



DIGITALLY YOURS

HALF YEARLY REPORT
JUNE 30, 2020

TABLE OF CONTENTS

Corporate Information	02	
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	03	
Directors' Review - English	04	
Directors' Review - Urdu	08	
Condensed Interim Consolidated Statement of Financial Position	12	
Condensed Interim Consolidated Profit and Loss Account	13	
Condensed Interim Consolidated Statement of Comprehensive Income	14	
Condensed Interim Consolidated Statement of Changes in Equity	15	
Condensed Interim Consolidated Cash Flow Statement	16	
Notes to the Condensed Interim Consolidated Financial Statements	17	
		47
		CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
		48
		Directors' Review - English
		52
		Directors' Review - Urdu
		56
		Independent Auditors' Review Report
		57
		Condensed Interim Unconsolidated Statement of Financial Position
		58
		Condensed Interim Unconsolidated Profit and Loss Account
		59
		Condensed Interim Unconsolidated Statement of Comprehensive Income
		60
		Condensed Interim Unconsolidated Statement of Changes in Equity
		61
		Condensed Interim Unconsolidated Cash Flow Statement
		62
		Notes to the Condensed Interim Unconsolidated Financial Statements

CORPORATE INFORMATION

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Shaffiq Dharamshi
Director

Mr. Moez Ahamed Jamal
Director

Mr. Salim Raza
Director

Dr. Najeeb Samie
Director

Ms. Diane Elizabeth Moore
Director

Mr. Salim Yahya Chinoy
Director

Mr. Muhammad Aurangzeb
President & CEO

Chief Operating Officer
Mr. Sagheer Mufti

Chief Financial Officer
Mr. Rayomond Kotwal

Company Secretary
Ms. Neelofar Hameed

Legal Advisors
Mandviwalla and Zafar
Legal Consultants and Advocates

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Share Registrar

CDC Share Registrar Services Limited
CDC House, 99 – B, Block 'B',
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www.hbl.com

Internet Banking:

www.hblibank.com.pk

Konnect:

www.hbl.com/businesskonnect

 [hblbank](https://www.facebook.com/hblbank) |  [HBLPak](https://twitter.com/HBLPak)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DIGITALLY YOURS

Directors' Review

On behalf of the Board of Directors, we are pleased to present the condensed interim consolidated financial statements for the half year ended June 30, 2020.

Macroeconomic Review

Like the rest of the world, the outbreak of the coronavirus in Pakistan has exacerbated existing economic challenges. Despite a 2.7% growth in the agriculture sector, Pakistan's GDP contracted by 0.4% in FY'20 for the first time in nearly 70 years as the lockdowns necessitated by the virus have curtailed industrial activity, increased unemployment and further slowed weak exports. The Large Scale Manufacturing Sector Index declined by 10.3% during 11MFY'20. Headline inflation rose by 8.6% in June 2020, mainly on account of food inflation, but averaged 10.7% for FY'20, remaining below SBP's target of 11 – 12%.

The key positive on the macroeconomic front has been the sharp reduction in the Current Account deficit which reduced by 78% to \$ 3.0 billion in FY'20, a 5-year low. This was driven by a 28% decline in the trade deficit; exports fell by 7%, but containment efforts and lower oil prices helped reduce imports by 18%. Remittances increased by 6% in FY'20 to \$23.1 billion, further supporting the current account improvement.

The FX reserves position improved from June 2019 levels, increasing to \$ 17.9 billion by the end of June 2020, as the country received foreign assistance of over \$1.7 billion from the World Bank, Asian Development Bank and Asian Infrastructure Investment Bank and a \$1.3 billion loan from China; Pakistan has also secured itself as a beneficiary under the G-20 debt relief program. However, foreign portfolio outflows from the debt and equity markets as investors sought safe haven asset classes continued to pressure the Rupee, which weakened by 9% against the dollar from December'19 levels.

The fiscal deficit for 9MFY'20 was 3.8% of GDP compared to 5.0% in the corresponding period of FY'19. The primary balance was a surplus of 0.4% against an IMF target of 0.6%. Total revenues increased by 31%, helped by a spurt in non-tax revenue, while total expenditure growth was contained at 16%, despite a 29% increase in markup payments. The impact of COVID on both revenues and expenses has already started to be felt – the Government's social protection expenses climbed to nearly Rs 14 billion in Q3FY'20 compared to less than Rs 1 billion in prior quarters – and the primary surplus tipped into a deficit. The fiscal deficit for FY'20 is expected to reach 9.0%.

The equity market remained bearish since the start of the pandemic, touching multi-year lows at the end of March as foreign portfolio outflows accelerated. Fears over the spread of the virus, uncertainty about the nature and timing of any economic recovery and lower corporate earnings continued to dampen sentiment. Steep and rapid interest rate cuts and relief measures announced by the Government and the SBP have resulted in a recovery, although the PSX index remained 15% below December 2019 levels as the end of June 2020.

The federal government and the SBP have taken a number of steps to cushion the economy, including fiscal support for the export sector and low-income groups, an incentive package for the construction industry to support the real estate sector and generate employment, and deferral of principal and markup repayments for vulnerable sectors. The SBP has expanded the scope of previously announced relief measures, in particular, the tenor and risk sharing arrangements of their Rozgar refinance scheme, to ensure that salary and wage payments continue to be made.

The SBP has adopted a strongly accommodative monetary policy to bolster the economy and rapidly reduced the Policy rate by a further 400bps in Q2'20 to 7.0%; the cumulative cut in the Policy rate in 2020 is now 625bps. Notably, the SBP moved away from a bi-monthly Policy Statement with off-cycle reductions in April and June, to minimize the lag in rate reductions being passed on to borrowers. The SBP highlighted that with an improved inflation outlook but increasing downside risks to growth, the priority has shifted to growth and employment. The slowdown in overall economic activity has restricted demand for credit from the private sector. Banking sector advances rose marginally by 0.1% during the first half of 2020, while deposits grew by 11% since December'19. Spreads for the industry reduced by 18 bps in the first 5 months of 2020 compared to the first 5 months of 2019 as the increase in deposit cost was higher than the rise in lending yields.

Financial Performance

HBL's consolidated profit before tax for the first six months of 2020 is Rs 25.8 billion compared to Rs 9.9 billion in the corresponding period last year. This has been achieved mainly through continuing strong performance from the core domestic franchise. Lower drags from the revaluation loss on the open FX position, reduced impairment on listed equities and reduction in New York costs have further strengthened the results. Profit after tax of Rs 15.2 billion for H1'20 is almost four times higher than for H1'19, which also included the impact of Rs 1.9 billion super tax on 2017 profits. Earnings per share for H1'20 increased to Rs 10.32 compared to Rs 2.53 for the same period last year.

Domestic deposits grew by Rs 219 billion during the first half of 2020, to Rs 2.4 trillion, with HBL increasing its market share from 13.9% in December 2019 to 14.1% in June 2020. Most of the growth came from current and low-cost savings accounts, improving the current account mix to 36.0%. HBL's total deposits increased by 9.2%, to Rs 2.7 trillion. HBL's domestic advances have reduced during the half year, due to slower offtake, to Rs 937 billion, while international advances rose by 2.2% over December 2019, to \$ 1.3 billion. Consequently, total advances decreased slightly, to Rs 1.1 trillion.

HBL's average domestic balance sheet grew by 13% over H1'19, led by a growth of over Rs 200 billion in average deposits. The rapid interest rate reductions and the consequent downward repricing of interest bearing liabilities helped improve domestic net interest margins, particularly as the investments book is positioned towards longer tenor instruments. Consequently, the domestic net interest income for H1'20 rose by 36% to Rs 59 billion. Net interest income from the international business reduced as a result of monetary easing in most key markets. The Bank's total net interest income for H1'20 thus increased by 32% over H1'19, to Rs 63 billion.

Total non-fund income more than doubled to Rs 16.6 billion. HBL's fee income reduced by Rs 1.8 billion, primarily due to reduced Bancassurance business and lower investment banking fees, but also due to slowdown in transaction volumes resulting from curtailed business activity and the waiver of fees on digital transactions. HBL recorded a capital gain of Rs 6.7 billion from trading and opportunistic sales of fixed income instruments. The Bank has gradually been reducing its FX open position which, along with the lower rupee devaluation, has resulted in a Rs 3.1 billion lower revaluation loss compared to H1'19.

Administrative expenses reduced by 14% compared to the previous quarter and were contained to an increase of only 6% over H1'19 as costs related to New York and the Business Transformation program have receded. The Bank's cost to income ratio has started to gradually normalize and was 59.8% compared to 80.8% in H1'19. HBL continued to invest in its infrastructure to enable agility of response to the rapidly evolving situation and ensure robust, resilient and secure digital channels for its customers. The Bank also spent a significant amount on staff and customer safety measures as well as serving the community through direct contributions to deserving organisations as well as the distribution of meals and food rations.

Domestic NPLs remained stable at December 2019 levels. Total NPLs have increased by Rs 1.7 billion, due to a rupee devaluation impact of Rs 2.7 billion on overseas NPLs which, however, declined in dollar terms. With a slightly lower loan book and higher NPLs, the infection ratio has increased slightly, from 6.6% in Dec'19 to 6.8% in Jun'20. HBL's consolidated results for the quarter include a general provision of Rs 2.4 billion in its domestic business, including FMFB, related to Covid-19; the Bank recognises that customers affected by the pandemic could be classified in 2021, once SBP's relaxations and waivers mature. In the international business, the globally deteriorating economic conditions have also triggered further Expected Credit Loss recognition of \$4.2 million under IFRS 9 requirements. As a result, HBL's coverage ratio improved from 93.2% in December 2019 to 95.0% in Jun'20.

Movement of Reserves

Rs million

Unappropriated profit brought forward	114,550
Profit attributable to equity holders of the Bank	15,143
Reversal of deferred tax asset recognised on subsidiary	(108)
Share of re-measurement gain on defined benefit obligations of associate – net	3
Transferred from surplus on revaluation of assets – net of tax	24
	15,062
Profit available for appropriations	129,612
Appropriations	
Transferred to statutory reserves	(1,613)
Cash dividend – Final 2019	(1,834)
Cash dividend – 1st Interim 2020	(1,834)
	(5,281)
Unappropriated profit carried forward	124,331
Earnings per share (Rs)	10.32

Capital Ratios

In response to the current crisis, in Q1'20, the SBP supported the banking system by reducing the requirements of the Capital Conservation Buffer by 100 bps, from 2.5% to 1.5%. This effectively lowered the capital requirements across all three tiers, ie Common Equity Tier 1 (CET1) CAR, Tier 1 CAR and Total CAR, by 1%.

The strong profitability has strengthened the Bank's CAR across all tiers; the consolidated CET1 CAR increased from 11.2% in March 2020 to 12.0% in June 2020 and the Tier 1 CAR has improved from 12.2% to 13.0% over this period. The further increase in the CET1 CAR headroom over minimum levels has increased the eligibility of Tier II capital by an additional 32 bps. The consolidated total CAR thus increased from 15.4% in March 2020 to 16.5% in June 2020. HBL's capital and related ratios remain well above regulatory requirements.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively. The rating of its subordinated Tier II TFC has also been reaffirmed at AAA and the rating of the TFCs issued as Additional Tier 1 Capital in September 2019 have been reaffirmed as AA+. The Outlook on all ratings is Stable. The ratings incorporate HBL's position as the largest commercial bank in the country and the strong momentum in its domestic business, and reflect its sound asset quality, robust liquidity and systemic importance.

Future Outlook

The COVID-19 pandemic is still not under control as reflected by the increasing number of cases in many countries and has potentially changed the world forever. This has imposed unprecedented challenges to economic recovery with the IMF revising down global growth forecasts to -4.9%. The slowdown has also impacted Pakistan's economy, with contraction in industrial activity, export orders and the retail sector and subdued capital flows. Remittances are also expected to taper as GCC economies continue to be affected by waning demand for oil and low oil prices along with the repatriation of foreign workers from these countries.

The IMF expects global activity to gradually pickup in 2021 and projects Pakistan's economy to recover by 1.0% in FY'21, lower than the Government's own forecast of 2.1% which is predicated on an earlier normalization of economic activity. While the number of new infections in Pakistan is slowing, these indicators are nascent and the evolution will depend on how the Government controls the situation going forward. In particular, it will be critical to prevent a recurrence of the spike seen over the previous Eid, but any prolonged 'smart lockdown' will pose a challenge to economic recovery. With inflation projected to decelerate further, to below 7% in

FY21, the SBP has announced an intention to keep real interest rates near zero. Monetary policy will remain accommodative for the foreseeable future, in order to support demand restoration.

The pandemic has accelerated the pace of digital transformation with an almost step change in technology adoption as the world moves towards a form of co-existence for the foreseeable future. At HBL, the technology company with a banking license, we see this as an opportunity to further cement our leadership in the digital space and are accelerating the next stage of our transformation.

HBL is acutely aware of its responsibility to its customers and the country, particularly in these difficult times. With this in mind, the Bank has entered a new era of public-private partnership where it is providing thought leadership across a broad spectrum of areas, covering both banking and the broader economy. We are humbled and honoured to be leading the Government's efforts in Sindh, Punjab and Balochistan to enable delivery of the Ehsaas Emergency Cash program, the largest social safety net initiative in Pakistan's history; to date we have distributed Rs 168 billion to 10 million beneficiaries. HBL has been a leading player in using the liquidity and funding assistance made available by the SBP, particularly in its Rozgar Scheme to ensure that workers continue to get paid at this critical juncture as well as in providing financing to the health care sector for combating COVID.

HBL has also taken on a number of development finance initiatives in its role as Pakistan's national institution. The Bank has partnered with agri-input providers to provide maize farmers with easy access to finance while helping them improve their crop yields; this is now being extended to other crops. HBL has partnered with NAPHDA to provide affordable housing, a chronically underserved area, and with Daraz to enable the growth of SMEs by providing them an e-commerce platform. In the latest development, HBL has created a 20-year strategic alliance with Pakistan Post to further financial inclusion by leveraging digital technology and help transform it into a modern logistics company. HBL will continue to embark on similar initiatives and play a leading role in the development of the country.

Dividend

Pursuant to the SBP's instructions through its letter No BPRD/ BA & CPD/006315 - 2/20, the Board of Directors, in its meeting held on July 24, 2020 has not declared any interim cash dividend for the quarter ended June 30, 2020.

Appreciation and Acknowledgement

On behalf of the Board and management, we would like to place on record our appreciation for the efforts of our regulators and the Government of Pakistan, in particular the State Bank of Pakistan, the Ministry of Finance and the Securities and Exchange Commission of Pakistan. In these unprecedented times, they have stepped up with policies and measures that are prudent, and balanced, protecting the economy, customers and the people of Pakistan, while also safeguarding the integrity and soundness of the banking and financial services industry.

We are indebted to our customers, many of whom have banked with us for generations, and who continue to entrust us with their business and confidence. Our shareholders have provided steadfast support and to them and to all our stakeholders, we are deeply grateful. The Board and the management remain committed to maintaining the highest standards of governance and we assure our stakeholders that we will be industry leaders in this area.

Lastly, but certainly not the least, we express our deepest appreciation and gratitude to our employees and their families, especially in customer facing units and at our 1400+ open branches, who have braved these hazardous conditions to ensure that our customers continue to be able to meet their critical needs in this time of crisis. They are our heroes and heroines and we salute them for their dedication and tireless efforts.

On behalf of the Board

Muhammad Aurangzeb
President & Chief Executive Officer

Moez Ahamed Jamal
Director

July 24, 2020

مالیاتی کارکردگی

HBL کا مالی سال 2020ء کی پہلی ششماہی کا بعد از محصول منافع 25.8 ارب روپے رہا جو گزشتہ برس اسی دورانیے کے لیے 9.9 ارب روپے تھا۔ جس کی اہم وجہ بنیادی مقامی فرنیچر کی مسلسل بہترین کارکردگی تھی۔ اوپن FX پوزیشن میں ری ویلیویشن کے نقصان میں کمی، فہرستی ایکویٹیز کی ایپیئرمنٹ میں کمی اور نیویارک کے اخراجات میں کمی نے مزید بہتر نتائج دیے۔ سال 20 کی پہلی ششماہی کا بعد از محصول منافع 15.2 ارب روپے گزشتہ برس کی اسی مدت سے تقریباً چار گنا زیادہ ہے، جس میں 2017ء میں منافعوں پر لاگو 1.9 ارب روپے کے سپر ٹیکس کے اثرات بھی شامل ہیں۔ سال 20 کی پہلی ششماہی کی فی حصص آمدن میں 10.32 روپے اضافہ ہوا جو گزشتہ برس اسی مدت میں 2.53 روپے تھی۔

سال 2020ء کی پہلی ششماہی میں مقامی ڈپازٹس میں 219 ارب روپے تک اضافہ ہوا جو 2.4 کھرب روپے ہو گیا، اس کے ساتھ HBL کا مارکیٹ شیئر دسمبر 2019ء کے 13.9% سے بڑھ کر جون 2020ء میں 14.1% ہو گیا۔ زیادہ تر نمو جاری کھاتوں اور کم آمدنی والے سیونگز اکاؤنٹس کے سبب ہوئی جس سے جاری کھاتوں کے امتزاج میں 36.0% بہتری آئی۔ HBL کے کل ڈپازٹس میں 9.2% اضافہ ہوا جو 2.7 کھرب روپے ہو گیا۔ ششماہی کے دوران خریداری میں مندی کے باعث HBL کے مقامی قرضہ جات میں کمی 937 ارب روپے رہی جبکہ بین الاقوامی قرضہ جات میں دسمبر 2019ء سے 2.2% اضافہ ہوا جو 1.3 ارب امریکی ڈالر ہے۔ نتیجتاً کل قرضہ جات میں 1.1 کھرب روپے کی معمولی کمی واقع ہوئی۔

HBL کی اوسط مقامی بیلنس شیٹ میں سال 19 کی پہلی ششماہی سے 13% نمو آئی جس کی وجہ اوسط ڈپازٹس میں 200 ارب روپے سے زائد کا اضافہ ہے۔ منافع کی شرح میں تیزی کی اور نتیجتاً ڈاؤن ورڈری پرائسنگ نے مقامی خالص منافع جات کے مارجن کی بہتری میں مدد کی، خصوصاً مقامی خالص منافع جاتی آمدن سال 20 کی پہلی سہ ماہی میں 36% بڑھ کر 59 ارب روپے ہو گئی۔ بین الاقوامی کاروباری خالص منافع جاتی آمدن اکثر اہم مارکیٹوں میں زری سہولت کے نتیجے میں کم ہو گئی۔ بینک کی کل خالص منافع جاتی آمدن سال 20 کی پہلی سہ ماہی میں 32% بڑھ گئی جو گزشتہ برس اسی مدت کے لیے 63 ارب روپے تھی۔

کل نان فنڈ آمدن 16.6 ارب روپے کے ساتھ دگنی سے زیادہ ہو گئی۔ HBL کی فیس آمدن میں 1.8 ارب روپے کمی واقع ہوئی جس کی بنیادی وجہ بینکارش کاروبار میں کمی اور کم سرمایہ کاری بینکاری فیس تھی مگر اس کی ایک اور وجہ محدود کاروباری سرگرمیوں کے باعث ترسیلات کے حجم میں کمی اور ڈیجیٹل ٹرانزیکشن کی فیس کا استثناء بھی تھی۔ HBL نے تجارت اور فیکسڈ انکم انسٹرومنٹس کی خوش آئند فروخت سے 6.7 ارب روپے ریکارڈ سرمایہ حاصل کیا۔ بینک رفتہ رفتہ اپنی اپنی FX پوزیشن گھٹا رہا ہے، اس کے ساتھ روپے کی قدر میں کم گراؤ کے نتیجے میں سال 19 کی پہلی ششماہی کے مقابلے میں ری ویلیویشن کا نقصان کم ہو کر 3.1 ارب روپے رہا۔

بینک کے انتظامی اخراجات گزشتہ سہ ماہی کی نسبت 14% کم رہے اور ان میں 2019ء کی پہلی ششماہی کی نسبت 6% اضافہ ہوا کیونکہ نیویارک برانچ اور بزنس ٹرانسفارمیشن پروگرام کے اخراجات بند ہو گئے۔ بینک کی آمدن کے اخراجات کی شرح رفتہ رفتہ معمول پر آرہی ہے جو سال 19 کی پہلی ششماہی کی 80.8% کے مقابلے میں 59.8% رہی۔ HBL مسلسل اپنے انفراسٹرکچر میں سرمایہ کاری کرتا رہا تا کہ تیزی سے بدلتے ہوئے حالات میں تیزی سے ہی جواب دے سکے اور اپنے کسٹمر کے لیے مضبوط، لچکدار اور محفوظ ڈیجیٹل ذرائع فراہم کر سکے۔ بینک نے عملے اور کسٹمر کے تحفظ کے اقدامات کے ساتھ ساتھ مستحق اداروں کی براہ راست مدد کے ذریعے سماجی خدمت پر بھی خطیر رقم خرچ کی جس میں کھانے، اشیائے خورد و نوش اور راشن کی تقسیم بھی شامل ہے۔

مقامی NPLs دسمبر 2019ء کی سطح پر بدستور مستحکم رہے۔ کل NPLs میں 1.7 ارب روپے تک اضافہ ہوا، جو کہ روپے کی قدر میں کمی کے باعث بیرون ملک NPLs پر 2.7 ارب روپے کے اثرات کی صورت میں ہوا، تاہم یہ ڈالر کی نسبت سے کم ہوا۔ قرضہ جات کی کم بلنگ اور اضافی NPLs کی وجہ سے انفلیکشن کی شرح میں معمولی اضافہ ہوا جو دسمبر 19 کی 6.6% کی شرح کے مقابلے میں جون 20 میں 6.8% رہا۔ HBL کے اس سہ ماہی کے مجموعی نتائج میں مقامی کاروبار میں COVID-19 سے متعلق 2.4 ارب روپے کا عمومی پرووژن ہے جس میں FMFB شامل ہے۔ بینک سمجھتا ہے کہ وبا سے متاثرہ کسٹمرز 2021ء میں درجہ بند کیے جاسکتے ہیں، جب تک SBP کی توسیع اور استثنائے پور ہو جائیں۔ بین الاقوامی کاروبار میں، عالمی اقتصادی زوال پذیر صورتحال کے سبب مزید متوقع قرضہ جاتی خسارے کو تحریک ملی ہے جو IFRS 9 شرائط کے مطابق 4.2 ملین امریکی ڈالر ہے۔ نتیجتاً HBL کی کوریج شرح دسمبر 2019ء کی 93.2% سے بڑھ کر جون 2020ء میں 95.0% ہو گئی۔

ڈائریکٹرز کا جائزہ

ہمیں بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2020ء کو ختم ہونے والی پہلی ششماہی کے مختصر عبوری مجموعی مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس ہو رہی ہے۔

کلیاتی اقتصادیات کا جائزہ

دنیا بھر کی طرح، کورونا وائرس کی وبا نے پاکستان کے موجودہ معاشی چیلنجز میں اضافہ کر دیا ہے۔ زرعی شعبے میں 2.7% کی نمو کے باوجود مالی سال 20 میں پاکستان کی GDP تقریباً 70 سال میں پہلی بار 0.4% سے سمٹ گئی، کیونکہ وائرس کے سبب لاک ڈاؤن ضروری تھا جس سے صنعتی سرگرمیوں میں کمی، بے روزگاری میں اضافہ اور کمزور برآمدات میں مزید سست روی آئی۔ مالی سال 20 کے 11 ماہ کے دوران وسیع پیمانے کے پیداواری شعبے کی فہرست 10.3% زوال پذیر ہوئی۔ جون 2020ء میں عمومی افراط زر میں 8.6% اضافہ ہوا جو بنیادی طور پر خوراک کے شعبے میں تھا مگر مالی سال 20 کے لیے اوسطاً 10.7% کے ساتھ ہنوز SBP کے 12%-11% کے ہدف سے نیچے رہا۔

کلیاتی اقتصادی میدان میں اہم مثبت عنصر، جاری کھاتوں کے خساروں میں تیز ترین کمی ہے جو مالی سال 20 میں 3.0 ارب امریکی ڈالر کے ساتھ 78% رہی، یعنی 5 سالہ کم۔ جس کی وجہ تجارتی خسارے میں 28% کمی ہے، برآمدات میں 7% کمی آئی مگر روک تھام کے اقدامات اور سستے تیل سے درآمدات میں 18% کمی ہوئی۔ مالی سال 20 میں 23.1 ارب امریکی ڈالر کے ساتھ ترسیلات میں 6% اضافہ ہوا جس سے جاری کھاتوں میں بہتری کو مزید سہارا ملا۔

