

HBL

HABIB BANK

حیب بینک

A legacy
built for
the
future



Quarterly Report
March 31, 2016

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1941-2016

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Corporate Information

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Shaffiq Dharamshi
Director

Mr. Moez Ahamed Jamal
Director

Dr. Najeeb Samie
Director

Mr. Agha Sher Shah
Director

Mr. Sajid Zahid
Director

Mr. Nauman K. Dar
President & CEO

Chief Financial Officer
Mr. Rayomond Kotwal

Company Secretary
Ms. Nausheen Ahmad

Auditors
A. F. Ferguson & Co.
Chartered Accountants

Head Office

Habib Bank Limited
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Websites

Corporate Website
www.hbl.com

Internet Banking
www.hblibank.com.pk

Registered Office

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Registrars

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Condensed
Interim
Consolidated
Financial
Statements

HBL

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the quarter ended March 31, 2016.

Domestic Economy

Pakistan's economic indicators have shown continued improvement during the first quarter of 2016, supported by historically low inflation and stability in the external account. Headline inflation continued to inch up as a result of the low base effect and an uptick in food prices, reaching 3.9% in March 2016. However, the growth remained moderated by low oil prices and average inflation for 9M FY16 was only 2.6%, below SBP's revised annual inflation target of 3-4%. Large Scale Manufacturing grew by 4.3% during 8M FY16, owing to better energy availability and lower input costs, accompanied by a 9% expansion in private sector credit offtake.

Export performance remained weak, declining by 9% during 9M FY16, mainly due to slowdown in external demand. Imports fell by only 5% as machinery imports increased, offsetting the impact of low oil prices. Consequently, the trade deficit remained at the same level as for the corresponding period last year. Despite a slowdown in their growth trajectory, remittances increased by 6%, resulting in an 18.5% reduction in the current account deficit during 9M FY16. The Government repaid the Eurobond at maturity in March 2016 along with the release of the latest USD 500 million tranche of the IMF's Extended Fund Facility. This has helped to keep the Rupee stable during the quarter and maintained reserves at around USD 21 billion.

Capital market performance remained lackluster, mainly due to continued outflows from foreign portfolio investment and the PSX 100 remained almost unchanged during Q1 2016. The consultative process for the potential reclassification of Pakistan from MSCI's Frontier Markets index to Emerging Markets has already started. A decision is expected by June 2016 and will be a key factor in triggering stock market growth.

A new Monetary Policy Committee has been formed and will now be the sole body responsible for formulating monetary policy, rather than the SBP Board. The SBP held its first review under the new structure in January and kept the discount rate unchanged at 6.5%. However, as a result of the continuous reduction in the rate environment during 2015, banking sector spreads have been squeezed by 75bps over last year. Market deposits remained at December 2015 levels, while industry advances reduced by 1% since the beginning of the year.

Performance

HBL has delivered a consolidated pre-tax profit of Rs 13.9 billion for the first quarter of 2016 with profit after tax of Rs 9.0 billion. In the first quarter of 2015, HBL's pre-tax profit was Rs 15.3 billion, including exceptional capital gains of Rs 2.2 billion. Consequently, earnings per share for the quarter decreased to Rs 6.15 compared to Rs 6.77 for the first quarter of 2015. Excluding the impact of capital gains, profit before tax increased by 3% over Q1 2015, while profit after tax rose by 4% over the same period.

HBL's balance sheet has remained flat to December 2015 peak levels of Rs 2.2 trillion. Total deposits declined by 2% as term deposits reduced further. The domestic deposit mix continued to improve as the Bank was able to maintain its growth in CASA deposits, with the CASA ratio now at 89% and the ratio of current accounts rising from 34.4% in December 2015 to 35.9% in March 2016. Average current accounts increased by 23% over the same period of 2015, enabling HBL to reduce its cost of domestic deposits by 157 bps, to 2.8% for Q1 2016. This somewhat alleviated the continued downward pressure on margins, which were also supported by a 7.5% growth in average domestic loans and a 63% increase in average PIB volumes. The Bank was thus able to contain the margin decline to just 36 bps despite the average interest rate in Q1 2016 being 226 bps lower than in Q1 2015. With a 15% growth in the average balance sheet over the comparable quarter of 2015, net interest income increased by 6% to Rs 20.2 billion for the quarter ended March 31, 2016.

Non mark-up income, excluding capital gains, increased by 12% over the first quarter of 2015, as Fees and Commissions rose by 25% to Rs 4.3 billion for Q1 2016. This growth was driven mainly by increased income from Home Remittances and a doubling of fees related to both credit and debit card activity. Other fee drivers such as Bancassurance, trade and general banking fees continued to make significant contributions.

Administrative expenses were scaled back by 6% over the previous quarter, but increased by 15% over the corresponding quarter of 2015. This was mainly due to higher marketing expenses on the sponsorship of the high profile Pakistan Super League, increase in the branch network and certain timing differences. The cost/income ratio for the quarter reduced slightly from 45.7% in Q4 2015 to 45.3% in Q1 2016, but was higher than in Q1 2015 as a result of the flat revenue. Provisions reduced by 36% over the first quarter of 2015, despite additional provisioning based on the Bank's

conservative view on certain borrowers. While the coverage ratio decreased slightly from 90% in December 2015, it still remains robust at 88.5% in March 2016.

Movement of Reserves

Rupees in million

Unappropriated profit brought forward	96,495
Profit attributable to equity holders of the Bank	9,022
Transferred from surplus on revaluation of fixed assets – net of tax	9
	9,032
Appropriations	
Transferred to statutory reserves	(871)
Capital contribution to statutory funds of associates	(11)
Cash dividend – Final 2015	(5,134)
	(6,015)
Unappropriated profit carried forward	99,512
Earnings per share (Rs)	6.15

Capital Ratios

The consolidated Capital Adequacy Ratio (CAR) remained at the December 2015 level of 17.0%, while Tier 1 CAR declined slightly from 13.1% to 13.0% over the same period. HBL's Return on Assets in Q1 2016 was 1.6% and the Return on Equity remained strong at 19.4%.

Dividend

The Board of Directors, in its meeting held on April 22, 2016 has declared an interim cash dividend of Rs 3.5 per share (35%) for the quarter ended March 31, 2016.

Future Outlook

The government is making steady progress towards restoring economic stability, recognized by the IMF which, in its recent review, lauded the government's commitment towards the reform agenda. There is also now tangible evidence of development related to the China Pakistan Economic Corridor (CPEC). With further investments on the horizon, there is cautious optimism that the power crisis which has hampered investment and growth for more than a decade may now see concrete improvement over the next two years. The external account and the currency have seen a prolonged period of stability; however, headwinds of rising inflation, slowing remittances and falling exports will have to be carefully navigated.

HBL has recently achieved another landmark by becoming the first Pakistani bank to receive a license for opening a branch in China. The Bank expects that the branch, which will be based in Urumqi, Xinjiang province, will be operational by the end of the year and will further cement links with China, providing first mover advantage vis a vis CPEC projects. With ample liquidity and sound capital, HBL is well positioned to leverage growth opportunities. The Bank remains focused on maintaining its demonstrated track record of growing low cost deposits while prudently managing its costs and credit quality.

Appreciation and Acknowledgement

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

On behalf of the Board and the management, we would also like to take this opportunity to thank our customers and shareholders for entrusting us with their confidence. We assure them that we remain committed to maintaining the highest standards and a strong culture of good corporate governance and compliance in all our endeavors. We would also like to acknowledge the efforts and dedication demonstrated by the employees towards the growth of HBL.

On behalf of the Board

Nauman K. Dar
President & Chief Executive Officer
April 22, 2016

انچ بی ایل نے سال 2016 کی پہلی سہ ماہی کے لئے 13.9 ارب روپے کا مجموعی قبل از ٹیکس منافع جبکہ بعد از ٹیکس 9.0 ارب روپے کا منافع حاصل کیا ہے۔ 2015 کی پہلی سہ ماہی میں انچ بی ایل کا قبل از ٹیکس منافع 15.3 ارب روپے تھا جس میں سرمایہ کاری سے منسلک والا 2.0 ارب روپے کا غیر معمولی کیپٹل گین شامل تھا۔ اس کے نتیجے میں اس سہ ماہی کے لئے فی شیئر آمدن 2015 کی پہلی سہ ماہی کے 6.77 روپے کے مقابلے میں 6.15 روپے ہو گئی۔ کیپٹل گین کے اثرات کو نکال کر سال 2015 کی پہلی سہ ماہی کے مقابلے میں قبل از ٹیکس منافع میں 3 فیصد اضافہ ہوا جبکہ اسی عرصے کے مقابلے میں 4 فیصد بعد از ٹیکس منافع میں اضافہ ہوا۔

انچ بی ایل کی بیلینس شیٹ دسمبر 2015 کی 2.2 کھرب کی بلند سطح پر برقرار رہی۔ مجموعی ڈیپازٹس میں 2 فیصد تک کمی آئی جبکہ ٹرم ڈیپازٹس مزید کم ہوئے۔ مقامی ڈیپازٹس مکس میں بہتری کا سلسلہ جاری رہا جس کے نتیجے میں کرنٹ اکاؤنٹس سیونگ اکاؤنٹس ڈیپازٹس (CASA) کی شرح 89 فیصد رہی اور کرنٹ اکاؤنٹس کی شرح دسمبر 2015 کے 34.4 فیصد سے بڑھ کر مارچ 2016 میں 35.9 فیصد تک پہنچ گئی۔ 2015 کے اسی عرصے کے مقابلے میں اوسط کرنٹ اکاؤنٹس میں 23 فیصد تک اضافہ ہوا جس سے انچ بی ایل سال 2016 کی پہلی سہ ماہی کے دوران مقامی اکاؤنٹس کی لاگت کو 157 بی پی ایلس، 2.8 فیصد نیچے لانے کے قابل ہوا۔ اس سے مارجن پر پڑنے والے مسلسل دباؤ میں کسی حد تک کمی آئی، اوسط مقامی قرضوں میں 7.5 فیصد اور اوسط بی پی ایل میں 63 فیصد اضافے نے بھی مارجن کو بہتر کرنے میں مدد دی۔ اس طرح بینک مارجن کی کمی 36 کو بی پی ایل تک روکنے میں کامیاب رہا حالانکہ سال 2016 کی پہلی سہ ماہی میں اوسط شرح سود سال 2015 کی پہلی سہ ماہی کے مقابلے میں 226 بی پی ایل کم رہی۔ اوسط بیلینس شیٹ میں 15 فیصد نمو کے ساتھ 2015 کی سہ ماہی کے مقابلے میں 31 مارچ 2016 کو ختم ہونے والی سہ ماہی میں خالص سودی آمدن میں 6 فیصد اضافے کے ساتھ 20.2 ارب روپے رہی۔

غیر سودی آمدن میں ماسوائے کیپٹل گین کے سال 2015 کی پہلی سہ ماہی کے مقابلے میں 12 فیصد اضافہ ہوا جبکہ فیسوں اور کمیشنز سال 2016 کی پہلی سہ ماہی میں 25 فیصد اضافے سے 4.3 ارب تک پہنچ گئے۔ اس اضافے میں بڑی حد تک باہر سے بھجوائے جانے والے ترسیلات زر اور کریڈٹ و ڈیبٹ دونوں طرح کے کارڈ کی سرگرمی سے متعلق فیسوں میں دوگنا اضافہ شامل ہیں۔ فیسوں سے متعلق دیگر پہلو جیسے بنک اشورنس، تجارتی اور عام بینکنگ فیسوں کا حصہ بھی نمایاں رہا۔

انتظامی اخراجات میں گزشتہ سہ ماہی کے مقابلے میں 6 فیصد تک کمی آئی تاہم سال 2015 کی اسی سہ ماہی کے مقابلے میں 15 فیصد اضافہ ہوا۔ اس کی بڑی وجوہات میں عوامی توجہ کا مرکز بننے والی پاکستان سپر لیگ کی اسپانسر شپ اور برانچ نیٹ ورک میں اضافہ ہیں۔ لاگت آمدن کی شرح 2015 کی چوتھی سہ ماہی کے 45.7 فیصد کے مقابلے میں معمولی کمی کے ساتھ 2016 کی پہلی سہ ماہی میں 45.3 فیصد ہو گئی لیکن یہ پہلی سہ ماہی 2015 کے مقابلے میں زیادہ ہے جس کی وجہ ریونیو کا نہ بڑھنا ہے۔ قرضوں کے نقصان میں 36 فیصد کمی آئی بنسبت 2015 کی پہلی سہ ماہی کے باوجود اس کے بینک نے کچھ قرض داروں پر محتاط انداز میں زیادہ نقصان ریکارڈ کیا۔ کوریج کی شرح دسمبر 2015 میں 90 فیصد سے معمولی کم ہو کے مارچ 2016 میں بدستور 88.5 فیصد پر مستحکم رہی۔

ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے میں انتہائی مسرت سے 31 مارچ، 2016 کو اختتام پذیر ہونے والے مختصر عبوری مجموعی مالیاتی اعداد و شمار پیش کرتا ہوں۔

مقامی معیشت

سال 2016 کی پہلی سہ ماہی کے دوران پاکستان کے معاشی حالات میں مسلسل بہتری نظر آئی جس میں تاریخی طور پر کم شرح مہنگائی اور بیرونی اکاؤنٹ میں استحکام سے مدد ملی ہے۔ کھانے کی اشیاء کی قیمتوں میں معمولی اضافے کے باعث مجموعی افراط زر میں بھی معمولی اضافہ دیکھنے میں آیا جو مارچ 2016 میں 3.9 فیصد تک پہنچ گیا۔ تاہم تیل کی قیمتوں میں کمی کے باعث ترقی بدستور معتدل رہی اور مالی سال 2016 کے ابتدائی 9 ماہ میں اوسط افراط زر 2.6 فیصد رہی جو اسٹیٹ بینک آف پاکستان کی جانب سے نظر ثانی شدہ سالانہ 3 سے 4 فیصد ٹارگٹ سے کم رہی۔ توانائی کی بہتر دستیابی، تیاری کے لئے کم لاگت اور نجی قرضوں میں 9 فیصد نمو کے باعث مالی سال 2016 کے 8 ماہ کے دوران بڑے پیمانے کی مینوفیکچرنگ میں 4.3 فیصد اضافہ ہوا۔

برآمدات کی کارکردگی بدستور کمزور رہی اور بیرونی طلب میں کمی کے باعث مالی سال 2016 کے ابتدائی 9 ماہ کے دوران برآمدات میں 9 فیصد کمی آئی۔ تیل کی قیمتوں میں نمایاں کمی کے باوجود درآمدات میں صرف 5 فیصد کمی آئی کیونکہ مشینری کی درآمد میں اضافہ دیکھنے میں آیا۔ اس کے نتیجے میں تجارتی خسارہ بدستور گزشتہ سال کی سطح پر برقرار رہا۔ ترقی کی رفتار میں سست روی کے باوجود ترسیل زر میں 6 فیصد اضافہ ہوا، اس کے نتیجے میں مالی سال 2016 کے ابتدائی 9 ماہ کے دوران کرنٹ اکاؤنٹ خسارے میں 18.5 فیصد کمی آئی۔ حکومت نے مارچ 2016 میں میچورٹی پر یورو بونڈ کی ادائیگی کردی اور آئی ایم ایف نے توسیعی فنڈ سہولت (Extended Fund Facility) کے تحت 500 ملین ڈالر کی تازہ ترین قسط کا اجراء بھی کیا جس کی وجہ سے روپے کو اس سہ ماہی کے دوران مستحکم ہونے میں مدد ملی اور 21 ارب ڈالر کے ذخائر برقرار رہے۔

