شامل ہیں۔ ایشیائی ترقیاتی بینک نے HBL کی صنفی تنوع پر توجہ اور شمولیت کے اعتراف میں اسے جینڈر چیمپئن شپ ایوارڈ سے نوازا۔ مسلسل چار سال سے HBL، ورلڈ برانڈنگ ایوارڈز سے برانڈ آف دی لیڈر، بینکنگ۔ پاکستان ایوارڈ حاصل کر رہا ہے۔

ذخائر میں اتار چڑھاؤ

ملین روپے	افتتاحی غیر تخصیص شدہ منافع
91,883	منافع بعد از محصول
9,160	عمومی ذخائر سے منتقل شدہ
6,074	اثاثہ جات کی دوبارہ تشخیص پر سرپلس سے منتقل شدہ۔ محصول کا خالص
247	
15,481	مناسب کارروائی کے لیے دستیاب منافع
107,364	

مختلف مدوں میں رکھی گئی رقوم

قانونی ذخائر میں منتقل شدہ
نقد منافع منقسمہ - حتمی 2018ء
نقد منافع منقسمہ - پہلا عبوری 2019ء
نقد منافع منقسمہ - دوسرا عبوری 2019ء
(916)
(1,834)
(1,834)
(1,834)
(6,417)
100,947

اختتامی غیر تخصیص شدہ منافع

6.24	فی حصص آمدنی (روپے)
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خراج تحسین اور اعتراف

بورڈ اور انتظامیہ کی جانب سے، ہم اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص اسٹیٹ بینک آف پاکستان، وزارت مالیات اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی کاوشوں کا اعتراف کرتے ہیں جو انہوں نے ریگولیٹری اور انتظامی فریم ورک میں مسلسل بہتری کے ذریعے بینکاری اور مالیاتی شعبے کی ترقی اور استحکام کے لیے انجام دیں۔

ہم اپنے کسٹمرز کے ممنون ہیں، جو ہمارے وفادار و مددگار ہیں اور جو اپنے کاروبار کے حوالے سے ہم پر یقین اور اعتماد رکھے ہوئے ہیں۔ ہمیں اپنے حصص یافتگان کا مستقل تعاون حاصل رہا ہے اور ہم اُن کے اور اپنے تمام اسٹیک ہولڈرز کے بے حد مشکور ہیں۔ بورڈ اور مینجمنٹ اعلیٰ ترین معیارات برقرار رکھنے کے لیے اپنے عزم پر قائم ہے اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ ہم اس شعبے میں انڈسٹری کے قائدین ہوں گے۔ ہم HBL کی ترقی میں اپنے ملازمین اور ان کے خاندانوں کی لگن اور انتھک کاوشوں کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ

محمد اورنگزیب

صدر اور چیف ایگزیکٹو آفیسر

معیز احمد جمال
ڈائریکٹر

15 اکتوبر، 2019ء

Condensed Interim Unconsolidated Statement of Financial Position

As at September 30, 2019

	Note	(Unaudited) September 30, 2019	(Audited) December 31, 2018
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	5	239,387,923	266,610,256
Balances with other banks	6	28,635,732	26,095,330
Lendings to financial institutions	7	42,281,639	51,277,336
Investments	8	1,351,401,954	1,341,030,709
Advances	9	1,080,022,209	1,015,853,926
Fixed assets	10	71,391,298	62,517,154
Intangible assets	11	3,373,522	2,718,556
Deferred tax assets	12	5,362,756	7,083,718
Other assets	13	110,953,393	106,307,874
		2,932,810,426	2,879,494,859
LIABILITIES			
Bills payable	14	29,244,470	42,325,254
Borrowings	15	415,950,228	518,896,397
Deposits and other accounts	16	2,151,040,199	2,020,007,979
Liabilities against assets subject to finance lease		-	-
Subordinated debt	17	22,360,000	9,990,000
Deferred tax liabilities		-	-
Other liabilities	18	123,311,404	109,226,173
		2,741,906,301	2,700,445,803
NET ASSETS		190,904,125	179,049,056
REPRESENTED BY			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		56,354,005	57,935,252
Surplus on revaluation of assets - net of tax	19	18,934,997	14,562,465
Unappropriated profit		100,946,598	91,882,814
		190,904,125	179,049,056

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 39 form an integral part of these condensed interim unconsolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeib Samie
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the nine months ended September 30, 2019

	Note	January 01 to September 30, 2019	January 01 to September 30, 2018	July 01 to September 30, 2019	July 01 to September 30, 2018
		(Rupees in '000)			
		(Restated)		(Restated)	
Mark-up / return / profit / interest earned	22	174,029,514	111,287,457	68,407,559	39,370,846
Mark-up / return / profit / interest expensed	23	104,982,613	55,234,734	43,758,775	20,634,228
Net mark-up / return / profit / interest income		69,046,901	56,052,723	24,648,784	18,736,618
Non mark-up / interest income					
Fee and commission income	24	13,869,573	11,325,620	4,288,163	3,037,235
Dividend income		1,079,745	1,276,963	279,688	268,189
Foreign exchange (loss) / income		(344,133)	(224,748)	1,729,162	773,664
(Loss) / income from derivatives		(657,532)	(361,337)	365,984	(244,916)
(Loss) / gain on securities - net	25	(1,436,886)	704,168	(348,294)	206,009
Other income	26	517,285	341,194	108,776	123,157
Total non mark-up / interest income		13,028,052	13,061,860	6,423,479	4,163,338
Total income		82,074,953	69,114,583	31,072,263	22,899,956
Non mark-up / interest expenses					
Operating expenses	27	62,489,359	51,117,500	21,676,294	18,285,001
Workers' Welfare Fund		387,895	317,028	189,580	55,717
Other charges	28	404,057	465,994	322,778	156,774
Total non mark-up / interest expenses		63,281,311	51,900,522	22,188,652	18,497,492
Profit before provisions and taxation		18,793,642	17,214,061	8,883,611	4,402,464
Provisions and write offs - net	29	1,234,909	1,681,135	1,013,526	1,664,173
Profit before taxation		17,558,733	15,532,926	7,870,085	2,738,291
Taxation	30	8,399,072	6,517,623	3,185,355	1,293,041
Profit after taxation		9,159,661	9,015,303	4,684,730	1,445,250
		(Rupees)			
Basic and diluted earnings per share	31	6.24	6.15	3.19	0.99

The annexed notes 1 to 39 form an integral part of these condensed interim unconsolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeeb Samie
Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2019

	January 01 to September 30, 2019	January 01 to September 30, 2018	July 01 to September 30, 2019	July 01 to September 30, 2018
	(Rupees in '000)			
Profit after taxation for the period	9,159,661	9,015,303	4,684,730	1,445,250
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 of tax	3,676,070	2,762,593	(1,309,702)	(96,809)
Movement in surplus / deficit on revaluation of investments - net of tax	4,746,302	(3,998,024)	3,062,399	(1,324,566)
<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 of tax	-	287,013	-	-
Movement in surplus / deficit on revaluation of fixed assets - net of tax	(126,798)	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	2,461	-	-
	(126,798)	2,461	-	-
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	-	11,202	-	-
Transfer to surplus on revaluation of fixed assets - net of tax	-	(2,461)	-	-
	-	8,741	-	-
Total comprehensive income	17,455,235	8,078,087	6,437,427	23,875

The annexed notes 1 to 39 form an integral part of these condensed interim unconsolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeel Samie
Director

Condensed Interim Unconsolidated Statement of Changes In Equity (Unaudited)

For the nine months ended September 30, 2019

	Share capital	Exchange translation reserve	Reserves		Revenue		Surplus / (deficit) on revaluation of		Total
			Capital	Non - distributable capital reserve	General reserve	Unappropriated profit	Investments	Fixed / Non-banking assets	
			Statutory reserve						
(Rupees in '000)									
Balance as at December 31, 2017	14,668,525	12,119,891	30,778,524	547,115	6,073,812	87,235,621	(439,687)	21,655,285	172,639,086
Comprehensive income for the nine months ended September 30, 2018									
Profit after taxation for the nine months ended September 30, 2018	-	-	-	-	-	9,015,303	-	-	9,015,303
Other comprehensive income / (loss)									
Effect of translation of net investment in foreign branches - net of tax	-	2,762,593	-	-	-	-	-	-	2,762,593
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	287,013	-	-	287,013
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	(3,998,024)	11,202	(3,986,822)
	-	2,762,593	-	-	-	9,302,316	(3,998,024)	11,202	8,078,087
Transferred to statutory reserve	-	-	901,530	-	-	(901,530)	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	44,975	-	(44,975)	-
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)
Balance as at September 30, 2018	14,668,525	14,882,484	31,680,054	547,115	6,073,812	91,280,826	(4,437,711)	21,621,512	176,316,617
Comprehensive income for the three months ended December 31, 2018									
Profit after taxation for the three months ended December 31, 2018	-	-	-	-	-	2,773,854	-	-	2,773,854
Other comprehensive income / (loss)									
Effect of translation of net investment in foreign branches - net of tax	-	4,474,401	-	-	-	-	-	-	4,474,401
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	-	(440,351)	-	-	(440,351)
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	(2,737,832)	129,219	(2,608,613)
	-	4,474,401	-	-	-	2,333,503	(2,737,832)	129,219	4,199,291
Transferred to statutory reserve	-	-	277,386	-	-	(277,386)	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	12,723	-	(12,723)	-
Transactions with owners, recorded directly in equity									
3rd interim cash dividend - Rs 1.0 per share	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)
	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)
Balance as at December 31, 2018	14,668,525	19,356,885	31,957,440	547,115	6,073,812	91,882,814	(7,175,543)	21,738,008	179,049,056
Comprehensive income for the nine months ended September 30, 2019									
Profit after taxation for the nine months ended September 30, 2019	-	-	-	-	-	9,159,661	-	-	9,159,661
Other comprehensive income									
Effect of translation of net investment in foreign branches - net of tax	-	3,676,070	-	-	-	-	-	-	3,676,070
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	4,746,302	(126,798)	4,619,504
	-	3,676,070	-	-	-	9,159,661	4,746,302	(126,798)	17,455,235
Transferred to statutory reserve	-	-	915,966	-	-	(915,966)	-	-	-
Transferred to unappropriated profit	-	-	-	-	(6,073,812)	6,073,812	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	246,972	-	(246,972)	-
Transactions with owners, recorded directly in equity									
Final cash dividend - Rs 1.25 per share declared subsequent to the year ended December 31, 2018	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
1st interim cash dividend - Rs 1.25 per share	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
2nd interim cash dividend - Rs 1.25 per share	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
	-	-	-	-	-	(5,500,695)	-	-	(5,500,695)
Exchange gain realised on closure of bank branch - net of tax	-	(99,471)	-	-	-	-	-	-	(99,471)
Balance as at September 30, 2019	14,668,525	22,933,484	32,873,406	547,115	-	100,946,598	(2,429,241)	21,364,238	190,904,125