FX ذخائر میں بھی جون 2019ء کی سطح سے تقویت آئی جو جون 2020ء کے اختتام تک 17.9 ارب امریکی ڈالر ہو گئے، کیونکہ ملک کو عالمی بینک، ایشیائی ڈیولپمنٹ بینک اور ایشیائی انفراسٹرکچر انویسٹمنٹ بینک سے 1.7 ارب امریکی ڈالر سے زائد غیر ملکی امداد کے ساتھ چین سے 1.3 ارب امریکی ڈالر کا قرض ملا، پاکستان نے G-20 قرض ریلیف پروگرام کے تحت بطور مینفشری تحفظ بھی حاصل کر لیا ہے۔ تاہم سرمایہ کاروں کی محفوظ پناہ گاہ کی تلاش کے سبب قرضہ جات اور لیکویٹی مارکیٹ سے غیر ملکی پورٹ فولیو کے بیرونی بہاؤ کی وجہ سے اثاثہ جات کا روپے پر دباؤ برقرار رہا، جو امریکی ڈالر کے مقابلے میں دسمبر 19 کی سطح سے 9% کمزور پڑ گیا۔

مالی سال 20 کے 9 ماہ میں GDP کا مالی خسارہ 3.8% تھا جو مالی سال 19 کی اسی مدت کے لیے 5.0% تھا۔ بنیادی بیلنس IMF کے ہدف 0.6% کے مقابلے میں 0.4% کا سرپلس تھا۔ نان ٹیکس محصولات تیز روی کی مدد سے کل محصولات میں 31% اضافہ ہوا، جبکہ کل اخراجات کی نمو 16% پر رہی، اس کے باوجود کہ مارک اپ کی ادائیگی میں 29% اضافہ کیا گیا۔ محصولات اور اخراجات دونوں پر COVID کے اثرات پہلے ہی محسوس ہونا شروع ہو گئے ہیں۔ حکومتی سماجی حفاظتی اخراجات مالی سال 20 کی دوسری سہ ماہی میں 14 ارب روپے تک پہنچ گئے ہیں جو گزشتہ سہ ماہی میں 1 ارب روپے سے کم تھے؛ اور بنیادی سرپلس خسارے تک پہنچ چکا ہے۔ مالی سال 20 کا مالی خسارہ 9.0% تک جانے کی توقع ہے۔

وبا کے آغاز سے ہی لیکویٹی مارکیٹ سست رہی، مارچ کے اختتام تک غیر ملکی پورٹ فولیو کے بیرونی بہاؤ میں اضافے کے سبب کثیر سالہ گراؤ کی سطح کو چھوٹی رہی۔ وائرس پھیلنے کے خوف، اقتصادی واپسیوں کے وقت اور نوعیت کے حوالے سے غیر یقینی اور کارپوریٹ آمدن میں کمی سے عدم دلچسپی برقرار رہی۔ منافع کی شرح میں تیز اور شدید کٹوتی اور حکومت کی جانب سے ریلیف کے اقدامات کے اعلان کے بعد SBP کو بحالی کے نتائج حاصل ہوئے، حالانکہ جون 2020ء کے اختتام تک PSX انڈیکس دسمبر 2019ء سے ہنوز 15% نیچے رہا۔

معیشت کو کاندھا دینے کے لیے وفاقی حکومت اور SBP نے کئی اقدامات کیے، جس میں برآمدی شعبے اور کم آمدنی والے گروہوں کی مالی امداد، رینل سیکٹر شعبے کی امداد اور روزگار کی فراہمی کے لیے تعمیراتی شعبے میں ترغیبی پیکیج، اور کمزور شعبہ جات کے بنیادی قرض اور مارک اپ کی ادائیگی میں مہلت شامل ہیں۔ SBP نے پہلے سے اعلان کردہ ریلیف کے اقدامات کے دائرہ کار میں توسیع کر دی ہے، بالخصوص، روزگاری فنانس اسکیم کی مدت اور رسک شیئرنگ کے انتظامات میں، تاکہ تنخواہ اور اجرت کی ادائیگی یقینی بنائی جاسکے۔

SBP نے معیشت کو سہارا دینے کے لیے انتہائی مضبوط و سازگار مانیٹری پالیسی اختیار کی ہے اور اپنی پالیسی کی شرح میں مالی سال 20 کی دوسری سہ ماہی میں مزید 400 بی پی ایس کی تیز تر کمی کر کے 7% تک کر دی ہے۔ 2020 میں پالیسی کی شرح کی مجموعی کٹوتی اب 625 بی پی ایس ہے۔ اپریل اور جون میں آف سائیکل کمی کے بعد SBP واضح طور پر دو ماہی پالیسی اسٹیٹمنٹ سے ہٹ گیا ہے تاکہ شرح میں کمی سے قرض داروں تک پہنچنے میں تاخیر نہ ہو۔ SBP نے اسے افراط زر کے بہتر منظر نامے مگر نمو کو درپیش بڑھتے ہوئے زوال پذیر خطرات کے ساتھ اجاگر کیا ہے، چنانچہ نمو اور روزگار کو ترجیح پر رکھا گیا ہے۔ مجموعی اقتصادی سرگرمیوں میں سست روی نے نجی شعبے میں قرض کی طلب کو محدود کر دیا ہے۔ سال 2020ء کی پہلی ششماہی میں بینکاری کے شعبے کے قرضہ جات میں معمولی 0.1% اضافہ ہوا ہے جبکہ دسمبر 19 سے ڈپازٹس 11% بڑھے ہیں۔ سال 2020ء کے پہلے 5 ماہ میں سال 2019ء کی اسی مدت کی نسبت صنعتی اسپرڈ 18 بی پی ایس کم ہو گیا کیونکہ قرض کی پیداوار میں اضافے کے مقابلے میں ڈپازٹ کی لاگت زیادہ تھی۔

کی اپنی 2.1% پیشگوئی سے کم ہے۔ جو اقتصادی سرگرمی کے معمول پر آنے کی پہلے کی پیشگوئی ہے۔ اب جبکہ پاکستان میں نئے انفلکشن کی تعداد کم ہو رہی ہے، یہ علامات قبل از وقت ہیں اور ارتقاء کا انحصار حکومت کے مستقبل میں صورتحال کو قابو میں رکھنے کے انداز پر ہوگا۔ خصوصاً، پچھلی عید پر تیزی سے ابھرنے والی وبائی صورتحال کو دوبارہ ہونے سے روکنا اہم ہوگا، لیکن طویل عرصے تک 'اسمارٹ لاک ڈاؤن' معاشی بحالی کے لیے بھی ایک چیلنج ہوگا۔ مالی سال 21 میں افراط زر میں کمی سے 7% سے بھی کم مہنگائی کا امکان ہے۔ اسٹیٹ بینک نے حقیقی منافع کی شرح صفر کے برابر رکھنے کا ارادہ کیا ہے۔ طلب کی بحالی کی معاونت کے لیے زری پالیسی مستقبل کے تصور کے مطابق چلکدار رہے گی۔

اس دبانے ڈیجیٹل ٹرانسفریشن کی رفتار تیز کرتے ہوئے ٹیکنالوجی کو اپنانے میں نمایاں کردار ادا کیا ہے کیونکہ دنیا ایک مستقبل کے تصور میں باہمی بقا کی جانب گامزن ہے۔ بینکنگ لائسنس والی ٹیکنالوجی کمپنی کی حیثیت سے HBL میں، ہم اسے ڈیجیٹل دنیا میں اپنی قیادت کو مزید مستحکم کرنے کے موقع کے طور پر دیکھتے ہیں اور اپنی منتقلی کے اگلے مرحلے کو تیز تر بنارہے ہیں۔

HBL خصوصاً ان مشکل وقتوں میں اپنے کسٹمرز اور ملک کے لیے اپنی ذمہ داری سے بخوبی آگاہ ہے۔ اسے ذہن نشین رکھتے ہوئے، بینک پبلک پرائیویٹ پارٹنرشپ کے ایک نئے دور میں داخل ہو چکا ہے جہاں وہ بینکاری اور وسیع تر معیشت دونوں کا احاطہ کرنے والے شعبوں میں پروجیکٹ ماہرانہ قیادت فراہم کر رہا ہے۔ ہم شکر گزار ہیں اور ہمیں فخر ہے کہ ہم پاکستان کی تاریخ کے سب سے بڑے سماجی حفاظتی نیٹ، احساس ایمرجنسی کیش پروگرام کی سندھ، پنجاب اور بلوچستان میں فراہمی کے لیے حکومت کی کاوشوں کی رہبری کرتے ہوئے، آج تک 1 کروڑ 10 لاکھ مستحقین کو 168 ارب روپے تقسیم کر چکے ہیں۔ HBL بالخصوص روزگار اسکیم میں SBP کے ذریعے دستیاب لیکویڈیٹی اور فنڈنگ امداد استعمال کرنے میں ایک سرکردہ کھلاڑی رہا ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ کارکنوں کو اس سنگین صورتحال میں ادائیگی کے ساتھ ساتھ COVID کا مقابلہ کرنے والے صحت کی دیکھ بھال کے شعبے کی بھی مالی اعانت کی جائے۔

HBL نے پاکستان کے قومی ادارے کی حیثیت سے اپنا کردار نبھاتے ہوئے متعدد ترقیاتی مالیاتی اقدامات بھی کیے ہیں۔ بینک نے زرعی ان پٹ فراہم کنندگان کے ساتھ شراکت کی ہے تاکہ ملکی کے کاشتکاروں کو فصلوں کی پیداوار بہتر بنانے میں مدد کے لیے آسانی سے قرض فراہم کیا جاسکے۔ جسے اب دوسری فصلوں کے لیے بھی فراہم کیا جا رہا ہے۔ HBL نے سستی رہائش فراہم کرنے کے لیے NAPHDA کے ساتھ بھی شراکت کی ہے، جو ایک ہمیشہ سے پسماندہ علاقے کے لیے ہے، اور 'دراز' کے ساتھ SMEs کی ترقی میں اضافے کے لیے انہیں ای کامرس پلیٹ فارم فراہم کرے گا۔ HBL کی تازہ ترین پیش رفت کے طور پر پاکستان پوسٹ کے ساتھ 20 سالہ منصوبہ بندی اتحاد کیا گیا ہے جس کے ذریعے ڈیجیٹل ٹیکنالوجی کا فائدہ اٹھا کر مزید مالیاتی شمولیت کے ساتھ اس کو جدید لاجسٹک کمپنی میں تبدیل کیا جائے گا۔ HBL اسی طرح کے اقدامات جاری رکھے گا اور ملکی ترقی میں قائدانہ کردار ادا کرتا رہے گا۔

منافع منقسمہ

اسٹیٹ بینک برائے پاکستان کے لیٹر نمبر 2/20-15/0063 BPRD/BA & CPD کے ہدایات کے مطابق بورڈ آف ڈائریکٹرز نے 24 جولائی 2020ء کو منعقد ہونے والے اجلاس میں 30 جون 2020ء کو اختتام پذیر ہونے والی سہ ماہی کے لیے کسی عبوری نقد منافع منقسمہ کا اعلان نہیں کیا۔

اظہار تشکر

بورڈ اور انتظامیہ کی جانب سے ہم اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص اسٹیٹ بینک آف پاکستان، وزارت مالیات اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی کاوشوں کا اعتراف کرتے ہیں۔ اس غیر معمولی وقت میں، انھوں نے ایسی پالیسیاں بنائیں اور اقدامات کیے جو مصلحت اندیش، اور متوازن ہیں، معیشت، کسٹمرز اور پاکستان کے عوام کی حفاظت کرتے ہیں، اور بینکنگ اور فنانشل سروسز انڈسٹری کی سالمیت اور بہتری کا تحفظ بھی کرتے ہیں۔

ہم اپنے صارفین کے احسان مند ہیں جن میں سے کئی نسلوں سے ہمارے ساتھ منسلک ہیں اور اپنے کاروبار اور اعتماد کے ذریعے اپنا بھرپور تعاون رکھے ہوئے ہیں۔ ہمارے حصص یافتگان نے ثابت قدمی سے ہمارا ساتھ دیا اور اس کے ساتھ تمام اسٹیک ہولڈرز کے ہم انتہائی شکر گزار ہیں۔ بورڈ اور انتظامیہ گورننس کے اعلیٰ ترین معیارات برقرار رکھنے کے لیے پرعزم ہے اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ اس خطے میں ہم اپنی کاروباری صنعت میں عروج پر ہوں گے۔

آخر میں، ہم اپنے تمام ملازمین اور ان کے اہل خانہ، بالخصوص کسٹمرز کا سامنا کرنے والے یونٹس اور ہماری 1400 سے زائد فعال برانچوں میں موجود عملے کے شکر گزار ہیں، جنھوں نے ان خطرناک حالات میں بہادری کا مظاہرہ کرتے ہوئے بحران کے اس وقت میں ہمارے کسٹمرز کی بنیادی ضروریات کا پورا ہونا یقینی بنایا۔ یہ ہمارے ہیرو اور ہیروئن ہیں اور ہم ان کے عزم اور انتھک محنت کے لیے انھیں خراج تحسین پیش کرتے ہیں۔

منجانب بورڈ

معیز احمد جمال
ڈائریکٹر

محمد اورنگزیب
صدر اور چیف ایگزیکٹو آفیسر

24 جولائی 2020ء

ذخائر میں اتار چڑھاؤ

ملین روپے

114,550
15,143
(108)
3
24
15,062
129,612

افتتاحی غیر تخصیص شدہ منافع

بینک ایکویٹی کے حامل افراد کے لیے قابل ادائیگی منافع

سبڈری پر شناخت کردہ موخر ٹیکس اثاثہ جات

ایسوسی ایٹ کی ذمہ داریوں کی وضاحت شدہ منفعت پر منافع کے دوبارہ پیمائش کا حصہ - خالص

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

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ - حتمی 2019ء

نقد منافع منقسمہ - پہلا عبوری 2020ء

اختتامی غیر تخصیص شده منافع

فی حصص (شیئر) آمدنی (روپے)

سرمائے کا تناسب

موجودہ بحران کے جواب میں سال 20 کی پہلی سہ ماہی میں SBP نے بینکاری شعبے کی معاونت میں کیپٹل کنزرویشن بفر (Capital Conservation Buffer) کی شرائط میں 2.5% سے 1.5% تک، 100 بی پی پلس کی کمی کر دی۔ اس سے تینوں Tiers، یعنی Tier 1 (CET1)، CAR Common Equity Tier 1 اور کل CAR کے سرمائے کی شرائط میں 1% تک کمی آئی۔

مستحکم منفعت کے سبب تمام Tiers میں بینک کا CAR مضبوط رہا، مجموعی CET 1 CAR مارچ 2020ء سے 11.2% بڑھ کر جون 2020ء میں 12% ہو گیا اور Tier I CAR میں اس مدت میں 12.2% سے 13.0% بہتری آئی۔ CET 1 CAR کے ہیڈ روم میں کم از کم سطح سے 32 بی پی بیلس اضافہ ہوا جس کے نتیجے میں Tier II سرمایہ اہل ہو گیا۔ بینک کا مجموعی کل CAR مارچ 2020ء کے 15.4% سے بڑھ کر جون 2020ء میں 16.5% ہو گیا۔ HBL کا سرمایہ اور اس سے متعلقہ تناسب ریگولیٹری شرائط سے بالاتر رہے۔

کریڈٹ ریٹنگ

بینک کی کریڈٹ ریٹنگ کی دوبارہ تصدیق JCR-VIS کے ذریعے بالترتیب طویل المیعاد اور قلیل المیعاد کے لیے A-1/AAA+ ہوئی۔ Tier II TFC کے ماتحت قرضوں کی ریٹنگ بدستور AAA ہے جبکہ بینک کے Additional Tier I سرمائے کے TFCs کو ستمبر 2019ء کے مطابق AA+ ریٹنگ دی گئی ہے۔ تمام ریڈنگز کا آؤٹ لک مستحکم ہے۔ اس ریٹنگ نے بینک کی پاکستان کے سب سے بڑے کمرشل بینک کی حیثیت مستحکم کر دی اور مقامی کاروبار میں اس کی بھرپور رفتار، اس کے بانیسار اثاثوں کا معیار، مضبوط لیکویڈیٹی اور انتظامی اہمیت اس کے عکاس ہیں۔

مستقبل کی صورت حال

دنیا بھر میں COVID-19 وبا ابھی بھی قابو میں نہیں آئی جیسا کہ بہت سے ممالک میں بڑھتے ہوئے کیسوں سے اس کی عکاسی ہوتی ہے اور اس نے ممکنہ طور پر دنیا کو ہمیشہ کے لیے تبدیل کر دیا ہے۔ اس نے معاشی بحالی کے لیے غیر معمولی چیلنجز عائد کر دیے ہیں جس کے ساتھ IMF عالمی نمو کی پیش گوئی کو گھٹا کر 4.9% کر رہا ہے۔ اس سست روی نے صنعتی سرگرمیوں، برآمدات کے آرڈرز اور ریشیل کے شعبے میں کمی کے ساتھ پاکستان کی معیشت کو بھی متاثر کیا ہے اور سرمائے کے بہاؤ کو بھی زیر دباؤ کیا ہے۔ توقع کی جاتی ہے کہ بیرونی ممالک سے غیر ملکی کارکنوں کی وطن واپسی کے ساتھ ساتھ تیل کی طلب اور قیمت میں کمی کی وجہ سے GCC کی معیشت بھی مسلسل متاثر ہوگی کیونکہ ترسیلات زر کم ہو جائیں گی۔

IMF توقع کرتا ہے کہ عالمی سرگرمی 2021ء میں بتدریج رفتار پکڑے گی اور مالی سال 2021ء میں پاکستان کی معیشت میں 1% بحالی نظر آئے گی جو حکومت

Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2020

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
ASSETS			
Cash and balances with treasury banks	5	335,952,514	367,593,717
Balances with other banks	6	61,743,122	41,248,554
Lendings to financial institutions	7	80,690,695	45,303,199
Investments	8	1,586,719,600	1,379,607,379
Advances	9	1,149,255,235	1,166,956,994
Fixed assets	10	81,041,392	80,462,410
Intangible assets	11	9,649,894	9,089,345
Deferred tax assets		-	-
Other assets	12	125,842,661	136,870,799
		3,430,895,113	3,227,132,397
LIABILITIES			
Bills payable	13	41,770,502	29,681,108
Borrowings	14	310,022,918	382,206,306
Deposits and other accounts	15	2,662,637,431	2,437,597,169
Liabilities against assets subject to finance lease		-	-
Subordinated debt	16	22,358,000	22,360,000
Deferred tax liabilities	17	15,862,497	6,189,687
Other liabilities	18	123,637,154	124,346,615
		3,176,288,502	3,002,380,885
NET ASSETS		254,606,611	224,751,512
REPRESENTED BY			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		71,500,807	66,260,511
Surplus on revaluation of assets - net of tax	19	39,622,150	24,875,383
Unappropriated profit		124,330,834	114,550,097
Total equity attributable to the equity holders of the Bank		250,122,316	220,354,516
Non-controlling interest		4,484,295	4,396,996
		254,606,611	224,751,512
CONTINGENCIES AND COMMITMENTS			
	20		

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Yahya Chinoy
Director

Salim Raza
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2020

	Note	January 01 to June 30, 2020	January 01 to June 30, 2019	April 01 to June 30, 2020	April 01 to June 30, 2019
(Rupees in '000)					
Mark-up / return / profit / interest earned	22	143,131,563	111,090,000	70,485,749	59,565,069
Mark-up / return / profit / interest expensed	23	80,056,387	63,386,612	35,424,033	35,219,469
Net mark-up / return / profit / interest income		63,075,176	47,703,388	35,061,716	24,345,600
Non mark-up / interest income					
Fee and commission income	24	8,899,718	10,677,330	4,169,171	5,344,997
Dividend income		196,897	314,461	117,378	213,650
Share of profit of associates and joint venture		1,227,025	1,328,379	971,676	437,131
Foreign exchange (loss) / income		(742,336)	(1,632,651)	451,432	(2,098,530)
Income / (loss) from derivatives		258,278	(1,023,516)	538,582	(1,208,032)
Gain / (loss) on securities - net	25	6,706,856	(2,113,615)	4,426,886	(1,726,987)
Other income	26	97,077	402,834	190,889	344,327
Total non mark-up / interest income		16,643,515	7,953,222	10,866,014	1,306,556
Total income		79,718,691	55,656,610	45,927,730	25,652,156
Non mark-up / interest expenses					
Operating expenses	27	47,672,039	44,968,345	22,032,846	23,527,546
Workers' Welfare Fund - charge		516,746	202,309	355,227	41,114
Other charges	28	232,608	81,279	410	30,627
Total non mark-up / interest expenses		48,421,393	45,251,933	22,388,483	23,599,287
Profit before provisions and taxation		31,297,298	10,404,677	23,539,247	2,052,869
Provisions and write offs - net	29	5,467,852	510,925	4,842,579	593,896
Profit before taxation		25,829,446	9,893,752	18,696,668	1,458,973
Taxation	30	10,640,834	5,966,450	7,616,158	709,224
Profit after taxation		15,188,612	3,927,302	11,080,510	749,749
Attributable to:					
Equity holders of the Bank		15,143,498	3,705,927	11,047,353	651,693
Non-controlling interest		45,114	221,375	33,157	98,056
		15,188,612	3,927,302	11,080,510	749,749
----- (Rupees) -----					
Basic and diluted earnings per share	31	10.32	2.53	7.53	0.44

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Yahya Chinoy
Director

Salim Raza
Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2020

	January 01 to June 30, 2020	January 01 to June 30, 2019	April 01 to June 30, 2020	April 01 to June 30, 2019
	(Rupees in '000)			
Profit after taxation for the period attributable to:				
Equity holders of the Bank	15,143,498	3,705,927	11,047,353	651,693
Non-controlling interest	45,114	221,375	33,157	98,056
	15,188,612	3,927,302	11,080,510	749,749
Other comprehensive income / (loss)				
<i>Items that may be reclassified to the profit and loss account in subsequent periods:</i>				
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax, attributable to:				
Equity holders of the Bank	3,584,096	8,269,009	413,048	6,971,277
Non-controlling interest	17,046	163,222	5,269	121,862
	3,601,142	8,432,231	418,317	7,093,139
(Decrease) / increase in share of exchange translation reserve of associates - net of tax	(26,464)	22,396	58,466	(16,560)
Movement in surplus / deficit on revaluation of investments - net of tax, attributable to:				
Equity holders of the Bank	14,905,012	2,089,913	9,155,705	(168,668)
Non-controlling interest	25,421	42,232	46,522	10,591
	14,930,433	2,132,145	9,202,227	(158,077)
Movement in share of surplus / deficit on revaluation of investments of associates - net of tax	(134,168)	(141,072)	(40,585)	(38,633)
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods:</i>				
Share of remeasurement gain / (loss) on defined benefit obligations of associates - net of tax	2,644	(2,109)	-	501
Movement in surplus / deficit on revaluation of fixed assets - net of tax, attributable to:				
Equity holders of the Bank	-	(128,422)	-	(128,422)
Non-controlling interest	-	(171)	-	(171)
	-	(128,593)	-	(128,593)
Movement in share of surplus / deficit on revaluation of fixed assets of associates - net of tax	-	1,246	-	4,044
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	-	-	-	-
Total comprehensive income	33,562,199	14,243,546	20,718,935	7,505,570
Total comprehensive income attributable to:				
Equity holders of the Bank	33,474,618	13,816,888	20,633,987	7,275,232
Non-controlling interest	87,581	426,658	84,948	230,338
	33,562,199	14,243,546	20,718,935	7,505,570

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Yahya Chinoy
Director

Salim Raza
Director

Condensed Interim Consolidated Statement of Changes In Equity (Unaudited)