کمپنیل مارکیٹ کی کارکردگی ماند رہی جس کی بڑی وجہ غیر ملکی سرمایہ کاری کا اخراج تھا۔ 2016 کی پہلی سہ ماہی میں پی ایس ایکس 100 انڈیکس تقریباً برقرار رہا۔ پاکستان کی ایم ایس سی آئی کی فرنٹ لیئر مارکیٹس سے ایمرجنگ مارکیٹس تک مگنڈ از سر نو درجہ بندی کے لئے مشاورتی عمل پہلے ہی شروع ہو چکا ہے اور جون 2016 تک فیصلے کی امید ہے جو اسٹاک مارکیٹ کی تیز رفتار ترقی کی ایک اہم وجہ ہوگی۔

ایک نئی زرعی پالیسی کمیٹی تشکیل دے دی گئی اور اسٹیٹ بینک آف پاکستان کے بورڈ کے بجائے یہ کمیٹی زرعی پالیسی تشکیل دینے کی مکمل طور پر ذمہ دار ہوگی۔ سنے ڈھانچے کے تحت اسٹیٹ بینک نے جنوری میں پہلا جائزہ لیا اور ڈسکاؤنٹ ریٹ کو 6.5 فیصد پر برقرار رکھا۔ تاہم سال 2015 کے دوران شرح میں مسلسل کمی کے نتیجے میں گزشتہ سال کے برعکس بینکنگ سیکٹر کا منافع 75 بی پی ایس سکڑ گیا۔ مارکیٹ ڈیپازٹس بدستور دسمبر 2015 کی سطح پر برقرار رہے جبکہ نئے سال کے آغاز سے انڈسٹری کے قرضوں میں ایک فیصد کمی آئی۔

حکومت ملک میں معاشی استحکام کی بحالی کے لئے مستحکم پیش رفت کر رہی ہے، اس کا اعتراف آئی ایم ایف کے حالیہ جائزے میں بھی ہے جس میں اصلاحات کے ایجنڈے کے لئے حکومتی عزم کو سراہا گیا۔ یہاں چین پاکستان اقتصادی شاہراہ (سی پیک) سے متعلق ترقی بھی کا بھی ٹھوس احساس ہے۔ مزید سرمایہ کاری کے ساتھ یہاں ایک مختلط مثبت سوچ ہے کہ توانائی کا بحران جس نے ایک دہائی سے زائد عرصے سے سرمایہ کاری اور ترقی کو متاثر کیا ہے، وہاں اب شاید آئندہ دو برسوں میں ٹھوس پیش رفت دیکھیں۔ بیرونی اکاؤنٹ اور کرنسی نے استحکام کا توسیعی دورانیہ دیکھ لیا ہے، تاہم افراط زر میں اضافہ، ترسیل زر میں کمی اور برآمدات گرنے کو دھیان سے دیکھنے کی ضرورت ہوگی۔

ایچ بی ایل نے حال ہی میں چین میں برانچ کھولنے کے لئے لائسنس حاصل کر کے پہلے پاکستانی بینک بن کر ایک قابل ذکر امتیاز حاصل کر لیا۔ بینک کو توقع ہے کہ چین کے صوبے سکینانگ کے شہر اور چئی میں برانچ قائم ہوگی جو رواں سال کے اختتام تک آپریشنل ہو جائے گی اور اس سے چین کے ساتھ رابطے مزید مستحکم ہوں گے، یوں اسے سی پیک منصوبوں سے متعلق برتری حاصل ہوگی۔ بھرپور لکویڈیٹی اور اچھے سرمائے کے ساتھ ایچ بی ایل ترقی کے مواقع کے ذریعے نمایاں فائدہ اٹھانے کے لئے اچھے مقام پر موجود ہے۔ بینک اپنے کم لاگت کے ڈیپازٹس میں اضافے کا ٹریک ریکارڈ بدستور برقرار رکھے جبکہ اپنی لاگت اور کریڈٹ کے معیار کو احتیاط سے چلانے کے لئے پر عزم ہے۔

تحسین و اعتراف

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

یورڈ اور مینجمنٹ کی جانب سے ہم اس موقع کا فائدہ اٹھا کر اپنے کسٹمرز اور شیئر ہولڈرز کا شکریہ ادا کرنا چاہیں گے جنہوں نے ہم پر اعتماد کیا۔ ہم ان کو یہ یقین دہانی کراتے ہیں کہ ہم اعلیٰ معیار اور اچھے کاروباری انتظام کی مستحکم روایت کو اپنے تمام اقدامات میں برقرار رکھیں گے۔ ہم ایچ بی ایل کی ترقی میں ملازمین کی جانب سے مخلصانہ عمل اور کاوشوں کا بھی اعتراف کرتے ہیں۔

مخائب بورڈ

نعمان کے ڈار

پریذیڈنٹ اینڈ چیف ایگزیکٹو آفیسر

22 اپریل، 2016

ریزروز کی تفصیلات

ملین (روپے)

96,495

9,022

9

9,032

آگے لایا جانے والا غیر سازگار منافع
بینک کے حصص یافتہ کان سے قابل منسوب منافع
پائیدار اثاثوں کے از سر نو تخمینے پر اضافی آمدن

مختلف مدوں میں رکھی گئی رقم

(871)

(11)

(5,134)

(6,015)

غیر منقولہ ریزروز میں منتقلی
غیر منقولہ فنڈز میں ایسوسی ایٹس کا سرمائے سے تعاون
کیش ڈیویڈنڈ۔ فائنل 2015

99,512

6.15

آگے کیا گیا غیر سازگار منافع
فی شیئر آمدن (روپے)

کیپٹل ریشوز

مجموعی کیپٹل ایڈوکیٹی ریشو (سی اے آر) دسمبر 2015 کے 17.0 فیصد پر برقرار رہا جبکہ ٹیئر 1 سی اے آر (Tier 1 CAR) اسی عرصے کے دوران معمولی تنزلی کے ساتھ 13.1 فیصد سے کم ہو کر 13.0 فیصد ہو گیا۔ سال 2016 کی پہلی سہ ماہی میں اثاثوں پر ایچ بی ایل کارٹین 1.6 فیصد تھا اور سرمایہ پر ریٹرن بدستور 19.4 فیصد پر مستحکم رہا۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 22 اپریل 2016 کو منعقد ہونے والے اجلاس میں 31 مارچ 2016 کو ختم ہونے والی سہ ماہی کے لئے 3.5 روپے فی شیئر (35 فیصد) عبوری کیش ڈیویڈنڈ کا اعلان کیا۔



Condensed Interim Consolidated Statement of Financial Position

As at March 31, 2016

	Note	(Unaudited) March 31, 2016	(Audited) December 31, 2015
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		137,316,066	167,250,988
Balances with other banks		59,515,720	40,469,761
Lendings to financial institutions		11,534,973	18,381,633
Investments	6	1,329,246,024	1,270,823,786
Advances	7	587,589,646	637,383,858
Operating fixed assets	8	34,241,972	31,341,509
Deferred tax asset		-	-
Other assets		48,374,994	52,771,250
		<u>2,207,819,395</u>	<u>2,218,422,785</u>
LIABILITIES			
Bills payable		28,174,793	28,081,548
Borrowings	9	324,285,196	314,319,099
Deposits and other accounts	10	1,594,879,183	1,634,944,470
Subordinated loan		10,000,000	10,000,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		7,819,716	5,671,128
Other liabilities		52,198,525	42,786,489
		<u>2,017,357,413</u>	<u>2,035,802,734</u>
NET ASSETS			
		<u>190,461,982</u>	<u>182,620,051</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		47,873,885	47,188,150
Unappropriated profit		99,512,233	96,495,448
Total equity attributable to the equity holders of the Bank		162,054,643	158,352,123
Non-controlling interest		1,678,101	1,692,344
Surplus on revaluation of assets - net of deferred tax	11	26,729,238	22,575,584
		<u>190,461,982</u>	<u>182,620,051</u>
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2016

	Note	January 01 to March 31, 2016	January 01 to March 31, 2015
----- (Rupees in '000) ----- (Restated)			
Mark-up / return / profit / interest earned	13	35,704,653	36,828,919
Mark-up / return / profit / interest expense	14	15,520,429	17,749,436
Net mark-up / profit / interest income		20,184,224	19,079,483
Provision against advances	7.3	476,295	457,032
Provision / (reversal) against off-balance sheet obligations		3,275	(27,592)
(Reversal) / provision for diminution in the value of investments	6.2	(11,516)	115,987
Bad debts written off directly		-	-
		468,054	545,427
Net mark-up / profit / interest income after provisions		19,716,170	18,534,056
Non mark-up / interest income			
Fee, commission and brokerage income		4,281,226	3,412,022
Dividend income		390,397	390,002
Share of profit of associates and joint venture		736,418	812,493
Income from dealing in foreign currencies		388,764	705,459
Gain on sale of securities		360,781	2,236,731
Unrealized gain / (loss) on held-for-trading securities		3,406	(3,753)
Other income		371,151	204,506
Total non mark-up / interest income		6,532,143	7,757,460
		26,248,313	26,291,516
Non mark-up / interest expense			
Administrative expenses		12,105,850	10,484,945
Other provisions / write offs - net		18,492	216,104
Other charges		-	2,479
Workers Welfare Fund		270,639	305,549
Total non mark-up / interest expenses		12,394,981	11,009,077
		13,853,332	15,282,439
Profit before taxation			
Taxation			
- current		4,631,214	5,402,591
- prior		-	136,347
- deferred		187,571	(191,438)
		4,818,785	5,347,500
		9,034,547	9,934,939
Profit after taxation			
Attributable to:			
Equity holders of the Bank		9,022,438	9,932,165
Non-controlling interest		12,109	2,774
		9,034,547	9,934,939
----- (Rupees) -----			
Basic and diluted earnings per share		6.15	6.77

The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.



Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2016

	January 01 to March 31, 2016	January 01 to March 31, 2015
	------(Rupees in '000)-----	
	(Restated)	
Profit after taxation for the period	9,034,547	9,934,939
Other comprehensive income / (loss)		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates attributable to:		
Equity holders of the Bank	(184,806)	(413,243)
Non-controlling interest	(39,818)	(30,311)
	(224,624)	(443,554)
Comprehensive income transferred to equity	8,809,923	9,491,385
Components of comprehensive income / (loss) not reflected in equity		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Movement in surplus on revaluation of non-banking assets - net of tax	503,240	-
Movement in surplus / (deficit) on revaluation of investments - net of tax attributable to:		
Equity holders of the Bank	3,659,712	5,063,187
Non-controlling interest	13,587	(958)
	3,673,299	5,062,229
<i>Items not to be reclassified to profit and loss account in subsequent periods:</i>		
Capital contribution to statutory funds of associates	(10,547)	-
	<u>12,975,915</u>	<u>14,553,614</u>
Total comprehensive income / (loss) attributable to:		
Equity holders of the Bank	12,990,158	14,582,109
Non-controlling interest	(14,243)	(28,495)
	<u>12,975,915</u>	<u>14,553,614</u>

The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended March 31, 2016

	Attributable to shareholders of the Bank							Subtotal	Non-controlling interest	Total
	Share capital	Exchange translation reserve	Capital			Reserves				
			Associates and joint venture	Bank	Non-distributable capital reserve	General reserve	Unappropriated profit			
(Rupees in '000)										
Balance as at December 31, 2014	14,668,525	13,704,392	428,968	23,343,016	-	6,073,812	88,715,056	146,933,769	1,185,257	148,119,026
Comprehensive income for the period	-	-	-	-	-	-	9,932,165	9,932,165	2,774	9,934,939
Profit after taxation for the three months ended March 31, 2015	-	-	-	-	-	-	-	9,932,165	-	9,932,165
Other comprehensive income / (loss)	-	-	-	-	-	-	-	(413,243)	(30,311)	(443,554)
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(413,243)	-	-	-	-	-	-	-	(413,243)
	-	(413,243)	-	-	-	-	9,932,165	9,518,922	(27,537)	9,491,385
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-
Final cash dividend paid at Rs. 5.5 per share for the year ended December 31, 2014	-	-	-	-	-	-	(8,067,689)	(8,067,689)	-	(8,067,689)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	14,627	14,627	-	14,627
Transferred to statutory reserves	-	-	13,236	943,990	-	-	(957,226)	-	-	-
Movement in minority share of surplus / (deficit) on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	(958)	(958)
Balance as at March 31, 2015 (restated)	14,668,525	13,291,149	442,204	24,287,006	-	6,073,812	89,636,933	148,399,629	1,156,762	149,556,391
Comprehensive income for the period	-	-	-	-	-	-	25,176,494	25,176,494	(8,842)	25,166,652
Profit after taxation for the nine months ended December 31, 2015	-	-	-	-	-	-	-	25,176,494	-	25,176,494
Other comprehensive income / (loss)	-	-	-	-	-	-	-	(281,560)	-	(281,560)
- Actuarial losses - net	-	-	-	-	-	-	-	(281,560)	-	(281,560)
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(89,702)	-	-	-	-	-	-	19,341	(70,361)
	-	(89,702)	-	-	-	-	24,894,934	24,805,232	9,499	24,814,731
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-
1st interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
2nd interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
3rd interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
	-	-	-	-	-	-	(15,401,952)	(15,401,952)	-	(15,401,952)
Gain on bargain purchase arising on acquisition of Barclays Bank PLC - Pakistan branches	-	-	-	-	547,115	-	-	547,115	-	547,115
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	39,149	39,149	-	39,149
Transferred to statutory reserves	-	-	33,510	2,603,056	-	-	(2,636,566)	-	-	-
Capital contribution to statutory funds of associates	-	-	-	-	-	-	(37,050)	(37,050)	-	(37,050)
Non-controlling interest acquired in HAHF during the period	-	-	-	-	-	-	-	-	532,087	532,087
Movement in minority share of surplus / (deficit) on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	(9,403)	(9,403)
Movement in minority share of surplus / (deficit) on revaluation of fixed assets of subsidiaries	-	-	-	-	-	-	-	-	3,399	3,399
Balance as at December 31, 2015	14,668,525	13,201,447	475,714	26,890,062	547,115	6,073,812	96,495,448	158,352,123	1,692,344	160,044,467
Comprehensive income for the period	-	-	-	-	-	-	9,022,438	9,022,438	12,109	9,034,547
Profit after taxation for the three months ended March 31, 2016	-	-	-	-	-	-	-	9,022,438	-	9,022,438
Other comprehensive income / (loss)	-	-	-	-	-	-	-	(184,806)	(39,818)	(224,624)
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(184,806)	-	-	-	-	-	-	-	(184,806)
	-	(184,806)	-	-	-	-	9,022,438	8,837,632	(27,709)	8,809,923
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-
Final cash dividend paid at Rs. 3.5 per share for the year ended December 31, 2015	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	-	9,419	9,419	-	9,419
Transferred to statutory reserves	-	-	18,655	851,886	-	-	(870,541)	-	-	-
Capital contribution to statutory funds of associates	-	-	-	-	-	-	(10,547)	(10,547)	-	(10,547)
Movement in minority share of surplus / (deficit) on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	13,587	13,587
Movement in minority share of surplus / (deficit) on revaluation of fixed assets of subsidiaries	-	-	-	-	-	-	-	-	(121)	(121)
Balance as at March 31, 2016	14,668,525	13,016,641	494,369	27,741,948	547,115	6,073,812	99,512,233	162,054,643	1,678,101	163,732,744