The annexed notes 1 to 39 form an integral part of these condensed interim unconsolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeeb Samie
Director

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the nine months ended September 30, 2019

	January 01 to September 30, 2019	January 01 to September 30, 2018 (Rupees in '000) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,558,733	15,532,926
Dividend income	(1,079,745)	(1,276,963)
	<u>16,478,988</u>	<u>14,255,963</u>
Adjustments:		
Depreciation	3,551,938	2,486,655
Depreciation on right-of-use assets	2,044,271	-
Amortisation	334,527	520,995
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	730,827	-
Provision for diminution in value of investments	529,457	2,085,134
Provision / (reversal) against loans and advances	1,079,341	(284,344)
Provision against other assets	87,483	154,488
(Reversal) / provision against off-balance sheet obligations	(56,932)	20,173
Unrealised loss on held-for-trading securities	52,244	48,436
Exchange gain realised on closure of bank branch - net of tax	(99,471)	-
Gain on sale of fixed assets - net	(88,692)	(51,720)
Workers' Welfare Fund	387,895	317,028
	<u>8,552,888</u>	<u>5,296,845</u>
	<u>25,031,876</u>	<u>19,552,808</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	8,995,697	4,800,345
Held-for-trading securities	(291,026,008)	6,673,039
Advances	(65,247,624)	(105,994,002)
Other assets (excluding advance taxation)	(19,432,383)	6,493,777
	<u>(366,710,318)</u>	<u>(88,026,841)</u>
(Decrease) / increase in operating liabilities		
Bills payable	(13,080,784)	(5,526,717)
Borrowings from financial institutions	(102,946,169)	(156,475,402)
Deposits and other accounts	131,032,220	59,489,655
Other liabilities	5,712,532	36,486,911
	<u>20,717,799</u>	<u>(66,025,553)</u>
	<u>(320,960,643)</u>	<u>(134,499,586)</u>
Income tax refund / (payment)	5,601,365	(11,079,163)
Net cash flows used in operating activities	<u>(315,359,278)</u>	<u>(145,578,749)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	289,422,011	103,532,036
Net investment in held-to-maturity securities	(3,852,627)	60,004,320
Net investment in associates	1,560,612	(186,780)
Dividend received	1,062,222	1,205,801
Investments in fixed assets	(3,924,926)	(6,579,330)
Investments in intangible assets	(989,493)	(958,202)
Proceeds from sale of fixed assets	382,368	78,067
Effect of translation of net investment in foreign branches - net of tax	3,676,070	2,762,593
Net cash flows from investing activities	<u>287,336,237</u>	<u>159,858,505</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated debt	(4,000)	(4,000)
Proceeds from new issue of subordinated debt	12,374,000	-
Payment of lease liability against right-of-use assets	(3,236,385)	-
Dividend paid	(5,792,505)	(3,701,729)
Net cash flows from / (used in) financing activities	<u>3,341,110</u>	<u>(3,705,729)</u>
	<u>(24,681,931)</u>	<u>10,574,027</u>
(Decrease) / increase in cash and cash equivalents during the period		
Cash and cash equivalents at the beginning of the period	281,166,985	250,247,103
Effect of exchange rate changes on cash and cash equivalents	11,538,601	8,786,954
	<u>292,705,586</u>	<u>259,034,057</u>
Cash and cash equivalents at the end of the period	<u>268,023,655</u>	<u>269,608,084</u>

The annexed notes 1 to 39 form an integral part of these condensed interim unconsolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeeb Samie
Director

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

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 1,674 (December 31, 2018: 1,697) branches inside Pakistan including 48 (December 31, 2018: 47) Islamic Banking Branches and 45 (December 31, 2018: 46) 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.
- 1.2 During the period, the Bank has closed its branch in Seychelles.
- 1.3 The Bank had earlier commenced an orderly winding down of its operations in Afghanistan and banking operations have ceased as of June 10, 2019. The remaining formalities required for closure are now underway.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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 IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 2.2 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim unconsolidated financial statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2018.

2.3 Standards, interpretations of and amendments to existing accounting standards that have become effective in the current year.

IFRS 16, Leases, became effective for annual reporting periods commencing on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Bank's condensed interim financial statements is disclosed in note 3.1.2.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or to not have any significant impact on the Bank's financial statements.

2.4 Standards and amendments to existing accounting standards that are not yet effective.

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	Effective date (annual periods beginning on or after)
- IFRS 3, Business Combinations (Amendments)	January 1, 2020
- IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
	Effective date (periods ending on or after)
- IFRS 9, Financial Instruments	June 30, 2019

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for the Pakistan operations of the Bank in the preparation of these condensed interim unconsolidated financial statements.

IFRS 9, Financial Instruments, addresses the recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of an impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard.

The Bank expects that adoption of the amendments to existing accounting standards will not affect its financial statements in the period of initial application.

2.5 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant 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, 2018 except as disclosed in note 3.1.

3.1 Change in accounting policies

- 3.1.1 The SBP, vide BPRD Circular Letter No. 5 dated March 22, 2019 has amended the format of condensed interim financial statements of banks in order to align it with the annual financial statements, issued vide BPRD Circular No. 2 of 2018. All banks have been directed to prepare their condensed interim financial statements on the revised format effective from the accounting year beginning on January 1, 2019. Accordingly, the Bank has prepared these condensed interim unconsolidated financial statements on the new format prescribed by the SBP. The amended format introduced certain new disclosures and has resulted in the following significant change:

- The cost of foreign currency swaps (note 23) for the nine months ended September 30, 2019 amounting to Rs 3,705.855 million (September 30, 2018: Rs 1,012.712 million) which was previously shown as part of foreign exchange income / (loss) has now been shown as part of mark-up / return / profit / interest expensed in the unconsolidated profit and loss account.

- 3.1.2 During the period, IFRS 16, Leases, became applicable to Banks. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered into by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 11.58% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	September 30, 2019 (Rupees in '000)	January 01, 2019
Total lease liability recognised	<u>8,206,155</u>	<u>8,621,176</u>

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the unconsolidated statement of financial position immediately before the date of initial application.

Right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

	September 30, 2019 (Rupees in '000)	January 01, 2019
The recognised right-of-use assets relate to the following type of asset:		
Property	<u>8,794,832</u>	<u>9,462,510</u>

The effect of this change in accounting policy is as follows:

Impact on Statement of Financial Position

Increase in fixed assets - right-of-use assets	8,794,832	9,462,510
Decrease in other assets - advances, deposits, advance rent and other prepayments	(945,465)	(841,334)
Increase in other assets - advance taxation	188,830	-
Increase in total assets	<u>8,038,197</u>	<u>8,621,176</u>
Increase in other liabilities - lease liability against right-of-use assets	(8,206,155)	(8,621,176)
Increase in exchange translation reserve	(127,390)	-
Decrease in net assets	<u>(295,348)</u>	<u>-</u>

Impact on Profit and Loss account

Increase in mark-up expense - lease liability against right-of-use assets	(730,827)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(2,044,271)
- Rent expense	<u>2,290,920</u>
Decrease in profit before tax	<u>(484,178)</u>
Decrease in tax	<u>188,830</u>
Decrease in profit after tax	<u>(295,348)</u>

Earnings per share for the nine months ended September 30, 2019 are Rs 0.20 per share lower as a result of the adoption of IFRS 16.

While implementing IFRS 16, the Bank has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Bank has opted not to recognise right-of-use assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

4 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, 2018.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
5 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	41,666,206	30,940,150
Foreign currencies	4,216,035	3,803,879
	<u>45,882,241</u>	<u>34,744,029</u>
With State Bank of Pakistan in		
Local currency current accounts	64,927,560	88,379,133
Foreign currency current accounts	6,127,726	6,660,233
Foreign currency deposit accounts	18,216,689	18,077,471
	<u>89,271,975</u>	<u>113,116,837</u>
With other Central Banks in		
Foreign currency current accounts	34,049,194	27,348,562
Foreign currency deposit accounts	4,842,490	5,424,122
	<u>38,891,684</u>	<u>32,772,684</u>
With National Bank of Pakistan in local currency current accounts	63,274,344	85,848,781
National Prize Bonds	2,067,679	127,925
	<u>239,387,923</u>	<u>266,610,256</u>
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	78,531	57,755
Outside Pakistan		
In current accounts	11,726,049	9,408,507
In deposit accounts	16,831,152	16,629,068
	<u>28,557,201</u>	<u>26,037,575</u>
	<u>28,635,732</u>	<u>26,095,330</u>
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	1,300,000	8,900,000
Repurchase agreement lendings (reverse repo)	20,492,455	38,045,810
Bai Muajjal receivables		
- with State Bank of Pakistan	20,489,184	-
- with other financial institutions	-	4,331,526
	<u>20,489,184</u>	<u>4,331,526</u>
	<u>42,281,639</u>	<u>51,277,336</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

8 INVESTMENTS

8.1 Investments by type

Held-for-trading (HFT) securities

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds

Foreign securities

- Government debt securities

Available-for-sale (AFS) securities

Federal Government securities

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

Shares

- Listed companies
- Unlisted companies

Non-Government debt securities

- Unlisted

Foreign securities

- Government debt securities
- Non-Government debt securities
 - Listed
 - Unlisted
- Equity securities - Unlisted

National Investment Trust units

Real Estate Investment Trust units

Preference shares

Held-to-maturity (HTM) securities

Federal Government securities

- Pakistan Investment Bonds
- Government of Pakistan US Dollar Bonds
- Other Federal Government securities

Non-Government debt securities

- Listed
- Unlisted

Foreign securities

- Government debt securities
- Non-Government debt securities
 - Listed
 - Unlisted

Investment in associates and joint venture

Investment in subsidiary companies

Total Investments

Note

September 30, 2019 (Unaudited)

December 31, 2018 (Audited)