For the six months ended June 30, 2020

	Attributable to shareholders of the Bank											Non-controlling interest	Total
	Share capital	Exchange translation reserve	Reserves		Capital		Revenue		Surplus / (deficit) on revaluation of		Sub Total		
			Joint venture and subsidiary	Bank	Non-distributable capital reserve	Capital reserve on acquisition of common control entity	General reserve	Unappropriated profit	Investments	Fixed / Non-banking assets			
(Rupees in '000)													
Balance as at December 31, 2018	14,668,525	25,005,594	1,007,988	31,957,440	547,115	(156,706)	6,073,812	101,606,320	(7,326,886)	21,858,529	195,241,731	4,010,480	199,252,211
Comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	3,705,927	-	-	3,705,927	221,375	3,927,302
Profit after taxation for the six months ended June 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	-	8,269,009	-	-	-	-	-	-	-	-	8,269,009	163,222	8,432,231
Increase in share of exchange translation reserve of associates - net of tax	-	22,396	-	-	-	-	-	-	-	-	22,396	-	22,396
Share of remeasurement loss on defined benefit obligations of associates - net of tax	-	-	-	-	-	-	-	(2,109)	-	-	(2,109)	-	(2,109)
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	2,089,913	(128,422)	1,961,491	42,061	2,003,552
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	-	(141,072)	1,246	(139,826)	-	(139,826)
Transferred to statutory reserves	-	8,291,405	-	-	-	-	-	3,703,818	1,948,841	(127,176)	13,816,888	426,658	14,243,546
Transferred to unappropriated profit	-	-	136,619	447,493	-	-	(6,073,812)	6,073,812	-	-	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	239,176	-	(238,894)	282	(282)	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend - Rs 1.25 per share declared subsequent to the year ended December 31, 2018	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
1st interim cash dividend - Rs 1.25 per share	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
Exchange gain realised on closure of Bank branch - net of tax	-	(99,471)	-	-	-	-	-	(3,667,130)	-	-	(3,667,130)	-	(3,667,130)
Balance as at June 30, 2019	14,668,525	33,197,528	1,144,607	32,404,933	547,115	(156,706)	-	107,371,884	(5,378,045)	21,492,459	205,292,300	4,436,856	209,729,156
Comprehensive income for the six months ended December 31, 2019	-	-	-	-	-	-	-	11,626,865	-	-	11,626,865	(54,372)	11,572,493
Profit after taxation for the six months ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	-	(2,117,096)	-	-	-	-	-	-	-	-	(2,117,096)	5,639	(2,111,457)
Increase in share of exchange translation reserve of associates - net of tax	-	86,598	-	-	-	-	-	-	-	-	86,598	-	86,598
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	-	-	87,715	-	-	87,715	5,255	92,970
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	9,096,233	35,000	9,131,233	3,900	9,135,133
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	-	(188,038)	(7,030)	(195,068)	-	(195,068)
Transferred to statutory reserves	-	(2,030,498)	-	-	-	-	-	11,714,580	8,908,195	27,970	18,620,247	(39,578)	18,580,669
Transferred from surplus on revaluation of assets - net of tax	-	-	94,606	1,058,926	-	-	-	(1,153,532)	-	-	-	-	-
Deferred tax asset recognised on subsidiary under liquidation	-	-	-	-	-	-	-	175,478	-	(175,196)	282	(282)	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	108,817	-	-	108,817	-	108,817
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
2nd interim cash dividend - Rs 1.25 per share	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
3rd interim cash dividend - Rs 1.25 per share	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
Exchange gain realised on closure of Bank branch - net of tax	-	-	-	-	-	-	-	(3,667,130)	-	-	(3,667,130)	-	(3,667,130)
Balance as at December 31, 2019	14,668,525	31,167,030	1,239,213	33,463,859	547,115	(156,706)	-	114,550,097	3,530,150	21,345,233	220,354,516	4,396,996	224,751,512
Comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	-	15,143,498	-	-	15,143,498	45,114	15,188,612
Profit after taxation for the six months ended June 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	-	3,584,096	-	-	-	-	-	-	-	-	3,584,096	17,046	3,601,142
Decrease in share of exchange translation reserve of associates - net of tax	-	(26,464)	-	-	-	-	-	-	-	-	(26,464)	-	(26,464)
Share of remeasurement gain on defined benefit obligations of associates - net of tax	-	-	-	-	-	-	-	2,644	-	-	2,644	-	2,644
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	14,905,012	-	14,905,012	25,421	14,930,433
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	-	(134,168)	-	(134,168)	-	(134,168)
Transferred to statutory reserves	-	3,557,632	-	-	-	-	-	15,146,142	14,770,844	-	33,474,618	87,581	33,562,199
Exchange gain realised on capital reduction in subsidiary - net of tax	-	(1,082,350)	121,339	1,492,478	-	-	-	(1,613,817)	-	-	-	-	-
Exchange loss realised on closure of Bank branch - net of tax	-	1,151,197	-	-	-	-	-	-	-	-	1,151,197	-	1,151,197
Reversal of deferred tax asset recognised on subsidiary	-	-	-	-	-	-	-	(108,817)	-	-	(108,817)	-	(108,817)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	24,359	-	(24,077)	282	(282)	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend - Rs 1.25 per share declared subsequent to the year ended December 31, 2019	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
1st interim cash dividend - Rs 1.25 per share	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
Exchange gain realised on closure of Bank branch - net of tax	-	-	-	-	-	-	-	(3,667,130)	-	-	(3,667,130)	-	(3,667,130)
Balance as at June 30, 2020	14,668,525	34,793,509	1,360,552	34,956,337	547,115	(156,706)	-	124,330,834	18,300,994	21,321,156	250,122,316	4,484,295	254,606,611

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Yahya Chinoy
Director

Salim Raza
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2020

January 01 to
June 30, 2020
(Rupees in '000)

January 01 to
June 30, 2019
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation

Dividend income

Share of profit of associates and joint venture

Adjustments:

Depreciation

Depreciation on right-of-use assets

Amortisation

Mark-up / return / profit / interest expensed on lease liability against right-of-use assets

Provision for diminution in value of investments

Provision against loans and advances

Provision against other assets

Provision / (reversal) against off-balance sheet obligations

Unrealised (gain) / loss on held-for-trading securities

Exchange gain on goodwill

Exchange loss / (gain) realised on closure of Bank branch - net of tax

Exchange gain realised on reduction in capital of subsidiary - net of tax

Gain on sale of fixed assets - net

Workers' Welfare Fund - charge

(Increase) / decrease in operating assets

Lendings to financial institutions

Held-for-trading securities

Advances

Other assets (excluding advance taxation)

Increase / (decrease) in operating liabilities

Bills payable

Borrowings from financial institutions

Deposits and other accounts

Other liabilities

Income tax paid

Net cash flows generated from / (used in) operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Net investment in available-for-sale securities

Net investment in held-to-maturity securities

Net investment in associates

Dividend received

Investments in fixed assets

Investments in intangible assets

Proceeds from sale of fixed assets

Effect of translation of net investment in foreign branches, subsidiaries,
joint venture and associates - net of tax

Net cash flows (used in) / generated from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Effect of translation of net investment by non-controlling interest in subsidiary

Repayment of subordinated debt

Proceeds from issuance of subordinated debt

Payment of lease liability against right-of-use assets

Dividend paid

Net cash flows (used in) / generated from financing activities

(Decrease) / Increase in cash and cash equivalents during the period

Cash and cash equivalents at the beginning of the period

Effect of exchange rate changes on cash and cash equivalents

Cash and cash equivalents at the end of the period

25,829,446	9,893,752
(196,897)	(314,461)
(1,227,025)	(1,328,379)
(1,423,922)	(1,642,840)
24,405,524	8,250,912
2,906,716	2,500,872
1,912,902	1,520,373
362,273	228,542
1,084,498	569,375
580,563	279,592
4,993,601	536,920
111,638	42,338
16,045	(98,032)
(126,403)	11,282
(37,692)	(322,299)
1,151,197	(99,471)
(1,082,350)	-
(2,457)	(56,970)
516,746	202,309
12,387,277	5,314,831
36,792,801	13,565,743
(35,387,496)	(19,367,677)
155,566,807	(138,606,855)
12,708,158	(55,617,731)
4,307,090	(24,668,764)
137,194,559	(238,261,027)
12,089,394	(3,691,971)
(72,183,388)	(32,571,140)
225,040,262	167,333,780
(2,726,267)	7,030,309
162,220,001	138,100,978
336,207,361	(86,594,306)
(4,533,179)	(1,588,541)
331,674,182	(88,182,847)
(347,661,481)	376,852,279
9,712,681	(196,372,951)
341,043	406,627
190,095	153,882
(3,061,647)	(3,216,337)
(885,130)	(662,804)
14,567	352,866
3,557,632	8,291,405
(337,792,240)	185,804,967
17,046	163,222
(2,000)	(2,000)
-	8,428,000
(2,222,894)	(2,723,624)
(2,820,729)	(3,156,035)
(5,028,577)	2,709,563
(11,146,635)	100,331,683
401,791,523	305,933,454
7,050,748	16,169,256
408,842,271	322,102,710
397,695,636	422,434,393

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Yahya Chinoy
Director

Salim Raza
Director

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

1 THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding company

- Habib Bank Limited, Pakistan

Subsidiaries

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

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I. I. Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,668 (2019: 1,667) branches inside Pakistan including 48 (2019: 48) Islamic Banking Branches and 44 (2019: 45) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development S.A. (AKFED) is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 Habib Finance International Limited has voluntarily surrendered its license and filed for voluntary liquidation which has commenced on July 7, 2020. During the period, as part of a capital reduction plan prior to final liquidation, capital amounting to Rs 3,021.200 million was repatriated to Pakistan.
- 1.2 The Bank had commenced an orderly winding down of its operations in Afghanistan and banking operations were ceased on June 10, 2019. The remaining formalities required for closure are now in progress.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

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

2.3 Amendments to existing accounting and reporting standards that have become effective in the current period.

There are certain amendments to existing accounting and reporting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2020. These are considered either to not be relevant or to not have any significant impact on these condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

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

IFRS 9 has been applicable in several overseas jurisdictions from January 1, 2018 and is progressively being adopted in others. The requirements of this standard are incorporated in the Bank's financial statements for the jurisdictions where IFRS 9 has been adopted. As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

2.5 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2019 except as disclosed below.

Till December 31, 2019, the Group was maintaining general provision against its domestic portfolio of loans and advances in accordance with the Prudential Regulations which require a general provision only against the consumer finance and microfinance portfolios. In the current period, the Group has also made general provision against its remaining domestic portfolio of loans and advances and additional general provision against its microfinance advances portfolio as more fully explained in note 4.1 to these condensed interim consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2019.

4 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2019. These risk management policies continue to remain robust and the Bank is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points since the beginning of the year, to 7% in June 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 will impact banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

4.1 Credit Risk Management

The Risk Management function of the Group is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Group has further strengthened its credit review procedures in the light of COVID-19 and is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

The Group expects that several borrowers will be severely impacted by this pandemic. Since many of such borrowers have availed the SBP enabled deferment / restructuring & rescheduling relief, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Hence, management feels that it is appropriate to maintain a general provision upto 1% on the domestic, funded performing credit portfolio excluding:

- Government guaranteed exposure
- Consumer and staff lending
- Exposure secured by cash / near cash collateral

Further, Group also maintains additional general provision of 0.75% on microfinance advances portfolio net of specific provision and excluding the loans secured against gold or other collateral with appropriate margin.

This provision is based on management's best estimate and, in the current period, a provision of Rs 2,453.149 million has been recognised in the profit and loss account.

IFRS 9 is applicable to the overseas branches of the Bank and requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. The Bank has reviewed the potential impact of the COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in ECL estimates. The Bank is assessing the situation as it develops and is in the process of accounting for the same in its ECL estimates.

4.2 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and markup and rescheduling of loans there will be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

4.3 Equity Risk Management

The carrying value of the Bank's investment in listed equity securities classified as available-for-sale, amounts to Rs 5.172 billion as at June 30, 2020. During the period, the Pakistan Stock Exchange index has fallen by 15.50%, triggering an impairment of Rs 499.629 million. The Bank has only recorded an impairment of Rs 328.079 million in the condensed interim consolidated financial statements of the current period, and has deferred the recognition of the remaining impairment which will be recognised on a quarterly basis till December 31, 2020, as allowed by the SBP.

4.4 Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure the safety and security of Bank staff and uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring of cybersecurity risk during these times. Remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels as well as enhancing customer awareness pertaining to online fraud risks. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Bank continues to meet the expectations of its employees and customers.

4.5 Capital Adequacy Ratio (CAR)

In order to encourage banks to continue lending despite anticipated pressure on profits and credit risk, the SBP has relaxed the Capital Conversion Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements for all Tiers.

4.6 Suspension of Cash Dividends

The SBP through its Circular Letter No. BPRD/BA & CPD/006315-2/20 dated April 22, 2020 has advised that banks which had declared dividend for the quarter ended March 31, 2020 should suspend cash dividend distribution for the next two quarters.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

		(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
5	CASH AND BALANCES WITH TREASURY BANKS		
	In hand		
	Local currency	46,310,667	32,439,852
	Foreign currencies	12,514,044	4,494,979
		<u>58,824,711</u>	<u>36,934,831</u>
	With State Bank of Pakistan in		
	Local currency current accounts	125,142,610	124,839,494
	Foreign currency current accounts	7,319,360	6,497,792
	Foreign currency deposit accounts	14,674,898	19,321,075
		<u>147,136,868</u>	<u>150,658,361</u>
	With other Central Banks in		
	Foreign currency current accounts	44,770,844	62,151,099
	Foreign currency deposit accounts	7,705,563	16,988,678
		<u>52,476,407</u>	<u>79,139,777</u>
	With National Bank of Pakistan in		
	Local currency current accounts	76,903,549	99,821,234
	Local currency deposit account	547,687	451,515
		<u>77,451,236</u>	<u>100,272,749</u>
	National Prize Bonds	63,292	587,999
		<u>335,952,514</u>	<u>367,593,717</u>
6	BALANCES WITH OTHER BANKS		
	In Pakistan		
	In current accounts	1,349,740	190,077
	In deposit accounts	2,959,789	2,907,156
		<u>4,309,529</u>	<u>3,097,233</u>
	Outside Pakistan		
	In current accounts	25,047,384	19,623,240
	In deposit accounts	32,386,209	18,528,081
		<u>57,433,593</u>	<u>38,151,321</u>
		<u>61,743,122</u>	<u>41,248,554</u>
7	LENDINGS TO FINANCIAL INSTITUTIONS		
	Call money lendings	5,150,000	300,000
	Repurchase agreement lendings (reverse repo)	67,190,963	24,514,015
	Bai Muajjal receivables		
	- with State Bank of Pakistan	5,257,577	20,489,184
	- with other financial institutions	3,092,155	-
		<u>8,349,732</u>	<u>20,489,184</u>
		<u>80,690,695</u>	<u>45,303,199</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

8 INVESTMENTS

8

INVESTMENTS

Note

June 30, 2020 (Unaudited)

December 31, 2019 (Audited)

8.1

Investments by type

(Rupees in '000)

Held-for-trading (HFT) securities

Federal Government securities

- Market Treasury Bills

- Pakistan Investment Bonds

Shares

- Listed companies

Foreign securities

- Government debt securities

111,433,942

-

126,403

111,560,345

267,084,340

-

(83,591)

267,000,749

Available-for-sale (AFS) securities

Federal Government securities

- Market Treasury Bills

- Pakistan Investment Bonds

- Ijarah Sukuks

- Government of Pakistan US Dollar Bonds

Shares

- Listed companies

- Unlisted companies

Non-Government debt securities

- Listed

- Unlisted

Foreign securities

- Government debt securities

- Non-Government debt securities

- Listed

- Unlisted

- Equity securities - Unlisted

National Investment Trust units

Real Estate Investment Trust units

Preference shares

1,226,856,784

(6,144,263)

30,355,553

1,251,068,074

879,134,903

(5,499,116)

5,841,534

879,477,321

8.2

Held-to-maturity (HTM) securities

Federal Government securities

- Market Treasury Bills

- Pakistan Investment Bonds

- Other Federal Government securities

Non-Government debt securities

- Listed

- Unlisted

Foreign Securities

- Government debt securities

- Non-Government debt securities

- Listed

- Unlisted

193,060,419

(1,610)

-

193,058,809

202,773,100

(5,794)

-

202,767,306

Investments in associates and joint venture

31,253,380

-

(221,008)

31,032,372

30,363,064

-

(1,061)

30,362,003

Total Investments

1,562,604,525

(6,145,873)

30,260,948

1,586,719,600

1,379,355,407

(5,504,910)

5,756,882

1,379,607,379

(Unaudited) (Audited)
June 30, December 31,
2020 2019
(Rupees in '000)

8.1.1 Investments given as collateral

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

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds

113,031,261 128,024,805
2,066,496 71,061,088

Foreign securities

- Government debt securities

2,137,606 -
117,235,363 199,085,893

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

8.2 The market value of investments classified as held-to-maturity amounted to Rs 196,506.741 million as at June 30, 2020 (December 31, 2019: Rs 194,167.529 million).

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
8.3 Particulars of provision held against diminution in the value of investments		
Opening balance	5,504,910	4,866,232
Exchange adjustments	60,400	85,592
Charge / (reversal)		
Charge for the period / year	889,977	2,986,488
Reversal for the period / year	(299,973)	(64,476)
Reversal on disposal during the period / year	(9,441)	(2,368,926)
Net charge	580,563	553,086
Closing balance	6,145,873	5,504,910

8.4 Particulars of provision against debt securities

Category of classification	June 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Non Performing Investments	Provision	Non Performing Investments	Provision
Domestic				
Loss	270,877	270,877	270,877	270,877
Overseas				
Not past due but impaired	834,676	798,852	826,324	599,126
	1,105,553	1,069,729	1,097,201	870,003

8.4.1 In addition to the above, certain overseas branches hold a general provision of Rs 767.357 million (December 31, 2019: Rs 354.226 million) against investments in accordance with the requirements of IFRS 9.

9 ADVANCES	Note	Performing		Non - performing		Total	
		(Unaudited) June 30, 2020	(Audited) December 31, 2019	(Unaudited) June 30, 2020	(Audited) December 31, 2019	(Unaudited) June 30, 2020	(Audited) December 31, 2019
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		933,914,782	924,157,670	78,159,809	76,667,738	1,012,074,591	1,000,825,408
Islamic financing and related assets	36.3	130,872,368	153,061,117	307,036	258,381	131,179,404	153,319,498
Bills discounted and purchased		80,310,315	84,198,315	5,132,831	4,979,731	85,443,146	89,178,046
Advances - gross		1,145,097,465	1,161,417,102	83,599,676	81,905,850	1,228,697,141	1,243,322,952
Provision against advances							
- Specific		-	-	(72,739,710)	(72,634,967)	(72,739,710)	(72,634,967)
- General	9.3	(6,702,196)	(3,730,991)	-	-	(6,702,196)	(3,730,991)
		(6,702,196)	(3,730,991)	(72,739,710)	(72,634,967)	(79,441,906)	(76,365,958)
Advances - net of provision		1,138,395,269	1,157,686,111	10,859,966	9,270,883	1,149,255,235	1,166,956,994

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
9.1 Particulars of advances (Gross)		
In local currency	959,757,735	984,282,028
In foreign currencies	268,939,406	259,040,924
	1,228,697,141	1,243,322,952

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

- 9.2 Advances include Rs 83,599.676 million (December 31, 2019: Rs 81,905.850 million) which have been placed under non-performing status as detailed below:

Category of classification	(Unaudited) June 30, 2020		(Audited) December 31, 2019	
	Non-performing advances	Provision	Non-performing advances	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	1,165,081	-	934,211	-
Substandard	2,715,252	655,695	2,409,093	576,601
Doubtful	1,906,920	950,994	1,894,866	944,565
Loss	43,392,789	42,109,474	43,692,805	42,625,135
	49,180,042	43,716,163	48,930,975	44,146,301
Overseas				
Not past due but impaired	16,540	16,540	48,676	23,643
Overdue by:				
Upto 90 days	3,266,001	1,630,294	215,921	101,186
91 to 180 days	26,848	2,468	1,719,141	483,043
181 to 365 days	1,752,013	479,335	755,391	343,117
> 365 days	29,358,232	26,894,910	30,235,746	27,537,677
	34,419,634	29,023,547	32,974,875	28,488,666
Total	83,599,676	72,739,710	81,905,850	72,634,967

9.3 Particulars of provision against advances

Note	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	72,634,967	3,730,991	76,365,958	68,465,249	3,528,347	71,993,596
Exchange adjustment	2,150,058	133,619	2,283,677	3,108,243	183,081	3,291,324
Charge for the period / year	4,658,269	2,946,376	7,604,645	7,524,537	528,694	8,053,231
Reversal for the period / year	(2,502,254)	(108,790)	(2,611,044)	(4,256,484)	(420,648)	(4,677,132)
Net charge against advances	2,156,015	2,837,586	4,993,601	3,268,053	108,046	3,376,099
Charged off during the period / year - agriculture financing	(422,252)	-	(422,252)	(604,496)	-	(604,496)
Written off during the period / year	(3,779,078)	-	(3,779,078)	(1,602,082)	-	(1,602,082)
Other movements	-	-	-	-	(88,483)	(88,483)
Closing balance	72,739,710	6,702,196	79,441,906	72,634,967	3,730,991	76,365,958

- 9.4 General provision includes provision amounting to Rs 1,874.819 million (December 31, 2019: Rs 1,879.055 million) against consumer finance portfolio and Rs 337.712 million (December 31, 2019: Rs 306.257 million) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs 2,036.516 million (December 31, 2019: Rs 1,545.679 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.

- 9.5 General provision also includes Rs 2,453.149 million (December 31, 2019: Nil) as discussed in Note 4.1.

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

Note	(Unaudited) June 30, 2020	(Audited) December 31, 2019
	(Rupees in '000)	
10 FIXED ASSETS		
Capital work-in-progress	10.1	2,720,681
Property and equipment	10.2	78,320,711
		81,041,392
		80,462,410

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
10.1 Capital work-in-progress		
Civil works	472,237	464,028
Equipment	532,194	423,120
Advances to suppliers and contractors	1,716,250	1,034,441
	<u>2,720,681</u>	<u>1,921,589</u>
	(Unaudited) For the six months ended	
	June 30, 2020	June 30, 2019
	(Rupees in '000)	
10.2 Additions to fixed assets		
The following additions have been made to fixed assets during the period:		
<i>Capital work-in-progress - net</i>	799,092	(232,437)
<i>Property and equipment</i>		
Leasehold land	464,070	-
Building on leasehold land	292	46,680
Machinery	38,472	27,709
Leasehold improvements	488,443	676,626
Furniture and fixtures	267,584	290,810
Electrical, office and computer equipment	848,360	2,054,735
Vehicles	38,109	30,976
	<u>2,145,330</u>	<u>3,127,536</u>
Right-of-use assets - net	<u>3,165,982</u>	<u>226,222</u>
	<u>6,110,404</u>	<u>3,121,321</u>
10.3 Disposal of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:		
<i>Property and equipment</i>		
Building on leasehold land	-	285,114
Leasehold improvements	1,111	3,067
Furniture and fixtures	1,119	2,864
Electrical, office and computer equipment	9,848	4,143
Vehicles	32	708
	<u>12,110</u>	<u>295,896</u>
Derecognition of right-of-use assets on closure of a foreign branch	<u>865,423</u>	<u>-</u>
	<u>877,533</u>	<u>295,896</u>
	(Unaudited) June 30, 2020 (Rupees in '000)	
	June 30, 2020	December 31, 2019
	(Rupees in '000)	
11 INTANGIBLE ASSETS		
Capital work-in-progress - computer software	1,306,133	1,074,544
Intangible assets	8,343,761	8,014,801
	<u>9,649,894</u>	<u>9,089,345</u>
	(Unaudited) For the six months ended	
	June 30, 2020	June 30, 2019
	(Rupees in '000)	
11.1 Additions to intangible assets		
The following additions have been made to intangible assets during the period:		
Capital work-in-progress	231,589	249,180
Computer software	650,366	406,007
	<u>881,955</u>	<u>655,187</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
12 OTHER ASSETS			
Mark-up / return / profit / interest accrued in local currency		53,655,070	51,719,277
Mark-up / return / profit / interest accrued in foreign currency		3,587,704	3,002,765
Advances, deposits, advance rent and other prepayments		2,202,754	2,307,470
Advance taxation		21,728,151	28,059,796
Advance for subscription of securities		5,154,570	5,246,000
Stationery and stamps on hand		200,503	90,271
Accrued fees and commissions		409,215	720,819
Due from Government of Pakistan / SBP		2,125,835	1,547,851
Mark to market gain on forward foreign exchange contracts		8,670,138	6,707,335
Mark to market gain on derivative instruments		189,172	54,454
Non-banking assets acquired in satisfaction of claims		468,688	468,719
Receivable from defined benefit plan		-	24,419
Acceptances		21,467,018	23,750,896
Clearing and settlement accounts		4,940,162	12,636,565
Dividend receivable		6,802	-
Claims against fraud and forgeries		497,981	450,086
Others		986,793	741,768
		126,290,556	137,528,491
Provision held against other assets	12.1	(612,199)	(821,996)
Other assets - net of provision		125,678,357	136,706,495
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	164,304	164,304
Other assets - total		125,842,661	136,870,799
12.1 Provision held against other assets			
Non-banking assets acquired in satisfaction of claims		6,992	7,023
Claims against fraud and forgeries		497,981	450,086
Suit filed cases		5,119	323,759
Others		102,107	41,128
		612,199	821,996
12.1.1 Movement in provision against other assets			
Opening balance		821,996	923,201
Exchange adjustment		28,242	34,901
Charge for the period / year		112,228	139,759
Reversal for the period / year		(590)	(49,540)
Net charge		111,638	90,219
Written off during the period / year		(26,809)	(224,820)
Other movement		(322,868)	(1,505)
Closing balance		612,199	821,996
13 BILLS PAYABLE			
In Pakistan		40,546,265	28,425,034
Outside Pakistan		1,224,237	1,256,074
		41,770,502	29,681,108

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
14 BORROWINGS			
Secured			
Borrowings from the SBP under			
- Export refinance scheme		50,686,184	42,762,668
- Long term financing facility		23,560,203	18,474,945
- Financing facility for renewable energy power plants		954,832	831,448
- Refinance facility for modernization of Small and Medium Enterprises (SMEs)		36,039	28,743
- Refinance and credit guarantee scheme for women entrepreneurs		53,986	2,400
- Financing facility for storage of agricultural produce		128,712	104,167
- Refinance facility for working capital of SMEs		28,875	-
- Refinance scheme for payment of wages and salaries		4,900,820	-
		80,349,651	62,204,371
Repurchase agreement borrowings		116,114,103	197,503,793
		196,463,754	259,708,164
Unsecured			
- Call money borrowings		5,500,000	4,900,000
- Overdrawn nostro accounts		818,464	171,982
- Borrowings of overseas branches and subsidiaries		53,012,124	54,588,086
- Other long-term borrowings	14.1	54,228,576	62,838,074
		113,559,164	122,498,142
		310,022,918	382,206,306

14.1 This includes the following:

14.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2019: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5.00% is payable semi annually.