The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshah
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2016

	March 31, 2016	March 31, 2015 (Restated)
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	13,853,332	15,282,439
Dividend income	(390,397)	(390,002)
Share of profit of associates and joint venture	(736,418)	(812,493)
Gain on sale of securities	(360,781)	(2,236,731)
	<u>(1,487,596)</u>	<u>(3,439,226)</u>
	12,365,736	11,843,213
Adjustment for:		
Depreciation	708,552	549,557
Amortisation	104,393	127,485
(Reversal) / provision for diminution in the value of investments	(11,516)	115,987
Provision against advances	476,295	457,032
Unrealised (gain) / loss on held-for-trading securities	(3,406)	3,753
Exchange loss on Goodwill	57,993	74,068
Gain on sale of operating fixed assets - net	(6,280)	(12,272)
Workers Welfare Fund	270,639	305,549
Provision / (reversal) against off-balance sheet obligations	3,275	(27,592)
Other provisions / write offs - net	18,492	216,104
	<u>1,618,437</u>	<u>1,809,671</u>
	13,984,173	13,652,884
Decrease / (increase) in operating assets		
Lendings to financial institutions	6,846,660	(2,956,351)
Investments in held-for-trading securities	2,947,430	(17,869,628)
Advances	49,317,917	25,456,947
Other assets	6,782,101	19,653,921
	<u>65,894,108</u>	<u>24,284,889</u>
(Decrease) / increase in operating liabilities		
Bills payable	93,245	(1,158,068)
Borrowings	9,966,097	102,741,143
Deposits and other accounts	(40,065,287)	(5,661,837)
Other liabilities	4,489,023	6,067,117
	<u>(25,516,922)</u>	<u>101,988,355</u>
	54,361,359	139,926,128
Income tax paid	(6,022,409)	(3,929,106)
Net cash flows from operating activities	<u>48,338,950</u>	<u>135,997,022</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(48,568,768)	(107,050,413)
Net investments in held-to-maturity securities	(4,925,785)	(29,177,885)
Dividend income received	86,346	116,005
Net cash outflow on acquisition of PICIC AMC	(3,980,554)	-
Fixed capital expenditure	(1,018,181)	(1,087,361)
Proceeds from sale of fixed assets	7,824	14,968
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(184,806)	(413,243)
Net cash flows used in investing activities	<u>(58,583,924)</u>	<u>(137,596,929)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of translation of net investment by non-controlling interest in subsidiary	(39,818)	(30,311)
Dividend paid	(604,171)	(8,153)
Net cash flows used in financing activities	<u>(643,989)</u>	<u>(38,464)</u>
Decrease in cash and cash equivalents during the period	(10,888,963)	(1,638,371)
Cash and cash equivalents at the beginning of the period	208,184,157	203,112,648
Effects of exchange rate changes on cash and cash equivalents	(463,408)	(251,362)
	<u>207,720,749</u>	<u>202,861,286</u>
Cash and cash equivalents at the end of the period	<u>196,831,786</u>	<u>201,222,915</u>

The annexed notes 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2016

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking and asset management related services in Pakistan and overseas. The Bank's Registered Office is at Habib Bank Tower, 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 Group consists of the Bank, its subsidiaries and associates, as disclosed in Note 1 of the consolidated financial statements for the year ended December 31, 2015. 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 Business Combinations

1.1.1 Acquisition of PICIC Asset Management Company Limited (PICIC AMC)

During the period, HBL Asset Management Limited (HBL AML) the Bank's wholly owned subsidiary, has purchased 100% of the shares of PICIC AMC for a consideration of Rs. 4.063 billion. The acquisition is effective from the close of business as on March 2, 2016 under a Share Purchase Agreement dated February 17, 2016.

The proposal for the purchase of shares of PICIC AMC was approved by the Securities and Exchange Commission of Pakistan (SECP), through its letter dated February 8, 2016. Subsequent to the acquisition, the Group has incorporated the balances relating to PICIC AMC at their carrying values as appearing in the financial statements of PICIC AMC as at the close of business on March 02, 2016. These balances are detailed below:

	March 2, 2016 (Rupees in '000)
ASSETS	
Cash and bank balances	83,046
Investments	1,280,616
Deferred tax asset	12,274
Operating fixed assets	29,094
Other Assets	65,652
TOTAL ASSETS	<u>1,470,682</u>
LIABILITIES	
Other Liabilities	132,752
NET ASSETS	<u><u>1,337,930</u></u>

IFRS 3, Business Combinations, requires that all identified assets (including intangible assets) and liabilities acquired in a business combination should be carried at their fair values on the acquirer's balance sheet and any intangible assets acquired in the business combination should be separately recognized and carried at their fair values. IFRS - 3 allows the acquirer a maximum period of one year from the date of acquisition to finalize the determination of the fair values of the assets and liabilities and to determine the value of any intangibles separately identified. The fair valuation exercise of the recorded assets and liabilities will be completed within the period specified under IFRS - 3. However, management does not expect the fair values of the assets and liabilities transferred to be materially different from the carrying values.

In accordance with IFRS 3, the Group has initially recognised a goodwill of Rs. 2.725 billion representing the excess of the consideration paid over the carrying values of the net identifiable assets acquired. The valuation of any intangible assets separately identified, will be completed within the period specified under IFRS - 3.

	March 2, 2016 (Rupees in '000)
Consideration Paid	4,063,600
Carrying value of net identifiable assets acquired	<u>(1,337,930)</u>
Goodwill	<u><u>2,725,670</u></u>

- 1.1.2 The Bank has signed a Share Purchase Agreement to subscribe for new shares to be issued by First MicroFinance Bank (FMFB), a related entity, at a consideration of Rupees 2 billion. The shares purchased by the Bank will constitute 50.51% of the increased share capital of FMFB. The transaction, for which approval has been received from shareholders and regulators, is currently in the completion stage. Post completion of the transaction, FMFB will become a subsidiary of the Bank.

2 STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with the framework as referred to in the annual consolidated financial statements for the year ended December 31, 2015. The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2015 except as specified below:

- 3.1 In line with the requirements of the Debt Swap Regulations issued by SBP on January 1, 2016, the Group has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims. These were previously recorded at the lower of cost or market value and are now recorded at market value. An increase in market value over the acquisition cost is recorded as a surplus on revaluation. A decline in the market value is initially used to reduce the surplus account, if any, or if no surplus exists, is charged to the profit and loss account. Accordingly, the Group has recorded a surplus amounting to Rs. 503.240 million net of deferred tax.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2015.

6. INVESTMENTS

Note

Investments by type	March 31, 2016			December 31, 2015		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----						
Held-for-trading (HFT)						
Federal Government Securities						
- Market Treasury Bills	12,395,861	-	12,395,861	29,966,313	-	29,966,313
- Pakistan Investment Bonds	27,125,940	-	27,125,940	11,871,973	-	11,871,973
Fully paid-up ordinary shares						
- Listed companies	49,740	-	49,740	36,602	-	36,602
Overseas Government Securities						
	474,762	-	474,762	1,118,845	-	1,118,845
	40,046,303	-	40,046,303	42,993,733	-	42,993,733
Held-to-maturity (HTM)						
Federal Government Securities						
- Market Treasury Bills	27,637,812	-	27,637,812	29,802,535	-	29,802,535
- Pakistan Investment Bonds	129,327,285	-	129,327,285	116,908,270	-	116,908,270
- Government of Pakistan US Dollar Bonds	598,939	-	598,939	597,663	-	597,663
- Government of Pakistan Guaranteed Bonds	1,713,154	-	1,713,154	1,713,412	-	1,713,412
- Others	25,936,778	-	25,936,778	25,936,778	-	25,936,778
Debentures and Corporate Debt Instruments						
- Listed securities	20,051,004	-	20,051,004	24,773,658	-	24,773,658
- Unlisted securities	3,341,057	-	3,341,057	4,636,644	-	4,636,644
Overseas Government securities						
	21,923,009	-	21,923,009	21,234,293	-	21,234,293
	230,529,038	-	230,529,038	225,603,253	-	225,603,253
Available-for-sale (AFS)						
Federal Government Securities						
- Market Treasury Bills	412,299,753	83,168,092	495,467,845	490,972,008	62,190,548	553,162,556
- Pakistan Investment Bonds	197,142,105	160,145,920	357,288,025	125,598,086	171,679,360	297,277,446
- Government of Pakistan US Dollar Bonds / Sukuk	100,261,937	-	100,261,937	53,817,343	-	53,817,343
Fully paid-up ordinary shares						
- Listed companies	12,797,442	-	12,797,442	13,451,553	-	13,451,553
- Unlisted companies	1,744,323	-	1,744,323	545,483	-	545,483
Debentures and Corporate Debt Instruments						
- Listed securities	30,578,121	-	30,578,121	31,472,988	-	31,472,988
- Unlisted securities	12,586,218	-	12,586,218	12,760,770	-	12,760,770
Overseas Government Securities						
	3,273,675	-	3,273,675	2,960,904	-	2,960,904
NIT Units	11,113	-	11,113	11,113	-	11,113
Preference shares	100,000	-	100,000	250,000	-	250,000
	770,794,687	243,314,012	1,014,108,699	731,840,248	233,869,908	965,710,156
Investment in associates and joint venture	21,564,863	-	21,564,863	19,135,914	-	19,135,914
	1,062,934,891	243,314,012	1,306,248,903	1,019,573,148	233,869,908	1,253,443,056
Provision for diminution in the value of investments	(606,020)	-	(606,020)	(617,536)	-	(617,536)
	1,062,328,871	243,314,012	1,305,642,883	1,018,955,612	233,869,908	1,252,825,520
Surplus on revaluation of held-for-trading securities	3,406	-	3,406	18,326	-	18,326
Surplus on revaluation of available-for-sale securities	22,456,609	1,152,867	23,609,476	15,790,209	2,263,289	18,053,498
Deficit on revaluation of investments of associates	(9,741)	-	(9,741)	(73,558)	-	(73,558)
Total investments (net of provision)	1,084,779,145	244,466,879	1,329,246,024	1,034,690,589	236,133,197	1,270,823,786

6.1 The market value of securities classified as held-to-maturity as at March 31, 2016 amounted to Rs. 237,915.386 million (December 31, 2015: Rs. 231,756.397 million).

6.2 Movement in provision for diminution in the value of investments

	March 31, 2016	December 31, 2015
	(Rupees in '000)	
Opening balance	617,536	953,764
Charge for the period / year	10,284	262,864
Reversal for the period / year	(2,429)	(577,378)
Reversal on disposal during the period / year	(19,371)	(67,879)
Total reversal - net	(11,516)	(382,393)
Transfers in	-	46,165
Closing balance	<u>606,020</u>	<u>617,536</u>

6.3 Bai-muajjal transaction amounting to Rs. 25,936.778 million (December 31, 2015: Rs. 25,936.778 million) with the Government of Pakistan has been disclosed under investments in line with the requirements of BPRD Circular Letter no. 5 dated February 29, 2016 issued by the SBP.

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

Based on the financial information as at

Diamond Trust Bank Kenya Limited	December 31, 2015
Himalayan Bank Limited, Nepal	January 14, 2016
Jubilee Life Insurance Company Limited	December 31, 2015
Jubilee General Insurance Company Limited	December 31, 2015
HBL Income Fund	March 31, 2016
HBL Stock Fund	March 31, 2016
HBL Multi Asset Fund	March 31, 2016
HBL Money Market Fund	March 31, 2016
HBL Islamic Stock Fund	March 31, 2016
HBL Islamic Money Market Fund	March 31, 2016
HBL Pension Fund - Equity Sub Fund	March 31, 2016
HBL Pension Fund - Debt Sub Fund	March 31, 2016
HBL Pension Fund - Money Market Sub Fund	March 31, 2016
HBL Islamic Pension Fund - Equity Sub Fund	March 31, 2016
HBL Islamic Pension Fund - Debt Sub Fund	March 31, 2016
HBL Islamic Pension Fund - Money Market Sub Fund	March 31, 2016
HBL Mustahequm Sarmaya Fund	March 31, 2016
HBL Islamic Asset Allocation Fund	March 31, 2016
PICIC Investment Fund	March 31, 2016
PICIC Cash Fund	March 31, 2016
PICIC Energy Fund	March 31, 2016
PICIC Income Fund	March 31, 2016
PICIC Islamic Income Fund	March 31, 2016
PICIC Islamic Stock Fund	March 31, 2016
PICIC Stock Fund	March 31, 2016

7 ADVANCES

	Note	March 31, 2016	December 31, 2015
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		434,543,127	478,285,479
Outside Pakistan		<u>128,898,780</u>	<u>130,921,332</u>
		563,441,907	609,206,811
Islamic financing and related assets	7.1	22,001,754	19,888,887
Net investment in finance lease - in Pakistan		11,578,274	10,478,123
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		13,522,863	16,024,711
Payable outside Pakistan		<u>46,641,253</u>	<u>50,964,538</u>
		60,164,116	66,989,249
Provision against advances			
Specific provision	7.3	(66,259,545)	(65,881,113)
General provision		<u>(3,336,860)</u>	<u>(3,298,099)</u>
		(69,596,405)	(69,179,212)
		<u>587,589,646</u>	<u>637,383,858</u>

- 7.1 This includes lendings under Islamic modes of financing, advances given in respect of such lendings and related inventories as required under BPRD Circular Letter no. 5 dated February 29, 2016.
- 7.2 Advances include Rs. 78,627.796 million (December 31, 2015: Rs. 76,792.159 million) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2016								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	1,660,464	-	1,660,464	-	-	-	1,660,464	-	1,660,464
Substandard	4,653,583	2,481,094	7,134,677	1,293,855	509,050	1,802,905	3,359,728	1,972,044	5,331,772
Doubtful	1,443,749	401,552	1,845,301	721,875	390,297	1,112,172	721,874	11,255	733,129
Loss*	47,525,570	20,461,784	67,987,354	46,344,178	17,000,290	63,344,468	1,181,392	3,461,494	4,642,886
	55,283,366	23,344,430	78,627,796	48,359,908	17,899,637	66,259,545	6,923,458	5,444,793	12,368,251

Category of classification	December 31, 2015								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	980,249	-	980,249	-	-	-	980,249	-	980,249
Substandard	4,820,645	1,272,322	6,092,967	1,289,046	300,990	1,590,036	3,531,599	971,332	4,502,931
Doubtful	541,414	1,746,311	2,287,725	270,707	931,250	1,201,957	270,707	815,061	1,085,768
Loss*	48,515,203	18,916,015	67,431,218	47,308,381	15,780,739	63,089,120	1,206,822	3,135,276	4,342,098
	54,857,511	21,934,648	76,792,159	48,868,134	17,012,979	65,881,113	5,989,377	4,921,669	10,911,046

* This includes a Government guaranteed non-performing loan amounting to Rs. 1,065.697 million (December 31, 2015: Rs. 1,065.697 million).