	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
Held-for-trading (HFT) securities								
Federal Government securities								
- Market Treasury Bills	290,079,960	-	(92,928)	289,987,032	2,569,965	-	(1,499)	2,568,466
- Pakistan Investment Bonds	7,200,083	-	30,449	7,230,532	3,683,617	-	(12,287)	3,671,330
Foreign securities								
- Government debt securities	100,835	-	10,235	111,070	90,499	-	24,575	115,074
	297,380,878	-	(52,244)	297,328,634	6,344,081	-	10,789	6,354,870
Available-for-sale (AFS) securities								
Federal Government securities								
- Market Treasury Bills	336,291,975	-	(100,253)	336,191,722	755,955,226	-	(275,224)	755,680,002
- Pakistan Investment Bonds	425,311,493	-	(4,134,002)	421,177,491	234,705,582	-	(10,063,132)	224,642,450
- Ijarah Sukuks	4,659,537	-	(135,794)	4,523,743	53,675,083	-	(170,821)	53,504,262
- Government of Pakistan US Dollar Bonds	3,767,048	(88,471)	167,590	3,846,167	3,443,551	(33,047)	19,501	3,430,005
Shares								
- Listed companies	10,364,026	(4,361,882)	(184,054)	5,818,090	14,599,566	(4,043,987)	(385,376)	10,170,203
- Unlisted companies	4,523,429	(82,274)	-	4,441,155	3,761,058	(82,274)	-	3,678,784
Non-Government debt securities								
- Unlisted	3,124,389	(270,877)	-	2,853,512	4,949,525	(274,630)	-	4,674,895
Foreign securities								
- Government debt securities	27,912,947	(204,781)	331,892	28,040,058	16,144,234	(45,262)	26,119	16,125,091
- Non-Government debt securities								
- Listed	4,038,066	(25,084)	54,834	4,067,816	18,267,252	(6,040)	(227,707)	18,033,505
- Unlisted	5,035,143	(2,166)	1,658	5,034,635	8,874,200	(2,724)	944	8,872,420
- Equity securities - Unlisted	5,967	-	-	5,967	5,413	-	-	5,413
National Investment Trust units	11,113	-	21,716	32,829	11,113	-	31,449	42,562
Real Estate Investment Trust units	55,000	-	(5,950)	49,050	55,000	-	4,950	59,950
Preference shares	44,400	-	-	44,400	97,500	-	-	97,500
	825,144,533	(5,035,535)	(3,982,363)	816,126,635	1,114,544,303	(4,487,964)	(11,039,297)	1,099,017,042
Held-to-maturity (HTM) securities								
Federal Government securities								
- Pakistan Investment Bonds	158,242,065	-	-	158,242,065	171,850,002	-	-	171,850,002
- Government of Pakistan US Dollar Bonds	-	-	-	-	139,274	-	-	139,274
- Other Federal Government securities	10,794,000	-	-	10,794,000	-	-	-	-
Non-Government debt securities								
- Listed	7,666,860	-	-	7,666,860	9,092,850	-	-	9,092,850
- Unlisted	27,817,051	-	-	27,817,051	20,523,772	-	-	20,523,772
Foreign securities								
- Government debt securities	7,836,454	(3,237)	-	7,833,217	6,920,829	(609)	-	6,920,220
- Non-Government debt securities								
- Listed	342,087	-	-	342,087	319,849	-	-	319,849
- Unlisted	1,209,572	(1,609)	-	1,207,963	1,208,886	(110)	-	1,208,776
	213,908,089	(4,846)	-	213,903,243	210,055,462	(719)	-	210,054,743
Investment in associates and joint venture								
	10,098,240	-	-	10,098,240	11,658,852	-	-	11,658,852
Investment in subsidiary companies								
	13,945,202	-	-	13,945,202	13,945,202	-	-	13,945,202
Total Investments	1,360,476,942	(5,040,381)	(4,034,607)	1,351,401,954	1,356,547,900	(4,488,683)	(11,028,508)	1,341,030,709

(Unaudited) (Audited)
September December
30, 2019 31, 2018
(Rupees in '000)

8.1.1 Investments given as collateral

The market value of investments given as collateral is as follows:

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds

Foreign securities

- Non-Government debt securities
- Listed

213,543,301	333,213,434
24,569,433	29,329,018
-	11,711,384
<u>238,112,734</u>	<u>374,253,836</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

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

	(Unaudited) September 30, 2019		(Audited) December 31, 2018	
	Book value	Market value	Book value	Market value
(Rupees in '000)				
- Investment classified as held-to-maturity	213,903,243	201,499,189	210,054,743	194,133,861
- Investment in listed associates and joint venture	9,808,868	29,156,149	11,222,621	34,970,741

- 8.3 **Particulars of provision held against diminution in the value of investments** (Rupees in '000)

	(Unaudited) September 30, 2019	(Audited) December 31, 2018
Opening balance	4,488,683	1,503,051
Exchange adjustment	22,241	10,647
Charge / (reversal) for the period / year		
Charge	2,669,759	3,654,300
Reversal	(53,636)	(28,757)
Reversal on disposal	(2,086,666)	(650,558)
Net charge	529,457	2,974,985
Closing balance	5,040,381	4,488,683

- 8.4 **Particulars of provision against debt securities**

Category of classification	(Unaudited) September 30, 2019		(Audited) December 31, 2018	
	Non-Performing Investments	Provision	Non-Performing Investments	Provision
(Rupees in '000)				
Domestic				
Substandard	2,428,511	-	-	-
Loss	270,877	270,877	274,630	274,630
	2,699,388	270,877	274,630	274,630

- 8.4.1 In addition to the above, overseas branches hold a general provision of Rs 325.348 million (December 31, 2018: Rs 87.792 million) in accordance with the requirements of IFRS 9.

9

ADVANCES	Note	Performing		Non - performing		Total	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
		September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
(Rupees in '000)							
Loans, cash credits, running finances, etc.		879,628,844	858,956,737	68,898,622	66,204,592	948,527,466	925,161,329
Islamic financing and related assets	36.3	138,615,828	103,488,928	3,215,915	111,174	141,831,743	103,600,102
Bills discounted and purchased		53,835,678	48,120,612	5,061,373	5,248,713	58,897,051	53,369,325
Advances - gross		1,072,080,350	1,010,566,277	77,175,910	71,564,479	1,149,256,260	1,082,130,756
Provision against advances							
- Specific		-	-	(66,030,122)	(63,193,300)	(66,030,122)	(63,193,300)
- General	9.3	(3,203,929)	(3,083,530)	-	-	(3,203,929)	(3,083,530)
		(3,203,929)	(3,083,530)	(66,030,122)	(63,193,300)	(69,234,051)	(66,276,830)
Advances - net of provision		1,068,876,421	1,007,482,747	11,145,788	8,371,179	1,080,022,209	1,015,853,926

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	(Unaudited) September 30, 2019	(Audited) December 31, 2018
9.1 Particulars of advances (Gross)		
	(Rupees in '000)	
In local currency	975,160,242	911,714,456
In foreign currencies	174,096,018	170,416,300
	<u>1,149,256,260</u>	<u>1,082,130,756</u>

- 9.2 Advances include Rs 77,175.910 million (December 31, 2018: Rs 71,564.479 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Unaudited) September 30, 2019		(Audited) December 31, 2018	
	Non - performing advances	Provision	Non - performing advances	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	4,445,714	-	801,712	-
Substandard	2,995,961	730,357	4,112,988	651,742
Doubtful	2,128,233	1,064,117	1,633,835	816,918
Loss	42,311,014	41,068,192	42,054,406	40,989,981
	<u>51,880,922</u>	<u>42,862,666</u>	<u>48,602,941</u>	<u>42,458,641</u>
Overseas				
Not past due but impaired	69,195	45,679	384,740	195,054
Overdue by:				
Upto 90 days	781,303	395,599	47,250	3,875
91 to 180 days	160,596	81,149	1,360,996	1,156,936
181 to 365 days	536,973	149,148	1,423,881	1,003,933
> 365 days	23,746,921	22,495,881	19,744,671	18,374,861
	<u>25,294,988</u>	<u>23,167,456</u>	<u>22,961,538</u>	<u>20,734,659</u>
Total	<u>77,175,910</u>	<u>66,030,122</u>	<u>71,564,479</u>	<u>63,193,300</u>

9.3 Particulars of provision against advances

Note	September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	63,193,300	3,083,530	66,276,830	60,792,948	2,755,637	63,548,585
Exchange adjustment	2,583,586	168,553	2,752,139	4,218,059	287,727	4,505,786
Charge for the period / year	3,652,395	254,405	3,906,800	5,955,190	301,560	6,256,750
Reversal for the period / year	(2,614,250)	(213,209)	(2,827,459)	(3,981,916)	(356,438)	(4,338,354)
Net charge / (reversal) against advances	1,038,145	41,196	1,079,341	1,973,274	(54,878)	1,918,396
Charged off during the period / year - agriculture financing	9.5 (284,756)	-	(284,756)	(477,679)	-	(477,679)
Written off during the period / year	(500,153)	-	(500,153)	(3,313,302)	-	(3,313,302)
Impact of initial adoption of IFRS 9	-	-	-	-	95,044	95,044
Other movements	-	(89,350)	(89,350)			
Closing balance	<u>66,030,122</u>	<u>3,203,929</u>	<u>69,234,051</u>	<u>63,193,300</u>	<u>3,083,530</u>	<u>66,276,830</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

- 9.4 General provision includes provision amounting to Rs 1,805.333 million (December 31, 2018: Rs 1,652.318 million) against the consumer finance portfolio. General provision also includes Rs 1,398.596 million (December 31, 2018: Rs 1,431.212 million) pertaining to overseas branches to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.
- 9.5 These represent non-performing advances for agriculture financing 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.

	Note	(Unaudited) September 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	
10	FIXED ASSETS		
Capital work-in-progress	10.1	1,399,820	2,264,230
Property and equipment	10.2	69,991,478	60,252,924
		<u>71,391,298</u>	<u>62,517,154</u>

10.1 Capital work-in-progress

Civil works	385,574	856,424
Equipment	20,465	20,465
Advances to suppliers and contractors	993,781	1,387,341
	<u>1,399,820</u>	<u>2,264,230</u>

- 10.2 This includes right-of-use assets amounting to Rs 8,794.832 million (December 31, 2018: NIL) due to adoption of IFRS 16 as detailed in note 3.1.2.