14.1.2 HBL has entered into a long-term financing facility arrangement of US\$ 300 million with China Development Bank, to be utilized for on-lending to projects of the Bank's customers. Under this facility, US\$ 153.750 million has been utilized by the Bank with the initial drawdown having occurred on January 31, 2019. Further drawdowns are permitted up to 4 years from the date of initial drawdown. The entire drawn amount is payable in semi-annual installments over a period of 10 years starting from January 31, 2023. Interest is being charged at a fixed spread over LIBOR and is payable semi-annually.

14.1.3 A mortgage refinancing facility from Pakistan Mortgage Refinance Company Limited (PMRC) amounting to Rs 200 million (December 31, 2019: Nil) on Musharakah basis for on-lending to customers. The amount is payable semi-annually from August 2020 to February 2023. The profit at 11.21% is payable semi-annually from August 2020.

A mortgage refinancing facility from PMRC amounting to Rs 300 million (December 31, 2019: Nil) on Musharakah basis for on-lending to customers in low and middle income groups. Any balance not disbursed to customers at the end of 1 year from initial disbursement (the pre-finance period) shall be repayable to PMRC in a bullet instalment. The remaining amount is payable semi-annually over a period equal to the weighted average tenor of mortgage loans to customers, up to a maximum of 25 years. Profit during the pre-finance period ranges from 10.00% to 11.00% and is payable semi-annually from August 2020. Profit post this period will be payable semi-annually at a rate to be determined based on an agreed formula including, inter alia, the amount of pre-finance facility utilized for further disbursements of mortgage loans to customers.

14.1.4 A loan from Allied Bank Limited to HBL Asset Management Limited amounting to Rs 1.8 billion (December 31, 2019: Rs 2 billion). The principal amount is payable in ten equal half yearly installments from June 2020 to December 2024. Interest at KIBOR + 0.75% is payable semi annually.

14.1.5 Mortgage refinancing facilities from PMRC utilised by First Microfinance Bank Limited amounting to Rs 883.206 million (December 31, 2019: Nil) to extend mortgage finance to low income groups. The principal amount is payable in twenty quarterly installments on dates ranging from June 2020 to March 2025 and September 2020 to June 2025. Interest at 7.14% on these facilities is payable quarterly on dates from March and June 2020.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

15 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	785,068,902	151,657,202	936,726,104	721,389,866	150,213,474	871,603,340
Savings deposits	965,062,230	92,563,758	1,057,625,988	913,501,109	92,981,084	1,006,482,193
Term deposits	295,458,543	168,291,464	463,750,007	272,716,595	144,891,926	417,608,521
	2,045,589,675	412,512,424	2,458,102,099	1,907,607,570	388,086,484	2,295,694,054
Financial institutions						
Current deposits	28,338,607	2,170,368	30,508,975	4,737,653	2,051,645	6,789,298
Savings deposits	165,730,853	32,167	165,763,020	129,386,923	18,008	129,404,931
Term deposits	6,501,893	1,761,444	8,263,337	4,796,630	912,256	5,708,886
	200,571,353	3,963,979	204,535,332	138,921,206	2,981,909	141,903,115
	<u>2,246,161,028</u>	<u>416,476,403</u>	<u>2,662,637,431</u>	<u>2,046,528,776</u>	<u>391,068,393</u>	<u>2,437,597,169</u>

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
16 SUBORDINATED DEBT			
Tier II Term Finance Certificates	16.1	9,984,000	9,986,000
Additional Tier I Term Finance Certificates	16.2	12,374,000	12,374,000
		<u>22,358,000</u>	<u>22,360,000</u>

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

Issue Date	February 19, 2016
Issue amount	Rs 10 billion
Rating	AAA (Triple A) [December 31, 2019: AAA (Triple A)]
Tenor	10 years from the Issue Date
Security	Unsecured and subordinated to all other indebtedness of the Bank including depositors and general creditors but not including the Bank's Additional Tier I TFCs.
Profit payment frequency	Semi-annually in arrears
Redemption	The instrument has been structured to redeem 0.02% of the issue amount semi-annually during the first 108 months after the issue and 99.64% of the issue amount in two equal semi-annual installments in the 114th and 120th months.
Mark-up	Floating rate of return at Base Rate + 0.50%. The Base Rate is defined as the average "Ask Side" rate of the six months Karachi Interbank Offered Rate (KIBOR).
Call option	The Bank may call the TFCs, with the prior written approval of the SBP, on any profit payment date falling on or after the fifth anniversary of the Issue Date, subject to at least 60 days prior notice being given to the investors through the Trustee. The call option, once announced, will be irrevocable.
Lock-in clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Bank's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

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

Issue Date	September 26, 2019
Issue amount	Rs 12.374 billion
Rating	AA+ (Double A plus) [December 31, 2019: AA+ (Double A plus)]
Tenor	Perpetual
Security	Unsecured and subordinated to all other indebtedness of the Bank including depositors, general creditors and holders of the Tier II TFCs. However, they shall rank superior to the claims of ordinary shareholders.
Profit payment frequency	Quarterly in arrears
Redemption	Perpetual, hence not applicable.
Mark-up	Floating rate of return at Base Rate + 1.60%. The Base Rate is defined as the average "Ask Side" rate of the three months Karachi Interbank Offered Rate (KIBOR).
Call option	The Bank may, at its sole discretion, call the TFCs any time after five years from the Issue Date subject to the following: (a) Prior approval of the SBP having been obtained; and (b) The Bank replacing the TFCs with capital of the same or better quality and the capital position of the Bank being above the minimum capital requirement after the Call Option is exercised. If the Bank decides to exercise the Call Option, the Bank shall notify the Trustee and Investors not less than 30 calendar days prior to the date of exercise of such Call Option, which notice shall specify the date fixed for the exercise of the Call Option (the "Call Option Date").
Lock-in clause	Mark-up will only be paid from the current year's earnings and only if the Bank is in compliance with regulatory capital and liquidity requirements.
Loss absorbency	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
17 DEFERRED TAX LIABILITIES			
Deductible temporary differences on			
- Tax losses of subsidiary		439,433	445,141
- Provision against investments		1,627,284	1,616,500
- Provision against doubtful debts and off-balance sheet obligations		4,348,929	4,354,960
- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001		1,775,068	1,670,344
- Provision against other assets		50,989	50,989
- Deficit on revaluation of fixed assets		163,960	163,960
- Deficit on revaluation of investments of associates		86,193	414
- Ijarah financing		173,527	150,674
- Losses of subsidiary under liquidation		-	108,817
		8,665,383	8,561,799
Taxable temporary differences on			
- Accelerated tax depreciation		(1,694,410)	(2,011,063)
- Surplus on revaluation of fixed assets	19	(1,160,068)	(1,175,641)
- Surplus on revaluation of fixed assets of associates	19	(56,392)	(56,392)
- Surplus / deficit on revaluation of investments	19	(11,898,961)	(2,291,153)
- Management rights and goodwill		(189,592)	(182,914)
- Share of profit of associates		(6,267,248)	(6,049,041)
- Exchange translation reserve		(3,234,889)	(2,982,429)
- Others		(26,320)	(2,853)
		(24,527,880)	(14,751,486)
Net deferred tax liabilities		(15,862,497)	(6,189,687)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
18 OTHER LIABILITIES			
Mark-up / return / profit / interest payable in local currency		11,196,963	12,184,119
Mark-up / return / profit / interest payable in foreign currency		2,999,822	3,039,180
Security deposits		1,183,914	1,138,813
Accrued expenses		16,673,727	15,435,270
Mark to market loss on forward foreign exchange contracts		4,587,238	8,140,461
Mark to market loss on derivative instruments		2,006,727	1,708,824
Unclaimed dividends		678,420	405,966
Dividends payable		974,411	400,464
Provision for post retirement medical benefits		4,035,677	3,872,768
Provision for employees' compensated absences		2,586,346	2,644,978
Provision against off-balance sheet obligations	18.1	804,196	437,795
Acceptances		21,467,018	23,750,896
Branch adjustment account		1,888,127	188,410
Provision for staff retirement benefits		1,171,361	1,051,518
Payable to defined benefit plans		68,613	577,964
Provision for Workers' Welfare Fund		5,786,476	5,269,726
Unearned income		3,893,214	3,777,028
Qarz-e-Hasna Fund		338,923	338,923
Levies and taxes payable		7,170,286	7,510,391
Insurance payable		851,126	656,671
Provision for rewards program expenses		1,410,319	1,249,725
Liability against trading of securities		1,412,634	7,883,792
Clearing and settlement accounts		4,935,745	2,037,252
Payable to HBL Foundation		152,338	158,202
Contingent consideration payable		500,000	500,000
Charity fund		12,674	10,375
Lease liability against right-of-use asset		17,416,490	15,996,664
Unclaimed deposits		778,396	670,374
Others		6,655,973	3,310,066
		123,637,154	124,346,615
18.1 Provision against off-balance sheet obligations			
Opening balance		437,795	479,510
Exchange adjustment		4,788	7,518
Charge for the period / year		78,813	53,677
Reversal for the year period / year		(62,768)	(102,910)
Net charge / (reversal)		16,045	(49,233)
Other movement		345,568	-
Closing balance		804,196	437,795

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Note	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Attributable to			Attributable to		
	Equity holders	Non-controlling interest	Total	Equity holders	Non-controlling interest	Total
(Rupees in '000)						
Surplus / (deficit) arising on revaluation of assets, on						
- Fixed assets	22,227,595	2,889	22,230,484	22,267,064	3,352	22,270,416
- Fixed assets of associates	144,596	-	144,596	144,596	-	144,596
- Available-for-sale securities	30,321,909	33,644	30,355,553	5,843,347	(1,813)	5,841,534
- Available-for-sale securities held by associates	(221,008)	-	(221,008)	(1,061)	-	(1,061)
- Non-banking assets acquired in satisfaction of claims	164,304	-	164,304	164,304	-	164,304
	52,637,396	36,533	52,673,929	28,418,250	1,539	28,419,789
Tax on surplus / (deficit) arising on revaluation of:						
- Fixed assets	1,158,947	1,121	1,160,068	1,174,339	1,302	1,175,641
- Fixed assets of associates	56,392	-	56,392	56,392	-	56,392
- Available-for-sale securities	11,886,100	12,861	11,898,961	2,312,550	2,825	2,315,375
- Available-for-sale securities held by associates	(86,193)	-	(86,193)	(414)	-	(414)
- Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-
	13,015,246	13,982	13,029,228	3,542,867	4,127	3,546,994
Surplus on revaluation of assets - net of tax	39,622,150	22,551	39,644,701	24,875,383	(2,588)	24,872,795

20 CONTINGENCIES AND COMMITMENTS

Note	(Unaudited) June 30, 2020	(Audited) December 31, 2019
(Rupees in '000)		
- Guarantees	194,597,556	152,908,830
- Commitments	553,384,641	849,362,191
- Other contingent liabilities	23,881,020	23,527,781
	771,863,217	1,025,798,802
20.1 Guarantees		
Financial guarantees	51,021,551	36,061,515
Performance guarantees	130,394,569	108,406,776
Other guarantees	13,181,436	8,440,539
	194,597,556	152,908,830
20.2 Commitments		
Trade-related contingent liabilities	120,668,251	112,023,350
Commitments in respect of:		
- Forward foreign exchange contracts	376,233,910	591,509,497
- Forward Government securities transactions	18,125,927	107,869,401
- Derivatives	31,189,184	29,437,457
- Forward lending	4,700,619	7,098,062
	430,249,640	735,914,417
Commitments for acquisition of:		
- Fixed assets	1,424,397	661,877
- Intangible assets	1,042,353	762,547
	2,466,750	1,424,424
	553,384,641	849,362,191
20.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	235,919,813	343,848,106
Sale	140,314,097	247,661,391
	376,233,910	591,509,497
20.2.2 Commitments in respect of forward Government securities transactions		
Purchase	15,269,290	45,771,399
Sale	2,856,637	62,098,002
	18,125,927	107,869,401

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
20.2.3 Commitments in respect of derivatives		
Cross Currency swaps		
Purchase	10,236,304	9,525,572
Sale	12,404,381	10,882,712
	<u>22,640,685</u>	<u>20,408,284</u>
Interest rate swaps		
Purchase	-	-
Sale	8,548,499	9,029,173
	<u>8,548,499</u>	<u>9,029,173</u>
20.2.4 Commitments in respect of forward lending		
Undrawn formal standby facilities, credit lines and other commitments to extend credit	<u>4,700,619</u>	<u>7,098,062</u>

These represent commitments that are irrevocable because they can not be withdrawn at the discretion of the Group without the risk of incurring a significant penalty or expense.

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
20.3 Other contingent liabilities		
20.3.1 Claims against the Group not acknowledged as debts	<u>23,881,020</u>	<u>23,527,781</u>

These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Group and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Group's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these condensed interim consolidated financial statements.

- 20.3.2** On March 4, 2020, by agreement with the New York State Department of Financial Services (NYSDFS) and the Federal Reserve Bank of New York (FRBNY), HBL surrendered to NYSDFS its New York State foreign bank branch license to operate HBL's New York branch office (HBLNY). As of March 31, 2020, HBL had completed the voluntary liquidation of HBLNY under Section 605 of the New York Banking Law. The branch is now closed and formalities required to fully wind up HBL's presence in NY are nearing completion.

Pursuant to the terms of the August 24, 2017 Surrender Order between NYSDFS, HBL, and HBLNY, NYSDFS's acceptance on March 4, 2020 of HBL's license surrender automatically suspended the remaining terms of the September 7, 2017 Consent Order between the parties, which Consent Order was disclosed in Note 21.3.2 to the Financial Statements for the year ended December 31, 2019 and in similar notes for the 2017 and 2018 financial statements. The only Consent Order term that had remained in effect post-license surrender was the term governing completion of the lookback review by an independent party, and that lookback review concluded on March 31, 2020. Accordingly, all terms of the September 7, 2017 Consent Order have been satisfied or suspended as of March 31, 2020. At this point, HBL does not expect any further actions or proceedings from NYSDFS or FRBNY.

As stated in the above-mentioned Note 21.3.2, the US Attorney's Office for the Eastern District of New York, a component of the U.S. Department of Justice (DOJ), had sought documents in relation to HBLNY's compliance with anti-money laundering laws and the Bank Secrecy Act. To date, the DOJ inquiry has not resulted in any findings, and its final resolution cannot be determined at this stage, including any possible impact on the Bank.

- 20.3.3** The Central Bank of United Arab Emirates (CB UAE) is currently carrying out a regulatory examination of UAE operations and has shared a report with the management, which is being responded to. CB UAE has not indicated any specific action till date. However, as the inspection has not been concluded, the eventual outcome cannot be determined at this stage.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

21 DERIVATIVE INSTRUMENTS

Product Analysis

	June 30, 2020 (Unaudited)			
	Cross currency swaps		Interest rate Swaps	
	Notional principal	Mark to market loss	Notional principal	Mark to market gain
	(Rupees in '000)			
Market Making	22,640,685	(2,004,560)	8,548,499	187,005

	December 31, 2019 (Audited)			
	Cross currency swaps		Interest rate Swaps	
	Notional principal	Mark to market loss	Notional principal	Mark to market loss
	(Rupees in '000)			
Market Making	20,408,284	(1,232,477)	9,029,173	(421,893)

	Note	(Unaudited) For the six months ended	
		June 30, 2020	June 30, 2019
		(Rupees in '000)	
22 MARK-UP / RETURN / PROFIT / INTEREST EARNED			
On:			
Loans and advances		66,693,159	58,550,264
Investments		72,952,739	41,662,256
Lendings to financial institutions		2,977,306	10,268,104
Balances with banks		508,359	609,376
		<u>143,131,563</u>	<u>111,090,000</u>

23 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

On:			
Deposits		61,747,020	48,669,027
Securities sold under repurchase agreement borrowings		8,534,272	7,776,320
Borrowings		3,893,823	4,446,403
Subordinated debt		1,558,580	544,069
Cost of foreign currency swaps against foreign currency deposits / borrowings		3,238,194	1,381,418
Lease liability against right-of-use assets		1,084,498	569,375
		<u>80,056,387</u>	<u>63,386,612</u>

24 FEE AND COMMISSION INCOME

Branch banking customer fees	1,896,135	2,161,491
Consumer finance related fees	655,615	519,191
Card related fees (debit and credit cards)	2,281,501	2,630,767
Credit related fees	580,022	656,656
Investment banking fees	509,091	1,004,537
Commission on trade related products and guarantees	1,482,423	1,386,320
Commission on cash management	318,969	348,610
Commission on remittances (including home remittances)	185,044	192,035
Commission on bancassurance	311,925	1,370,595
Commission on Government to Person (G2P) payments	404,915	258,059
Management fee	292,886	373,044
Merchant discount and interchange fees	923,631	907,258
Others	361,688	171,760
	<u>10,203,845</u>	<u>11,980,323</u>
Less: Sales tax / Federal Excise Duty on fee and commission income	<u>(1,304,127)</u>	<u>(1,302,993)</u>
	<u>8,899,718</u>	<u>10,677,330</u>

25 GAIN / (LOSS) ON SECURITIES - NET

Realised	25.1	6,580,453	(2,102,333)
Unrealised - held-for-trading	8.1	126,403	(11,282)
		<u>6,706,856</u>	<u>(2,113,615)</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

		(Unaudited)	
		For the six months ended	
		June 30,	June 30,
		2020	2019
		(Rupees in '000)	
25.1	Gain / (loss) on securities - realised		
	On:		
	Federal Government securities		
	- Market Treasury Bills	3,740,819	151,861
	- Pakistan Investment Bonds	3,026,163	(16,405)
	- Ijarah Sukuks	(148,619)	(8,855)
	Shares	(215,026)	(2,204,149)
	Non-Government debt securities	124,418	(63,808)
	Foreign securities	52,698	39,023
		6,580,453	(2,102,333)
26	OTHER INCOME		
	Incidental charges	201,219	92,511
	Exchange gain realised on reduction in capital of subsidiary	1,743,205	-
	Exchange (loss) / gain realised on closure of Bank branch	(1,887,208)	165,156
	Gain on sale of fixed assets - net	2,457	56,970
	Rent on properties	37,404	37,849
	Liabilities no longer required written back	-	50,348
		97,077	402,834
27	OPERATING EXPENSES		
	Total compensation expense	19,241,308	16,357,836
	Property expense		
	Rent and taxes	998,276	459,655
	Insurance	57,227	56,711
	Utilities cost	873,185	942,283
	Security (including guards)	1,016,267	882,478
	Repair and maintenance (including janitorial charges)	1,175,807	1,056,960
	Depreciation on owned fixed assets	1,555,652	1,520,373
	Depreciation on right-of-use assets	1,912,902	1,438,386
		7,589,316	6,356,846
	Information technology expenses		
	Software maintenance	1,593,811	1,294,856
	Hardware maintenance	408,230	313,983
	Depreciation	929,116	692,276
	Amortisation	362,273	228,542
	Network charges	629,689	693,299
	Consultancy charges	328,674	251,975
		4,251,793	3,474,931
	Other operating expenses		
	Legal and professional charges	1,869,470	3,071,073
	Outsourced services costs	877,231	742,411
	Travelling and conveyance	349,260	476,384
	Insurance	383,268	351,165
	Remittance charges	277,902	313,625
	Security charges	753,779	655,818
	Repairs and maintenance	406,098	325,134
	Depreciation	421,948	370,210
	Training and development	143,598	192,479
	Postage and courier charges	334,081	375,833
	Communication	359,250	349,192
	Stationery and printing	761,919	817,226
	Marketing, advertisement and publicity	2,339,577	1,877,909
	Donations	283,752	39,998
	Auditors' remuneration	141,750	122,776
	Brokerage and commission	322,278	291,449
	Subscription	116,651	93,609
	Documentation and processing charges	1,189,600	1,086,646
	Entertainment	139,624	165,427
	Consultancy charges	2,920,977	5,725,829
	Deposit insurance premium expense	1,116,041	1,045,216
	Others	1,081,568	289,323
		16,589,622	18,778,732
		47,672,039	44,968,345

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

		(Unaudited)	
		<u>For the six months ended</u>	
	Note	June 30, 2020	June 30, 2019
		(Rupees in '000)	
28	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	232,103	80,581
	Penalties imposed by other regulatory bodies	505	698
		<u>232,608</u>	<u>81,279</u>
29	PROVISIONS AND WRITE OFFS - NET		
	Provision for diminution in value of investments	8.3 580,563	279,592
	Provision against loans and advances	9.3 4,993,601	536,920
	Provision against other assets	12.1.1 111,638	42,338
	Provision / (reversal) against off-balance sheet obligations	18.1 16,045	(98,032)
	Recoveries against written off / charged off bad debts	(175,124)	(213,171)
	Recoveries against other assets written off	(58,871)	(36,722)
		<u>5,467,852</u>	<u>510,925</u>
30	TAXATION		
	- Current	10,833,568	4,636,105
	- Prior years	31,256	1,933,029
	- Deferred	(223,990)	(602,684)
		<u>10,640,834</u>	<u>5,966,450</u>
31	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period attributable to equity holders of the Bank	<u>15,143,498</u>	<u>3,705,927</u>
		(Number)	
	Weighted average number of ordinary shares	<u>1,466,852,508</u>	<u>1,466,852,508</u>
		(Rupees)	
	Basic and diluted earnings per share	<u>10.32</u>	<u>2.53</u>

31.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments are estimated using the break-up value of the investee company.