- 7.2.1 Exposure amounting to Rs. 1.990 billion (December 31, 2015: Rs. 1.990 billion) relating to Pakistan International Airlines Corporation, which is guaranteed by the Government of Pakistan, has not been classified as non performing, in accordance with a relaxation given by the SBP. However, markup income has been suspended on this amount and is only recognized when received.
- 7.2.2 Exposure amounting to Rs. 3.293 billion (December 31, 2015: Rs. 5.339 billion) relating to Northern Power Generation Company Limited, which is guaranteed by the Government of Pakistan, has not been classified as non performing, in accordance with a relaxation given by the SBP.

7.3 Particulars of provision against advances

	Note	March 31, 2016			December 31, 2015		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		65,881,113	3,298,099	69,179,212	63,506,795	2,674,082	66,180,877
Charge for the period / year		1,639,274	36,181	1,675,455	8,696,343	728,630	9,424,973
Reversals for the period / year		(1,194,642)	(4,518)	(1,199,160)	(4,410,567)	(160,851)	(4,571,418)
Net charge against advances		444,632	31,663	476,295	4,285,776	567,779	4,853,555
Written off during the period / year		(71,528)	-	(71,528)	(2,180,691)	-	(2,180,691)
Charged off during the period / year	7.6	(95,471)	-	(95,471)	(912,906)	-	(912,906)
Transfer in due to acquisition of Barclays Bank Plc							
- Pakistan Branches		-	-	-	746,503	3,287	749,790
Other movements		100,799	7,098	107,897	435,636	52,951	488,587
Closing balance		66,259,545	3,336,860	69,596,405	65,881,113	3,298,099	69,179,212

- 7.4 General provision represents provision amounting to Rs. 1,375.706 million (December 31, 2015: Rs. 1,335.602 million) against consumer finance portfolio, Rs. 90.147 million (December 31, 2015: Rs 101.684 million) against advances to small enterprises as required by the Prudential Regulation issued by the SBP and Rs. 1,871.007 million (December 31, 2015: Rs. 1,860.813 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.
- 7.5 As per regulation R-8 of the Prudential Regulations for Corporate / Commercial Banking issued by the SBP, the Bank has availed the benefit of Forced Sale value (FSV) against non-performing advances (excluding consumer housing finance portfolio). Had the benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at March 31, 2016 would have been higher by Rs. 52.861 million (December 31, 2015: Rs. 78.211 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.
- 7.6 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

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

	March 31, 2016			December 31, 2015		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding**	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding**	Limit sanctioned during the year
------(Rupees in '000)-----						
Debts due by Directors or executives of the Group or any of them either severally or jointly with any other persons:						
- in respect of Directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	2,642,600	2,644,700	151,270	2,651,500	2,651,500	1,285,536
- in respect of key management personnel / Companies in which key management personnel or their close family members are interested	57,000	59,100	-	61,400	69,800	32,151
Debts due by companies or firms in which the Directors of the Group / Parent are interested as directors, partners, advisors or in the case of private companies as members						
	5,543,119	6,053,361	-	7,490,551	7,490,551	6,249,551

The disclosure of the period end balance, limit sanctioned and the maximum amount outstanding during the period / year is considered the most meaningful information to represent the amount of the transactions and the amount of the outstanding balances during the period.

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

** The maximum amount has been arrived at by reference to month end balance.

8	OPERATING FIXED ASSETS	Note	March 31, 2016 (Rupees in '000)	December 31, 2015
	Capital work-in-progress		1,622,685	1,486,307
	Intangible assets			
	- Goodwill	8.3	4,583,996	1,916,319
	- Computer software		639,703	576,427
	Tangible fixed assets		27,395,588	27,362,456
			<u>34,241,972</u>	<u>31,341,509</u>

8.1 Additions to operating fixed assets

For the three months ended	
March 31, 2016	March 31, 2015
(Rupees in '000)	

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

Capital work-in-progress	136,378	743,924
Intangible assets		
Goodwill	2,725,670	-
Computer software	167,669	22,043
Tangible fixed assets		
Land	-	16,980
Building	61,003	48,189
Machinery	1,536	6,510
Furniture, fixtures and office equipment	554,262	275,767
Leasehold Improvements	112,615	80,582
Vehicles	13,803	26,382
	<u>3,772,936</u>	<u>1,220,377</u>

8.2 Disposal of operating fixed assets

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

Tangible fixed assets		
Furniture, fixtures and office equipment	114,595	127,672
Leasehold Improvements	37,346	145,725
Vehicles	685	12,767
	<u>152,626</u>	<u>286,164</u>

8.3 Goodwill represents the excess of purchase consideration paid in cash over the fair values of net identifiable assets in the acquisition of Habibsons Bank Limited in 2011 and PICIC AMC in March 2016 amounting to Rs. 1,858.326 million and Rs. 2,725.670 million respectively.

9 BORROWINGS

	Note	March 31, 2016	December 31, 2015
(Rupees in '000)			
Secured			
Borrowings from SBP under:			
Export refinance scheme		18,451,536	19,545,290
Long term financing facility - locally manufactured and imported plant & machinery		3,281,268	3,434,406
Long term finance - export oriented projects		7,024	7,024
Refinance facility for modernization of SMEs		5,000	5,500
		<u>21,744,828</u>	<u>22,992,220</u>
Repurchase agreement borrowings		244,360,868	234,669,563
		<u>266,105,696</u>	<u>257,661,783</u>
Unsecured			
In Pakistan:			
Interbank call money borrowings		15,059,435	10,609,263
Overdrawn nostro accounts		2,282,340	2,164,559
		<u>17,341,775</u>	<u>12,773,822</u>
Outside Pakistan:			
Borrowings of overseas branches and subsidiaries	9.1	40,837,725	43,883,494
		<u>58,179,500</u>	<u>56,657,316</u>
		<u>324,285,196</u>	<u>314,319,099</u>

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

10 DEPOSITS AND OTHER ACCOUNTS

	March 31, 2016	December 31, 2015
(Rupees in '000)		
Customers		
Current accounts - non-remunerative	582,617,160	582,993,149
Savings accounts	752,057,513	744,682,331
Fixed deposits	233,041,895	275,295,902
	<u>1,567,716,568</u>	<u>1,602,971,382</u>
Financial institutions		
Current accounts - non-remunerative	19,887,794	16,520,329
Savings accounts	6,839,821	3,899,521
Fixed deposits	435,000	11,553,238
	<u>27,162,615</u>	<u>31,973,088</u>
	<u>1,594,879,183</u>	<u>1,634,944,470</u>

11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

	March 31, 2016	December 31, 2015
Note	(Rupees in '000)	
Surplus arising on revaluation of:		
- fixed assets	11.1 10,890,143	10,899,441
- investments	11.2 15,335,855	11,676,143
- non-banking assets	11.3 503,240	-
Surplus on revaluation of assets - net of deferred tax	<u>26,729,238</u>	<u>22,575,584</u>
11.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 1	11,474,665	10,286,364
Recognized during the period / year	-	1,271,056
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(9,419)	(53,776)
Related deferred tax liability on incremental depreciation charged during the period / year	(5,072)	(28,979)
Surplus on revaluation of fixed assets as at the end of the period / year	<u>11,460,174</u>	<u>11,474,665</u>
Less: related deferred tax liability on:		
- revaluation as at January 1	571,774	859,563
- revaluation recognised during the period / year	-	(258,810)
- incremental depreciation charged during the period / year	(5,072)	(28,979)
	<u>566,702</u>	<u>571,774</u>
	<u>10,893,472</u>	<u>10,902,891</u>
Less: share of surplus of non-controlling interest - net of deferred tax	<u>3,329</u>	<u>3,450</u>
	<u>10,890,143</u>	<u>10,899,441</u>
11.2 Surplus / (deficit) on revaluation of investments		
Market Treasury Bills	232,735	490,263
Pakistan Investment Bonds	21,305,045	16,666,315
Government of Pakistan US Dollar Bonds / Sukuk	1,719,552	117,360
Listed Securities	326,500	1,006,484
NIT Units	30,977	31,442
Overseas Securities	(25,037)	(273,448)
Other Investments	19,704	8,984
	<u>23,609,476</u>	<u>18,047,400</u>
Related deferred tax liability	(8,261,037)	(6,318,694)
	<u>15,348,439</u>	<u>11,728,706</u>
Deficit on revaluation of investments of associates - net of deferred tax	(8,545)	(62,111)
	<u>15,339,894</u>	<u>11,666,595</u>
Less: share of surplus / (deficit) of non-controlling interest - net of deferred tax	4,039	(9,548)
	<u>15,335,855</u>	<u>11,676,143</u>
11.3 Surplus on revaluation of non-banking assets		
Surplus on revaluation of non-banking assets recognised during the period	509,772	-
Related deferred tax liability	(6,532)	-
	<u>503,240</u>	<u>-</u>
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of:		
- Government	267,211	261,261
- Financial institutions	295,000	295,000
- Others	31,553,336	31,684,274
	<u>32,115,547</u>	<u>32,240,535</u>

	March 31, 2016	December 31, 2015
	(Rupees in '000)	
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	636,342	718,148
- Financial institutions	1,251,906	1,253,518
- Others	90,715,966	93,410,699
	<u>92,604,214</u>	<u>95,382,365</u>
12.3 Trade-related contingent liabilities		
Letters of credit in favour of:		
- Government	51,415,965	45,023,666
- Financial institutions	438,643	20,924
- Others	91,665,134	103,587,432
	<u>143,519,742</u>	<u>148,632,022</u>
12.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>29,714,524</u>	<u>28,888,202</u>
12.5 Commitments in respect of forward lending		
The Group makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	March 31, 2016	December 31, 2015
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	192,746,268	155,889,749
Sale	193,412,685	156,605,356
12.7 Commitments in respect of forward Government Securities transactions		
Purchase	25,768,345	19,181,362
Sale	3,552,891	1,858,663
12.8 Commitments in respect of derivatives		
Cross currency swaps		
Purchase	1,313,925	1,918,607
Sale	1,309,435	1,909,263
Interest rate swaps		
Purchase	104,755	104,741
Sale	5,604,755	5,604,741
Foreign currency options		
Purchase	246,250	-
Sale	246,250	-
12.9 Commitments for capital expenditure	773,083	1,054,027

12.10 Taxation

The income tax returns of the Bank have been submitted upto and including the year 2014. The tax authorities have concluded the audit of years 2002 through 2013.

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

13 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the three months ended	
	March 31, 2016	March 31, 2015
	(Rupees in '000)	
	(Restated)	
<i>On loans and advances to:</i>		
- Customers	11,816,314	12,256,110
- Financial institutions	52	6,840
<i>On investments in:</i>		
- Available-for-sale securities	17,912,507	18,612,054
- Held-for-trading securities	696,044	1,205,305
- Held-to-maturity securities	4,147,419	2,732,115
On deposits with financial institutions	211,069	564,450
On lendings to financial institutions	921,248	1,452,045
	<u>35,704,653</u>	<u>36,828,919</u>

14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

<i>On:</i>		
Deposits	9,755,063	13,731,479
Securities sold under repurchase agreement borrowings	4,418,226	2,865,864
Other short term borrowings	905,587	1,028,285
Long term borrowings	441,553	123,808
	<u>15,520,429</u>	<u>17,749,436</u>

15 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its subsidiaries, associated undertakings, joint venture company, associates of AKFED Group entities, employee benefit schemes of the Group / related party, and members of the Key Management Personnel of the Group / related party, including both Executive and Non-Executive Directors.

Transactions with related parties, other than those under the terms of employment, are executed on an arm's length basis i.e. substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk. Details of advances to related parties are given in note 7.7 to these condensed interim consolidated financial statements.

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

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

	March 31, 2016			
	Parent Group Entities	Companies related through		
		Associates	Joint venture	Other related parties
----- Rs. in 000 -----				
Statement of financial position				
Deposits	4,284,397	3,101,723	58,021	195,111
Maximum Deposits During the period	9,593,529	6,378,540	58,262	365,486
Borrowings	-	-	366,797	-
Investments	-	19,849,089	1,706,033	-
Mark-up / Other Receivable	12,003	179,988	-	-
Mark-up / Other Payable	11,734	1,784	10	993,726
Nostro balances	257,926	-	-	-
Profit and Loss Account				
Mark-up / Other Income / share of profit	18,951	1,080,425	135,290	-
Mark-up / Other Expense	17,201	234,193	10	125,642
Others				
Other contingencies	478,191	14,142	-	-
Securities Held as custodian	15,353,525	33,080,200	-	4,333,365
December 31, 2015				
	Parent Group Entities	Companies related through		
		Associates	Joint venture	Other related parties
----- Rs. in 000 -----				
Statement of financial position				
Deposits	5,018,930	3,262,854	193,692	92,926
Maximum Deposits During the period	5,018,930	5,003,911	193,692	250,352
Borrowings	-	-	-	-
Investments	-	17,453,484	1,608,874	-
Mark-up / Other Receivable	15,899	130,583	-	-
Mark-up / Other Payable	12,434	3,259	-	1,026,391
Placements / Lendings	350,000	-	-	-
Nostro balances	128,540	-	-	-
Profit and Loss Account				
Mark-up / Other Income / share of profit	50,879	5,538,957	307,032	-
Mark-up / Other Expense	70,932	629,779	152	513,297
Others				
Other contingencies	472,408	5,275	-	-
Securities Held as custodian	13,679,505	33,261,760	-	4,513,760

15.1 Key Management Personnel

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

	For the three months ended	
	March 31, 2016	March 31, 2015
(Rupees in '000)		
Managerial remuneration (including allowances)	168,707	191,697
Contribution to provident and benevolent fund	4,246	3,498
Medical	6,526	4,867
	179,479	200,062
Number of persons	28	28

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2016					Total
	Retail banking	Corporate banking	Treasury	International banking	Head Office / others	
----- (Rupees in million) -----						
Net mark-up income - External	(2,391)	3,786	16,160	2,307	322	20,184
Inter segment revenue / (expense) - net	12,653	(2,740)	(11,657)	-	1,744	-
Non-funded income	2,894	451	648	1,686	853	6,532
Total income	13,156	1,497	5,151	3,993	2,919	26,716
Total expenses including provision	5,595	(372)	68	3,279	4,293	12,863
Inter segment administrative cost	2,838	405	78	298	(3,619)	-
Total expenses including provision	8,433	33	146	3,577	674	12,863
Profit before tax	4,723	1,464	5,005	416	2,245	13,853
Segment return on asset %	1.01%	2.86%	3.78%	0.33%	2.47%	-
Segment cost of funds %	3.04%	4.55%	5.67%	1.36%	0.01%	-