10.3 Additions to fixed assets

(Unaudited) For the nine months ended	
September 30, 2019	September 30, 2018
(Rupees in '000)	

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

Capital work-in-progress - net	(864,410)	1,925,148
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Property and equipment

Leasehold land	-	63,799
Building on freehold land	4,349	-
Building on leasehold land	211,972	857,699
Machinery	47,221	164,797
Leasehold improvements	765,700	457,754
Furniture and fixtures	398,817	828,074
Electrical, office and computer equipment	3,113,629	2,046,750
Vehicles	43,038	225,194
	<u>4,584,726</u>	<u>4,644,067</u>
Right-of-use assets	1,122,197	-
	<u>4,842,513</u>	<u>6,569,215</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

		For the nine months ended	
		September 30, 2019	September 30, 2018
		(Rupees in '000)	
10.4	Disposals of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:			
Property and equipment			
	Leasehold land	-	6,000
	Building on leasehold land	285,114	470
	Leasehold improvements	1,670	2,809
	Furniture and fixtures	2,382	4,767
	Electrical, office and computer equipment	3,450	12,119
	Vehicles	1,060	182
		293,676	26,347
11	INTANGIBLE ASSETS	(Unaudited) September 30, 2019	(Audited) December 31, 2018
(Rupees in '000)			
	Capital work-in-progress	1,109,918	831,891
	Computer software	2,263,604	1,886,665
		3,373,522	2,718,556
11.1	Additions to intangibles assets	(Unaudited) For the nine months ended	
		September 30, 2019	September 30, 2018
		(Rupees in '000)	
The following additions have been made to intangible assets during the period:			
	Capital work-in-progress	278,027	28,333
	Computer software	706,970	930,685
		984,997	959,018
12	DEFERRED TAX ASSETS	Note	(Unaudited) September 30, 2019
			(Audited) December 31, 2018
			(Rupees in '000)
Deductible temporary differences on			
	- Tax losses of overseas branches	278,561	249,991
	- Provision against investments	1,680,753	1,397,101
	- Provision against doubtful debts and off-balance sheet obligations	4,168,761	3,210,350
	- Liabilities written back	1,603,312	1,382,428
	- Provision against other assets	50,989	45,760
	- Deficit on revaluation of investments	1,553,122	3,863,754
	- Deficit on revaluation of fixed assets	163,960	147,144
	- Islamic financing Ijarah	142,552	101,123
		9,642,010	10,397,651
Taxable temporary differences on			
	- Accelerated tax depreciation	(2,220,821)	(1,857,153)
	- Surplus on revaluation of fixed assets	(1,168,936)	(1,109,480)
	- Exchange translation reserve	(889,497)	(347,300)
		(4,279,254)	(3,313,933)
Net deferred tax assets		5,362,756	7,083,718

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	Note	(Unaudited) September 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	
13 OTHER ASSETS			
Mark-up / return / profit / interest accrued in local currency		38,146,743	27,936,523
Mark-up / return / profit / interest accrued in foreign currency		3,088,352	1,912,478
Advances, deposits, advance rent and other prepayments		2,411,001	2,514,308
Advance taxation		29,334,788	44,593,889
Advance for subscription of shares		50,000	50,000
Stationery and stamps on hand		81,835	84,346
Accrued fees and commissions		711,357	1,028,721
Due from Government of Pakistan / SBP		1,314,251	989,672
Mark to market gain on forward foreign exchange contracts		5,618,339	9,186,058
Mark to market gain on derivative instruments		26,817	53,987
Non-banking assets acquired in satisfaction of claims		1,418,190	1,596,579
Receivable from defined benefit plan		24,375	35,293
Branch adjustment account		867,441	2,033,922
Acceptances		21,315,775	11,278,036
Clearing and settlement accounts		6,295,118	1,894,880
Dividend receivable		21,966	4,443
Claims against fraud and forgeries		493,264	545,909
Others		367,667	1,070,289
		<u>111,587,279</u>	<u>106,809,333</u>
Provision held against other assets	13.1	(913,985)	(923,201)
Other assets- net of provision		<u>110,673,294</u>	<u>105,886,132</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	280,099	421,742
Other assets - total		<u>110,953,393</u>	<u>106,307,874</u>
13.1 Provision held against other assets			
Advances, deposits, advance rent and other prepayments		6,130	5,819
Non-banking assets acquired in satisfaction of claims		23,120	23,152
Claims against fraud and forgeries		493,264	545,909
Suit filed cases		327,298	294,272
Others		64,173	54,049
		<u>913,985</u>	<u>923,201</u>
13.1.1 Movement in provision against other assets			
Opening balance		923,201	825,520
Exchange adjustment		40,420	62,052
Charge for the period / year		111,754	220,974
Reversal for the period / year		(24,271)	(13,831)
Net charge		87,483	207,143
Written off during the period / year		(137,119)	(164,427)
Other movement		-	(7,087)
Closing balance		<u>913,985</u>	<u>923,201</u>
14 BILLS PAYABLE			
In Pakistan		27,712,204	41,317,093
Outside Pakistan		1,532,266	1,008,161
		<u>29,244,470</u>	<u>42,325,254</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
15	BORROWINGS		
	Secured		
	Borrowings from the SBP under		
	- Export refinance scheme	35,336,787	33,533,707
	- Long term financing facility	17,968,500	10,453,762
	- Financing facility for renewable energy power plants	439,298	104,853
	- Refinance facility for modernization of SMEs	10,250	14,300
	- Refinance and Credit Guarantee Scheme for Women Entrepreneurs	1,000	-
	- Financing facility for storage of agricultural produce	105,000	7,500
		53,860,835	44,114,122
	Repurchase agreement borrowings	238,099,658	373,810,983
		291,960,493	417,925,105
	Unsecured		
	- Call money borrowings	3,500,000	5,700,000
	- Overdrawn nostro accounts	741,319	6,021,355
	- Borrowings of overseas branches	67,522,372	42,314,615
	- Other long-term borrowings	52,226,044	46,935,322
		123,989,735	100,971,292
		415,950,228	518,896,397

15.1 This includes the following:

15.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2018: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5.00% is payable semi-annually from June 2015.

15.1.2 A loan from the China Development Bank amounting to US\$ 184 million (December 31, 2018: US\$ 188 million). The principal amount is payable in six half yearly installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi-annually from June 2017.

16 DEPOSITS AND OTHER ACCOUNTS

	September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	694,155,121	95,510,717	789,665,838	662,361,570	93,051,632	755,413,202
Savings deposits	807,973,459	88,540,067	896,513,526	803,369,210	87,015,734	890,384,944
Term deposits	262,337,791	88,504,393	350,842,184	239,511,992	85,981,264	325,493,256
	1,764,466,371	272,555,177	2,037,021,548	1,705,242,772	266,048,630	1,971,291,402
Financial institutions						
Current deposits	4,265,496	1,029,875	5,295,371	5,691,146	893,376	6,584,522
Savings deposits	105,618,380	197,675	105,816,055	36,795,320	181,029	36,976,349
Term deposits	2,351,787	555,438	2,907,225	3,156,566	1,999,140	5,155,706
	112,235,663	1,782,988	114,018,651	45,643,032	3,073,545	48,716,577
	1,876,702,034	274,338,165	2,151,040,199	1,750,885,804	269,122,175	2,020,007,979

	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
17	SUBORDINATED DEBT		
	Tier II Term Finance Certificates	17.1	9,986,000
	Additional Tier I Term Finance Certificates	17.2	12,374,000
			22,360,000
			9,990,000

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

- 17.1 The Bank has issued Over The Counter (OTC) listed Term Finance Certificates (TFCs) as instruments of redeemable capital under Section 66 of the Companies Act, 2017 and the Basel III Guidelines set by the SBP. The key features of the issue are as follows:

Issue Date	February 19, 2016
Issue amount	Rupees 10 billion
Rating	AAA (Triple A) [December 31, 2018: AAA (Triple A)]
Tenor	10 years from the Issue Date
Security	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment frequency	Semi-annually in arrears
Redemption	The instrument has been structured to redeem 0.02% of the issue amount semi-annually during the first 108 months after the issue and 99.64% of the issue amount in two equal semi-annual installments in the 114th and 120th months.
Mark-up	Floating rate of return at Base Rate + 0.50%. The Base Rate is defined as the average "Ask Side" rate of the six months Karachi Interbank Offered Rate (KIBOR).
Call option	The Bank may call the TFCs, with the prior written approval of the SBP, on any profit payment date falling on or after the fifth anniversary of the Issue Date, subject to at least 60 days prior notice being given to the investors through the Trustee. The call option, once announced, will be irrevocable.
Lock-in clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Bank's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

- 17.2 The Bank has issued fully paid up, rated, privately placed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates (TFCs) issued as instruments of redeemable capital under Section 66 of the Companies Act, 2017 which qualify as Additional Tier 1 Capital (AT 1) as outlined by the State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013.

The Bank is in the process of obtaining approval for listing from the Pakistan Stock Exchange Limited (PSX). The key features of the issue are as follows:

Issue Date	September 26, 2019
Issue amount	Rupees 12.374 billion
Rating	AA+ (Double A plus)
Tenor	Perpetual
Security	Unsecured and subordinated to all other indebtedness of the Bank including depositors, general creditors and holders of the Tier II TFCs. However, they shall rank superior to the claims of ordinary shareholders.
Profit payment frequency	Quarterly in arrears
Redemption	Perpetual, hence not applicable.
Mark-up	Floating rate of return at Base Rate + 1.60%. The Base Rate is defined as the average "Ask Side" rate of the three months Karachi Interbank Offered Rate (KIBOR).
Call option	The Bank may, at its sole discretion, call the TFCs any time after five years from the Issue Date and subject to the following: (a) Prior approval of the SBP has been obtained; and (b) The Bank replaces the TFCs with capital of the same or better quality and the capital position of the Bank is above the minimum capital requirement after the Call Option is exercised.
Lock-in clause	Mark-up will only be paid from the current year's earnings and only if the Bank is in compliance with regulatory capital and liquidity requirements.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