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

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

All assets and liabilities for which fair value is measured or disclosed in these condensed interim consolidated financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement:

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

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

Level 3 - Fair value measurements using inputs that are not based on observable market data.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

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

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

32.1 Fair value of financial assets

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

On balance sheet financial instruments	As at June 30, 2020 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
Financial assets - measured at fair value					
Investments					
- Federal Government securities	1,254,626,827	-	1,254,626,827	-	1,254,626,827
- Shares - listed companies	5,225,762	5,225,762	-	-	5,225,762
- Non-Government debt securities					
- Listed	1,926,545	-	1,926,545	-	1,926,545
- Unlisted	40,608,613	-	40,608,613	-	40,608,613
- Foreign securities					
Government debt securities	37,990,623	-	37,990,623	-	37,990,623
Non-Government debt securities					
- Listed	16,305,514	-	16,305,514	-	16,305,514
- Unlisted	241,701	-	241,701	-	241,701
- National Investment Trust units	37,611	-	37,611	-	37,611
- Real Estate Investment Trust units	54,450	54,450	-	-	54,450
	1,357,017,646	5,280,212	1,351,737,434	-	1,357,017,646
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	152,100,114	-	155,050,161	-	155,050,161
- Non-Government debt securities					
- Listed	5,019,224	-	5,051,403	-	5,051,403
- Unlisted	19,289,597	-	19,289,597	-	19,289,597
- Foreign securities					
Government debt securities	14,929,295	-	15,382,303	-	15,382,303
Non-Government debt securities					
- Listed	1,326,217	-	1,338,915	-	1,338,915
- Unlisted	394,362	-	394,362	-	394,362
	193,058,809	-	196,506,741	-	196,506,741
	1,550,076,455	5,280,212	1,548,244,175	-	1,553,524,387

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	As at June 30, 2020 (Unaudited)				
	Notional value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Off-balance sheet financial instruments - measured at fair value					
Commitments					
- Forward foreign exchange contracts	376,233,910	-	4,082,900	-	4,082,900
- Forward Government securities transactions	18,125,927	-	7,486	-	7,486
- Derivative instruments	31,189,184	-	(1,817,555)	-	(1,817,555)

As at December 31, 2019 (Audited)				
Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				

On balance sheet financial instruments

Financial assets - measured at fair value

Investments					
- Federal Government securities	1,080,978,774	-	1,080,978,774	-	1,080,978,774
- Shares - listed companies	6,653,529	6,653,529	-	-	6,653,529
- Non-Government debt securities - listed	1,722,749	-	1,722,749	-	1,722,749
- Foreign securities					
Government debt securities	34,165,484	-	34,165,484	-	34,165,484
Non-Government debt securities					
- Listed	15,699,559	-	15,699,559	-	15,699,559
- Unlisted	349,384	-	349,384	-	349,384
- National Investment Trust units	42,804	-	42,804	-	42,804
- Real Estate Investment Trust units	62,450	62,450	-	-	62,450
	1,139,674,733	6,715,979	1,132,958,754	-	1,139,674,733

Financial assets - disclosed but not measured at fair value

Investments					
- Federal Government securities	168,098,017	-	159,201,649	-	159,201,649
- Non-Government debt securities					
- Listed	5,799,373	-	5,839,857	-	5,839,857
- Unlisted	19,705,186	-	19,705,185	-	19,705,185
- Foreign securities					
Government debt securities	7,371,115	-	7,615,906	-	7,615,906
Non-Government debt securities					
- Listed	1,280,682	-	1,288,664	-	1,288,664
- Unlisted	512,933	-	516,268	-	516,268
	202,767,306	-	194,167,529	-	194,167,529
	1,342,442,039	6,715,979	1,327,126,283	-	1,333,842,262

As at December 31, 2019 (Audited)				
Notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				

Off-balance sheet financial instruments - measured at fair value

Commitments					
- Forward foreign exchange contracts	591,509,497	-	(1,433,126)	-	(1,433,126)
- Forward Government securities transactions	107,869,401	-	7,486	-	7,486
- Derivative instruments	29,437,457	-	(1,654,370)	-	(1,654,370)

32.2 Fair value of non-financial assets

As at June 30, 2020 (Unaudited)				
Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
- Fixed assets	45,462,511	-	45,462,511	45,462,511
- Non-banking assets acquired in satisfaction of claims	626,000	-	626,000	626,000
	46,088,511	-	46,088,511	46,088,511
As at December 31, 2019 (Audited)				
Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
- Fixed assets	45,145,063	-	45,145,063	45,145,063
- Non-banking assets acquired in satisfaction of claims	626,000	-	626,000	626,000
	45,771,063	-	45,771,063	45,771,063

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

33 SEGMENT INFORMATION

33.1 Segment details with respect to Business Activities

	For the six months ended June 30, 2020 (Unaudited)							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total
	(Rupees in million)							
Profit and loss account								
Net mark-up / return / profit / interest income	(27,515)	7,149	25,456	57,197	1,477	(152)	(537)	63,075
Inter segment revenue / (expense) - net	70,634	(2,919)	(19,447)	(55,541)	3,395	-	3,878	-
Non mark-up / interest income	2,070	3,004	1,554	8,156	2,428	281	(849)	16,644
Total Income	45,189	7,234	7,563	9,812	7,300	129	2,492	79,719
Segment direct expenses	14,075	2,818	1,091	338	12,685	144	17,270	48,421
Inter segment expense allocation	8,667	673	724	321	3,267	-	(13,652)	-
Total expenses	22,742	3,491	1,815	659	15,952	144	3,618	48,421
Provisions - charge	1,324	342	354	28	2,743	-	678	5,469
Profit / (loss) before tax	21,123	3,401	5,394	9,125	(11,395)	(15)	(1,804)	25,829
	As at June 30, 2020 (Unaudited)							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total
	(Rupees in million)							
Statement of financial position								
Cash and bank balances	184,784	-	984	93,087	112,227	14	6,600	397,696
Lendings to financial institutions	11,650	-	-	69,041	-	-	-	80,691
Inter segment lending	1,378,214	-	-	-	171,008	-	154,876	1,704,098
Investments	88,815	-	14,177	1,362,299	83,746	58	37,625	1,586,720
Advances - performing	275,197	58,434	542,032	-	215,280	-	47,452	1,138,395
Advances - non-performing	2,009	658	2,262	-	5,396	-	535	10,860
Others	25,729	1,051	30,184	35,019	15,938	2,986	105,627	216,534
Total assets	1,966,398	60,143	589,639	1,559,446	603,595	3,058	352,715	5,134,994
Borrowings	34,579	-	51,771	114,860	105,155	1,800	1,858	310,023
Subordinated debt	-	-	-	-	-	-	22,358	22,358
Deposits and other accounts	1,885,335	848	274,908	121	438,172	-	63,253	2,662,637
Inter segment borrowing	-	55,098	240,576	1,408,424	-	-	-	1,704,098
Others	27,003	4,197	22,384	19,300	20,958	378	87,051	181,271
Total liabilities	1,946,917	60,143	589,639	1,542,705	564,285	2,178	174,520	4,880,387
Equity	19,481	-	-	16,741	39,310	880	178,195	254,607
Total equity and liabilities	1,966,398	60,143	589,639	1,559,446	603,595	3,058	352,715	5,134,994
Contingencies and commitments	38,221	-	259,959	346,627	101,440	-	25,616	771,863

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

For the six months ended June 30, 2019 (Unaudited)							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others
(Rupees in million)							
Profit and loss account							
Net mark-up / return / profit / interest income	(23,686)	5,987	23,286	37,376	4,031	(140)	47,703
Inter segment revenue / (expense) - net	57,963	(2,080)	(19,247)	(40,079)	618	-	-
Non mark-up / interest income	3,754	3,194	1,976	165	2,109	372	7,953
Total Income	38,031	7,101	6,015	(2,538)	6,758	232	55,656
Segment direct expenses	13,208	2,437	1,043	319	13,530	167	45,252
Inter segment expense allocation	7,377	648	626	71	2,541	-	-
Total expenses	20,585	3,085	1,669	390	16,071	167	45,252
Provisions - charge / (reversal)	843	96	(983)	33	179	-	511
Profit / (loss) before tax	16,603	3,920	5,329	(2,961)	(9,492)	65	9,893

As at December 31, 2019 (Audited)							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others
(Rupees in million)							
Statement of financial position							
Cash and bank balances	161,969	-	619	121,382	118,353	11	408,842
Lendings to financial institutions	20,489	-	-	24,814	-	-	45,303
Inter segment lending	1,265,980	-	-	-	179,225	-	1,541,365
Investments	32,793	-	15,447	1,232,686	66,680	283	1,379,607
Advances - performing	323,249	57,908	528,385	-	205,023	-	1,157,686
Advances - non-performing	1,807	149	2,094	-	4,486	-	9,271
Others	32,009	1,661	35,905	30,134	15,508	3,012	226,424
Total assets	1,838,296	59,718	582,450	1,409,016	589,275	3,306	4,768,498
Borrowings	23,776	-	68,801	200,003	87,626	2,000	382,206
Subordinated debt	-	-	-	-	-	-	22,360
Deposits and other accounts	1,773,863	3,528	188,176	20	431,269	-	2,437,597
Inter segment borrowing	-	51,520	303,408	1,186,437	-	-	1,541,365
Others	23,950	4,670	22,065	19,384	19,486	397	160,218
Total liabilities	1,821,589	59,718	582,450	1,405,844	538,381	2,397	4,543,746
Equity	16,707	-	-	3,172	50,894	909	224,752
Total equity and liabilities	1,838,296	59,718	582,450	1,409,016	589,275	3,306	4,768,498
Contingencies and commitments	31,090	-	217,213	674,728	78,221	-	1,025,799

34 RELATED PARTY TRANSACTIONS

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

Transactions with related parties, other than those under the terms of employment, are executed on an arm's length basis i.e. do not involve more than normal risk and are substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties.

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.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

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

	As at June 30, 2020 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
Statement of financial position	(Rupees in '000)					
Balances with other banks						
In current accounts	-	-	25,333	-	1,663	-
Investments						
Opening balance	-	-	-	25,464,030	4,897,973	4,775,603
Investment made during the period	-	-	-	1,394,297	-	-
Share of profit	-	-	-	787,045	439,980	-
Equity method related adjustments	-	-	-	302,653	59,666	-
Revaluation of investment	-	-	-	-	-	(5,193)
Investment redeemed / disposed off during the period	-	-	-	(1,649,758)	-	-
Dividend received during the period	-	-	-	(427,079)	(236,435)	-
Closing balance	-	-	-	25,871,188	5,161,184	4,770,410
Advances						
Opening balance	1,181	299,637	3,853,355	1,375,000	-	7,924,895
Addition during the period	1,678	54,384	7,686,805	-	-	4,538,600
Repaid during the period	(2,743)	(65,854)	(7,409,674)	(125,000)	-	(4,066,880)
Transfer in / (out) - net	-	(64,591)	-	-	-	(1,726,437)
Closing balance	116	223,576	4,130,486	1,250,000	-	6,670,178
Provision held against advances	-	-	-	-	-	-
Other assets						
Interest / mark-up accrued	-	600	40,142	35,803	-	176,506
Other receivable	-	1,418	3,815	59,957	-	7,368
	-	2,018	43,957	95,760	-	183,874
Borrowings						
Opening balance	-	-	2,787,405	929,086	1,548,476	-
Borrowings during the period	-	-	8,044,637	1,996,610	3,327,682	1,383,206
Settled during the period	-	-	(5,202,653)	(1,917,392)	(3,195,652)	-
Closing balance	-	-	5,629,389	1,008,304	1,680,506	1,383,206
Deposits and other accounts						
Opening balance	97,816	166,208	10,999,321	11,245,398	-	3,136,756
Received during the period	475,435	1,564,380	108,941,961	276,084,048	-	30,713,852
Withdrawn during the period	(463,230)	(1,323,468)	(109,385,236)	(269,522,105)	-	(31,302,182)
Transfer in / (out) - net	4,619	36,890	-	-	-	(3,509)
Closing balance	114,640	444,010	10,556,046	17,807,341	-	2,544,917
Other liabilities						
Interest / mark-up payable	1,770	14	126,040	35,456	6,560	8,796
Payable to staff retirement fund	-	-	-	-	-	68,613
Other payables	-	-	1,173	68,294	-	163,219
	1,770	14	127,213	103,750	6,560	240,628
Contingencies and commitments						
Letter of credit	-	-	169,865	-	-	2,755,566
Letter of guarantee	-	-	128,229	-	-	3,419,047
Forward purchase of Government securities	-	-	40,014	-	-	458,771
Forward sale of Government securities	-	-	-	-	-	-
Commitments in respect of forward lending	-	-	-	-	-	200,000
Interest rate swaps	-	-	1,006,832	1,250,000	-	-
	-	-	1,344,940	1,250,000	-	6,833,384
Others						
Capital work-in-progress	-	-	10,214	-	-	-
Securities held as custodian	-	17,900	4,281,980	62,850,000	-	12,292,780

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	For the six months ended June 30, 2020 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	----- (Rupees in '000) -----					
Profit and loss account						
Income						
Mark-up / return / profit / interest earned	-	10,888	161,599	147,823	-	617,645
Fee and commission income	-	-	52,117	406,691	171	38,725
Share of profit	-	-	-	787,045	439,978	-
Dividend income	-	-	-	-	-	35,653
Loss from derivatives	-	-	(22,201)	(25,269)	-	-
Expenses						
Mark-up / return / profit / interest expensed	3,604	4,460	362,026	426,543	19,504	88,443
Operating expenses						
Total compensation expense	-	614,013	-	-	-	536,914
Non-Executive Directors' fees	40,200	-	-	-	-	-
Insurance premium expense	-	-	-	596,774	-	-
Advertisement and publicity	-	-	123,070	-	-	-
Travelling	-	-	14,096	-	-	-
Subscription	-	-	-	-	-	28,967
Donations	-	-	76,950	-	-	152,338
Other Expenses	-	-	8,479	-	-	98,415
Others						
Purchase of Government securities	-	-	47,003,929	11,707,972	-	3,796,247
Sale of Government securities	-	18,889	49,487,758	51,953,133	-	5,051,742
Purchase of foreign currencies	-	77	528,922	3,818	-	1,840
Sale of foreign currencies	4,864	90,531	1,673,767	55,450	-	3,929,008
Insurance claims settled	-	-	-	44,775	-	-

	As at December 31, 2019 (Audited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	----- (Rupees in '000) -----					
Statement of financial position						
Balances with other banks						
In current accounts	-	-	215	-	2,569	-
Investments						
Opening balance	-	-	-	25,741,115	3,777,862	4,004,502
Investment made during the year	-	-	-	1,875,925	-	1,095,511
Share of profit	-	-	-	2,711,851	771,742	-
Equity method related adjustments	-	-	-	442,535	348,369	-
Investment redeemed / disposed off during the year	-	-	-	(5,307,396)	-	(158,960)
Transfer in / (out) - net	-	-	-	-	-	(165,450)
Closing balance	-	-	-	25,464,030	4,897,973	4,775,603
Provision for diminution in value of investments	-	-	-	-	-	-
Advances						
Opening balance	1,566	235,460	3,536,393	1,500,000	-	13,376,593
Addition during the year	13,159	176,846	5,302,656	-	-	350,670,513
Repaid during the year	(13,544)	(108,244)	(4,985,694)	(125,000)	-	(347,326,871)
Transfer in / (out) - net	-	(4,425)	-	-	-	(8,795,340)
Closing balance	1,181	299,637	3,853,355	1,375,000	-	7,924,895
Provision held against advances	-	-	-	-	-	(1,726,437)
Other assets						
Interest / mark-up accrued	-	665	49,194	44,448	-	224,553
Receivable from staff retirement fund	-	-	-	-	-	24,419
Other receivable	-	3,195	10,617	277,865	-	1,852
	-	3,860	59,811	322,313	-	250,824

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

(Unaudited)
June 30,
2020
(Rupees in '000)

(Audited)
December 31,
2019

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

156,456,303	145,776,218
12,684,765	12,645,453
169,141,068	158,421,671
46,166,282	36,890,259
215,307,350	195,311,930

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

997,377,055	959,412,841
128,151,550	133,614,588
178,963,586	178,963,586
1,304,492,191	1,271,991,015

Common Equity Tier 1 Capital Adequacy ratio

11.99%	11.46%
--------	--------

Tier 1 Capital Adequacy Ratio

12.97%	12.45%
--------	--------

Total Capital Adequacy Ratio

16.51%	15.35%
--------	--------

Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)

9.50%	10.50%
-------	--------

of which: capital conservation buffer requirement

1.50%	2.50%
-------	-------

of which: countercyclical buffer requirement

-	-
---	---

of which: D-SIB or G-SIB buffer requirement

2.00%	2.00%
-------	-------

CET1 available to meet buffers (as a percentage of risk weighted assets)

5.99%	5.46%
-------	-------

Other information:

National minimum capital requirements prescribed by the SBP

CET1 minimum ratio (%)

9.50%	10.50%
-------	--------

Tier 1 minimum ratio (%)

11.00%	12.00%
--------	--------

Total capital minimum ratio (%)

13.50%	14.50%
--------	--------

Leverage Ratio (LR)

Eligible Tier-1 Capital

169,141,068	158,421,671
-------------	-------------

Total Exposures

3,814,214,338	3,587,065,060
---------------	---------------

Leverage Ratio (%)

4.43%	4.42%
-------	-------

Minimum Requirement (%)

3.00%	3.00%
-------	-------

Liquidity Coverage Ratio (LCR)

Total Adjusted Value
(Rupees in '000)

Average High Quality Liquid Assets

1,222,823,428	906,731,376
---------------	-------------

Average Net Cash Outflow

491,950,384	585,290,046
-------------	-------------

Average Liquidity Coverage Ratio (%)

248.57%	154.92%
---------	---------

Minimum Requirement (%)

100.00%	100.00%
---------	---------

Total Weighted Value
(Rupees in '000)

Net Stable Funding Ratio (NSFR)

Total Available Stable Funding

2,462,126,037	2,354,284,645
---------------	---------------

Total Required Stable Funding

1,365,220,973	1,337,084,320
---------------	---------------

Net Stable Funding Ratio (%)

180.35%	176.08%
---------	---------

Minimum Requirement (%)

100.00%	100.00%
---------	---------

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

36 ISLAMIC BANKING BUSINESS

The Bank operates 48 (December 31, 2019: 48) Islamic Banking branches and 493 (December 31, 2019: 493) Islamic Banking windows.

STATEMENT OF FINANCIAL POSITION

ASSETS

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
Cash and balances with treasury banks		29,328,022	17,113,303
Balances with other banks		-	-
Due from financial institutions	36.1	11,649,732	20,489,184
Investments	36.2	90,409,084	33,594,111
Islamic financing and related assets - net	36.3	130,534,739	153,117,099
Fixed assets		783,027	862,149
Intangible assets		-	-
Due from Head Office		21,877,121	40,224,245
Deferred tax assets		68,596	18,126
Other assets		11,083,655	10,709,190
		295,733,976	276,127,407

LIABILITIES

Bills payable		8,763	18,048
Due to financial institutions	36.4	19,513,212	10,780,192
Deposits and other accounts	36.5	248,546,596	242,548,177
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities		8,185,188	6,073,627
		276,253,759	259,420,044

NET ASSETS

REPRESENTED BY

Islamic Banking Fund		250,000	250,000
Reserves		-	-
Deficit on revaluation of investments - net of tax		(107,291)	(28,352)
Unappropriated profit	36.6	19,337,508	16,485,715
		19,480,217	16,707,363

Contingencies and commitments

36.7	(Unaudited) For the six months ended June 30, 2020 (Rupees in '000)	June 30, 2019
------	--	---------------

PROFIT AND LOSS ACCOUNT

Profit / return earned	36.8	11,256,425	8,084,079
Profit / return expensed	36.9	5,009,358	4,041,927
Net profit / return		6,247,067	4,042,152

Other income

Fee and commission income		268,388	337,002
Dividend income		-	-
Foreign exchange (loss) / gain		(21,060)	11,907
Income from derivatives		-	-
Loss on securities - net		(171,041)	(9,767)
Others		4,208	3,949
Total other income		80,495	343,091

Total income

Other expenses

Operating expenses		1,107,148	950,592
Workers' Welfare Fund		102,718	67,877
Other charges		220	-
Total other expenses		1,210,086	1,018,469

Profit before provisions

Provisions and write offs - net		442,265	40,812
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Profit before taxation

Taxation		4,675,211	3,325,962
Profit after taxation		1,823,418	1,297,125

Profit after taxation

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

		(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
36.1	Due from Financial Institutions		
	Unsecured	3,300,000	-
	Bai Muajjal Receivable from State Bank of Pakistan	5,257,577	20,489,184
	Bai Muajjal Receivable from other financial institutions	3,092,155	-
		<u>11,649,732</u>	<u>20,489,184</u>

36.2 Investments by segments

	June 30, 2020 (Unaudited)				December 31, 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government securities								
- Ijarah Sukuks	22,500,000	-	(184,500)	22,315,500	4,667,551	-	(46,478)	4,621,073
- Bai Muajjal with Government of Pakistan	10,794,000	-	-	10,794,000	10,794,000	-	-	10,794,000
	<u>33,294,000</u>	<u>-</u>	<u>(184,500)</u>	<u>33,109,500</u>	<u>15,461,551</u>	<u>-</u>	<u>(46,478)</u>	<u>15,415,073</u>
Non-Government debt securities								
- Listed	3,024,827	-	-	3,024,827	3,564,480	-	-	3,564,480
- Unlisted	54,266,144	-	8,613	54,274,757	14,614,558	-	-	14,614,558
	<u>57,290,971</u>	<u>-</u>	<u>8,613</u>	<u>57,299,584</u>	<u>18,179,038</u>	<u>-</u>	<u>-</u>	<u>18,179,038</u>
Total Investments	<u>90,584,971</u>	<u>-</u>	<u>(175,887)</u>	<u>90,409,084</u>	<u>33,640,589</u>	<u>-</u>	<u>(46,478)</u>	<u>33,594,111</u>

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
36.3	Islamic financing and related assets - net	
Ijarah	2,330,492	2,171,508
Murabaha	1,010,636	1,095,324
Diminishing Musharakah	46,770,629	83,342,719
Wakalah	10,000,000	10,000,000
Istisna	2,637,062	-
Tijarah	148,517	-
Islamic Home Financing	1,034,719	770,666
Running Musharakah	27,625,025	16,085,686
Currency Salam	822,344	-
Islamic Refinance Scheme For Payment of Wages and Salaries	545,440	-
Advance for Ijarah	157,796	276,530
Advance for Murabaha	3,850,859	973,239
Advance for Diminishing Musharakah	6,841,191	6,295,175
Advance for Istisna	24,576,889	26,191,522
Advance for Salam	-	400,000
Inventories against Murabaha	888,161	3,808,372
Inventories against Istisna	531,068	1,615,548
Inventories against Tijarah	597,659	293,209
Inventories against Salam	810,917	-
Islamic financing and related assets - gross	<u>131,179,404</u>	<u>153,319,498</u>
Provision against Islamic financing and related assets		
- Specific	(270,187)	(183,056)
- General	(374,478)	(19,343)
	<u>(644,665)</u>	<u>(202,399)</u>
Islamic financing and related assets - net of provision	<u>130,534,739</u>	<u>153,117,099</u>

36.4 Due to financial institutions

Unsecured acceptance of funds	5,500,000	2,500,000
Acceptances from the SBP under Islamic Export Refinance Scheme	9,421,100	5,409,205
Acceptances from the SBP under Islamic Long Term Financing Facility	4,005,929	2,870,987
Acceptances from SBP under Islamic refinance scheme for payment of wages and salaries	86,183	-
Acceptances from Pakistan Mortgage Refinance Company	500,000	-
	<u>19,513,212</u>	<u>10,780,192</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
36.5 Deposits and other accounts			
Customers			
Current deposits		66,903,618	53,090,383
Savings deposits		104,778,770	108,120,718
Term deposits		21,093,095	14,648,767
		<u>192,775,483</u>	<u>175,859,868</u>
Financial Institutions			
Current deposits		229,070	302,467
Savings deposits		53,142,083	65,183,796
Term deposits		2,399,960	1,202,046
		<u>55,771,113</u>	<u>66,688,309</u>
		<u>248,546,596</u>	<u>242,548,177</u>
36.6 Islamic Banking business unappropriated profit			
Opening Balance		16,485,715	11,091,387
Add: Islamic Banking profit for the period / year		4,675,211	8,845,722
Less: Taxation		(1,823,418)	(3,451,394)
Closing Balance		<u>19,337,508</u>	<u>16,485,715</u>
36.7 Contingencies and commitments			
- Guarantees	36.7.1	1,280,258	593,721
- Commitments	36.7.2	26,150,466	17,180,683
		<u>27,430,724</u>	<u>17,774,404</u>
36.7.1 Guarantees			
Financial Guarantees		107,121	-
Performance guarantees		608,609	308,988
Other guarantees		564,528	284,733
		<u>1,280,258</u>	<u>593,721</u>
36.7.2 Commitments			
Trade-related contingent liabilities		5,168,038	3,456,851
Commitments in respect of forward foreign exchange contracts	36.7.2.1	20,982,428	13,723,832
		<u>26,150,466</u>	<u>17,180,683</u>
36.7.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		11,213,096	7,721,565
Sale		9,769,332	6,002,267
		<u>20,982,428</u>	<u>13,723,832</u>
36.8 Profit / return earned			
On:			
Financing		6,946,162	5,092,120
Investments		2,986,609	2,126,057
Amounts due from financial institutions		1,323,654	865,902
		<u>11,256,425</u>	<u>8,084,079</u>
36.9 Profit / return expensed			
On:			
Deposits and other accounts		4,546,996	3,081,447
Amounts due to financial institutions		387,482	821,622
Foreign currency deposits for Wa'ad based transactions		24,914	108,550
Lease liability against right-of-use assets		49,966	30,308
		<u>5,009,358</u>	<u>4,041,927</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

37 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 37.1 In compliance with the SBP's instructions as disclosed in note 4.6 to the condensed interim consolidated financial statements, the Board of Directors, in its meeting held on July 24, 2020 has not declared any cash dividend in respect of the quarter ended June 30, 2020 (June 30, 2019: Rs 1.25 per share). Therefore, there is no non-adjusting event after the balance sheet date.

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on July 24, 2020.

39 GENERAL

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Yahya Chinoy
Director

Salim Raza
Director

CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

DIGITALLY YOURS

Directors' Review

On behalf of the Board of Directors, we are pleased to present the condensed interim unconsolidated financial statements for the half year ended June 30, 2020.

Macroeconomic Review

Like the rest of the world, the outbreak of the coronavirus in Pakistan has exacerbated existing economic challenges. Despite a 2.7% growth in the agriculture sector, Pakistan's GDP contracted by 0.4% in FY'20 for the first time in nearly 70 years as the lockdowns necessitated by the virus have curtailed industrial activity, increased unemployment and further slowed weak exports. The Large Scale Manufacturing Sector Index declined by 10.3% during 11MFY'20. Headline inflation rose by 8.6% in June 2020, mainly on account of food inflation, but averaged 10.7% for FY'20, remaining below SBP's target of 11 – 12%.