	As at March 31, 2016					Total
	Retail banking	Corporate banking	Treasury	International banking	Head Office / others	
----- (Rupees in million) -----						
Segment assets (gross of provision)	1,237,893	164,053	277,195	413,677	185,645	2,278,463
Segment non-performing advances	9,423	48,344	-	20,732	129	78,628
Segment provision held including general provision	6,350	46,426	52	17,158	657	70,643
Inter Segment Assets / (Liabilities)	27,731	507	(571)	(70,580)	42,913	-
Segment liabilities including equity	1,259,274	118,135	276,571	325,940	227,899	2,207,819

	For the three months ended March 31, 2015					Total
	Retail banking	Corporate banking	Treasury	International banking	Head Office / others	
----- (Rupees in million) -----						
Net mark-up income - External	(6,080)	4,774	18,220	2,016	149	19,079
Inter segment revenue / (expense) - net	17,559	(3,847)	(15,536)	-	1,824	-
Non-funded income	2,544	717	2,633	1,666	197	7,757
Total income	14,023	1,644	5,317	3,682	2,170	26,836
Total expenses including provision	4,865	514	83	2,489	3,603	11,554
Inter segment administrative cost	2,383	340	65	250	(3,038)	-
Total expenses including provision	7,248	854	148	2,739	565	11,554
Profit before tax	6,775	790	5,169	943	1,605	15,282
Segment return on asset %	1.54%	1.69%	6.74%	0.74%	2.36%	-
Segment cost of funds %	4.60%	6.67%	7.82%	1.39%	0.01%	-

	As at December 31, 2015					Total
	Retail banking	Corporate banking	Treasury	International banking	Head Office / others	
	(Rupees in million)					
Segment assets (gross of provision)	305,318	362,136	1,139,132	412,480	69,613	2,288,679
Segment non-performing advances	8,290	46,462	-	21,935	105	76,792
Segment provision held including general provision	6,587	44,259	72	18,874	464	70,256
Inter Segment Assets / (Liabilities)	979,320	(148,415)	(845,715)	(73,191)	88,001	-
Segment liabilities including equity	1,278,051	169,463	293,344	320,415	157,150	2,218,423

17 ISLAMIC BANKING BUSINESS

Financial figures of the Islamic Banking business are as follows

	Note	March 31, 2016	December 31, 2015
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		4,355,755	5,320,895
Due from financial institutions		24,955,170	36,799,034
Investments		74,538,826	66,410,646
Islamic financing and related assets	17.1	21,891,865	19,778,998
Due from Head Office		363,604	6,916,001
Other assets		2,674,929	1,099,553
		<u>128,780,149</u>	<u>136,325,127</u>
LIABILITIES			
Bills payable		3,658	3,657
Due to financial institutions		15,112,500	102,500
Deposit and other accounts			
- Current Accounts		26,322,782	26,241,008
- Saving Accounts		52,200,897	59,594,852
- Term Deposits		19,921,438	29,357,389
- Deposits from financial institutions - remunerative		9,357,709	15,156,844
- Deposits from financial institutions - non - remunerative		85,953	289,950
Due to Head Office		-	-
Deferred tax liabilities		65,882	107,014
Other liabilities		1,049,199	1,168,029
		<u>124,120,018</u>	<u>132,021,243</u>
		<u>4,660,131</u>	<u>4,303,884</u>
NET ASSETS			
REPRESENTED BY:			
Islamic Banking Fund		250,000	250,000
Unappropriated profit		4,287,779	3,855,143
		<u>4,537,779</u>	<u>4,105,143</u>
Surplus on revaluation of assets - net of deferred tax		122,352	198,741
		<u>4,660,131</u>	<u>4,303,884</u>

Commitments in respect of financial guarantees and letters of credit of the Islamic Banking business amounted to Rs. 131.085 million (December 31, 2015: Rs. 78.476 million) and Rs. 76.495 million (December 31, 2015: Rs. 172.040 million) respectively.

17.1 Islamic financing and related assets

	March 31, 2016	December 31, 2015
(Rupees in '000)		
Murabaha	448,676	344,967
Ijarah	648,765	704,744
Diminishing Musharaka	14,836,414	14,831,762
Istisnah Financing	-	6,180
Advance for Murabaha	2,567,758	250,954
Advance for Ijarah	35,875	28,801
Istisnah	823,612	305,612
Advance for Diminishing Musharaka	1,858,969	1,577,770
Assets / Inventories	781,685	1,838,097
Provision against financings	(109,889)	(109,889)
	<u>21,891,865</u>	<u>19,778,998</u>

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

The Board of Directors in its meeting held on April 22, 2016 has declared a cash dividend in respect of the three months ended March 31, 2016 of Rs. 3.5 per share (March 31, 2015: Rs. 3.50 per share). The condensed interim consolidated financial statements for the three months ended March 31, 2016 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

19 **GENERAL**

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

20 **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on April 22, 2016.



Condensed
Interim
Unconsolidated
Financial
Statements

HBL

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the quarter ended March 31, 2016.

Domestic Economy

Pakistan's economic indicators have shown continued improvement during the first quarter of 2016, supported by historically low inflation and stability in the external account. Headline inflation continued to inch up as a result of the low base effect and an uptick in food prices, reaching 3.9% in March 2016. However, the growth remained moderated by low oil prices and average inflation for 9M FY16 was only 2.6%, below SBP's revised annual inflation target of 3-4%. Large Scale Manufacturing grew by 4.3% during 8M FY16, owing to better energy availability and lower input costs, accompanied by a 9% expansion in private sector credit offtake.

Export performance remained weak, declining by 9% during 9M FY16, mainly due to slowdown in external demand. Imports fell by only 5% as machinery imports increased, offsetting the impact of low oil prices. Consequently, the trade deficit remained at the same level as for the corresponding period last year. Despite a slowdown in their growth trajectory, remittances increased by 6%, resulting in an 18.5% reduction in the current account deficit during 9M FY16. The Government repaid the Eurobond at maturity in March 2016 along with the release of the latest USD 500 million tranche of the IMF's Extended Fund Facility. This has helped to keep the Rupee stable during the quarter and maintained reserves at around USD 21 billion.

Capital market performance remained lackluster, mainly due to continued outflows from foreign portfolio investment and the PSX 100 remained almost unchanged during Q1 2016. The consultative process for the potential reclassification of Pakistan from MSCI's Frontier Markets index to Emerging Markets has already started. A decision is expected by June 2016 and will be a key factor in triggering stock market growth.

A new Monetary Policy Committee has been formed and will now be the sole body responsible for formulating monetary policy, rather than the SBP Board. The SBP held its first review under the new structure in January and kept the discount rate unchanged at 6.5%. However, as a result of the continuous reduction in the rate environment during 2015, banking sector spreads have been squeezed by 75bps over last year. Market deposits remained at December 2015 levels, while industry advances reduced by 1% since the beginning of the year.

Performance

HBL has delivered an unconsolidated pre-tax profit of Rs 13.1 billion for the first quarter of 2016 with profit after tax of Rs 8.5 billion. In the first quarter of 2015, HBL's pre-tax profit was Rs 14.6 billion, including exceptional capital gains of Rs 2.2 billion. Consequently, earnings per share for the quarter decreased to Rs 5.81 compared to Rs 6.44 for the first quarter of 2015. Excluding the impact of capital gains, profit before and after tax rose by 4% over Q1 2015.

HBL's balance sheet has remained flat to December 2015 peak levels of Rs 2.1 trillion. Total deposits declined by 3% as term deposits reduced further. The domestic deposit mix continued to improve as the Bank was able to maintain its growth in CASA deposits, with the CASA ratio now at 89% and the ratio of current accounts rising from 34.4% in December 2015 to 35.9% in March 2016. Average current accounts increased by 23% over the same period of 2015, enabling HBL to reduce its cost of domestic deposits by 157 bps, to 2.8% for Q1 2016. This somewhat alleviated the continued downward pressure on margins, which were also supported by a 7.5% growth in average domestic loans and a 63% increase in average PIB volumes. The Bank was thus able to contain the margin decline to just 36 bps despite the average interest rate in Q1 2016 being 226 bps lower than in Q1 2015. With a 14% growth in the average balance sheet over the comparable quarter of 2015, net interest income increased by 6% to Rs 19.8 billion for the quarter ended March 31, 2016.

Non mark-up income, excluding capital gains, increased by 13% over the first quarter of 2015, as Fees and Commissions rose by 24% to Rs 4.1 billion for Q1 2016. This growth was driven mainly by increased income from Home Remittances and a doubling of fees related to both credit and debit card activity. Other fee drivers such as Bancassurance, trade and general banking fees continued to make significant contributions.

Administrative expenses were scaled back by 4% over the previous quarter, but increased by 15% over the corresponding quarter of 2015. This was mainly due to higher marketing expenses on the sponsorship of the high profile Pakistan Super League, increase in the branch network and certain timing differences. The cost/income ratio for the quarter reduced slightly from 45.6% in Q4 2015 to 45.1% in Q1 2016, but was higher than in Q1 2015 as a result of the flat revenue. Provisions reduced by 36% over the first quarter of 2015, despite additional provisioning based on the Bank's conservative view on certain borrowers. While the coverage ratio decreased slightly from 92.3% in December 2015, it still remains robust at 90.9% in March 2016.

Movement of Reserves

Rupees in million

Unappropriated profit brought forward	89,934
Profit attributable to equity holders of the Bank	8,519
Transferred from surplus on revaluation of fixed assets – net of tax	8
	8,527
Appropriations	
Transferred to statutory reserves	(852)
Cash dividend – Final 2015	(5,134)
	(5,986)
Unappropriated profit carried forward	92,475
Earnings per share (Rs)	5.81

Capital Ratios

The unconsolidated Capital Adequacy Ratio (CAR) improved from 15.92 as at the December 2015 to 16.58%, while Tier 1 CAR slightly improved from 12.93% to 13.1% over the same period. HBL's Return on Assets in Q1 2016 was 1.6% and the Return on Equity remained strong at 19.4%.

Dividend

The Board of Directors, in its meeting held on April 22, 2016 has declared an interim cash dividend of Rs 3.5 per share (35%) for the quarter ended March 31, 2016.

Future Outlook

The government is making steady progress towards restoring economic stability, recognized by the IMF which, in its recent review, lauded the government's commitment towards the reform agenda. There is also now tangible evidence of development related to the China Pakistan Economic Corridor (CPEC). With further investments on the horizon, there is cautious optimism that the power crisis which has hampered investment and growth for more than a decade may now see concrete improvement over the next two years. The external account and the currency have seen a prolonged period of stability; however, headwinds of rising inflation, slowing remittances and falling exports will have to be carefully navigated.

HBL has recently achieved another landmark by becoming the first Pakistani bank to receive a license for opening a branch in China. The Bank expects that the branch, which will be based in Urumqi, Xinjiang province, will be operational by the end of the year and will further cement links with China, providing first mover advantage vis a vis CPEC projects. With ample liquidity and sound capital, HBL is well positioned to leverage growth opportunities. The Bank remains focused on maintaining its demonstrated track record of growing low cost deposits while prudently managing its costs and credit quality.

Appreciation and Acknowledgement

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

On behalf of the Board and the management, we would also like to take this opportunity to thank our customers and shareholders for entrusting us with their confidence. We assure them that we remain committed to maintaining the highest standards and a strong culture of good corporate governance and compliance in all our endeavors. We would also like to acknowledge the efforts and dedication demonstrated by the employees towards the growth of HBL.

On behalf of the Board

Nauman K. Dar

President & Chief Executive Officer
April 22, 2016

انچ بی ایل نے سال 2016 کی پہلی سہ ماہی کے لئے 13.1 ارب روپے کا غیر مجموعی قبل از ٹیکس منافع جبکہ بعد از ٹیکس 8.5 ارب روپے کا منافع حاصل کیا ہے۔ 2015 کی پہلی سہ ماہی میں انچ بی ایل کا قبل از ٹیکس منافع 14.6 ارب روپے تھا جن میں سرمایہ کاری سے ملنے والا 2.2 ارب روپے کا غیر معمولی کیپٹل گین شامل تھا۔ اس کے نتیجے میں اس سہ ماہی کے لئے فی شیئر آمدن 2015 کی پہلی سہ ماہی کے 6.44 روپے کے مقابلے میں 5.81 روپے ہو گئی۔ کیپٹل گین کے اثرات کو نکال کر سال 2015 کی پہلی سہ ماہی کے مقابلے میں قبل و بعد از ٹیکس منافع میں 4 فیصد اضافہ ہوا۔

انچ بی ایل کی بیلینس شیٹ دسمبر 2015 کی 2.1 کھرب کی بلند سطح پر برقرار رہی۔ مجموعی ڈیپازٹس میں 3 فیصد تک کمی آئی جبکہ ٹرم ڈیپازٹس مزید کم ہوئے۔ مقامی ڈیپازٹس مکس میں بہتری کا سلسلہ جاری رہا جس کے نتیجے میں کرنٹ اکاؤنٹس سیونگ اکاؤنٹس ڈیپازٹس (CASA) کی شرح 89 فیصد رہی اور کرنٹ اکاؤنٹس کی شرح دسمبر 2015 کے 34.4 فیصد سے بڑھ کر مارچ 2016 میں 35.9 فیصد تک پہنچ گئی۔ 2015 کے اسی عرصے کے مقابلے میں اوسط کرنٹ اکاؤنٹس میں 23 فیصد اضافہ ہوا جس سے انچ بی ایل سال 2016 کی پہلی سہ ماہی کے دوران مقامی اکاؤنٹس کی لاگت کو 157 پی پی ایس، 2.8 فیصد نیچے لانے کے قابل ہوا۔ اس سے مارجن پر پڑنے والے مسلسل دباؤ میں کسی حد تک کمی آئی، اوسط مقامی قرضوں میں 7.5 فیصد اور اوسط بی آئی بی جیم میں 63 فیصد اضافے نے جی مارجن کو بہتر کرنے میں مدد دی۔ اس طرح بینک مارجن کمی کی کو 36 پی پی ایس تک روکنے میں کامیاب رہا حالانکہ سال 2016 کی پہلی سہ ماہی میں اوسط شرح سود سال 2015 کی پہلی سہ ماہی کے مقابلے میں 226 پی پی ایس کم رہی۔ اوسط بیلینس شیٹ میں 14 فیصد نمو کے ساتھ 2015 کی سہ ماہی کے مقابلے میں 31 مارچ 2016 کو ختم ہونے والی سہ ماہی میں خالص سودی آمدن 6 فیصد اضافے کے ساتھ 19.8 ارب روپے رہی۔

غیر سودی آمدن میں ماسوائے کیپٹل گین کے سال 2015 کی پہلی سہ ماہی کے مقابلے میں 13 فیصد اضافہ ہوا جبکہ فیسوں اور کمیشنز سال 2016 کی پہلی سہ ماہی میں 24 فیصد اضافے سے 4.1 ارب تک پہنچ گئے۔ اس اضافے میں بڑی حد تک باہر سے بھجوائے جانے والے ترسیلات زر اور کریڈٹ و ڈیبٹ دونوں طرح کے کارڈ کی سرگرمی سے متعلق فیسوں میں دوگنا اضافہ شامل ہیں۔ فیسوں سے متعلق دیگر پہلو جیسے بنک اشورنس، تجارتی اور عام بینکنگ فیسوں کا حصہ بھی نمایاں رہا۔