18	OTHER LIABILITIES	Note	(Unaudited) September 30, 2019	(Audited) December 31, 2018
			(Rupees in '000)	
	Mark-up / return / profit / interest payable in local currency		22,192,996	9,246,147
	Mark-up / return / profit / interest payable in foreign currency		3,582,290	1,619,595
	Security deposits		1,222,000	1,529,172
	Accrued expenses		14,904,639	13,660,072
	Mark to market loss on forward foreign exchange contracts		6,959,533	6,409,009
	Mark to market loss on derivative instruments		2,061,094	1,248,504
	Unclaimed dividends		385,204	325,121
	Dividends payable		377,122	729,015
	Provision for post retirement medical benefits		4,216,664	3,945,133
	Provision for employees' compensated absences		3,005,166	3,080,403
	Provision against off-balance sheet obligations	18.1	433,673	479,510
	Provision for staff retirement benefits		1,173,467	1,063,612
	Payable to defined benefit plans		946,847	970,439
	Provision for Workers' Welfare Fund		5,041,024	4,653,128
	Acceptances		21,315,775	11,278,036
	Unearned income		4,086,246	998,598
	Qarza-e-Hasna Fund		339,004	339,107
	Levies and taxes payable		3,170,530	3,767,571
	Insurance payable		716,385	658,641
	Provision for rewards program expenses		1,370,424	1,087,209
	Liability against trading of securities		11,333,174	34,755,041
	Clearing and settlement accounts		2,481,922	3,930,956
	Provision for donation to HBL Foundation		101,137	125,812
	Contingent consideration payable		500,000	500,000
	Charity fund		1,430	4,765
	Lease liability against right-of-use assets	3.1.2	8,206,155	-
	Unclaimed deposits		698,277	30,831
	Others		2,489,226	2,790,746
			123,311,404	109,226,173
18.1	Provision against off-balance sheet obligations			
	Opening balance		479,510	385,361
	Exchange adjustment		11,095	11,688
	Charge for the period / year		55,380	121,962
	Reversal for the period / year		(112,312)	(50,806)
	Net (reversal) / charge		(56,932)	71,156
	Impact of initial adoption of IFRS 9		-	11,305
	Closing balance		433,673	479,510
19	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
	Surplus / (deficit) arising on revaluation of assets, on:			
	- Fixed assets		22,253,075	22,425,746
	- Available-for-sale securities	8.1	(3,982,363)	(11,039,297)
	- Non-banking assets acquired in satisfaction of claims		280,099	421,742
			18,550,811	11,808,191
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Fixed assets		1,168,936	1,109,480
	- Available-for-sale securities		(1,553,122)	(3,863,754)
			(384,186)	(2,754,274)
	Surplus on revaluation of assets - net of tax		18,934,997	14,562,465

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

20	CONTINGENCIES AND COMMITMENTS	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
	- Guarantees	20.1	185,989,313	158,773,047
	- Commitments	20.2	856,206,436	527,363,224
	- Other contingent liabilities	20.3	23,583,621	26,250,052
			<u>1,065,779,370</u>	<u>712,386,323</u>
20.1	Guarantees:			
	Financial guarantees		52,446,165	41,302,390
	Performance guarantees		124,324,454	109,947,697
	Other guarantees		9,218,694	7,522,960
			<u>185,989,313</u>	<u>158,773,047</u>
20.2	Commitments:			
	Trade-related contingent liabilities		112,175,082	98,659,632
	Commitments in respect of:			
	- forward foreign exchange contracts	20.2.1	553,342,859	366,804,753
	- forward Government securities transactions	20.2.2	155,991,026	39,177,791
	- derivatives	20.2.3	29,840,061	18,896,504
	- forward lending	20.2.4	3,768,075	2,137,726
	- operating leases	20.2.5	-	384,280
			<u>742,942,021</u>	<u>427,401,054</u>
	Commitments for acquisition of:			
	- fixed assets		459,755	680,462
	- intangible assets		629,578	622,076
			<u>856,206,436</u>	<u>527,363,224</u>
20.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		330,942,100	228,767,357
	Sale		222,400,759	138,037,396
			<u>553,342,859</u>	<u>366,804,753</u>
20.2.2	Commitments in respect of forward Government securities transactions			
	Purchase		81,970,120	33,489,184
	Sale		74,020,906	5,688,607
			<u>155,991,026</u>	<u>39,177,791</u>
20.2.3	Commitments in respect of derivatives			
	Foreign currency options			
	Purchase		-	532,918
	Sale		-	532,918
			<u>-</u>	<u>1,065,836</u>
	Cross Currency swaps			
	Purchase		9,419,864	2,874,784
	Sale		10,942,353	3,490,361
			<u>20,362,217</u>	<u>6,365,145</u>
	Interest rate swaps			
	Purchase		-	-
	Sale		9,477,844	11,465,523
			<u>9,477,844</u>	<u>11,465,523</u>
20.2.4	Commitments in respect of forward lending			
	Undrawn formal standby facilities, credit lines and other commitments to extend credit		3,768,075	2,137,726
	These represent commitments that are irrevocable because they can not be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	(Unaudited) September 30, 2019	(Audited) December 31, 2018
20.2.5 Commitments in respect of operating leases	(Rupees in '000)	
Not later than one year	-	384,280
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>384,280</u>

20.3 Other contingent liabilities

20.3.1 Claims against the Bank not acknowledged as debts	<u>23,583,621</u>	<u>26,250,052</u>
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These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Bank 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.

20.3.2 The matter relating to the Bank's New York Branch has been disclosed in Note 21.3.2 to the annual unconsolidated financial statements of the Bank for the year ended December 31, 2018. There is no further update on the same.

21 DERIVATIVE INSTRUMENTS

Product Analysis

	September 30, 2019 (Unaudited)					
	Foreign currency options		Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market loss	Notional principal	Mark to market loss
	(Rupees in '000)					
Hedging	-	-	-	-	-	-
Market Making	-	-	20,362,217	(1,470,602)	9,477,844	(563,675)
	December 31, 2018 (Audited)					
	Foreign currency options		Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market loss	Notional principal	Mark to market loss
	(Rupees in '000)					
Hedging	-	-	-	-	-	-
Market Making	1,065,836	-	6,365,145	(567,516)	11,465,523	(627,001)

	(Unaudited) For the nine months ended September 30, 2019	September 30, 2018
22 MARK-UP / RETURN / PROFIT / INTEREST EARNED	(Rupees in '000)	

On:

Loans and advances	86,848,893	48,930,841
Investments	73,915,770	59,240,836
Lendings to financial institutions	11,963,066	2,553,109
Balances with banks	1,301,785	562,671
	<u>174,029,514</u>	<u>111,287,457</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

		(Unaudited) For the nine months ended	
		September 30, 2019	September 30, 2018
		(Rupees in '000)	
		(Restated)	
23	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On:		
	Deposits	77,387,649	40,123,018
	Securities sold under repurchase agreement borrowings	15,137,393	9,040,114
	Borrowings	6,830,213	4,526,163
	Subordinated debt	1,190,676	532,727
	Cost of foreign currency swaps against foreign currency deposits / borrowings	3,705,855	1,012,712
	Lease liability against right-of-use assets	730,827	-
		<u>104,982,613</u>	<u>55,234,734</u>
		(Unaudited) For the nine months ended	
		September 30, 2019	September 30, 2018
		(Rupees in '000)	
24	FEE AND COMMISSION INCOME		
	General banking customer fees	3,108,859	2,874,110
	Consumer finance related fees	798,702	747,203
	Card related fees (debit and credit cards)	3,622,260	2,898,678
	Credit related fees	502,843	355,264
	Investment banking fees	1,300,236	540,859
	Commission on trade related products and guarantees	1,988,348	1,638,059
	Commission on cash management	519,510	489,065
	Commission on remittances (including home remittances)	306,168	321,499
	Commission on bancassurance	1,737,400	1,942,363
	Commission on Benazir Income Support Programme (BISP)	405,341	254,143
	Merchant discount and interchange fees	1,418,797	1,121,504
	Others	52,930	10,249
		<u>15,761,394</u>	<u>13,192,996</u>
	Less: Sales tax / Federal Excise Duty on fee and commission income	<u>(1,891,821)</u>	<u>(1,867,376)</u>
		<u>13,869,573</u>	<u>11,325,620</u>
25	(LOSS) / GAIN ON SECURITIES - NET		
	Realised	25.1 (1,384,642)	752,604
	Unrealised - held-for-trading	8.1 (52,244)	(48,436)
		<u>(1,436,886)</u>	<u>704,168</u>
25.1	(Loss) / gain on securities - realised		
	On:		
	Federal Government securities		
	- Market Treasury Bills	114,531	52,203
	- Pakistan Investment Bonds	(18,642)	406,751
	- Ijarah Sukuks	(23,857)	(82,559)
	Shares	(2,492,088)	(21,852)
	Non-Government debt securities	(36,727)	300
	Foreign securities	37,485	23,877
	Associates	1,034,656	373,884
		<u>(1,384,642)</u>	<u>752,604</u>
26	OTHER INCOME		
	Incidental charges	116,433	205,348
	Liabilities no longer required written back	52,411	-
	Exchange gain realised on closure of bank branch	165,156	-
	Gain on sale of fixed assets - net	88,692	51,720
	Gain on sale of non-banking asset - net	10,701	-
	Rent on properties	83,892	84,126
		<u>517,285</u>	<u>341,194</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

27 OPERATING EXPENSES

(Unaudited)
For the nine months ended
September 30, September 30,
2019 2018
(Rupees in '000)

Salaries, allowances, etc.	19,686,389	16,918,832
Charge for defined benefit / contribution plan and other benefits	1,872,405	3,320,286

Property expense

Rent and taxes	745,527	2,763,238
Insurance	55,763	53,789
Utilities cost	1,541,782	1,278,459
Security (including guards)	1,234,365	1,142,410
Repair and maintenance (including janitorial charges)	1,533,154	1,426,973
Depreciation on owned fixed assets	2,039,681	1,302,314
Depreciation on right-of-use assets	2,044,271	-
	9,194,543	7,967,183

Information technology expenses

Software maintenance	1,804,354	1,345,073
Hardware maintenance	502,610	297,479
Depreciation	1,029,886	761,369
Amortisation	334,527	520,995
Network charges	1,010,143	789,339
Consultancy charges	385,341	322,278
	5,066,861	4,036,533

Other operating expenses

Non-Executive Directors' fees	36,800	42,000
Shariah Board's fees and allowances	13,086	5,945
Legal and professional charges	4,354,132	3,918,278
Outsourced services costs	1,133,103	1,024,313
Travelling and conveyance	555,867	484,018
Insurance	420,971	384,524
Remittance charges	391,692	465,888
Security charges	1,037,649	902,869
Repairs and maintenance	504,701	342,385
Depreciation	482,371	422,972
Training and development	220,881	188,898
Postage and courier charges	482,907	381,735
Communication	490,823	477,886
Stationery and printing	2,025,576	840,833
Marketing, advertisement and publicity	2,526,146	1,979,096
Donations	151,337	99,371
Auditors' remuneration	116,184	113,702
Brokerage and commission	415,494	166,662
Subscription	99,207	69,459
Documentation and processing charges	1,716,802	962,095
Entertainment	214,989	159,438
Consultancy charges	7,348,376	4,593,068
Deposits insurance premium expense	1,567,824	476,101
Others	362,243	373,130
	26,669,161	18,874,666
	62,489,359	51,117,500

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

		(Unaudited) For the nine months ended	
	Note	September 30, 2019	September 30, 2018
		(Rupees in '000)	
28	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	402,321	455,593
	Penalties imposed by other regulatory bodies	1,736	10,401
		<u>404,057</u>	<u>465,994</u>
29	PROVISIONS AND WRITE OFFS - NET		
	Provision for diminution in value of investments	8.3 529,457	2,085,134
	Provision / (reversal) against loans and advances	9.3 1,079,341	(284,344)
	Provision against other assets	13.1.1 87,483	154,488
	(Reversal) / provision against off-balance sheet obligations	18.1 (56,932)	20,173
	Recoveries against written off / charged off bad debts	(365,914)	(285,505)
	Recoveries against other assets written off	(38,526)	(8,811)
		<u>1,234,909</u>	<u>1,681,135</u>
30	TAXATION		
	- Current	7,724,708	8,795,128
	- Prior years	1,933,029	-
	- Deferred	(1,258,665)	(2,277,505)
		<u>8,399,072</u>	<u>6,517,623</u>
31	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	<u>9,159,661</u>	<u>9,015,303</u>
		(Number)	
	Weighted average number of ordinary shares	<u>1,466,852,508</u>	<u>1,466,852,508</u>
		(Rupees)	
	Basic and diluted earnings per share	<u>6.24</u>	<u>6.15</u>
31.1	Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.		
32	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, certain long term borrowings and subordinated debts 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 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.		
	Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
	Level 3 - Fair value measurements using inputs that are not based on observable market data (i.e. unobservable inputs).		