The key positive on the macroeconomic front has been the sharp reduction in the Current Account deficit which reduced by 78% to \$ 3.0 billion in FY'20, a 5-year low. This was driven by a 28% decline in the trade deficit; exports fell by 7%, but containment efforts and lower oil prices helped reduce imports by 18%. Remittances increased by 6% in FY'20 to \$23.1 billion, further supporting the current account improvement.

The FX reserves position improved from June 2019 levels, increasing to \$ 17.9 billion by the end of June 2020, as the country received foreign assistance of over \$1.7 billion from the World Bank, Asian Development Bank and Asian Infrastructure Investment Bank and a \$1.3 billion loan from China; Pakistan has also secured itself as a beneficiary under the G-20 debt relief program. However, foreign portfolio outflows from the debt and equity markets as investors sought safe haven asset classes continued to pressure the Rupee, which weakened by 9% against the dollar from December'19 levels.

The fiscal deficit for 9MFY'20 was 3.8% of GDP compared to 5.0% in the corresponding period of FY'19. The primary balance was a surplus of 0.4% against an IMF target of 0.6%. Total revenues increased by 31%, helped by a spurt in non-tax revenue, while total expenditure growth was contained at 16%, despite a 29% increase in markup payments. The impact of COVID on both revenues and expenses has already started to be felt – the Government's social protection expenses climbed to nearly Rs 14 billion in Q3FY'20 compared to less than Rs 1 billion in prior quarters – and the primary surplus tipped into a deficit. The fiscal deficit for FY'20 is expected to reach 9.0%.

The equity market remained bearish since the start of the pandemic, touching multi-year lows at the end of March as foreign portfolio outflows accelerated. Fears over the spread of the virus, uncertainty about the nature and timing of any economic recovery and lower corporate earnings continued to dampen sentiment. Steep and rapid interest rate cuts and relief measures announced by the Government and the SBP have resulted in a recovery, although the PSX index remained 15% below December 2019 levels as the end of June 2020.

The federal government and the SBP have taken a number of steps to cushion the economy, including fiscal support for the export sector and low-income groups, an incentive package for the construction industry to support the real estate sector and generate employment, and deferral of principal and markup repayments for vulnerable sectors. The SBP has expanded the scope of previously announced relief measures, in particular, the tenor and risk sharing arrangements of their Rozgar refinance scheme, to ensure that salary and wage payments continue to be made.

The SBP has adopted a strongly accommodative monetary policy to bolster the economy and rapidly reduced the Policy rate by a further 400bps in Q2'20 to 7.0%; the cumulative cut in the Policy rate in 2020 is now 625bps. Notably, the SBP moved away from a bi-monthly Policy Statement with off-cycle reductions in April and June, to minimize the lag in rate reductions being passed on to borrowers. The SBP highlighted that with an improved inflation outlook but increasing downside risks to growth, the priority has shifted to growth and employment. The slowdown in overall economic activity has restricted demand for credit from the private sector. Banking sector advances rose marginally by 0.1% during the first half of 2020, while deposits grew by 11% since December'19. Spreads for the industry reduced by 18 bps in the first 5 months of 2020 compared to the first 5 months of 2019 as the increase in deposit cost was higher than the rise in lending yields.

Financial Performance

HBL's unconsolidated profit before tax for the first six months of 2020 is Rs 25.1 billion compared to Rs 9.7 billion in the corresponding period last year. This has been achieved mainly through continuing strong performance from the core domestic franchise. Lower drags from the revaluation loss on the open FX position, reduced impairment on listed equities and reduction in New York costs have further strengthened the results. Profit after tax of Rs 14.9 billion for H1'20 is more than three times the Rs 4.5 billion for H1'19, which also included the impact of Rs 1.9 billion super tax on 2017 profits. Earnings per share for H1'20 increased to Rs 10.17 compared to Rs 3.05 for the same period last year.

Domestic deposits grew by Rs 215 billion during the first half of 2020, to Rs 2.3 trillion, with HBL increasing its market share from 13.9% in December 2019 to 14.1% in June 2020. Most of the growth came from current and low-cost savings accounts, improving the current account mix to 36.5%. HBL's total deposits increased by 9.7%, to Rs 2.5 trillion. HBL's domestic advances have reduced during the half year, due to slower offtake, to Rs 903 billion, while international advances rose by 8.5% over December 2019, to nearly \$ 900 million. Consequently, total advances decreased slightly, to Rs 1.1 trillion.

HBL's average domestic balance sheet grew by 13% over H1'19, led by a growth of nearly Rs 200 billion in average deposits. The rapid interest rate reductions and the consequent downward repricing of interest bearing liabilities helped improve domestic net interest margins, particularly as the investments book is positioned towards longer tenor instruments. Consequently, the domestic net interest income for H1'20 rose by 36% to Rs 56 billion. Net interest income from the international business reduced as a result of monetary easing in most key markets. The Bank's total net interest income for H1'20 thus increased by 34% over H1'19, to Rs 59 billion.

Total non-fund income more than doubled to Rs 13.9 billion. HBL's fee income reduced by Rs 1.8 billion, primarily due to reduced Bancassurance business and lower investment banking fees, but also due to slowdown in transaction volumes resulting from curtailed business activity and the waiver of fees on digital transactions. HBL recorded a capital gain of Rs 6.7 billion from trading and opportunistic sales of fixed income instruments. The Bank has gradually been reducing its FX open position which, along with the lower rupee devaluation, has resulted in a Rs 3.1 billion lower revaluation loss compared to H1'19.

Administrative expenses reduced by 16% compared to the previous quarter and were contained to an increase of only 5% over H1'19 as costs related to New York and the Business Transformation program have receded. The Bank's cost to income ratio has started to gradually normalize and was 58.0% compared to 80.0% in H1'19. HBL continued to invest in its infrastructure to enable agility of response to the rapidly evolving situation and ensure robust, resilient and secure digital channels for its customers. The Bank also spent a significant amount on staff and customer safety measures as well as serving the community through direct contributions to deserving organisations as well as the distribution of meals and food rations.

Domestic NPLs remained stable at December 2019 levels. Total NPLs have increased by Rs 4.9 billion due to classification of one-large ticket exposure in International and the rupee devaluation impact on overseas NPLs. With a slightly lower loan book and higher NPLs, the infection ratio has increased from 6.3% in Dec'19 to 6.8% in Jun'20. HBL's unconsolidated results for the quarter include a general provision of Rs 2.2 billion in its domestic business related to Covid-19; the Bank recognises that customers affected by the pandemic could be classified in 2021, once SBP's relaxations and waivers mature. In the international business, the globally deteriorating economic conditions have also triggered further Expected Credit Loss recognition of \$4.2 million under IFRS 9 requirements. As a result, HBL's coverage ratio improved from 96.3% in December 2019 to 97.3% in Jun'20.

Movement of Reserves

Rs million

Unappropriated profit brought forward	104,669
Profit after tax	14,925
Transferred from surplus on revaluation of assets – net of tax	21
	14,946
Profit available for appropriations	119,615
Appropriations	
Transferred to statutory reserves	(1,492)
Cash dividend – Final 2019	(1,834)
Cash dividend – 1st Interim 2020	(1,834)
	(5,160)
Unappropriated profit carried forward	114,455
Earnings per share (Rs)	10.17

Capital Ratios

In response to the current crisis, in Q1'20, the SBP supported the banking system by reducing the requirements of the Capital Conservation Buffer by 100 bps, from 2.5% to 1.5%. This effectively lowered the capital requirements across all three tiers, ie Common Equity Tier 1 (CET1) CAR, Tier 1 CAR and Total CAR, by 1%.

The strong profitability has strengthened the Bank's CAR across all tiers; the unconsolidated CET1 CAR increased from 12.5% in March 2020 to 13.4% in June 2020 and the Tier 1 CAR has improved from 13.5% to 14.4% over this period. The further increase in the CET1 CAR headroom over minimum levels has increased the eligibility of Tier II capital by an additional 38 bps. The unconsolidated total CAR thus increased from 17.2% in March 2020 to 18.5% in June 2020. HBL's capital and related ratios remain well above regulatory requirements.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively. The rating of its subordinated Tier II TFC has also been reaffirmed at AAA and the rating of the TFCs issued as Additional Tier 1 Capital in September 2019 have been reaffirmed as AA+. The Outlook on all ratings is Stable. The ratings incorporate HBL's position as the largest commercial bank in the country and the strong momentum in its domestic business, and reflect its sound asset quality, robust liquidity and systemic importance.

Future Outlook

The COVID-19 pandemic is still not under control as reflected by the increasing number of cases in many countries and has potentially changed the world forever. This has imposed unprecedented challenges to economic recovery with the IMF revising down global growth forecasts to -4.9%. The slowdown has also impacted Pakistan's economy, with contraction in industrial activity, export orders and the retail sector and subdued capital flows. Remittances are also expected to taper as GCC economies continue to be affected by waning demand for oil and low oil prices along with the repatriation of foreign workers from these countries.

The IMF expects global activity to gradually pickup in 2021 and projects Pakistan's economy to recover by 1.0% in FY'21, lower than the Government's own forecast of 2.1% which is predicated on an earlier normalization of economic activity. While the number of new infections in Pakistan is slowing, these indicators are nascent and the evolution will depend on how the Government controls the situation going forward. In particular, it will be critical to prevent a recurrence of the spike seen over the previous Eid, but any prolonged 'smart lockdown' will pose a challenge to economic recovery. With inflation projected to decelerate further, to below 7% in FY21, the SBP has announced an intention to keep real interest rates near zero. Monetary policy will remain accommodative for the foreseeable future, in order to support demand restoration.

The pandemic has accelerated the pace of digital transformation with an almost step change in technology adoption as the world moves towards a form of co-existence for the foreseeable future. At HBL, the technology company with a banking license, we see this as an opportunity to further cement our leadership in the digital space and are accelerating the next stage of our transformation.

HBL is acutely aware of its responsibility to its customers and the country, particularly in these difficult times. With this in mind, the Bank has entered a new era of public-private partnership where it is providing thought leadership across a broad spectrum of areas, covering both banking and the broader economy. We are humbled and honoured to be leading the Government's efforts in Sindh, Punjab and Balochistan to enable delivery of the Ehsaas Emergency Cash program, the largest social safety net initiative in Pakistan's history; to date we have distributed Rs 168 billion to 10 million beneficiaries. HBL has been a leading player in using the liquidity and funding assistance made available by the SBP, particularly in its Rozgar Scheme to ensure that workers continue to get paid at this critical juncture as well as in providing financing to the health care sector for combating COVID.

HBL has also taken on a number of development finance initiatives in its role as Pakistan's national institution. The Bank has partnered with agri-input providers to provide maize farmers with easy access to finance while helping them improve their crop yields; this is now being extended to other crops. HBL has partnered with NAPHDA to provide affordable housing, a chronically underserved area, and with Daraz to enable the growth of SMEs by providing them an e-commerce platform. In the latest development, HBL has created a 20-year strategic alliance with Pakistan Post to further financial inclusion by leveraging digital technology and help transform it into a modern logistics company. HBL will continue to embark on similar initiatives and play a leading role in the development of the country.

Dividend

Pursuant to the SBP's instructions through its letter No BPRD/ BA & CPD/006315 - 2/20, the Board of Directors, in its meeting held on July 24, 2020 has not declared any interim cash dividend for the quarter ended June 30, 2020.

Appreciation and Acknowledgement

On behalf of the Board and management, we would like to place on record our appreciation for the efforts of our regulators and the Government of Pakistan, in particular the State Bank of Pakistan, the Ministry of Finance and the Securities and Exchange Commission of Pakistan. In these unprecedented times, they have stepped up with policies and measures that are prudent, and balanced, protecting the economy, customers and the people of Pakistan, while also safeguarding the integrity and soundness of the banking and financial services industry.

We are indebted to our customers, many of whom have banked with us for generations, and who continue to entrust us with their business and confidence. Our shareholders have provided steadfast support and to them and to all our stakeholders, we are deeply grateful. The Board and the management remain committed to maintaining the highest standards of governance and we assure our stakeholders that we will be industry leaders in this area.

Lastly, but certainly not the least, we express our deepest appreciation and gratitude to our employees and their families, especially in customer facing units and at our 1400+ open branches, who have braved these hazardous conditions to ensure that our customers continue to be able to meet their critical needs in this time of crisis. They are our heroes and heroines and we salute them for their dedication and tireless efforts.

On behalf of the Board

Muhammad Aurangzeb
President & Chief Executive Officer

Moez Ahamed Jamal
Director

July 24, 2020

مالیاتی کارکردگی

HBL کا مالی سال 2020ء کی پہلی ششماہی کا قبل از محصول غیر مجموعی منافع 25.1 ارب روپے رہا جو گزشتہ برس اسی دورانیے کے لیے 9.7 ارب روپے تھا۔ جس کی اہم وجہ بنیادی مقامی فرنیچر کی مسلسل بہترین کارکردگی تھی۔ اوپن FX پوزیشن میں ری ویلیویشن کے نقصان میں کمی، فہرستی ایکویٹیز کی اپیسٹرمنٹ میں کمی اور نیویارک کے اخراجات میں کمی نے مزید بہتر نتائج دیے۔ سال 20 کی پہلی ششماہی کا بعد از محصول منافع 14.9 ارب روپے گزشتہ برس کی اسی مدت سے تین گنا سے زیادہ 4.5 ارب روپے ہے۔ جس میں 2017ء میں منافعوں پر لاگو 1.9 ارب روپے کے سپر ٹیکس کے اثرات بھی شامل ہیں۔ سال 20 کی پہلی ششماہی کی فی حصص آمدن میں 10.17 روپے اضافہ ہوا جو گزشتہ برس اسی مدت میں 3.05 روپے تھی۔

سال 2020ء کی پہلی ششماہی میں مقامی ڈپازٹس میں 215 ارب روپے تک اضافہ ہوا جو 2.3 کھرب روپے ہو گیا، اس کے ساتھ HBL کا مارکیٹ شیئر دسمبر 2019ء کے 13.9% سے بڑھ کر جون 2020ء میں 14.1% ہو گیا۔ زیادہ تر نمو جاری کھاتوں اور کم آمدنی والے سیونگز اکاؤنٹس کے سبب ہوئی جس سے جاری کھاتوں کے امتزاج میں 36.5% بہتری آئی۔ HBL کے کل ڈپازٹس میں 9.7% اضافہ ہوا جو 2.5 کھرب روپے ہو گیا۔ ششماہی کے دوران خریداری میں مندی کے باعث HBL کے مقامی قرضہ جات میں کمی 903 ارب روپے رہی جبکہ بین الاقوامی قرضہ جات میں دسمبر 2019ء سے 8.5% اضافہ ہوا جو تقریباً 900 ملین امریکی ڈالر ہے۔ نتیجتاً کل قرضہ جات میں 1.1 کھرب روپے کی معمولی کمی واقع ہوئی۔

HBL کی اوسط مقامی سیلنس شیٹ میں سال 19 کی پہلی ششماہی سے 13% نمو آئی جس کی وجہ اوسط ڈپازٹس میں تقریباً 200 ارب روپے کا اضافہ ہے۔ منافع کی شرح میں تیزی کی اور نتیجتاً ڈاؤن ورڈری پرائسنگ نے مقامی خالص منافع جات کے مارجن کی بہتری میں مدد کی، خصوصاً سرمایہ کارانہ بکنگ کا رخ طویل المیعاد انسٹرومنٹس کی جانب رکھا گیا ہے۔ مقامی خالص منافع جاتی آمدن سال 20 کی پہلی ششماہی میں 36% بڑھ کر 56 ارب روپے ہو گئی۔ بین الاقوامی کاروباری خالص منافع جاتی آمدن اکثر اہم مارکیٹوں میں زری سہولت کے نتیجے میں کم ہو گئی۔ بینک کی کل خالص منافع جاتی آمدن سال 20 کی پہلی سہ ماہی میں 34% بڑھ گئی جو گزشتہ برس اسی مدت کے لیے 59 ارب روپے تھی۔

کل نان فنڈ آمدن 13.9 ارب روپے کے ساتھ گنی سے زیادہ ہو گئی۔ HBL کی فیس آمدن میں 1.8 ارب روپے کی واقع ہوئی جس کی بنیادی وجہ بینکارشورنس کاروبار میں کمی اور کم سرمایہ کاری بینکاری فیس تھی مگر اس کی ایک اور وجہ محدود کاروباری سرگرمیوں کے باعث ترسیلات کے حجم میں کمی اور ڈیجیٹل ٹرانزیکشن کی فیس کا استثناء بھی تھی۔ HBL نے تجارت اور فکسڈ انکم انسٹرومنٹس کی خوش آئند فروخت سے 6.7 ارب روپے ریکارڈ سرمایہ حاصل کیا۔ بینک رفتہ رفتہ اپنی اوپن FX پوزیشن گھٹا رہا ہے، اس کے ساتھ روپے کی قدر میں کم گراؤ کے نتیجے میں سال 19 کی پہلی ششماہی کے مقابلے میں ری ویلیویشن کا نقصان کم ہو کر 3.1 ارب روپے رہا۔

بینک کے انتظامی اخراجات گزشتہ سہ ماہی کی نسبت 16% کم رہے اور ان میں 2019ء کی پہلی ششماہی کی نسبت 5% اضافہ ہوا کیونکہ نیویارک برانچ اور بزنس ٹرانسفارمیشن پروگرام کے اخراجات بند ہو گئے۔ بینک کی آمدن کے اخراجات کی شرح رفتہ رفتہ معمول پر آرہی ہے جو سال 19 کی پہلی ششماہی کی 80.0% کے مقابلے میں 58.0% رہی۔ HBL مسلسل اپنے انفراسٹرکچر میں سرمایہ کاری کرتا رہا تاکہ تیزی سے بدلتے ہوئے حالات میں تیزی سے ہی جواب دے سکے اور اپنے کسٹمر کے لیے مضبوط، لچکدار اور محفوظ ڈیجیٹل ذرائع فراہم کر سکے۔ بینک نے عملے اور کسٹمر کے تحفظ کے اقدامات کے ساتھ ساتھ مستحق اداروں کی براہ راست مدد کے ذریعے سماجی خدمت پر بھی خطیر رقم خرچ کی جس میں کھانے، اشیائے خورد و نوش اور راشن کی تقسیم بھی شامل ہے۔

مقامی NPLs دسمبر 2019ء کی سطح پر بدستور مستحکم رہے۔ کل NPLs میں 4.9 ارب روپے تک اضافہ ہوا، جو کہ بین الاقوامی سطح پر ایک بڑے ایکسپوژر نلٹ اور روپے کی قدر میں کمی کے باعث بیرون ملک NPLs پر اثرات کی صورت میں ہوا۔ قرضہ جات کی کم بکنگ اور اضافی NPLs کی وجہ سے انلیکیشن کی شرح میں اضافہ ہوا جو دسمبر 19ء کی 6.3% کی شرح کے مقابلے میں جون 20ء میں 6.8% رہا۔ HBL کے اس سہ ماہی کے غیر مجموعی نتائج میں مقامی کاروبار میں COVID-19 سے متعلق 2.2 ارب روپے کا عمومی پرووژن ہے جس میں FMFB شامل ہے۔ بینک سمجھتا ہے کہ وہ اسے متاثرہ کسٹمرز 2021ء میں درجہ بند کیے جاسکتے ہیں، جب تک SBP کی توسیع اور استثناء میچور ہو جائیں۔ بین الاقوامی کاروبار میں، عالمی اقتصادی زوال پذیر صورتحال کے سبب مزید متوقع قرضہ جاتی خسارے کو تحریک ملی ہے جو IFRS9 شرائط کے مطابق 4.2 ملین امریکی ڈالر ہے۔ نتیجتاً HBL کی کوریج شرح دسمبر 2019ء کی 96.3% سے بڑھ کر جون 2020ء میں 97.3% ہو گئی۔

ڈائریکٹرز کا جائزہ

ہمیں بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2020ء کو ختم ہونے والی پہلی ششماہی کے مختصر عبوری غیر مجموعی مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس ہو رہی ہے۔

کلیاتی اقتصادیات کا جائزہ

دنیا بھر کی طرح، کورونا وائرس کی وبا نے پاکستان کے موجودہ معاشی چیلنجز میں اضافہ کر دیا ہے۔ زرعی شعبے میں 2.7% کی نمو کے باوجود مالی سال 20 میں پاکستان کی GDP تقریباً 70 سال میں پہلی بار 0.4% سے سمٹ گئی، کیونکہ وائرس کے سبب لاک ڈاؤن ضروری تھا جس سے صنعتی سرگرمیوں میں کمی، بے روزگاری میں اضافہ اور کمزور برآمدات میں مزید سست روی آئی۔ مالی سال 20 کے 11 ماہ کے دوران وسیع پیمانے کے پیداواری شعبے کی فہرست 10.3% زوال پذیر ہوئی۔ جون 2020ء میں عمومی افراط زر میں 8.6% اضافہ ہوا جو بنیادی طور پر خوراک کے شعبے میں تھا مگر مالی سال 20 کے لیے اوسطاً 10.7% کے ساتھ ہنوز SBP کے 12%-11% کے ہدف سے نیچے رہا۔

کلیاتی اقتصادی میدان میں اہم مثبت عنصر، جاری کھاتوں کے خساروں میں تیز ترین کمی ہے جو مالی سال 20 میں 3.0 ارب امریکی ڈالر کے ساتھ 78% رہی، یعنی 5 سالہ کم۔ جس کی وجہ تجارتی خسارے میں 28% کمی ہے، برآمدات میں 7% کمی آئی مگر روک تھام کے اقدامات اور سستے تیل سے درآمدات میں 18% کمی ہوئی۔ مالی سال 20 میں 23.1 ارب امریکی ڈالر کے ساتھ ترسیلات میں 6% اضافہ ہوا جس سے جاری کھاتوں میں بہتری کو مزید سہارا ملا۔

FX ذخائر میں بھی جون 2019ء کی سطح سے تقویت آئی جو جون 2020ء کے اختتام تک 17.9 ارب امریکی ڈالر ہو گئے، کیونکہ ملک کو عالمی بینک، ایشیائی ڈیولپمنٹ بینک اور ایشیائی انفراسٹرکچر انویسٹمنٹ بینک سے 1.7 ارب امریکی ڈالر سے زائد غیر ملکی امداد کے ساتھ چین سے 1.3 ارب امریکی ڈالر کا قرض ملا، پاکستان نے G-20 قرض ریلیف پروگرام کے تحت بطور مینفشری تحفظ بھی حاصل کر لیا ہے، تاہم سرمایہ کاروں کی محفوظ پناہ گاہ کی تلاش کے سبب قرضہ جات اور لیکویٹی مارکیٹ سے غیر ملکی پورٹ فولیو کے بیرونی بہاؤ کی وجہ سے اثاثہ جات کا روپے پر دباؤ برقرار رہا، جو امریکی ڈالر کے مقابلے میں دسمبر 19 کی سطح سے 9% کمزور پڑ گیا۔

مالی سال 20 کے 9 ماہ میں GDP کا مالی خسارہ 3.8% تھا جو مالی سال 19 کی اسی مدت کے لیے 5.0% تھا۔ بنیادی بیلنس IMF کے ہدف 0.6% کے مقابلے میں 0.4% کا سرپلس تھا۔ نان ٹیکس محصولات کی تیز روی کی مدد سے کل محصولات میں 31% اضافہ ہوا، جبکہ کل اخراجات کی نمو 16% پر رہی، اس کے باوجود کہ مارک اپ کی ادائیگی میں 29% اضافہ کیا گیا۔ محصولات اور اخراجات دونوں پر COVID کے اثرات پہلے ہی محسوس ہونا شروع ہو گئے ہیں۔ حکومتی سماجی حفاظتی اخراجات مالی سال 20 کی دوسری سہ ماہی میں 14 ارب روپے تک پہنچ گئے ہیں جو گزشتہ سہ ماہی میں 1 ارب روپے سے کم تھے؛ اور بنیادی سرپلس خسارے تک پہنچ چکا ہے۔ مالی سال 20 کا مالی خسارہ 9.0% تک جانے کی توقع ہے۔

وبا کے آغاز سے ہی لیکویٹی مارکیٹ سست رہی، مارچ کے اختتام تک غیر ملکی پورٹ فولیوز کے بیرونی بہاؤ میں اضافے کے سبب کثیر سالہ گراؤ کی سطح کو چھوٹی رہی۔ وائرس پھیلنے کے خوف، اقتصادی واپسیوں کے وقت اور نوعیت کے حوالے سے غیر یقینی اور کارپوریٹ آمدن میں کمی سے عدم دلچسپی برقرار رہی۔ منافع کی شرح میں تیز اور شدید کٹوتی اور حکومت کی جانب سے ریلیف کے اقدامات کے اعلان کے بعد SBP کو بحالی کے نتائج حاصل ہوئے، حالانکہ جون 2020ء کے اختتام تک PSX انڈیکس دسمبر 2019ء سے ہنوز 15% نیچے رہا۔