انتظامی اخراجات میں گزشتہ سہ ماہی کے مقابلے میں 4 فیصد تک کمی آئی تاہم سال 2015 کی اسی سہ ماہی کے مقابلے میں 15 فیصد اضافہ ہوا۔ اس کی بڑی وجوہات میں عوامی توجہ کا مرکز بننے والی پاکستان سپر لیگ کی اسپانسر شپ اور رینج نیٹ ورک میں اضافہ ہیں۔ لاگت آمدن کی شرح 2015 کی چوتھی سہ ماہی کے 45.6 فیصد کے مقابلے میں معمولی کمی کے ساتھ 2016 کی پہلی سہ ماہی میں 45.1 فیصد ہو گئی لیکن یہ پہلی سہ ماہی 2015 کے مقابلے میں زیادہ ہے جس کی وجہ ریویو کا نہ بڑھنا ہے۔ قرضوں کے نقصان میں 36 فیصد کمی آئی نسبت 2015 کی پہلی سہ ماہی کے باوجود اس کے پیک نے کچھ قرض داروں پر محتاط انداز میں زیادہ نقصان ریکارڈ کیا۔ کوریج کی شرح دسمبر 2015 میں 92.3 فیصد سے معمولی کم ہو کر مارچ 2016 میں بدستور 90.9 فیصد پر مستحکم رہی۔

ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے میں انتہائی مسرت سے 31 مارچ، 2016 کو اختتام پذیر ہونے والے مختصر عبوری غیر مجموعی مالیاتی اعداد و شمار پیش کرتا ہوں۔

مقامی معیشت

سال 2016 کی پہلی سہ ماہی کے دوران پاکستان کے معاشی حالات میں مسلسل بہتری نظر آئی جس میں تاریخی طور پر کم شرح مہنگائی اور بیرونی اکاؤنٹ میں استحکام سے مدد ملی ہے۔ کھانے کی اشیاء کی قیمتوں میں معمولی اضافے کے باعث مجموعی افراط زر میں بھی معمولی اضافہ دیکھنے میں آیا جو مارچ 2016 میں 3.9 فیصد تک پہنچ گیا۔ تاہم تیل کی قیمتوں میں کمی کے باعث ترقی بدستور معتدل رہی اور مالی سال 2016 کے ابتدائی 9 ماہ میں اوسط افراط زر 2.6 فیصد رہی جو اسٹیٹ بینک آف پاکستان کی جانب سے نظر ثانی شدہ سالانہ 3 سے 4 فیصد ٹارگٹ سے کم رہی۔ توانائی کی بہتر دستیابی، تیاری کے لئے کم لاگت اور نجی قرضوں میں 9 فیصد نمو کے باعث مالی سال 2016 کے 8 ماہ کے دوران بڑے پیمانے کی مینوفیکچرنگ میں 4.3 فیصد اضافہ ہوا۔

برآمدات کی کارکردگی بدستور کمزور رہی اور بیرونی طلب میں کمی کے باعث مالی سال 2016 کے ابتدائی 9 ماہ کے دوران برآمدات میں 9 فیصد کمی آئی۔ تیل کی قیمتوں میں نمایاں کمی کے باوجود درآمدات میں صرف 5 فیصد کمی آئی کیونکہ مشینری کی درآمد میں اضافہ دیکھنے میں آیا۔ اس کے نتیجے میں تجارتی خسارہ بدستور گزشتہ سال کی سطح پر برقرار رہا۔ ترقی کی رفتار میں سست روی کے باوجود ترسیل زر میں 6 فیصد اضافہ ہوا، اس کے نتیجے میں مالی سال 2016 کے ابتدائی 9 ماہ کے دوران کرنٹ اکاؤنٹ خسارے میں 18.5 فیصد کمی آئی۔ حکومت نے مارچ 2016 میں میچورٹی پر یورو بونڈ کی ادائیگی کردی اور آئی ایم ایف نے توسیعی فنڈ سہولت (Extended Fund Facility) کے تحت 500 ملین ڈالر کی تازہ ترین قسط کا اجراء بھی کیا جس کی وجہ سے روپے کو اس سہ ماہی کے دوران مستحکم ہونے میں مدد ملی اور 21 ارب ڈالر کے ذخائر برقرار رہے۔

کیپٹل مارکیٹ کی کارکردگی ماند رہی جس کی بڑی وجہ غیر ملکی سرمایہ کاری کا اخراج تھا۔ 2016 کی پہلی سہ ماہی میں پی ایس ایکس 100 انڈیکس تقریباً برقرار رہا۔ پاکستان کی ایم ایس آئی کی فرنٹیر مارکیٹس سے ایمرجنٹ مارکیٹس تک ممکنہ از سر نو درجہ بندی کے لئے مشاورتی عمل پہلے ہی شروع ہو چکا ہے اور جون 2016 تک فیصلے کی امید ہے جو اسٹاک مارکیٹ کی تیز رفتار ترقی کی ایک اہم وجہ ہوگی۔

ایک نئی زرعی پالیسی کمیٹی تشکیل دے دی گئی اور اسٹیٹ بینک آف پاکستان کے بورڈ کے بجائے یہ کمیٹی زرعی پالیسی تشکیل دینے کی مکمل طور پر ذمہ دار ہوگی۔ سنے ڈھانچے کے تحت اسٹیٹ بینک نے جنوری میں پہلا جائزہ لیا اور ڈسکاؤنٹ ریٹ کو 6.5 فیصد پر برقرار رکھا۔ تاہم سال 2015 کے دوران شرح میں مسلسل کمی کے نتیجے میں گزشتہ سال کے برعکس بینکنگ سیکٹر کا منافع 75 بی پی ایس سکڑ گیا۔ مارکیٹ ڈیپازٹس بدستور دسمبر 2015 کی سطح پر برقرار رہے جبکہ نئے سال کے آغاز سے انڈسٹری کے قرضوں میں ایک فیصد کمی آئی۔

حکومت ملک میں معاشی استحکام کی بحالی کے لئے مستحکم پیش رفت کر رہی ہے، اس کا اعتراف آئی ایم ایف کے حالیہ جائزے میں بھی ہے جس میں اصلاحات کے ایجنڈے کے لئے حکومتی عزم کو سراہا گیا۔ یہاں چین پاکستان اقتصادی شاہراہ (سی پیک) سے متعلق ترقی بھی کا بھی ٹھوس احساس ہے۔ مزید سرمایہ کاری کے ساتھ یہاں ایک مختلط مثبت سوچ ہے کہ توانائی کا بحران جس نے ایک دہائی سے زائد عرصے سے سرمایہ کاری اور ترقی کو متاثر کیا ہے، وہاں اب شاید آئندہ دو برسوں میں ٹھوس پیش رفت دیکھیں۔ بیرونی اکاؤنٹ اور کرنسی نے استحکام کا توسیعی دورانیہ دیکھ لیا ہے، تاہم افراط زر میں اضافہ، ترسیل زر میں کمی اور برآمدات گرنے کو دھیان سے دیکھنے کی ضرورت ہوگی۔

ایچ بی ایل نے حال ہی میں چین میں برانچ کھولنے کے لئے لائسنس حاصل کر کے پہلے پاکستانی بینک بن کر ایک قابل ذکر امتیاز حاصل کر لیا۔ بینک کو توقع ہے کہ چین کے صوبے سکینانگ کے شہر اور چئی میں برانچ قائم ہوگی جو رواں سال کے اختتام تک آپریشنل ہو جائے گی اور اس سے چین کے ساتھ رابطے مزید مستحکم ہوں گے، یوں اسے سی پیک منصوبوں سے متعلق برتری حاصل ہوگی۔ بھرپور لکویڈٹی اور اچھے سرمائے کے ساتھ ایچ بی ایل ترقی کے مواقع کے ذریعے نمایاں فائدہ اٹھانے کے لئے اچھے مقام پر موجود ہے۔ بینک اپنے کم لاگت کے ڈیپازٹس میں اضافے کا ٹریک ریکارڈ بدستور برقرار رکھے جبکہ اپنی لاگت اور کریڈٹ کے معیار کو احتیاط سے چلانے کے لئے پر عزم ہے۔

تحسین و اعتراف

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

یورڈ اور مینجمنٹ کی جانب سے ہم اس موقع کا فائدہ اٹھا کر اپنے کسٹمرز اور شیئر ہولڈرز کا شکریہ ادا کرنا چاہیں گے جنہوں نے ہم پر اعتماد کیا۔ ہم ان کو یہ یقین دہانی کراتے ہیں کہ ہم اعلیٰ معیار اور اچھے کاروباری انتظام کی مستحکم روایت کو اپنے تمام اقدامات میں برقرار رکھیں گے۔ ہم ایچ بی ایل کی ترقی میں ملازمین کی جانب سے مخلصانہ عمل اور کاوشوں کا بھی اعتراف کرتے ہیں۔

مخائب بورڈ

نعمان کے ڈار

پریذیڈنٹ اینڈ چیف ایگزیکٹو آفیسر

22 اپریل، 2016

ریزروز کی تفصیلات

ملین (روپے)

89,934

8,519

8

8,527

آگے لایا جانے والا غیر سازگار منافع
بینک کے حصص یافتہ کان سے قابل منسوب منافع
پائیدار اثاثوں کے از سر نو تخمینے پر اضافی آمدن

مختلف مدوں میں رکھی گئی رقوم

(852)

(5,134)

(5,986)

92,475

5.81

غیر منقولہ ریزروز میں منتقلی
یکیش ڈیویڈنڈ۔ فائنل 2015

آگے کیا گیا غیر سازگار منافع
فی شیئر آمدن (روپے)

کیپٹل ریٹوز

غیر مجموعی کیپٹل ایڈوکیسی ریٹو (سی اے آر) دسمبر 2015 کے 15.92 فیصد سے بہتر ہو کر 16.58 تک پہنچ گیا، جبکہ ٹیئر 1 سی اے آر (Tier 1) CAR) اسی عرصے کے دوران معمولی بہتری کے ساتھ 12.93 فیصد سے بڑھ کر 13.1 فیصد ہو گیا۔ سال 2016 کی پہلی سہ ماہی میں اثاثوں پر ایچ بی ایل کاربیٹن 1.6 فیصد تھا اور سرمایہ پر ریٹرن بدستور 19.4 فیصد پر مستحکم رہا۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 22 اپریل، 2016 کو منعقد ہونے والے اجلاس میں 31 مارچ 2016 کو ختم ہونے والی سہ ماہی کے لئے 3.5 روپے فی شیئر (35 فیصد) عبوری یکیش ڈیویڈنڈ کا اعلان کیا۔



Condensed Interim Unconsolidated Statement of Financial Position

As at March 31, 2016

	Note	(Unaudited) March 31, 2016	(Audited) December 31, 2015
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		121,947,884	154,303,383
Balances with other banks		45,184,710	29,428,453
Lendings to financial institutions		11,534,973	18,381,633
Investments	6	1,294,915,256	1,236,415,887
Advances	7	557,094,935	605,636,271
Operating fixed assets	8	29,119,704	28,938,259
Deferred tax asset		-	-
Other assets		47,209,778	51,795,622
		<u>2,107,007,240</u>	<u>2,124,899,508</u>
LIABILITIES			
Bills payable		28,174,793	27,942,101
Borrowings	9	322,052,909	314,485,132
Deposits and other accounts	10	1,514,246,767	1,558,310,675
Subordinated loan		10,000,000	10,000,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		4,300,291	2,214,422
Other liabilities		48,788,981	40,095,528
		<u>1,927,563,741</u>	<u>1,953,047,858</u>
NET ASSETS			
		<u>179,443,499</u>	<u>171,851,650</u>
REPRESENTED BY:			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		45,624,194	44,553,993
Unappropriated profit		92,475,147	89,933,889
		152,767,866	149,156,407
Surplus on revaluation of assets - net of deferred tax	11	26,675,633	22,695,243
		<u>179,443,499</u>	<u>171,851,650</u>
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2016

	Note	January 01 to March 31, 2016	January 01 to March 31, 2015
------(Rupees in '000)-----			
Mark-up / return / profit / interest earned	13	35,243,461	36,410,031
Mark-up / return / profit / interest expensed	14	15,426,700	17,650,752
Net mark-up / profit / interest income		19,816,761	18,759,279
Provision against advances	7.3	476,295	452,174
Provision / (reversal) against off-balance sheet obligations		3,275	(27,592)
(Reversal) / provision for diminution in the value of investments	6.2	(11,516)	115,987
Bad debts written off directly		-	-
		468,054	540,569
Net mark-up / profit / interest income after provisions		19,348,707	18,218,710
Non mark-up / interest income			
Fee, commission and brokerage income		4,067,902	3,277,240
Dividend income		527,814	486,660
Income from dealing in foreign currencies		286,086	606,020
Gain on sale of securities		325,747	2,224,488
Unrealized gain / (loss) on held for trading securities		3,406	(3,753)
Other income		255,410	168,366
Total non mark-up / interest income		5,466,365	6,759,021
		24,815,072	24,977,731
Non mark-up / interest expense			
Administrative expenses		11,402,746	9,882,537
Other provisions / write offs - net		18,492	216,104
Other charges		-	2,479
Workers Welfare Fund		269,217	299,406
Total non mark-up / interest expenses		11,690,455	10,400,526
Profit before taxation		13,124,617	14,577,205
Taxation			
- current		4,399,729	5,196,824
- prior		-	136,347
- deferred		206,034	(195,865)
		4,605,763	5,137,306
Profit after taxation		8,518,854	9,439,899
------(Rupees)-----			
Basic and diluted earnings per share		5.81	6.44

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.



Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2016

	January 01 to March 31, 2016	January 01 to March 31, 2015
	----- (Rupees in '000) -----	
Profit after taxation for the period	8,518,854	9,439,899
Other comprehensive income / (loss)		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Effect of translation of net investment in foreign branches	218,315	(222,559)
Comprehensive income transferred to equity	<u>8,737,169</u>	<u>9,217,340</u>
Components of comprehensive income not reflected in equity		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Movement in surplus on revaluation of non-banking assets - net of tax	503,240	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	3,485,424	5,169,723
	<u>12,725,833</u>	<u>14,387,063</u>

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Shaffiq Dharamshi
Director

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the three months ended March 31, 2016

	Reserves					Total	
	Share capital	Exchange translation reserve	Capital		Revenue		
			Statutory reserve	Non-distributable capital reserve	General reserve		Unappropriated profit
(Rupees in '000)							
Balance as at December 31, 2014	14,668,525	11,288,105	23,343,016	-	6,073,812	81,707,742	137,081,200
Comprehensive income for the period							
Profit after taxation for the three months ended March 31, 2015	-	-	-	-	-	9,439,899	9,439,899
Other comprehensive income / (loss)							
- Effect of translation of net investment in foreign branches	-	(222,559)	-	-	-	-	(222,559)
	-	(222,559)	-	-	-	9,439,899	9,217,340
Transactions with owners, recorded directly in equity							
Final cash dividend paid at Rs. 5.5 per share for the year ended December 31, 2014	-	-	-	-	-	(8,067,689)	(8,067,689)
	-	-	-	-	-	-	(8,067,689)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	14,786	14,786
Transferred to statutory reserve	-	-	943,990	-	-	(943,990)	-
Balance as at March 31, 2015	14,668,525	11,065,546	24,287,006	-	6,073,812	82,150,748	138,245,637
Comprehensive income for the period							
Profit after taxation for the nine months ended December 31, 2015	-	-	-	-	-	26,030,559	26,030,559
Other comprehensive income / (loss)							
- Actuarial losses - net	-	-	-	-	-	(281,560)	(281,560)
- Effect of translation of net investment in foreign branches	-	(22,542)	-	-	-	-	(22,542)
	-	(22,542)	-	-	-	25,748,999	25,726,457
Transactions with owners, recorded directly in equity							
1st interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
2nd interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
3rd interim cash dividend paid at Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(15,401,952)	(15,401,952)
Gain on bargain purchase arising on acquisition of Barclays Bank PLC - Pakistan branches	-	-	-	547,115	-	-	547,115
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	39,150	39,150
Transferred to statutory reserve	-	-	2,603,056	-	-	(2,603,056)	-
Balance as at December 31, 2015	14,668,525	11,043,004	26,890,062	547,115	6,073,812	89,933,889	149,156,407
Comprehensive income for the period							
Profit after taxation for the three months ended March 31, 2016	-	-	-	-	-	8,518,854	8,518,854
Other comprehensive income / (loss)							
- Effect of translation of net investment in foreign branches	-	218,315	-	-	-	-	218,315
	-	218,315	-	-	-	8,518,854	8,737,169
Transactions with owners, recorded directly in equity							
Final cash dividend paid at Rs. 3.5 per share for the year ended December 31, 2015	-	-	-	-	-	(5,133,984)	(5,133,984)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	-	8,274	8,274
Transferred to statutory reserve	-	-	851,886	-	-	(851,886)	-
Balance as at March 31, 2016	14,668,525	11,261,319	27,741,948	547,115	6,073,812	92,475,147	152,767,866

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2016

	March 31, 2016	March 31, 2015
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	13,124,617	14,577,205
Dividend income	(527,814)	(486,660)
Gain on sale of securities	(325,747)	(2,224,488)
	<u>(853,561)</u>	<u>(2,711,148)</u>
	12,271,056	11,866,057
Adjustment for:		
Depreciation	687,154	531,824
Amortisation	104,146	127,298
(Reversal) / provision for diminution in the value of investments	(11,516)	115,987
Provision against advances	476,295	452,174
Unrealised (gain) / loss on held-for-trading securities	(3,406)	3,753
Gain on sale of operating fixed assets - net	(6,280)	(12,272)
Workers Welfare Fund	269,217	299,406
Provision / (reversal) against off-balance sheet obligations	3,275	(27,592)
Other provisions / write offs - net	18,492	216,104
	<u>1,537,377</u>	<u>1,706,682</u>
	13,808,433	13,572,739
Decrease / (increase) in operating assets		
Lendings to financial institutions	6,846,660	(2,956,351)
Investments in held-for-trading securities	2,947,430	(17,869,628)
Advances	48,065,041	19,030,227
Other assets	6,911,892	19,892,333
	<u>64,771,023</u>	<u>18,096,581</u>
(Decrease) / increase in operating liabilities		
Bills payable	232,692	(1,124,201)
Borrowings	7,567,777	101,288,048
Deposits and other accounts	(44,063,908)	(1,895,906)
Other liabilities	3,891,148	3,117,579
	<u>(32,372,291)</u>	<u>101,385,520</u>
	46,207,165	133,054,840
Income tax paid	(5,793,031)	(3,738,244)
Net cash flows from operating activities	<u>40,414,134</u>	<u>129,316,596</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(46,024,651)	(104,815,907)
Net investments in held-to-maturity securities	(9,722,750)	(28,549,441)
Dividend income received	86,346	144,459
Fixed capital expenditure	(974,289)	(1,115,886)
Proceeds from sale of fixed assets	7,824	14,968
Exchange difference on translation of balances in foreign branches	218,315	(222,559)
Net cash flows used in investing activities	<u>(56,409,205)</u>	<u>(134,544,366)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(604,171)	(8,153)
Net cash flows used in financing activities	<u>(604,171)</u>	<u>(8,153)</u>
Decrease in cash and cash equivalents during the period	(16,599,242)	(5,235,923)
Cash and cash equivalents at the beginning of the period	183,440,117	174,260,522
Effects of exchange rate changes on cash and cash equivalents	291,719	1,036,538
	<u>183,731,836</u>	<u>175,297,060</u>
Cash and cash equivalents at the end of the period	<u>167,132,594</u>	<u>170,061,137</u>

The annexed notes 1 to 20 form an integral part of these condensed interim unconsolidated financial statements.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2016

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking and asset management related services in Pakistan and overseas. The Bank's Registered Office is at Habib Bank Tower, 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 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 Business Combinations

The Bank has signed a Share Purchase Agreement to subscribe for new shares to be issued by First MicroFinance Bank (FMFB), a related entity, at a consideration of Rupees 2 billion. The shares purchased by the Bank will constitute 50.51% of the increased share capital of FMFB. The transaction, for which approval has been received from shareholders and regulator, is currently in the completion stage. Post completion of the transaction, FMFB will become a subsidiary of the Bank.

2 STATEMENT OF COMPLIANCE

These condensed interim unconsolidated financial statements have been prepared in accordance with the framework as referred to in the annual unconsolidated financial statements for the year ended December 31, 2015. The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these condensed interim unconsolidated financial statements should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2015.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those followed in the preparation of the unconsolidated financial statements for the year ended December 31, 2015 except as specified below:

- 3.1 In line with the requirements of the Debt Swap Regulations issued by SBP on January 1, 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims. These were previously recorded at the lower of cost or market value and are now recorded at market value. An increase in market value over the acquisition cost is recorded as a surplus on revaluation. A decline in the market value is initially used to reduce the surplus account, if any, or if no surplus exists, is charged to the profit and loss account. Accordingly, the Bank has recorded a surplus amounting to Rs. 503.240 million net of deferred tax.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2015.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2015.

6. INVESTMENTS

Investments by type	March 31, 2016			December 31, 2015		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----					
Held-for-trading (HFT)						
Federal Government Securities						
- Market Treasury Bills	12,395,861	-	12,395,861	29,966,313	-	29,966,313
- Pakistan Investment Bonds	27,125,940	-	27,125,940	11,871,973	-	11,871,973
Fully paid-up ordinary shares						
- Listed companies	49,740	-	49,740	36,602	-	36,602
Overseas Government Securities						
	474,762	-	474,762	1,118,845	-	1,118,845
	40,046,303	-	40,046,303	42,993,733	-	42,993,733
Held-to-maturity (HTM)						
Federal Government Securities						
- Market Treasury Bills	27,637,812	-	27,637,812	29,802,535	-	29,802,535
- Pakistan Investment Bonds	129,227,366	-	129,227,366	116,808,351	-	116,808,351
- Government of Pakistan US Dollar Bonds	598,939	-	598,939	597,663	-	597,663
- Government of Pakistan Guaranteed Bonds	1,713,154	-	1,713,154	1,713,412	-	1,713,412
- Others	25,936,778	-	25,936,778	25,936,778	-	25,936,778
Debentures and Corporate Debt Instruments						
- Listed securities	7,851,588	-	7,851,588	7,859,935	-	7,859,935
- Unlisted securities	3,341,057	-	3,341,057	4,636,644	-	4,636,644
Overseas Government securities						
	19,174,998	-	19,174,998	18,403,624	-	18,403,624
	215,481,692	-	215,481,692	205,758,942	-	205,758,942
Available-for-sale (AFS)						
Federal Government Securities						
- Market Treasury Bills	412,299,753	83,168,092	495,467,845	490,972,008	62,190,548	553,162,556
- Pakistan Investment Bonds	197,142,105	160,145,920	357,288,025	125,598,086	171,679,360	297,277,446
- Government of Pakistan US Dollar Bonds / Sukuk	98,540,014	-	98,540,014	52,087,758	-	52,087,758
Fully paid-up ordinary shares						
- Listed companies	12,797,442	-	12,797,442	13,451,551	-	13,451,551
- Unlisted companies	1,744,323	-	1,744,323	545,483	-	545,483
Debentures and Corporate Debt Instruments						
- Listed securities	12,340,677	-	12,340,677	13,551,267	-	13,551,267
- Unlisted securities	15,729,921	-	15,729,921	19,360,513	-	19,360,513
Overseas Government Securities						
NIT Units	11,113	-	11,113	11,113	-	11,113
Preference shares	100,000	-	100,000	250,000	-	250,000
	752,611,563	243,314,012	995,925,575	716,502,688	233,869,908	950,372,596
Investment in subsidiary companies	11,503,269	-	11,503,269	11,503,269	-	11,503,269
Investment in associates and joint venture	9,010,192	-	9,010,192	8,194,447	-	8,194,447
	1,028,653,019	243,314,012	1,271,967,031	984,953,079	233,869,908	1,218,822,987
Provision for diminution in the value of investments	(606,020)	-	(606,020)	(617,536)	-	(617,536)
	1,028,046,999	243,314,012	1,271,361,011	984,335,543	233,869,908	1,218,205,451
Surplus on revaluation of held-for-trading securities	3,406	-	3,406	18,326	-	18,326
Surplus on revaluation of available-for-sale securities	22,397,973	1,152,866	23,550,839	15,928,821	2,263,289	18,192,110
Total Investments (net of provision)	1,050,448,378	244,466,878	1,294,915,256	1,000,282,690	236,133,197	1,236,415,887

6.1 The market value of securities classified as held-to-maturity as at March 31, 2016 amounted to Rs. 222,867.675 million (December 31, 2015: Rs. 212,012.003 million).

6.2 Movement in provision for diminution in the value of investments

	March 31, 2016	December 31, 2015
	(Rupees in '000)	
Opening balance	617,536	953,764
Charge for the period / year	10,284	262,864
Reversal for the period / year	(2,429)	(577,378)
Reversal on disposal during the period / year	(19,371)	(67,879)
Total reversal - net	(11,516)	(382,393)
Transfers in	-	46,165
Closing balance	<u>606,020</u>	<u>617,536</u>

6.3 Bai-muajjal transaction amounting to Rs. 25,936.778 million (December 31, 2015: Rs. 25,936.778 million) with the Government of Pakistan has been disclosed under investments in line with the requirements of BPRD Circular Letter no. 5 dated February 29, 2016 issued by the SBP.

7 ADVANCES

	Note	March 31, 2016	December 31, 2015
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		438,606,728	478,285,479
Outside Pakistan		<u>106,525,078</u>	<u>107,729,766</u>
		545,131,806	586,015,245
Islamic financing and related assets	7.1	22,001,754	19,888,887
Net investment in finance lease - in Pakistan		11,578,274	10,478,123
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		13,522,863	16,024,711
Payable outside Pakistan		<u>29,060,932</u>	<u>36,889,914</u>
		42,583,795	52,914,625
Provision against advances			
Specific provision		(61,229,127)	(60,735,843)
General provision	7.3	<u>(2,971,567)</u>	<u>(2,924,766)</u>
		(64,200,694)	(63,660,609)
		<u>557,094,935</u>	<u>605,636,271</u>

7.1 This includes lendings under Islamic modes of financing, advances given in respect of such lendings and related inventories as required under BPRD Circular Letter no. 5 dated February 29, 2016.

7.2 Advances include Rs. 70,648.963 million (December 31, 2015: Rs. 68,949.121 million) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2016								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	1,660,464	-	1,660,464	-	-	-	1,660,464	-	1,660,464
Substandard	4,653,583	2,481,094	7,134,677	1,293,855	509,050	1,802,905	3,359,728	1,972,044	5,331,772
Doubtful	1,443,749	401,552	1,845,301	721,875	390,297	1,112,172	721,874	11,255	733,129
Loss*	47,525,570	12,482,951	60,008,521	46,344,178	11,969,872	58,314,050	1,181,392	513,079	1,694,471
	55,283,366	15,365,597	70,648,963	48,359,908	12,869,219	61,229,127	6,923,458	2,496,378	9,419,836

Category of classification	December 31, 2015								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Specific provision									
Other assets especially mentioned	980,249	-	980,249	-	-	-	980,249	-	980,249
Substandard	4,820,645	1,272,322	6,092,967	1,289,046	300,990	1,590,036	3,531,599	971,332	4,502,931
Doubtful	541,414	1,746,311	2,287,725	270,707	931,250	1,201,957	270,707	815,061	1,085,768
Loss*	48,515,203	11,072,977	59,588,180	47,308,381	10,635,469	57,943,850	1,206,822	437,508	1,644,330
	54,857,511	14,091,610	68,949,121	48,868,134	11,867,709	60,735,843	5,989,377	2,223,901	8,213,278

* This includes a Government guaranteed non-performing loan amounting to Rs. 1,065.697 million (December 31, 2015: Rs. 1,065.697 million).

7.2.1 Exposure amounting to Rs. 1.990 billion (December 31, 2015: Rs. 1.990 billion) relating to Pakistan International Airlines Corporation, which is guaranteed by the Government of Pakistan, has not been classified as non performing, in accordance with a relaxation given by the SBP. However, markup income has been suspended on this amount and is only recognized when received.

7.2.2 Exposure amounting to Rs. 3.293 billion (December 31, 2015: Rs. 5.339 billion) relating to Northern Power Generation Company Limited, which is guaranteed by the Government of Pakistan, has not been classified as non performing, in accordance with a relaxation given by the SBP.