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

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.
Non-Government debt securities	Investment in non-Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in non-Government debt securities denominated in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Foreign Government debt securities	The fair values of Foreign Government debt 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.
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.

32.1

Fair value of financial assets

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

	As at September 30, 2019 (Unaudited)				
	Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)				
Financial assets - measured at fair value					
Investments					
- Federal Government securities	1,062,956,687	-	1,062,956,687	-	1,062,956,687
- Shares - listed companies	5,818,090	5,818,090	-	-	5,818,090
- Foreign securities					
- Government debt securities	28,151,128	-	28,151,128	-	28,151,128
- Non-Government debt securities					
- Listed	4,067,816	-	4,067,816	-	4,067,816
- Unlisted	343,673	-	343,673	-	343,673
- National Investment Trust units	32,829	-	32,829	-	32,829
- Real Estate Investment Trust units	49,050	49,050	-	-	49,050
	1,101,419,273	5,867,140	1,095,552,133	-	1,101,419,273
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	169,036,065	-	155,925,819	-	155,925,819
- Non-Government debt securities					
- Listed	7,666,860	-	7,663,557	-	7,663,557
- Unlisted	27,817,051	-	18,848,285	8,964,500	27,812,785
- Foreign securities					
- Government debt securities	7,833,217	-	8,542,978	-	8,542,978
- Non-Government debt securities					
- Listed	342,087	-	342,088	-	342,088
- Unlisted	1,207,963	-	1,211,962	-	1,211,962
- Associates and Joint venture - Listed	9,808,868	25,688,918	3,467,231	-	29,156,149
	223,712,111	25,688,918	196,001,920	8,964,500	230,655,338
	1,325,131,384	31,556,058	1,291,554,053	8,964,500	1,332,074,611
Off-balance sheet financial instruments - measured at fair value					
Commitments					
- Forward foreign exchange contracts	553,342,859	-	(1,341,194)	-	(1,341,194)
- Forward Government securities transactions	155,991,026	-	1,675	-	1,675
- Derivative instruments	29,840,061	-	(2,034,277)	-	(2,034,277)

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

As at December 31, 2018 (Audited)					
Carrying value / Notional Value	Level 1	Level 2	Level 3	Total	
<hr/> <div>(Rupees in '000)</div> <hr/>					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
- Federal Government securities	1,043,496,515	-	1,043,496,515	-	1,043,496,515
- Shares - listed companies	10,170,203	10,170,203	-	-	10,170,203
- Foreign securities					
Government debt securities	16,240,165	-	16,240,165	-	16,240,165
Non-Government debt securities					
- Listed	18,033,505	-	18,033,505	-	18,033,505
- Unlisted	926,102	-	926,102	-	926,102
- National Investment Trust units	42,562	-	42,562	-	42,562
- Real Estate Investment Trust units	59,950	59,950	-	-	59,950
	1,088,969,002	10,230,153	1,078,738,849	-	1,088,969,002
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	171,989,276	-	155,837,686	-	155,837,686
- Non-Government debt securities					
- Listed	9,092,850	-	9,224,386	-	9,224,386
- Unlisted	20,523,772	-	20,558,400	-	20,558,400
- Foreign securities					
Government debt securities	6,920,220	-	6,979,522	-	6,979,522
Non-Government debt securities					
- Listed	319,849	-	324,981	-	324,981
- Unlisted	1,208,776	-	1,208,886	-	1,208,886
- Associates and Joint venture - Listed	11,222,621	28,986,738	5,984,003	-	34,970,741
	221,277,364	28,986,738	200,117,864	-	229,104,602
	1,310,246,366	39,216,891	1,278,856,713	-	1,318,073,604
Off-balance sheet financial instruments - measured at fair value					
Commitments					
- Forward foreign exchange contracts	366,804,753	-	2,777,049	-	2,777,049
- Forward Government securities transactions	39,177,791	-	(24,559)	-	(24,559)
- Derivative instruments	18,896,504	-	(1,194,517)	-	(1,194,517)

32.2 Fair value of non-financial assets

As at September 30, 2019 (Unaudited)				
Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
Fixed assets	45,024,257	-	45,024,257	45,024,257
Non-banking assets acquired in satisfaction of claims	1,675,169	-	1,675,169	1,675,169
	46,699,426	-	46,699,426	46,699,426
As at December 31, 2018 (Audited)				
Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
Fixed assets	45,297,376	-	45,297,376	45,297,376
Non-banking assets acquired in satisfaction of claims	1,995,169	-	1,995,169	1,995,169
	47,292,545	-	47,292,545	47,292,545

33 SEGMENT INFORMATION

33.1 Segment Details with respect to business activities

For the nine months ended September 30, 2019 (Unaudited)						
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Head Office / Others
(Rupees in million)						
Profit and loss account						
Net mark-up / return / profit - external	(38,291)	9,167	38,087	59,747	4,413	(4,076)
Inter segment revenue / (expense) - net	94,495	(3,271)	(31,115)	(65,911)	1,379	4,423
Non mark-up / return / interest income	5,158	4,682	2,826	976	2,295	(2,909)
Total income	61,362	10,578	9,798	(5,188)	8,087	(2,562)
Segment direct expenses	21,225	4,174	1,664	482	16,695	19,041
Inter segment expense allocation	10,768	733	851	198	3,757	(16,307)
Total expenses	31,993	4,907	2,515	680	20,452	2,734
Provisions	1,160	217	(823)	111	244	326
Profit / (loss) before tax	28,209	5,454	8,106	(5,979)	(12,609)	(5,622)

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

As at September 30, 2019 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Statement of financial position							
Cash and bank balances	140,214	-	417	59,055	68,338	-	268,024
Lendings to financial institutions	21,489	-	-	20,793	-	-	42,282
Net inter segment lending	1,254,138	-	-	-	120,735	76,822	1,451,695
Investments	33,970	-	16,789	1,219,493	52,507	28,643	1,351,402
Advances - performing	287,715	55,280	570,922	-	143,031	11,928	1,068,876
Advances - non-performing	5,541	165	3,304	-	2,136	-	11,146
Others	20,192	1,529	33,794	17,202	13,299	105,064	191,080
Total assets	1,763,259	56,974	625,226	1,316,543	400,046	222,457	4,384,505
Borrowings	14,778	-	67,854	242,151	91,167	-	415,950
Subordinated debt	-	-	-	-	-	22,360	22,360
Deposits and other accounts	1,701,980	3,461	190,218	33	252,525	2,823	2,151,040
Net inter segment borrowing	-	49,331	346,623	1,055,741	-	-	1,451,695
Others	31,587	4,182	20,531	21,292	15,992	58,972	152,556
Total liabilities	1,748,345	56,974	625,226	1,319,217	359,684	84,155	4,193,601
Equity	14,914	-	-	(2,674)	40,362	138,302	190,904
Total equity and liabilities	1,763,259	56,974	625,226	1,316,543	400,046	222,457	4,384,505
Contingencies and commitments	26,907	-	254,203	678,947	81,430	24,292	1,065,779

For the nine months ended September 30, 2018 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Profit and loss account							
Net mark-up / return / profit - external	(17,265)	7,687	19,107	46,276	2,312	(2,064)	56,053
Inter segment revenue / (expense) - net	52,422	(2,314)	(14,344)	(40,788)	1,671	3,353	-
Non mark-up / return / interest income	4,992	3,642	2,118	1,864	1,972	(1,526)	13,062
Total income	40,149	9,015	6,881	7,352	5,955	(237)	69,115
Segment direct expenses	18,351	3,112	1,086	441	12,781	16,130	51,901
Inter segment expense allocation	11,455	320	1,715	333	1,239	(15,062)	-
Total expenses	29,806	3,432	2,801	774	14,020	1,068	51,901
Provisions	514	202	(2,067)	1,634	727	671	1,681
Profit / (loss) before tax	9,829	5,381	6,147	4,944	(8,792)	(1,976)	15,533

As at December 31, 2018 (Audited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Statement of financial position							
Cash and bank balances	145,159	-	215	87,342	59,947	42	292,705
Lendings to financial institutions	13,032	-	-	38,245	-	-	51,277
Net inter segment lending	1,218,886	-	-	-	55,865	56,217	1,330,968
Investments	74,496	-	17,929	1,181,543	45,245	21,818	1,341,031
Advances - performing	266,902	51,416	563,199	-	115,535	10,431	1,007,483
Advances - non-performing	2,002	99	4,043	-	2,227	-	8,371
Others	12,590	2,112	18,692	20,308	8,037	116,888	178,627
Total assets	1,733,067	53,627	604,078	1,327,438	286,856	205,396	4,210,462
Borrowings	10,532	-	59,688	385,532	63,144	-	518,896
Subordinated debt	-	-	-	-	-	9,990	9,990
Deposits and other accounts	1,693,016	2,831	154,212	64	168,124	1,761	2,020,008
Net inter segment borrowing	-	47,518	379,197	904,253	-	-	1,330,968
Others	18,168	3,278	10,981	44,240	9,500	65,384	151,551
Total liabilities	1,721,716	53,627	604,078	1,334,089	240,768	77,135	4,031,413
Equity	11,351	-	-	(6,651)	46,088	128,261	179,049
Total equity and liabilities	1,733,067	53,627	604,078	1,327,438	286,856	205,396	4,210,462
Contingencies and commitments	24,125	-	142,460	358,144	160,440	27,217	712,386

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

34 RELATED PARTY TRANSACTIONS

The Bank has related party relationships with various parties including its Directors, Key Management Personnel, Group entities, subsidiaries, associated companies, joint venture, and employee benefit schemes of the Bank.