معیشت کو کاندھا دینے کے لیے وفاقی حکومت اور SBP نے کئی اقدامات کیے، جس میں برآمدی شعبے اور کم آمدنی والے گروہوں کے مالی امداد، رینل سیکٹر کی امداد اور روزگار کی فراہمی کے لیے تعمیراتی صنعت میں ترغیبی پیکیج کی فراہمی، اور کمزور شعبہ جات کے بنیادی قرض اور مارک اپ کی ادائیگی میں مہلت شامل ہیں۔ SBP نے پہلے سے اعلان کردہ ریلیف کے اقدامات کے ساتھ ساتھ ریلیف کے اقدامات کے بعد SBP کو بحالی کے نتائج حاصل ہوئے، حالانکہ جون 2020ء کے اختتام تک PSX انڈیکس دسمبر 2019ء سے ہنوز 15% نیچے رہا۔

SBP نے معیشت کو سہارا دینے کے لیے انتہائی مضبوط سازگار مانیٹری پالیسی اختیار کی ہے اور اپنی پالیسی کی شرح میں مالی سال 20 کی دوسری سہ ماہی میں مزید 400 بی پی ایس کی تیز تر کمی کر کے 7% تک کر دی ہے۔ 2020ء میں پالیسی کی شرح کی مجموعی کٹوتی اب 625 بی پی ایس ہے۔ اپریل اور جون میں آف سائیکل کمی کے بعد SBP واضح طور پر دو ماہی پالیسی اسٹیٹمنٹ سے ہٹ گیا ہے تاکہ شرح میں کمی سے قرض داروں تک پہنچنے میں تاخیر نہ ہو۔ SBP نے اسے افراط زر کے بہتر منظر نامے مگر نمو کو درپیش بڑھتے ہوئے زوال پذیر خطرات کے ساتھ اجاگر کیا ہے، چنانچہ نمو اور روزگار کو ترجیح پر رکھا گیا ہے۔ مجموعی اقتصادی سرگرمیوں میں سست روی نے نجی شعبے میں قرض کی طلب کو محدود کر دیا ہے۔ سال 2020ء کی پہلی ششماہی میں بینکاری کے شعبے کے قرضہ جات میں معمولی 0.1% اضافہ ہوا ہے جبکہ دسمبر 19 سے ڈپازٹس 11% بڑھے ہیں۔ سال 2020ء کے پہلے 5 ماہ میں سال 2019ء کی اسی مدت کی نسبت صنعتی اسپرڈ 18 بی پی ایس کم ہو گیا کیونکہ قرض کی پیداوار میں اضافے کے مقابلے میں ڈپازٹ کی لاگت زیادہ تھی۔

علامات قبل از وقت ہیں اور ارتقاء کا انحصار حکومت کے مستقبل میں صورتحال کو قابو میں رکھنے کے انداز پر ہوگا۔ خصوصاً، پچھلی عید پر تیزی سے ابھرنے والی وبائی صورتحال کو دوبارہ ہونے سے روکنا اہم ہوگا، لیکن طویل عرصے تک 'سمارٹ لاک ڈاؤن' معاشی بحالی کے لیے بھی ایک چیلنج ہوگا۔ مالی سال 21 میں افراط زر میں کمی سے 7% سے بھی کم مہنگائی کا امکان ہے۔ اسٹیٹ بینک نے حقیقی منافع کی شرح صفر کے برابر رکھنے کا ارادہ کیا ہے۔ طلب کی بحالی کی معاونت کے لیے زری پالیسی مستقبل کے تصور کے مطابق چکدار رہے گی۔

اس وبائی ڈیجیٹل ٹرانسفارمیشن کی رفتار تیز کرتے ہوئے ٹیکنالوجی کو اپنانے میں نمایاں کردار ادا کیا ہے کیونکہ دنیا ایک مستقبل کے تصور میں باہمی بقا کی جانب گامزن ہے۔ بینکنگ لائسنس والی ٹیکنالوجی کمپنی کی حیثیت سے HBL میں، ہم اسے ڈیجیٹل دنیا میں اپنی قیادت کو مزید مستحکم کرنے کے موقع کے طور پر دیکھتے ہیں اور اپنی منتقلی کے اگلے مرحلے کو تیز تر بنا رہے ہیں۔

HBL خصوصاً ان مشکل وقتوں میں اپنے کسٹمرز اور ملک کے لیے اپنی ذمہ داری سے بخوبی آگاہ ہے۔ اسے ذہن نشین رکھتے ہوئے، بینک پبلک پرائیویٹ پارٹنرشپ کے ایک نئے دور میں داخل ہو چکا ہے جہاں وہ بینکاری اور وسیع تر معیشت دونوں کا احاطہ کرنے والے شعبوں میں پُر سوچ ماہرانہ قیادت فراہم کر رہا ہے۔ ہم شکر گزار ہیں اور ہمیں فخر ہے کہ ہم پاکستان کی تاریخ کے سب سے بڑے سماجی حفاظتی نیٹ، احساس ایمر جنسی کیش پروگرام کی سندھ، پنجاب اور بلوچستان میں فراہمی کے لیے حکومت کی کاوشوں کی رہبری کرتے ہوئے، آج تک 1 کروڑ 10 لاکھ مستحقین کو 168 ارب روپے تقسیم کر چکے ہیں۔ HBL بالخصوص روزگار اسکیم میں SBP کے ذریعے دستیاب لیکویڈیٹی اور فنڈنگ امداد استعمال کرنے میں ایک سرکردہ کھلاڑی رہا ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ کارکنوں کو اس سنگین صورتحال میں ادائیگی کے ساتھ ساتھ COVID کا مقابلہ کرنے والے صحت کی دیکھ بھال کے شعبے کی بھی مالی اعانت کی جائے۔

HBL نے پاکستان کے قومی ادارے کی حیثیت سے اپنا کردار نبھاتے ہوئے متعدد ترقیاتی مالیاتی اقدامات بھی کیے ہیں۔ بینک نے زرعی ان پٹ فراہم کنندگان کے ساتھ شراکت کی ہے تاکہ ملکی کے کاشتکاروں کو فصلوں کی پیداوار بہتر بنانے میں مدد کے لیے آسانی سے قرض فراہم کیا جاسکے۔ جسے اب دوسری فصلوں کے لیے بھی فراہم کیا جا رہا ہے۔ HBL نے سستی رہائش فراہم کرنے کے لیے NAPHDA کے ساتھ بھی شراکت کی ہے، جو ایک ہمیشہ سے پسماندہ علاقے کے لیے ہے، اور 'دراز' کے ساتھ SMEs کی ترقی میں اضافے کے لیے انہیں ای کامرس پلیٹ فارم فراہم کرے گا۔ HBL کی تازہ ترین پیش رفت کے طور پر پاکستان پوسٹ کے ساتھ 20 سالہ منصوبہ بندی اتحاد کیا گیا ہے جس کے ذریعے ڈیجیٹل ٹیکنالوجی کا فائدہ اٹھا کر مزید مالیاتی شمولیت کے ساتھ اس کو جدید لاجسٹک کمپنی میں تبدیل کیا جائے گا۔ HBL اسی طرح کے اقدامات جاری رکھے گا اور ملکی ترقی میں قائدانہ کردار ادا کرتا رہے گا۔

منافع منقسمہ

اسٹیٹ بینک برائے پاکستان کے لیٹر نمبر BPRD/BA & CPD/006315-2/20 کے ہدایات کے مطابق بورڈ آف ڈائریکٹرز نے 24 جولائی 2020ء کو منعقد ہونے والے اجلاس میں 30 جون 2020ء کو اختتام پذیر ہونے والی سہ ماہی کے لیے کسی عبوری نقد منافع منقسمہ کا اعلان نہیں کیا۔

اظہار تشکر

بورڈ اور انتظامیہ کی جانب سے ہم اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص اسٹیٹ بینک آف پاکستان، وزارت مالیات اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی کاوشوں کا اعتراف کرتے ہیں۔ اس غیر معمولی وقت میں، انھوں نے ایسی پالیسیاں بنائیں اور اقدامات کیے جو مصلحت اندیش، اور متوازن ہیں، معیشت، کسٹمرز اور پاکستان کے عوام کی حفاظت کرتے ہیں، اور بینکنگ اور فنانشل سروسز انڈسٹری کی سالمیت اور بہتری کا تحفظ بھی کرتے ہیں۔

ہم اپنے صارفین کے احسان مند ہیں جن میں سے کئی نسلوں سے ہمارے ساتھ منسلک ہیں اور اپنے کاروبار اور اعتماد کے ذریعے اپنا بھرپور تعاون جاری رکھے ہوئے ہیں۔ ہمارے حصص یافتگان نے ثابت قدمی سے ہمارا ساتھ دیا اور اس کے ساتھ تمام اسٹیک ہولڈرز کے ہم انتہائی شکر گزار ہیں۔ بورڈ اور انتظامیہ گورننس کے اعلیٰ ترین معیارات برقرار رکھنے کے لیے پُر عزم ہے اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ اس خطے میں ہم اپنی کاروباری صنعت میں عروج پر ہوں گے۔

آخر میں، ہم اپنے تمام ملازمین اور اُن کے اہل خانہ، بالخصوص کسٹمر کا سامنا کرنے والے یونٹس اور ہماری 1400 سے زائد فعال برانچوں میں موجود عملے کے شکر گزار ہیں، جنھوں نے ان خطرناک حالات میں بہادری کا مظاہرہ کرتے ہوئے بحران کے اس وقت میں ہمارے کسٹمرز کی بنیادی ضروریات کا پورا ہونا یقینی بنایا۔ یہ ہمارے ہیرو اور ہیروئن ہیں اور ہم اُن کے عزم اور انتھک محنت کے لیے انھیں خراج تحسین پیش کرتے ہیں۔

منجانب بورڈ

معیز احمد جمال
ڈائریکٹر

محمد اورنگزیب
صدر اور چیف ایگزیکٹو آفیسر

24 جولائی 2020ء

ذخائر میں اتار چڑھاؤ

ملین روپے
104,669
14,925
21
14,946
119,615

افتتاحی غیر تخصیص شدہ منافع
منافع بعد از محصول
اثاثہ جات کی دوبارہ تشخیص پر سرپلس سے منتقل شدہ - محصول کا خالص

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

(1,492)
(1,834)
(1,834)
(5,160)
114,455
10.17

قانونی ذخائر میں منتقل شدہ
نقد منافع منقسمہ - حتمی 2019ء
نقد منافع منقسمہ - پہلا عبوری 2020ء

اختتامی غیر تخصیص شدہ منافع

فی حصص (شیر) آمدنی (روپے)

سرمائے کا تناسب

موجودہ بحران کے جواب میں سال 20 کی پہلی سہ ماہی میں SBP نے بینکاری شعبے کی معاونت میں کیپٹل کنزرویشن بفر (Capital Conservation Buffer) Tier 1، CAR Common Equity Tier 1 (CET1)، یعنی اس سے تینوں Tiers، اس سے بہتری آئی۔ 14.4% سے 100 بی پی ایل کی کمی کر دی۔ اس سے تینوں Tiers، یعنی (CET1)، CAR Common Equity Tier 1، CAR اور کل CAR کے سرمائے کی شرائط میں 1% تک کمی آئی۔

مستحکم منفعیت کے سبب تمام Tiers میں بینک کا CAR مضبوط رہا۔ غیر مجموعی CAR CET1 مارچ 2020ء سے 12.5% بڑھ کر جون 2020ء میں 13.4% ہو گیا اور Tier I CAR میں اس مدت میں 13.5% سے 14.4% بہتری آئی۔ CET1 CAR کے ہیڈ روم میں کم از کم سطح سے 38 بی پی ایل اضافہ ہوا جس کے نتیجے میں Tier II سرمایہ اہل ہو گیا۔ بینک کا غیر مجموعی کل CAR مارچ 2020ء کے 17.2% سے بڑھ کر جون 2020ء میں 18.5% ہو گیا۔ HBL کا سرمایہ اور اس سے متعلقہ تناسب ریگولیٹری شرائط سے بالاتر رہے۔

کریڈٹ ریٹنگ

بینک کی کریڈٹ ریٹنگ کی دوبارہ تصدیق JCR-VIS کے ذریعے بالترتیب طویل المیعاد اور قلیل المیعاد کے لیے AAA/A-1 ہوئی۔ Tier II TFC کے ماتحت قرضوں کی ریٹنگ بدستور AAA ہے جبکہ بینک کے Additional Tier I سرمائے کے TFCs کو ستمبر 2019ء کے مطابق AA+ ریٹنگ دی گئی ہے۔ تمام ریٹنگز کا آؤٹ لک مستحکم ہے۔ اس ریٹنگ نے بینک کی پاکستان کے سب سے بڑے کمرشل بینک کی حیثیت مستحکم کر دی اور مقامی کاروبار میں اس کی بھرپور رفتار، اس کے پائیدار اثاثوں کا معیار، مضبوط لیکویڈیٹی اور انتظامی اہمیت اس کے عکاس ہیں۔

مستقبل کی صورت حال

دنیا بھر میں COVID-19 وبا ابھی بھی قابو میں نہیں آئی جیسا کہ بہت سے ممالک میں بڑھتے ہوئے کیسوں سے اس کی عکاسی ہوتی ہے اور اس نے ممکنہ طور پر دنیا کو ہمیشہ کے لیے تبدیل کر دیا ہے۔ اس نے معاشی بحالی کے لیے غیر معمولی چیلنجز عائد کر دیے ہیں جس کے ساتھ IMF عالمی نمو کی پیش گوئی کو گھٹا کر 4.9% کر رہا ہے۔ اس سست روی نے صنعتی سرگرمیوں، برآمدات کے آرڈرز اور ریٹیل کے شعبے میں کمی کے ساتھ پاکستان کی معیشت کو بھی متاثر کیا ہے اور سرمائے کے بہاؤ کو بھی زبردیاؤں کیا ہے۔ توقع کی جاتی ہے کہ بیرونی ممالک سے غیر ملکی کارکنوں کی وطن واپسی کے ساتھ ساتھ نیل کی طلب اور قیمت میں کمی کی وجہ سے GCC کی معیشت بھی مسلسل متاثر ہوگی کیونکہ ترسیلات زر کم ہو جائیں گی۔

IMF توقع کرتا ہے کہ عالمی سرگرمی 2021ء میں بتدریج رفتار پکڑے گی اور مالی سال 2021ء میں پاکستان کی معیشت میں 1% بحالی نظر آئے گی جو حکومت کی اپنی 2.1% پیش گوئی سے کم ہے۔ جو اقتصادی سرگرمی کے معمول پر آنے کی پہلے کی پیش گوئی ہے۔ اب جبکہ پاکستان میں نئے انفیکشن کی تعداد کم ہو رہی ہے، یہ

Independent Auditor's Review Report

To the members of Habib Bank Limited

Report on review of Condensed Interim Unconsolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Habib Bank Limited ("the Bank") as at June 30, 2020 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated cash flow statement, and notes to the condensed interim unconsolidated financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim unconsolidated financial statements"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures for the quarters ended June 30, 2020 and June 30, 2019 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Scope of Review

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

Conclusion

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

Emphasis of Matter

We draw attention to note 20.3.3 to the condensed interim unconsolidated financial statements, regarding the present regulatory examination of the UAE operations and its forthcoming outcome. Our opinion is not modified in respect of this matter.

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi

Date: July 24, 2020

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2020

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
ASSETS			
Cash and balances with treasury banks	5	312,138,609	337,241,623
Balances with other banks	6	43,548,572	32,139,733
Lendings to financial institutions	7	80,690,695	45,303,199
Investments	8	1,557,332,527	1,351,961,513
Advances	9	1,054,317,033	1,073,018,669
Fixed assets	10	76,406,710	75,541,769
Intangible assets	11	4,056,022	3,528,218
Deferred tax assets	12	-	1,898,828
Other assets	13	120,895,801	133,100,201
		3,249,385,969	3,053,733,753
LIABILITIES			
Bills payable	14	41,619,956	29,534,303
Borrowings	15	306,728,078	382,071,512
Deposits and other accounts	16	2,525,097,754	2,301,899,086
Liabilities against assets subject to finance lease		-	-
Subordinated debt	17	22,358,000	22,360,000
Deferred tax liabilities	12	7,950,728	-
Other liabilities	18	113,926,973	116,446,906
		3,017,681,489	2,852,311,807
NET ASSETS		231,704,480	201,421,946
REPRESENTED BY			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		62,853,085	57,274,159
Surplus on revaluation of assets - net of tax	19	39,727,908	24,810,855
Unappropriated profit		114,454,962	104,668,407
		231,704,480	201,421,946
CONTINGENCIES AND COMMITMENTS	20		

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Yahya Chinoy
Director

Salim Raza
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2020

	Note	January 01 to June 30, 2020	January 01 to June 30, 2019	April 01 to June 30, 2020	April 01 to June 30, 2019
----- (Rupees in '000) -----					
Mark-up / return / profit / interest earned	22	136,736,568	105,621,955	66,914,121	56,698,061
Mark-up / return / profit / interest expensed	23	77,359,579	61,223,838	33,739,523	34,013,213
Net mark-up / return / profit / interest income		59,376,989	44,398,117	33,174,598	22,684,848
Non mark-up / interest income					
Fee and commission income	24	7,793,899	9,581,410	3,659,099	4,761,303
Dividend income		852,857	800,057	224,496	699,246
Foreign exchange (loss) / income		(1,412,357)	(2,073,295)	266,368	(2,403,568)
Income / (Loss) from derivatives		258,333	(1,023,516)	538,637	(1,208,032)
Gain / (Loss) on securities - net	25	6,658,165	(1,088,592)	4,412,526	(1,190,600)
Other (loss) / income	26	(240,172)	408,509	181,888	342,000
Total non mark-up / interest income		13,910,725	6,604,573	9,283,014	1,000,349
Total income		73,287,714	51,002,690	42,457,612	23,685,197
Non mark-up / interest expenses					
Operating expenses	27	42,687,928	40,813,065	19,434,058	21,355,768
Workers' Welfare Fund -Charge		513,895	198,315	353,725	37,676
Other charges	28	232,608	81,279	410	30,627
Total non mark-up / interest expenses		43,434,431	41,092,659	19,788,193	21,424,071
Profit before provisions and taxation		29,853,283	9,910,031	22,669,419	2,261,126
Provisions and write offs - net	29	4,707,291	221,383	4,565,962	409,659
Profit before taxation		25,145,992	9,688,648	18,103,457	1,851,467
Taxation	30	10,221,216	5,213,717	7,176,460	218,166
Profit after taxation		14,924,776	4,474,931	10,926,997	1,633,301
----- (Rupees) -----					
Basic and diluted earnings per share	31	10.17	3.05	7.45	1.11

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

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Salim Raza
Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2020

	January 01 to June 30, 2020	January 01 to June 30, 2019	April 01 to June 30, 2020	April 01 to June 30, 2019
	----- (Rupees in '000) -----			
Profit after taxation for the period	14,924,776	4,474,931	10,926,997	1,633,301
Other comprehensive income / (loss)				
<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>				
Effect of translation of net investment in foreign branches - net of tax	2,935,251	4,985,772	500,684	4,308,613
Movement in surplus / deficit on revaluation of investments - net of tax	14,938,440	1,683,903	8,900,663	(273,522)
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Movement in surplus / deficit on revaluation of fixed assets - net of tax	-	(126,798)	-	(126,798)
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	-	-	-	-
	-	(126,798)	-	(126,798)
Total comprehensive income	32,798,467	11,017,808	20,328,344	5,541,594

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

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Director

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Director

Salim Raza
Director

Condensed Interim Unconsolidated Statement of Changes In Equity (Unaudited)

For the six months ended June 30, 2020

	Share capital	Exchange translation reserve	Statutory reserve	Reserves			Surplus / (deficit) on revaluation of		Total
				Non - distributable capital reserve	Revenue		Investments	Fixed / Non-banking assets	
					General reserve	Unappropriated profit			
(Rupees in '000)									
Balance as at December 31, 2018	14,668,525	19,356,885	31,957,440	547,115	6,073,812	91,882,814	(7,175,543)	21,738,008	179,049,056
Comprehensive income for the six months ended June 30, 2019									
Profit after taxation for the six months ended June 30, 2019	-	-	-	-	-	4,474,931	-	-	4,474,931
Other comprehensive income / (loss)									
Effect of translation of net investment in foreign branches - net of tax	-	4,985,772	-	-	-	-	-	-	4,985,772
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	1,683,903	(126,798)	1,557,105
	-	4,985,772	-	-	-	4,474,931	1,683,903	(126,798)	11,017,808
Transferred to statutory reserve	-	-	447,493	-	-	(447,493)	-	-	-
Transferred to unappropriated profit	-	-	-	-	(6,073,812)	6,073,812	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	236,204	-	(236,204)	-
Transactions with owners, recorded directly in equity									
Final cash dividend - Rs 1.25 per share declared subsequent to the year ended December 31, 2018	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
1st interim cash dividend - Rs 1.25 per share	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
	-	-	-	-	-	(3,667,130)	-	-	(3,667,130)
Exchange gain realised on closure of bank branch - net of tax	-	(99,471)	-	-	-	-	-	-	(99,471)
Balance as at June 30, 2019	14,668,525	24,243,186	32,404,933	547,115	-	98,553,138	(5,491,640)	21,375,006	186,300,263
Comprehensive income for the six months ended December 31, 2019									
Profit after taxation for the six months ended December 31, 2019	-	-	-	-	-	10,589,258	-	-	10,589,258
Other comprehensive income / (loss)									
Effect of translation of net investment in foreign branches - net of tax	-	(980,001)	-	-	-	-	-	-	(980,001)
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	79,561	-	-	79,561
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	9,064,995	35,000	9,099,995
	-	(980,001)	-	-	-	10,668,819	9,064,995	35,000	18,788,813
Transferred to statutory reserve	-	-	1,058,926	-	-	(1,058,926)	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	172,506	-	(172,506)	-
Transactions with owners, recorded directly in equity									
2nd interim cash dividend - Rs 1.25 per share	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
3rd interim cash dividend - Rs 1.25 per share	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
	-	-	-	-	-	(3,667,130)	-	-	(3,667,130)
Balance as at December 31, 2019	14,668,525	23,263,185	33,463,859	547,115	-	104,668,407	3,573,355	21,237,500	201,421,946
Comprehensive income for the six months ended June 30, 2020									
Profit after taxation for the six months ended June 30, 2020	-	-	-	-	-	14,924,776	-	-	14,924,776
Other comprehensive income									
Effect of translation of net investment in foreign branches - net of tax	-	2,935,251	-	-	-	-	-	-	2,935,251
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	14,938,440	-	14,938,440
	-	2,935,251	-	-	-	14,924,776	14,938,440	-	32,798,467
Transferred to statutory reserve	-	-	1,492,478	-	-	(1,492,478)	-	-	-
Exchange loss realised on closure of Bank branch - net of tax	-	1,151,197	-	-	-	-	-	-	1,151,197
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	21,387	-	(21,387)	-
Transactions with owners, recorded directly in equity									
Final cash dividend - Rs 1.25 per share declared subsequent to the year ended December 31, 2019	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
1st interim cash dividend - Rs 1.25 per share	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
	-	-	-	-	-	(3,667,130)	-	-	(3,667,130)
Balance as at June 30, 2020	14,668,525	27,349,633	34,956,337	547,115	-	114,454,962	18,511,795	21,216,113	231,704,484

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

Muhammad Aurangzeb
President and
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Director

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Director

Salim Raza
Director

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2020

	January 01 to June 30, 2020	January 01 to June 30, 2019
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	25,145,992	9,688,648
Dividend income	(852,857)	(800,057)
	<u>24,293,135</u>	<u>8,888,591</u>
Adjustments:		
Depreciation	2,665,784	2,299,261
Depreciation on right-of-use assets	1,636,045	1,283,803
Amortisation	335,970	211,328
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	968,963	462,549
Provision for diminution in value of investments	394,468	232,825
Provision against loans and advances	4,419,135	271,731
Provision against other assets	111,638	42,338
Provision / (reversal) against off-balance sheet obligations	16,045	(98,032)
Unrealised (gain) / loss on held-for-trading securities	(126,403)	11,282
Exchange loss / (gain) realised on closure of Bank branch - net of tax	1,151,197	(99,471)
Exchange gain realised on reduction in capital of subsidiary	(1,395,592)	-
Gain on sale of fixed assets - net	(2,050)	(58,017)
Workers' Welfare Fund - charge	513,895	198,315
	<u>10,689,095</u>	<u>4,757,912</u>
	<u>34,982,230</u>	<u>13,646,503</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(35,387,496)	(19,367,677)
Held-for-trading securities	155,026,911	(138,606,855)
Advances	14,282,501	(35,228,905)
Other assets (excluding advance taxation)	6,841,050	(25,918,572)
	<u>140,762,966</u>	<u>(219,122,009)</u>
Increase / (decrease) in operating liabilities		
Bills payable	12,085,653	(3,697,011)
Borrowings from financial institutions	(75,343,434)	(30,890,456)
Deposits and other accounts	223,198,668	140,812,934
Other liabilities	(6,220,533)	7,475,539
	<u>153,720,354</u>	<u>113,701,006</u>
	<u>329,465,550</u>	<u>(91,774,500)</u>
Income tax paid	(4,373,666)	(1,131,912)
Net cash flows generated from / (used in) operating activities	<u>325,091,884</u>	<u>(92,906,412)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	(347,402,104)	378,588,183
Net investment in held-to-maturity securities	10,345,938	(199,845,517)
Net investment in associates	45,993	1,560,612
Dividend received	744,913	639,478
Investments in fixed assets	(2,908,493)	(2,919,693)
Investments in intangible assets	(863,774)	(618,772)
Proceeds realised on reduction in capital of subsidiary	3,021,200	-
Proceeds from sale of fixed assets	12,983	350,782
Effect of translation of net investment in foreign branches - net of tax	2,935,251	4,985,772
Net cash flows (used in) / generated from investing activities	<u>(334,068,093)</u>	<u>182,740,845</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated debt	(2,000)	(2,000)
Proceeds from issue of subordinated debt	-	8,428,000
Payment of lease liability against right-of-use assets	(1,895,237)	(2,443,302)
Dividend paid	(2,820,729)	(3,156,035)
Net cash flows (used in) / generated from financing activities	<u>(4,717,966)</u>	<u>2,826,663</u>
(Decrease) / Increase in cash and cash equivalents during the period	<u>(13,694,175)</u>	<u>92,661,096</u>
Cash and cash equivalents at the beginning of the period	363,033,776	280,150,230
Effect of exchange rate changes on cash and cash equivalents	6,347,580	12,555,356
	<u>369,381,356</u>	<u>292,705,586</u>
Cash and cash equivalents at the end of the period	<u>355,687,181</u>	<u>385,366,682</u>

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

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President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Yahya Chinoy
Director

Salim Raza
Director

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I. I. Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,668 (2019: 1,667) branches inside Pakistan including 48 (2019: 48) Islamic Banking Branches and 44 (2019: 45) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development S.A. (AKFED) is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 Habib Finance International Limited has voluntarily surrendered its license and filed for voluntary liquidation which has commenced on July 7, 2020. During the period, as part of a capital reduction plan prior to final liquidation, capital amounting to Rs 3,021.200 million was repatriated to Pakistan.
- 1.2 The Bank had commenced an orderly winding down of its operations in Afghanistan and banking operations were ceased on June 10, 2019. The remaining formalities required for closure are now in progress.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

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

2.3 Amendments to existing accounting and reporting standards that have become effective in the current period.

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2020. These are considered either to not be relevant or to not have any significant impact on these condensed interim financial statements.