7.3 Particulars of provision against advances

	Note	March 31, 2016			December 31, 2015		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		60,735,843	2,924,766	63,660,609	58,444,083	2,406,203	60,850,286
Charge for the period / year		1,639,274	36,181	1,675,455	8,631,114	620,961	9,252,075
Reversals for the period / year		(1,194,642)	(4,518)	(1,199,160)	(4,410,567)	(160,851)	(4,571,418)
Net charge against advances		444,632	31,663	476,295	4,220,547	460,110	4,680,657
Written off during the period / year		(71,528)	-	(71,528)	(2,180,691)	-	(2,180,691)
Charged off during the period / year	7.6	(95,471)	-	(95,471)	(912,906)	-	(912,906)
Transfer in due to acquisition of Barclays Bank Plc - Pakistan Branches		-	-	-	746,503	3,287	749,790
Other movements		215,651	15,138	230,789	418,307	55,166	473,473
Closing balance		61,229,127	2,971,567	64,200,694	60,735,843	2,924,766	63,660,609

7.4 General provision represents provision amounting to Rs. 1,375.706 million (December 31, 2015: Rs. 1,335.602 million) against consumer finance portfolio, Rs. 90.147 million (December 31, 2015: Rs 101.684 million) against advances to small enterprises as required by the Prudential Regulation issued by the SBP and Rs. 1,505.714 million (December 31, 2015: Rs. 1,487.480 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

7.5 As per regulation R-8 of the Prudential Regulations for Corporate / Commercial Banking issued by the SBP, the Bank has availed the benefit of Forced Sale value (FSV) against non-performing advances (excluding consumer housing finance portfolio). Had the benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at March 31, 2016 would have been higher by Rs. 52.861 million (December 31, 2015: Rs. 78.211 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

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

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

	March 31, 2016			December 31, 2015		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
----- (Rupees in '000) -----						
Debts due by Directors or executives of the Bank or any of them either severally or jointly with any other persons:						
- in respect of Directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	2,642,600	2,644,700	151,270	2,651,500	2,651,500	1,285,536
- in respect of key management personnel / Companies in which key management personnel or their close family members are interested	57,000	59,100	-	61,400	69,800	32,151
Debts due by companies or firms in which the Directors of the Bank / Parent are interested as directors, partners, advisors or in the case of private companies as members	5,543,119	6,053,361	-	7,490,551	7,490,551	6,249,551
Debts due by Subsidiary company	4,165,747	4,165,747	4,063,600	107,532	107,532	-

The disclosure of the period end balance, limit sanctioned and the maximum amount outstanding during the period / year is considered the most meaningful information to represent the amount of the transactions and the amount of the outstanding balances during the period.

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

** The maximum amount has been arrived at by reference to month end balance.

8 OPERATING FIXED ASSETS	March 31, 2016	December 31, 2015
	(Rupees in '000)	
Capital work-in-progress	1,622,685	1,486,307
Intangible assets	638,651	575,128
Tangible fixed assets	26,858,368	26,876,824
	<u>29,119,704</u>	<u>28,938,259</u>

8.1 Additions to operating fixed assets

For the three months ended	
March 31, 2016	March 31, 2015
(Rupees in '000)	

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

Capital work-in-progress	136,378	743,924
Intangible assets	167,669	22,043
Tangible fixed assets		
Land	-	16,980
Building	55,130	48,189
Machinery	1,536	6,510
Furniture, fixtures and office equipment	494,490	273,942
Leasehold improvements	105,772	80,582
Vehicles	13,314	26,382
	<u>974,289</u>	<u>1,218,552</u>

8.2 Disposal of operating fixed assets

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

Tangible fixed assets		
Furniture, fixtures and office equipment	114,595	127,672
Leasehold Improvements	37,346	145,725
Vehicles	685	12,767
	<u>152,626</u>	<u>286,164</u>

9 BORROWINGS

	Note	March 31, 2016	December 31, 2015
(Rupees in '000)			
Secured			
Borrowings from SBP under:			
Export refinance scheme		18,451,536	19,545,290
Long term financing facility - locally manufactured and imported plant & machinery		3,281,268	3,434,406
Long term finance - export oriented projects		7,024	7,024
Refinance facility for modernization of SMEs		5,000	5,500
		<u>21,744,828</u>	<u>22,992,220</u>
Repurchase agreement borrowings		244,360,868	234,669,563
		<u>266,105,696</u>	<u>257,661,783</u>
Unsecured			
In Pakistan:			
Interbank call money borrowings		15,059,435	10,609,263
- Overdrawn nostro accounts		2,282,340	2,292,262
		<u>17,341,775</u>	<u>12,901,525</u>
Outside Pakistan:			
Overdrawn nostro accounts		314,368	81,445
Borrowings of overseas branches	9.1	38,291,070	43,840,379
		<u>38,605,438</u>	<u>43,921,824</u>
		<u>55,947,213</u>	<u>56,823,349</u>
		<u>322,052,909</u>	<u>314,485,132</u>

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

10 DEPOSITS AND OTHER ACCOUNTS

	March 31, 2016	December 31, 2015
(Rupees in '000)		
Customers		
Current accounts - non-remunerative	542,080,211	548,633,021
Savings accounts	743,625,161	736,526,538
Fixed deposits	204,738,394	245,129,674
	<u>1,490,443,766</u>	<u>1,530,289,233</u>
Financial institutions		
Current accounts - non-remunerative	16,528,180	12,625,064
Savings accounts	6,839,821	3,835,432
Fixed deposits	435,000	11,560,946
	<u>23,803,001</u>	<u>28,021,442</u>
	<u>1,514,246,767</u>	<u>1,558,310,675</u>

11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Note March 31, December 31,
2016 2015
(Rupees in '000)

Surplus arising on revaluation of:

- fixed assets	11.1	10,862,068	10,870,342
- investments	11.2	15,310,325	11,824,901
- non-banking assets	11.3	503,240	-

Surplus on revaluation of assets - net of deferred tax

26,675,633 22,695,243

11.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	11,424,672	10,289,072
Recognized during the period / year	-	1,218,578
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(8,274)	(53,936)
Related deferred tax liability on incremental depreciation charged during the period / year	(4,455)	(29,042)
Surplus on revaluation of fixed assets as at the end of the period / year	<u>11,411,943</u>	<u>11,424,672</u>

Less: related deferred tax liability on:

- revaluation as at January 1	554,330	860,550
- revaluation recognised during the period / year	-	(277,178)
- incremental depreciation charged during the period / year	(4,455)	(29,042)
	<u>549,875</u>	<u>554,330</u>
	<u>10,862,068</u>	<u>10,870,342</u>

11.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills	232,735	490,263
Pakistan Investment Bonds	21,305,045	16,666,315
Government of Pakistan US Dollar Bonds / Sukuk	1,681,390	122,325
Listed Securities	326,500	1,006,484
NIT Units	30,977	31,442
Overseas Securities	(45,512)	(133,703)
Other Investments	19,704	8,984
	<u>23,550,839</u>	<u>18,192,110</u>
Related deferred tax liability	(8,240,514)	(6,367,209)
	<u>15,310,325</u>	<u>11,824,901</u>

11.3 Surplus on revaluation of non-banking assets

Surplus on revaluation of non - banking assets recognised during the period	509,772	-
Related deferred tax liability	(6,532)	-
	<u>503,240</u>	<u>-</u>

12 CONTINGENCIES AND COMMITMENTS

12.1 Direct credit substitutes - financial guarantees

Guarantees in favour of:

- Government	267,211	261,261
- Financial institutions	295,000	295,000
- Others	31,629,626	31,770,952
	<u>32,191,837</u>	<u>32,327,213</u>

	March 31, 2016	December 31, 2015
	(Rupees in '000)	
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	636,342	718,148
- Financial institutions	1,251,314	1,251,328
- Others	90,715,966	93,410,699
	<u>92,603,622</u>	<u>95,380,175</u>
12.3 Trade-related contingent liabilities		
Letter of credit in favour of:		
- Government	51,415,965	45,023,666
- Financial institutions	438,643	20,924
- Others	91,386,116	103,290,533
	<u>143,240,724</u>	<u>148,335,123</u>
12.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>29,712,498</u>	<u>28,886,188</u>
12.5 Commitments in respect of forward lending		
The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	March 31, 2016	December 31, 2015
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	183,429,507	145,474,954
Sale	184,107,167	146,192,286
12.7 Commitments in respect of forward Government Securities transactions		
Purchase	25,768,345	19,181,362
Sale	3,552,891	1,858,663
12.8 Commitments in respect of derivatives		
Cross currency swap		
Purchase	1,313,925	1,918,607
Sale	1,309,435	1,909,263
Interest rate swaps		
Purchase	104,755	104,741
Sale	5,604,755	5,604,741
Foreign currency options		
Purchase	246,250	-
Sale	246,250	-
12.9 Commitments for capital expenditure	773,083	1,054,027
12.10 Taxation		

The income tax returns of the Bank have been submitted upto and including the year 2014. The tax authorities have concluded the audit of years 2002 through 2013.

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

13 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	For the three months ended	
	March 31, 2016	March 31, 2015
	(Rupees in '000)	
<i>On loans and advances to:</i>		
- Customers	11,571,385	11,903,819
- Financial institutions	52	6,840
<i>On investments in:</i>		
- Available-for-sale securities	17,832,337	18,645,601
- Held-for-trading securities	696,044	1,205,305
- Held-to-maturity securities	4,065,183	2,676,338
On deposits with financial institutions	157,212	520,083
On lendings to financial institutions	921,248	1,452,045
	35,243,461	36,410,031

14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

<i>On:</i>		
Deposits	9,669,869	13,632,795
Securities sold under repurchase agreement borrowings	4,418,226	2,865,864
Other short term borrowings	897,052	1,028,285
Long term borrowings	441,553	123,808
	15,426,700	17,650,752

15 RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its subsidiaries, associated undertakings, joint venture company, associates of AKFED Group entities, employee benefit schemes of the Bank / related party, and members of the Key Management Personnel of the Bank / related party, including both Executive and Non-Executive Directors.

Transactions with related parties, other than those under the terms of employment, are executed on an arm's length basis i.e. substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk. Details of advances to related parties are given in note 7.7 to these condensed interim unconsolidated financial statements. Contributions to and accruals in respect of staff retirement and other benefit schemes are made in accordance with the actuarial valuations / terms of the schemes.

Details of transactions with related parties and balances with them as at the period / year-end were as follows:

	March 31, 2016				
	Companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000				
Statement of financial position					
Deposits	4,284,397	414,324	3,101,723	58,021	195,111
Maximum Deposits During the period	9,593,529	768,975	6,378,540	58,262	365,486
Borrowings	-	2,927,503	-	366,797	-
Investments	-	14,614,472	9,002,995	7,197	-
Mark-up / Other Receivable	12,003	57,226	179,988	-	-
Mark-up / Other Payable	11,734	243	1,784	10	993,726
Placements / lendings	-	7,177,034	-	-	-
Nostro balances	257,926	922,721	-	-	-
Overdrawn nostro balances	-	1,014	-	-	-
Profit and Loss Account					
Mark-up / Other Income	18,951	109,412	479,297	-	-
Mark-up / Other Expense	17,201	1,981	234,193	10	125,642
Dividend income	-	-	137,417	-	-
Others					
Other contingencies	478,191	30,742	14,142	-	-
Securities Held as custodian	15,353,525	-	33,080,200	-	4,333,365

	December 31, 2015				
	Companies related through				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000				
Statement of financial position					
Deposits	5,018,930	443,279	3,262,854	193,692	92,926
Maximum Deposits During the period	5,018,930	1,413,889	5,003,911	193,692	250,352
Borrowings	-	2,106,440	-	-	-
Investments	-	18,103,011	8,187,250	7,197	-
Mark-up / Other Receivable	15,899	3,877	130,583	-	-
Mark-up / Other Payable	12,434	1,852	3,259	-	1,026,391
Placements / lendings	350,000	2,552,079	-	-	-
Nostro balances	128,540	1,352,580	-	-	-
Profit and Loss Account					
Mark-up / Other Income	50,879	412,051	2,446,911	-	-
Mark-up / Other Expense	70,932	12,404	629,779	152	513,297
Dividend income	-	-	422,276	34,666	-
Others					
Other contingencies	472,408	86,678	5,275	-	-
Securities Held as custodian	13,679,505	-	33,261,760	-	4,513,760

15.1 Key Management Personnel

Key Management Personnel includes the President / CEO and direct reports to the President.

	For the three months ended	
	March 31, 2016	March 31, 2015
	(Rupees in '000)	
Managerial remuneration (including allowances)	141,897	163,999
Contribution to provident and benevolent fund	4,068	3,297
Medical	5,957	4,867
	<u>151,922</u>	<u>172,163</u>
Number of persons	24	23

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the three months ended March 31, 2016					Total
	Branch banking	Corporate banking	Treasury	International banking	Head Office / others	
	----- (Rupees in million) -----					
Net mark-up income - External	(2,391)	3,786	16,160	1,916	346	19,817
Inter segment revenue / (expense) - net	12,653	(2,740)	(11,657)	-	1,744	-
Non-funded income	2,894	451	648	1,075	399	5,467
Total Income	13,156	1,497	5,151	2,991	2,489	25,284
Total expenses including provision	5,595	(372)	68	2,376	4,491	12,158
Inter segment administrative cost	2,838	405	78	298	(3,619)	-
Total expenses including provision	8,433	33	146	2,674	872	12,158
Profit before tax	4,723	1,464	5,005	317	1,617	13,126
Segment return on asset %	1.01%	2.84%	3.76%	0.39%	1.80%	-
Segment cost of funds %	3.04%	4.55%	5.67%	1.80%	0.01%	-

	As on March 31, 2016					Total
	Branch banking	Corporate banking	Treasury	International banking	Head Office / others	
	----- (Rupees in million) -----					
Segment assets (gross of provision)	1,237,893	164,053	277,195	308,613	184,496	2,172,250
Segment non-performing advances	9,423	48,344	-	12,753	129	70,649
Segment provision held including general provision	6,350	46,426	52	11,757	657	65,242
Inter Segment Assets / (Liabilities)	27,731	507	(571)	(71,506)	43,839	-
Segment liabilities including equity	1,259,274	118,135	276,571	225,350	227,677	2,107,007

	For the three months ended March 31, 2015					Total
	Branch banking	Corporate banking	Treasury	International banking	Head Office / others	
	----- (Rupees in million) -----					
Net mark-up income - External	(6,080)	4,774	18,220	1,706	139	18,759
Inter segment revenue / (expense) - net	17,559	(3,847)	(15,536)	-	1,824	-
Non-funded income	2,544	717	2,633	1,018	(153)	6,759
Total Income	14,023	1,644	5,317	2,724	1,810	25,518
Total expenses including provision	4,865	537	83	2,103	3,354	10,942
Inter segment administrative cost	2,383	340	65	250	(3,038)	-
Total expenses including provision	7,248	877	148	2,353	316	10,942
Profit before tax	6,775	767	5,169	371	1,494	14,576
Segment return on asset %	1.54%	1.63%	6.72%	0.30%	2.19%	-
Segment cost of funds %	4.60%	6.67%	7.82%	1.14%	0.01%	-

	As at December 31, 2015					Total
	Retail banking	Corporate banking	Treasury	International banking	Head Office / others	
	----- (Rupees in million) -----					
Segment assets (gross of provision)	305,318	362,136	1,139,132	314,548	68,473	2,189,607
Segment non-performing advances	8,290	46,462	-	14,092	105	68,949
Segment provision held including general provision	6,587	44,259	72	13,355	434	64,707
Inter Segment Assets / (Liabilities)	979,320	(148,415)	(845,715)	(74,176)	88,986	-
Segment liabilities including equity	1,278,051	169,463	293,344	227,018	157,024	2,124,900

17 ISLAMIC BANKING BUSINESS

The Statement of Financial Position of the Islamic Banking Business is disclosed in note no. 17 to the condensed interim consolidated financial statements for the period ended March 31, 2016.

18 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 22, 2016 has declared a cash dividend in respect of the three months ended March 31, 2016 of Rs. 3.5 per share (March 31, 2015: Rs. 3.50 per share). The condensed interim unconsolidated financial statements for the three months ended March 31, 2016 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

19. GENERAL

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

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on April 22, 2016.

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