Transactions with related parties, other than those under the 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 employee benefit schemes are made in accordance with the actuarial valuations / terms of the schemes.

Details of transactions and balances with related parties as at the period / year end, are as follows:

	As at September 30, 2019 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Statement of financial position	(Rupees in '000)						
Balances with other banks							
In current accounts	-	-	217	445,802	-	3,727	-
Investments							
Opening balance	-	-	-	18,111,059	11,523,187	135,665	4,004,502
Investment made during the period	-	-	-	-	-	-	670,632
Investment redeemed / disposed off during the period	-	-	-	-	(1,560,612)	-	(214,485)
Exchange translation impact	-	-	-	525,105	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	790,351
Closing balance	-	-	-	18,636,164	9,962,575	135,665	5,251,000
Provision for diminution in value of investments	-	-	-	-	-	-	(24,607)
Advances							
Opening balance	-	234,012	3,536,393	40,806	1,500,000	-	13,376,499
Addition during the period	-	51,743	12,677,542	364,990	-	-	383,186,481
Repaid during the period	-	(35,237)	(12,800,246)	(197,019)	-	-	(379,845,031)
Closing balance	-	250,518	3,413,689	208,777	1,500,000	-	16,717,949
Provision held against advances	-	-	-	-	-	-	(1,726,437)
Other Assets							
Interest / mark-up accrued	-	488	53,064	104,471	48,514	-	547,803
Receivable from staff retirement fund	-	-	-	-	-	-	24,375
Other receivable	-	900	26	57,851	493,110	-	10,562
	-	1,388	53,090	162,322	541,624	-	582,740
Borrowings							
Opening balance	-	-	2,290,315	-	2,499,514	1,388,619	-
Borrowings during the period	-	-	6,586,131	34,208,564	4,690,961	6,347,537	-
Settled during the period	-	-	(6,135,636)	(32,707,649)	(6,252,283)	(6,172,502)	-
Closing balance	-	-	2,740,810	1,500,915	938,192	1,563,654	-
Deposits and other accounts							
Opening balance	72,451	14,188	7,181,954	1,366,812	4,499,559	-	778,919
Received during the period	403,241	1,100,664	221,950,070	158,149,240	259,915,378	-	87,850,737
Withdrawn during the period	(429,774)	(959,267)	(221,119,200)	(158,144,456)	(253,928,615)	-	(87,900,749)
Closing balance	45,918	155,585	8,012,824	1,371,596	10,486,322	-	728,907
Other liabilities							
Interest / mark-up payable	72	842	96,638	5,108	43,740	7,145	1,116
Payable to staff retirement fund	-	-	-	-	-	-	946,847
Other payables	-	-	87,015	44,643	177,387	-	101,137
	72	842	183,653	49,751	221,127	7,145	1,049,100
Contingencies and Commitments							
Letter of credit	-	-	625,904	-	-	-	7,782,145
Letter of guarantee	-	-	144,720	10,906	-	-	1,391,646
Forward purchase of Government securities	-	-	523,350	-	-	-	75,912,481
Forward sale of Government securities	-	-	-	-	-	-	60,790,695
Interest rate swaps	-	-	1,227,844	-	1,500,000	-	-
	-	-	2,521,818	10,906	1,500,000	-	145,876,967
Others							
Securities held as custodians	-	27,100	6,928,485	341,815	26,809,580	-	27,210,710

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

For the nine months ended September 30, 2019 (Unaudited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Profit and loss account							
Income							
Mark-up / return / profit / interest earned	-	12,055	277,703	411,339	138,819	-	1,210,390
Fee and commission income	-	-	3,880	32,739	1,746,838	244	3,529
Dividend income	-	-	-	-	712,099	-	81,776
Foreign exchange loss	-	-	-	(119,949)	-	-	-
Loss from derivatives	-	-	(25,647)	-	(6,758)	-	-
Gain on sale of securities - net	-	-	-	-	1,034,656	-	-
Rent on properties	-	-	-	28,241	-	-	-
Other income	-	-	-	5,654	-	-	-
Expense							
Mark-up / return / profit / interest expensed	1,227	3,583	276,223	47,866	247,533	33,711	35,957
Operating expenses							
Salaries and allowances	-	768,004	-	-	-	-	-
Contribution to provident and benevolent funds	-	13,528	-	-	-	-	-
Non-Executive Directors' fees	36,800	-	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	654,187
Insurance premium expense	-	-	-	-	876,299	-	-
Advertisement and publicity	-	-	61,877	-	-	-	724,067
Travelling	-	-	21,536	20	-	-	-
Subscription	-	-	-	-	-	-	41,712
Donation	-	-	-	-	-	-	101,137
Brokerage and commission	-	-	-	-	-	-	123,973
Other expenses	-	-	-	3,866	-	-	723
Provision for diminution in value of investments	-	-	-	-	-	-	(106,885)
Others							
Purchase of Government securities	-	24,175	108,031,647	-	19,953,031	-	294,101,001
Sale of Government securities	-	24,457	140,361,091	66,129	38,307,507	-	319,912,676
Purchase of foreign currencies	15,863	-	1,615,694	5,758,823	5,527	-	4,148
Sale of foreign currencies	-	-	2,886,661	2,458,425	53,884	-	8,860,325
Insurance claims settled	-	-	-	-	163,820	-	-
As at December 31, 2018 (Audited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Statement of financial position							
Balances with other banks							
In current accounts	-	-	178,527	841,351	-	22,762	-
Investments							
Opening balance	-	-	-	17,259,428	12,186,523	135,665	5,291,967
Investment made during the year	-	-	-	-	1,446,121	-	2,248,288
Investment redeemed / disposed off during the year	-	-	-	-	(2,109,457)	-	(1,266,953)
Exchange translation impact	-	-	-	851,631	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	(2,268,800)
Closing balance	-	-	-	18,111,059	11,523,187	135,665	4,004,502
Provision for diminution in value of investments	-	-	-	-	-	-	(131,491)
Advances							
Opening balance	-	142,108	3,147,907	605,113	2,851,690	-	16,536,672
Addition during the year	-	200,111	10,215,143	2,254,567	-	-	183,779,040
Repaid during the year	-	(39,612)	(9,826,657)	(2,818,874)	(1,351,690)	-	(177,108,006)
Transfer in / (out) - net	-	(68,595)	-	-	-	-	(9,831,207)
Closing balance	-	234,012	3,536,393	40,806	1,500,000	-	13,376,499
Provision held against advances	-	-	-	-	-	-	(1,726,437)
Other Assets							
Interest / mark-up accrued	-	430	30,552	42,563	34,696	-	226,952
Receivable from staff retirement fund	-	-	-	-	-	-	35,293
Other receivable	-	-	1,500	57,409	991,956	-	51,693
	-	430	32,052	99,972	1,026,652	-	313,938
Borrowings							
Opening balance	-	-	479,694	1,247,874	3,312,516	1,104,172	-
Borrowings during the year	-	-	7,365,097	-	10,275,781	5,838,923	-
Settled during the year	-	-	(5,554,476)	(1,247,874)	(11,088,783)	(5,554,476)	-
Closing balance	-	-	2,290,315	-	2,499,514	1,388,619	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	As at December 31, 2018 (Audited)						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Deposits and other accounts							
Opening balance	127,426	33,952	8,412,090	1,030,077	9,219,513	22,702	1,501,398
Received during the year	1,310,083	262,419	429,705,396	194,454,461	393,074,879	-	98,984,289
Withdrawn during the year	(1,342,166)	(262,047)	(430,935,532)	(194,117,726)	(397,794,833)	(22,702)	(99,412,868)
Transfer in / (out) - net	(22,892)	(20,136)	-	-	-	-	(293,900)
Closing balance	72,451	14,188	7,181,954	1,366,812	4,499,559	-	778,919
Other liabilities							
Interest / mark-up payable	254	276	100,072	2,343	68,722	5,811	2,426
Payable to staff retirement fund	-	-	-	-	-	-	970,439
Other payables	-	-	103,824	35,352	425,474	-	125,812
	254	276	203,896	37,695	494,196	5,811	1,098,677
Contingencies and Commitments							
Letter of credit	-	-	580,316	-	-	-	8,847,142
Letter of guarantee	-	-	155,828	53,458	-	-	634,705
Forward purchase of Government securities	-	-	411,707	-	-	-	9,913,419
Forward sale of Government securities	-	-	-	-	-	-	809,625
Interest rate swaps	-	-	1,448,856	-	1,500,000	-	-
	-	-	2,596,707	53,458	1,500,000	-	20,204,891
Others							
Securities held as custodians	-	8,000	17,841,345	456,397	10,462,950	-	20,053,730

	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							
Income							
Mark-up / return / profit / interest earned	-	13,266	225,182	277,911	180,982	-	1,039,572
Fee and commission income	-	-	142	3,463	1,941,403	-	14,325
Dividend income	-	-	-	-	652,158	-	55,993
Foreign exchange loss	-	-	-	(232,007)	-	-	-
Loss from derivatives	-	-	(34,655)	-	(35,833)	-	-
Net gain on sale of securities	-	-	-	-	373,883	-	-
Rent on properties	-	-	-	25,698	-	-	-
Other income	-	-	-	626	-	-	-
Expense							
Mark-up / return / profit / interest expensed	4,598	302	281,116	185,786	300,729	27,688	33,952
Operating expenses							
Salaries and allowances	-	841,899	-	-	-	-	-
Contribution to provident and benevolent funds	-	11,346	-	-	-	-	-
Non-Executive Directors' fees	42,000	-	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	2,448,854
Insurance premium expense	-	-	-	-	878,007	-	-
Advertisement and publicity	-	-	43,927	-	-	-	305,679
Travelling	-	-	2,721	-	-	-	-
Subscription	-	-	-	-	-	-	35,679
Utilities cost	-	-	-	-	-	-	4,530
Donation	-	-	-	-	-	-	96,871
Other expenses	-	-	-	-	1	-	733
Reversal of provision for diminution in value of investments							73,865
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
Purchase of foreign currencies	-	-	1,313,090	6,867,308	-	-	4,430
Sale of foreign currencies	-	-	1,403,704	3,115,852	87,000	-	10,668,187
Insurance claims settled	-	-	-	-	122,860	-	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

35	CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
	Minimum Capital Requirement (MCR):			
	Paid-up capital (net of losses)		14,668,525	14,668,525
	Capital Adequacy Ratio (CAR):			
	Eligible Common Equity Tier 1 (CET 1) Capital		138,131,570	134,409,556
	Eligible Additional Tier 1 (AT 1) Capital		12,296,599	-
	Total Eligible Tier 1 Capital		150,428,169	134,409,556
	Eligible Tier 2 Capital		39,499,900	42,393,281
	Total Eligible Capital (Tier 1 + Tier 2)		189,928,069	176,802,837
	Risk Weighted Assets (RWAs):			
	Credit Risk		846,429,024	806,562,433
	Market Risk		100,772,174	108,783,786
	Operational Risk		163,870,862	163,870,862
	Total		1,111,072,060	1,079,217,081
	CET 1 Capital Adequacy Ratio		12.43%	12.45%
	Tier 1 Capital Adequacy Ratio		13.54%	12.45%
	Total Capital Adequacy Ratio		17.09%	16.38%
	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		9.90%	7.90%
	of which: capital conservation buffer requirement		1.90%	1.90%
	of which: countercyclical buffer requirement		-	-
	of which: D-SIB buffer requirement	35.1	2.00%	-
	CET1 available to meet buffers (as a percentage of risk weighted assets)		6.43%	6.45%
	Other information:			
	National minimum capital requirements prescribed by the SBP			
	CET1 minimum ratio (%)		9.90%	7.90%
	Tier 1 minimum ratio (%)		11.40%	9.40%
	Total capital minimum ratio (%)		13.90%	11.90%
	Leverage Ratio (LR)			
	Eligible Tier 1 Capital		150,428,169	134,409,556
	Total Exposures		3,361,367,878	3,552,227,144
	Leverage Ratio (%)		4.48%	3.78%
	Minimum Requirement (%)		3.00%	3.00%
	Liquidity Coverage Ratio (LCR)			
	Total High Quality Liquid Assets		857,065,987	987,612,556
	Total Net Cash Outflow		596,467,009	571,294,024
	Liquidity Coverage Ratio (%)		143.69%	172.87%
	Minimum Requirement (%)		100.00%	100.00%
	Net Stable Funding Ratio (NSFR)			
	Total Available Stable Funding		2,182,452,114	2,102,952,345
	Total Required Stable Funding		1,533,353,546	1,490,821,433
	Net Stable Funding Ratio (%)		142.33%	141.06%
	Minimum Requirement (%)		100.00%	100.00%
35.1	Under the SBP's framework for Domestic Systemically Important Banks (D-SIBs), the Bank is designated as a D-SIB in category 'C'. Accordingly, with effect from March 31, 2019 the Bank is required to maintain a Higher Loss Absorbency (HLA) capital surcharge of 2% as additional CET 1.			

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

36 ISLAMIC BANKING BUSINESS

The Bank operates 48 (December 31, 2018: 47) Islamic Banking branches and 493 (December 31, 2018: 493) Islamic Banking windows as at September 30, 2019.

STATEMENT OF FINANCIAL POSITION

ASSETS

Cash and balances with treasury banks
Balances with other banks
Due from financial institutions
Investments
Islamic financing and related assets-net
Fixed assets
Intangible assets
Due from Head Office
Deferred tax assets
Other assets

Note	(Unaudited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
	10,129,429	19,365,889
	-	-
36.1	21,489,184	13,031,526
36.2	34,771,114	75,296,758
36.3	141,634,729	103,483,404
	692,005	187,491
	-	-
	30,647,382	4,932,141
	52,960	59,787
	4,810,252	3,718,796
	244,227,055	220,075,792

LIABILITIES

Bills payable
Due to financial institutions
Deposits and other accounts
Due to Head Office
Subordinated debt
Deferred tax liabilities
Other liabilities

	15,737	8,543
36.4	6,144,079	1,551,617
36.5	214,621,278	203,247,709
	-	-
	-	-
	-	-
	8,531,554	3,917,646
	229,312,648	208,725,515

NET ASSETS

14,914,407	11,350,277
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REPRESENTED BY

Islamic Banking Fund
Reserves
Deficit on revaluation of investments - net of tax
Unappropriated profit

	250,000	250,000
	-	-
	(82,834)	(111,034)
36.6	14,747,241	11,211,311
	14,914,407	11,350,277

Contingencies and commitments

36.7

PROFIT AND LOSS ACCOUNT

Profit / return earned
Profit / return expensed
Net profit / return

	(Unaudited) For the nine months ended	
	September 30, 2019	September 30, 2018
	(Rupees in '000)	
	(Restated)	
36.8	13,772,948	8,733,467
36.9	6,804,712	4,994,563
	6,968,236	3,738,904

Other income

Fee and commission income
Dividend income
Foreign exchange income / (loss)
Income from derivatives
Loss on securities- net
Others
Total other income

471,921	473,037
-	-
27,042	49,216
-	-
(27,609)	(49,053)
5,895	5,247
477,249	478,447

Total income

7,445,485	4,217,351
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Other expenses

Operating expenses
Workers' Welfare Fund
Other charges
Total other expenses

1,450,266	1,108,668
118,298	62,111
-	-
1,568,564	1,170,779

Profit before provisions

Provisions and write offs - net

5,876,921	3,046,572
80,315	3,141

Profit before taxation

Taxation

5,796,606	3,043,431
2,260,676	1,065,201

Profit after taxation

3,535,930	1,978,230
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Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	(Unaudited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
36.1 Due from Financial Institutions		
Unsecured	1,000,000	8,700,000
Bai Muajjal Receivable from State Bank of Pakistan	20,489,184	-
Bai Muajjal Receivable from other financial institutions	-	4,331,526
	<u>21,489,184</u>	<u>13,031,526</u>

36.2 Investments by segments

	September 30, 2019 (Unaudited)				December 31, 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government securities								
- Ijarah Sukuks	4,667,246	-	(135,794)	4,531,452	53,682,791	-	(170,822)	53,511,969
- Other Federal Government securities	10,794,000	-	-	10,794,000	-	-	-	-
	<u>15,461,246</u>	-	<u>(135,794)</u>	<u>15,325,452</u>	<u>53,682,791</u>	-	<u>(170,822)</u>	<u>53,511,969</u>
Non-Government debt securities								
- Listed	3,981,941	-	-	3,981,941	5,030,877	-	-	5,030,877
- Unlisted	15,463,721	-	-	15,463,721	16,753,912	-	-	16,753,912
	<u>19,445,662</u>	-	-	<u>19,445,662</u>	<u>21,784,789</u>	-	-	<u>21,784,789</u>
Total Investments	<u>34,906,908</u>	-	<u>(135,794)</u>	<u>34,771,114</u>	<u>75,467,580</u>	-	<u>(170,822)</u>	<u>75,296,758</u>

	(Unaudited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
36.3 Islamic financing and related assets - net		
Ijarah	1,914,304	2,078,449
Murabaha	467,180	672,907
Diminishing Musharakah	82,380,351	66,095,505
Wakalah	10,000,000	10,000,000
Islamic Home Financing	562,572	128,820
Running Musharakah	9,472,718	4,871,319
Advance for Ijarah	456,288	192,485
Advance for Murabaha	1,531,169	4,324,684
Advance for Diminishing Musharakah	7,209,875	995,819
Advance for Istisna	21,430,308	9,920,835
Inventories against Tijarah	347,560	17,578
Inventories against Murabaha	3,693,359	2,416,470
Inventories against Istisna	2,366,059	1,885,231
Islamic financing and related assets - gross	<u>141,831,743</u>	<u>103,600,102</u>
Provision against Islamic financing and related assets		
- Specific	(180,707)	(106,212)
- General	(16,307)	(10,486)
	<u>(197,014)</u>	<u>(116,698)</u>
Islamic financing and related assets - net of provision	<u>141,634,729</u>	<u>103,483,404</u>

36.4 Due to financial institutions

Acceptances from the SBP under Islamic Export Refinance Scheme	3,636,000	1,551,617
Acceptances from the SBP under Islamic Long Term Financing Facility	2,508,079	-
	<u>6,144,079</u>	<u>1,551,617</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

	Note	(Unaudited) September 30, 2019	(Audited) December 31, 2018
(Rupees in '000)			
36.5	Deposits and other accounts		
	Customers		
	Current deposits	54,687,619	44,756,909
	Savings deposits	84,151,555	90,221,909
	Term deposits	24,226,175	39,646,562
		163,065,349	174,625,380
	Financial Institutions		
	Current deposits	133,503	156,967
	Savings deposits	51,295,380	26,478,723
	Term deposits	127,046	1,986,639
		51,555,929	28,622,329
		214,621,278	203,247,709
36.6	Islamic Banking business unappropriated profit		
	Opening Balance	11,211,311	8,569,480
	Add: Islamic Banking profit for the period / year	5,796,606	4,332,623
	Less: Taxation	(2,260,676)	(1,690,792)
	Closing Balance	14,747,241	11,211,311
36.7	Contingencies and commitments		
	- Guarantees	36.7.1 254,686	219,570
	- Commitments	36.7.2 4,616,476	20,811,516
		4,871,162	21,031,086
36.7.1	Guarantees		
	Performance guarantees	246,143	214,177
	Other guarantees	8,543	5,393
		254,686	219,570
36.7.2	Commitments		
	Trade-related contingent liabilities	2,080,477	1,613,153
	Commitments in respect of forward foreign exchange contracts	36.7.2.1 2,535,999	19,198,363
		4,616,476	20,811,516
36.7.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	2,211,698	18,922,353
	Sale	324,301	276,010
		2,535,999	19,198,363
36.8	Profit / return earned		
	On:		
	Financing	9,219,440	4,223,874
	Investments	3,121,571	4,467,090
	Due from financial institutions	1,431,937	42,503
		13,772,948	8,733,467

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the nine months ended September 30, 2019

36.9	Profit / return expensed	(Unaudited)	
		For the nine months ended	For the nine months ended
		September 30, 2019	September 30, 2018
		(Rupees in '000)	
		(Restated)	
	On:		
	Deposits and other accounts	5,223,936	3,039,674
	Due to financial institutions	1,282,136	1,882,577
	Cost against foreign currency deposits for Wa'ad based transactions	247,703	72,312
	Lease liability against right-of-use assets	50,937	-
		6,804,712	4,994,563

37 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 37.1 The Board of Directors in its meeting held on October 15, 2019 has declared a cash dividend of Rs 1.25 per share in respect of the quarter ended September 30, 2019 (September 30, 2018: Rs 1 per share). These condensed interim unconsolidated financial statements do not include the effect of this appropriation which will be accounted for subsequent to the period end.

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on October 15, 2019.

39 GENERAL

- 39.1 These condensed interim unconsolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular Letter No. 5 dated March 22, 2019 and related clarifications / modifications.
- 39.2 Comparative figures have been re-arranged and reclassified for comparison purposes. The significant reclassification has been disclosed in note 3.1.1 of these condensed interim unconsolidated financial statements.

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Salim Raza
Director

Dr. Najeef Samie
Director