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

IFRS 9 has been applicable in several overseas jurisdictions from January 1, 2018 and is progressively being adopted in others. The requirements of this standard are incorporated in the Bank's financial statements for the jurisdictions where IFRS 9 has been adopted. As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

2.5 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2019 except as mentioned below.

Till December 31, 2019, the Bank was maintaining general provision against its domestic portfolio of loans and advances in accordance with the Prudential Regulations which require a general provision only against the consumer finance. In the current period, the Bank has also made general provision against its remaining domestic portfolio of loans and advances as more fully explained in note 4.1 to these condensed interim unconsolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those followed in the preparation of the unconsolidated financial statements for the year ended December 31, 2019.

4 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2019. These risk management policies continue to remain robust and the Bank is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points since the beginning of the year, to 7% in June 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 will impact banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

4.1 Credit Risk Management

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

The Bank expects that several borrowers will be severely impacted by this pandemic. Since many of such borrowers have availed the SBP enabled deferment / restructuring & rescheduling relief, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Hence, management feels that it is appropriate to maintain a general provision upto 1% on the domestic funded, performing credit portfolio excluding:

- Government guaranteed exposure
- Consumer and staff lending
- Exposure secured by cash / near cash collateral

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

This provision is based on management's best estimate and, in the current period, a provision of Rs 2,200.000 million has been recognised in the profit and loss account.

IFRS 9 is applicable to the overseas branches of the Bank and requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. The Bank has reviewed the potential impact of the COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in ECL estimates. The Bank is assessing the situation as it develops and is in the process of accounting for the same in its ECL estimates.

4.2 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and markup and rescheduling of loans there will be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

4.3 Equity Risk Management

The carrying value of the Bank's investment in listed equity securities classified as available-for-sale, amounts to Rs 5.172 billion as at June 30, 2020. During the period, the Pakistan Stock Exchange index has fallen by 15.50%, triggering an impairment of Rs 499.629 million. The Bank has only recorded an impairment of Rs 328.079 million in the condensed interim unconsolidated financial statements of the current period, and has deferred the recognition of the remaining impairment which will be recognised on a quarterly basis till December 31, 2020, as allowed by the SBP.

4.4 Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure the safety and security of Bank staff and uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring of cybersecurity risk during these times. Remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels as well as enhancing customer awareness pertaining to online fraud risks. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Bank continues to meet the expectations of its employees and customers.

4.5 Capital Adequacy Ratio (CAR)

In order to encourage Banks to continue lending despite anticipated pressure on profits and credit risk, the SBP has relaxed the Capital Conversion Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements for all Tiers.

4.6 Suspension of Dividends

The SBP through its Circular Letter No. BPRD/BA & CPD/006315-2/20 dated April 22, 2020 has advised that banks which had declared dividend for the quarter ended March 31, 2020 should suspend cash dividend distribution for the next two quarters.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	(Unaudited) June 30, 2020	(Audited) December 31, 2019
5 CASH AND BALANCES WITH TREASURY BANKS		
	(Rupees in '000)	
In hand		
Local currency	44,984,713	31,165,412
Foreign currencies	12,163,060	3,878,652
	<u>57,147,773</u>	<u>35,044,064</u>
With State Bank of Pakistan in		
Local currency current accounts	123,631,054	123,468,479
Foreign currency current accounts	7,319,360	6,497,792
Foreign currency deposit accounts	14,674,898	19,321,075
	<u>145,625,312</u>	<u>149,287,346</u>
With other Central Banks in		
Foreign currency current accounts	24,693,120	35,512,302
Foreign currency deposit accounts	7,705,563	16,988,678
	<u>32,398,683</u>	<u>52,500,980</u>
With National Bank of Pakistan in local currency current accounts	76,903,549	99,821,234
National Prize Bonds	63,292	587,999
	<u>312,138,609</u>	<u>337,241,623</u>
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	1,155,734	81,517
Outside Pakistan		
In current accounts	19,997,230	16,208,323
In deposit accounts	22,395,608	15,849,893
	<u>42,392,838</u>	<u>32,058,216</u>
	<u>43,548,572</u>	<u>32,139,733</u>
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	5,150,000	300,000
Repurchase agreement lendings (reverse repo)	67,190,963	24,514,015
Bai Muajjal receivables		
- with State Bank of Pakistan	5,257,577	20,489,184
- with other financial institutions	3,092,155	-
	<u>8,349,732</u>	<u>20,489,184</u>
	<u>80,690,695</u>	<u>45,303,199</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

8 INVESTMENTS

Note	June 30, 2020 (Unaudited)				December 31, 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
8.1 Investments by type								
Held-for-trading (HFT) securities								
<i>Federal Government securities</i>								
- Market Treasury Bills	87,778,839	-	100,275	87,879,114	253,848,450	-	(127,086)	253,721,364
- Pakistan Investment Bonds	23,494,329	-	11,979	23,506,308	12,596,388	-	33,166	12,629,554
<i>Shares</i>								
- Listed companies	52,915	-	473	53,388	-	-	-	-
<i>Foreign securities</i>								
- Government debt securities	107,859	-	13,676	121,535	99,386	-	10,549	109,935
	111,433,942	-	126,403	111,560,345	266,544,224	-	(83,371)	266,460,853
Available-for-sale (AFS) securities								
<i>Federal Government securities</i>								
- Market Treasury Bills	509,253,961	-	9,969,130	519,223,091	348,638,371	-	83,133	348,721,504
- Pakistan Investment Bonds	568,424,565	-	21,294,933	589,719,498	449,714,794	-	3,837,538	453,552,332
- Ijarah Sukuks	22,500,000	-	(184,500)	22,315,500	4,667,551	-	(46,478)	4,621,073
- Government of Pakistan US Dollar Bonds	8,292,212	(460,024)	15,841	7,848,029	4,116,230	(138,672)	294,334	4,271,892
<i>Shares</i>								
- Listed companies	9,337,687	(4,226,513)	61,200	5,172,374	9,626,801	(4,198,407)	1,225,135	6,653,529
- Unlisted companies	4,841,466	(82,274)	-	4,759,192	4,820,042	(82,274)	-	4,737,768
<i>Non-Government debt securities</i>								
- Listed	1,943,545	-	(17,000)	1,926,545	1,750,000	-	(27,251)	1,722,749
- Unlisted	41,671,878	(270,877)	8,613	41,409,614	2,286,134	(270,877)	-	2,015,257
<i>Foreign securities</i>								
- Government debt securities	35,047,286	(285,181)	(841,976)	33,920,129	27,279,426	(186,259)	341,939	27,435,106
- Non-Government debt securities								
- Listed	2,650,993	(20,513)	14,702	2,645,182	3,112,280	(21,788)	108,057	3,198,549
- Unlisted	241,416	(29)	314	241,701	348,686	(1,713)	2,411	349,384
- Equity securities - Unlisted	6,180	-	-	6,180	5,912	-	-	5,912
<i>National Investment Trust units</i>	11,113	-	26,498	37,611	11,113	-	31,691	42,804
<i>Real Estate Investment Trust units</i>	55,000	-	(550)	54,450	55,000	-	7,450	62,450
<i>Preference shares</i>	44,400	-	-	44,400	44,400	-	-	44,400
	1,204,321,702	(5,345,411)	30,347,205	1,229,323,496	856,476,740	(4,899,990)	5,857,959	857,434,709
8.2 Held-to-maturity (HTM) securities								
<i>Federal Government securities</i>								
- Pakistan Investment Bonds	140,907,088	-	-	140,907,088	156,928,486	-	-	156,928,486
- Government of Pakistan US Dollar Bonds	-	-	-	-	-	-	-	-
- Other Federal Government securities	10,794,000	-	-	10,794,000	10,794,000	-	-	10,794,000
<i>Non-Government debt securities</i>								
- Listed	5,011,150	-	-	5,011,150	5,799,373	-	-	5,799,373
- Unlisted	17,198,314	-	-	17,198,314	18,146,759	-	-	18,146,759
<i>Foreign securities</i>								
- Government debt securities	14,929,295	-	-	14,929,295	7,373,574	(2,459)	-	7,371,115
- Non-Government debt securities								
- Listed	487,245	-	-	487,245	510,542	-	-	510,542
- Unlisted	395,972	(1,610)	-	394,362	516,268	(3,335)	-	512,933
	189,723,064	(1,610)	-	189,721,454	200,069,002	(5,794)	-	200,063,208
Investment in associates and joint venture	8.2	9,366,120	-	9,366,120	9,412,113	-	-	9,412,113
Investment in subsidiary companies		17,361,112	-	17,361,112	18,590,630	-	-	18,590,630
Total Investments		<u>1,532,205,940</u>	<u>(5,347,021)</u>	<u>30,473,608</u>	<u>1,557,332,527</u>	<u>(4,905,784)</u>	<u>5,774,588</u>	<u>1,351,961,513</u>

8.1.1 Investments given as collateral

Federal Government securities
- Market Treasury Bills
- Pakistan Investment Bonds
Foreign securities
Government debt securities

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
112,550,892	128,024,805	
2,066,496	71,061,088	
2,137,606	-	
<u>116,754,994</u>	<u>199,085,893</u>	

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

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

	June 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Book value	Market value	Book value	Market value
	(Rupees in '000)			
- Investment classified as held-to-maturity	189,721,454	193,152,470	200,063,208	191,461,438
- Investment in listed associates and joint venture	9,109,889	26,117,815	9,155,882	30,712,471

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
8.3 Particulars of provision held against diminution in the value of investments		
Opening balance	4,905,784	4,488,683
Exchange adjustment	46,769	19,001
Charge / (reversal)		
Charge for the period / year	703,882	2,831,502
Reversal for the period / year	(299,973)	(64,476)
Reversal on disposal during the period / year	(9,441)	(2,368,926)
Net charge	394,468	398,100
Closing balance	5,347,021	4,905,784

- 8.4 Particulars of provision against debt securities

	June 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Non-Performing Investments	Provision	Non-Performing Investments	Provision
	(Rupees in '000)			
Category of classification				
Domestic				
Loss	270,877	270,877	270,877	270,877

- 8.4.1 In addition to the above, certain overseas branches hold a general provision of Rs 767.357 million (December 31, 2019: Rs 354.226 million) against investment in accordance with the requirements of IFRS 9.

		Performing		Non - performing		Total	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Note	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
		(Rupees in '000)					
9 ADVANCES							
Loans, cash credits, running finances, etc.		864,196,059	860,334,857	71,868,787	67,170,214	936,064,846	927,505,071
Islamic financing and related assets	36.3	130,872,368	153,061,117	307,036	258,381	131,179,404	153,319,498
Bills discounted and purchased		57,178,388	56,966,128	5,132,832	4,979,731	62,311,220	61,945,859
Advances - gross		1,052,246,815	1,070,362,102	77,308,655	72,408,326	1,129,555,470	1,142,770,428
Provision against advances							
- Specific		-	-	(69,261,252)	(66,459,144)	(69,261,252)	(66,459,144)
- General	9.3	(5,977,185)	(3,292,615)	-	-	(5,977,185)	(3,292,615)
		(5,977,185)	(3,292,615)	(69,261,252)	(66,459,144)	(75,238,437)	(69,751,759)
Advances - net of provision		1,046,269,630	1,067,069,487	8,047,403	5,949,182	1,054,317,033	1,073,018,669

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
9.1 Particulars of advances (Gross)		
In local currency	925,006,988	952,668,278
In foreign currencies	204,548,482	190,102,150
	1,129,555,470	1,142,770,428

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

9.2 Advances include Rs 77,308.655 million (December 31, 2019: Rs 72,408.326 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Unaudited) June 30, 2020		(Audited) December 31, 2019	
	Non - performing advances	Provision	Non - performing advances	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	942,022	-	580,891	-
Substandard	2,538,133	611,508	2,164,790	516,168
Doubtful	1,587,538	793,769	1,509,387	754,694
Loss	43,278,676	41,997,985	43,569,902	42,504,212
	48,346,369	43,403,262	47,824,970	43,775,074
Overseas				
Not past due but impaired	16,540	16,540	48,676	23,643
Overdue by:				
Upto 90 days	3,266,001	1,630,294	215,921	101,186
91 to 180 days	10,244	2,468	278,341	209,604
181 to 365 days	345,315	201,791	755,391	343,117
> 365 days	25,324,186	24,006,897	23,285,027	22,006,520
	28,962,286	25,857,990	24,583,356	22,684,070
Total	77,308,655	69,261,252	72,408,326	66,459,144

9.3 Particulars of provision against advances

Note	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	66,459,144	3,292,615	69,751,759	63,193,300	3,083,530	66,276,830
Exchange adjustment	1,933,133	131,589	2,064,722	2,394,415	158,049	2,552,464
Charge for the period / year	3,676,735	2,629,653	6,306,388	6,297,991	421,194	6,719,185
Reversal for the period / year	(1,810,581)	(76,672)	(1,887,253)	(3,729,878)	(281,675)	(4,011,553)
Net charge against advances	1,866,154	2,552,981	4,419,135	2,568,113	139,519	2,707,632
Charged off during the period / year- agriculture financing	9.6 (422,252)	-	(422,252)	(604,496)	-	(604,496)
Written off during the period / year	(574,927)	-	(574,927)	(1,092,188)	-	(1,092,188)
Other movements	-	-	-	-	(88,483)	(88,483)
Closing balance	69,261,252	5,977,185	75,238,437	66,459,144	3,292,615	69,751,759

9.4 General provision includes provision amounting to Rs 1,874.819 million (December 31, 2019: Rs 1,879.055 million) against consumer finance portfolio. General provision also includes Rs 1,902.365 million (December 31, 2019: Rs 1,413.560 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

9.5 General provision also includes Rs 2,200.000 million (December 31, 2019: Nil) as discussed in Note 4.1.

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

For the six months ended June 30, 2020

69

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

		(Unaudited) For the six months ended	
		June 30, 2020	June 30, 2019
		(Rupees in '000)	
11.1	Additions to intangibles assets		
The following additions have been made to intangible assets during the period:			
	Capital work-in-progress	218,600	236,888
	Computer software	641,265	377,819
		<u>859,865</u>	<u>614,707</u>
		(Unaudited) June 30, 2020	(Audited) December 31, 2019
		(Rupees in '000)	
12	DEFERRED TAX ASSETS		
	Deductible temporary differences on		
	- Provision against investments	1,627,960	1,616,995
	- Provision against doubtful debts and off-balance sheet obligations	4,086,832	4,158,485
	- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001	1,773,846	1,671,011
	- Provision against other assets	50,989	50,989
	- Deficit on revaluation of fixed assets	163,960	163,960
	- Ijarah financing	173,527	150,674
		<u>7,877,114</u>	<u>7,812,114</u>
	Taxable temporary differences on		
	- Accelerated tax depreciation	(1,841,214)	(2,092,012)
	- Surplus on revaluation of fixed assets	(1,148,267)	(1,161,940)
	- Surplus on revaluation of investments	(11,835,410)	(2,284,604)
	- Exchange translation reserve	(1,002,951)	(374,730)
		<u>(15,827,842)</u>	<u>(5,913,286)</u>
	Net deferred tax (liability) / asset	<u>(7,950,728)</u>	<u>1,898,828</u>
13	OTHER ASSETS		
	Mark-up / return / profit / interest accrued in local currency	50,140,744	49,739,889
	Mark-up / return / profit / interest accrued in foreign currency	3,090,703	2,364,455
	Advances, deposits, advance rent and other prepayments	1,762,859	1,882,477
	Advance taxation	21,898,161	28,075,183
	Advances against subscription of securities	5,154,570	5,246,000
	Stationery and stamps on hand	173,699	77,106
	Accrued fees and commissions	408,929	689,984
	Due from Government of Pakistan / SBP	2,035,142	1,444,977
	Mark to market gain on forward foreign exchange contracts	8,309,170	6,548,555
	Mark to market gain on derivative instruments	189,172	54,454
	Non-banking assets acquired in satisfaction of claims	468,688	468,719
	Receivable from defined benefit plan	-	24,419
	Branch adjustment account	125,741	789,446
	Acceptances	21,250,415	22,771,310
	Clearing and settlement accounts	4,940,162	12,636,565
	Dividend receivable	107,944	-
	Claims against fraud and forgeries	497,981	450,086
	Others	789,616	494,268
		<u>121,343,696</u>	<u>133,757,893</u>
	Provision held against other assets	(612,199)	(821,996)
	Other assets - net of provision	<u>120,731,497</u>	<u>132,935,897</u>
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	164,304	164,304
	Other assets - total	<u>120,895,801</u>	<u>133,100,201</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	Note	(Unaudited) June 30, 2020	(Audited) December 31, 2019
(Rupees in '000)			
13.1	Provision held against other assets		
	Non-banking assets acquired in satisfaction of claims	6,992	7,023
	Claims against fraud and forgeries	497,981	450,086
	Suit filed cases	5,119	323,759
	Others	102,107	41,128
		612,199	821,996
13.1.1	Movement in provision against other assets		
	Opening balance	821,996	923,201
	Exchange adjustment	28,242	34,901
	Charge for the period / year	112,228	139,759
	Reversal for the period / year	(590)	(49,540)
	Net charge	111,638	90,219
	Written off during the period / year	(26,809)	(224,820)
	Other movement	(322,868)	(1,505)
	Closing balance	612,199	821,996
14	BILLS PAYABLE		
	In Pakistan	40,468,746	28,344,335
	Outside Pakistan	1,151,210	1,189,968
		41,619,956	29,534,303
15	BORROWINGS		
	Secured		
	Borrowings from the SBP under		
	- Export refinance scheme	50,686,184	42,762,668
	- Long term financing facility	23,560,203	18,474,945
	- Financing facility for renewable energy power plants	954,832	831,448
	- Refinance facility for modernization of Small and Medium Enterprises (SMEs)	36,039	28,743
	- Refinance and credit guarantee scheme for women entrepreneurs	53,986	2,400
	- Financing facility for storage of agricultural produce	128,712	104,167
	- Financing facility for working capital of SMEs	28,875	-
	- Refinance scheme for payment of wages and salaries	4,900,820	-
		80,349,651	62,204,371
	Repurchase agreement borrowings	115,638,699	197,503,793
		195,988,350	259,708,164
	Unsecured		
	- Call money borrowings	5,500,000	4,900,000
	- Overdrawn nostro accounts	755,406	100,623
	- Borrowings of overseas branches and subsidiaries	52,938,952	56,524,651
	- Other long-term borrowings	51,545,370	60,838,074
		110,739,728	122,363,348
		306,728,078	382,071,512

15.1

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

15.1 This includes the following:

15.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2019: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5.00% is payable semi annually.

15.1.2 HBL has entered into a long-term financing facility arrangement of US\$ 300 million with China Development Bank, to be utilized for on-lending to projects of the Bank's customers. Under this facility, US\$ 153.750 million has been utilized by the Bank with the initial drawdown having occurred on January 31, 2019. Further drawdowns are permitted up to 4 years from the date of initial drawdown. The entire drawn amount is payable in semi-annual installments over a period of 10 years starting from January 31, 2023. Interest is being charged at a fixed spread over LIBOR and is payable semi-annually.

15.1.3 A mortgage refinancing facility from Pakistan Mortgage Refinance Company Limited (PMRC) amounting to Rs 200 million (December 31, 2019: Nil) on Musharakah basis for on-lending to customers. The amount is payable semi-annually from August 2020 to February 2023. The profit at 11.21% is payable semi-annually from August 2020.

A mortgage refinancing facility from PMRC amounting to Rs 300 million (December 31, 2019: Nil) on Musharakah basis for on-lending to customers in low and middle income groups. Any balance not disbursed to customers at the end of 1 year from initial disbursement (the pre-finance period) shall be repayable to PMRC in a bullet instalment. The remaining amount is payable semi-annually over a period equal to the weighted average tenor of mortgage loans to customers, up to a maximum of 25 years. Profit during the pre-finance period ranges from 10.00% to 11.00% and is payable semi-annually from August 2020. Profit post this period will be payable semi-annually at a rate to be determined based on an agreed formula including, inter alia, the amount of pre-finance facility utilized for further disbursements of mortgage loans to customers.

16 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	781,663,248	96,171,461	877,834,709	718,531,993	101,140,482	819,672,475
Savings deposits	957,172,879	83,650,055	1,040,822,934	904,288,563	84,593,001	988,881,564
Term deposits	277,488,937	135,938,737	413,427,674	255,854,893	104,894,494	360,749,387
	2,016,325,064	315,760,253	2,332,085,317	1,878,675,449	290,627,977	2,169,303,426
Financial institutions						
Current deposits	29,790,396	1,303,973	31,094,369	4,726,555	1,079,041	5,805,596
Savings deposits	159,241,042	32,167	159,273,209	123,858,010	18,008	123,876,018
Term deposits	883,415	1,761,444	2,644,859	2,001,790	912,256	2,914,046
	189,914,853	3,097,584	193,012,437	130,586,355	2,009,305	132,595,660
	2,206,239,917	318,857,837	2,525,097,754	2,009,261,804	292,637,282	2,301,899,086

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
17 SUBORDINATED DEBT			
Tier II Term Finance Certificates	17.1	9,984,000	9,986,000
Additional Tier I Term Finance Certificates	17.2	12,374,000	12,374,000
		22,358,000	22,360,000

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

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

Issue date	February 19, 2016
Issue amount	Rs 10 billion
Rating	AAA (Triple A) [December 31, 2019: AAA (Triple A)]
Tenor	10 years from the Issue Date
Security	Unsecured and subordinated to all other indebtedness of the Bank including depositors and general creditors but not including the Bank's Additional Tier I TFCs.
Profit payment frequency	Semi-annually in arrears
Redemption	The instrument has been structured to redeem 0.02% of the issue amount semi-annually during the first 108 months after the issue and 99.64% of the issue amount in two equal semi-annual installments in the 114th and 120th months.
Mark-up	Floating rate of return at Base Rate + 0.50%. The Base Rate is defined as the average "Ask Side" rate of the six months Karachi Interbank Offered Rate (KIBOR).
Call option	The Bank may call the TFCs, with the prior written approval of the SBP, on any profit payment date falling on or after the fifth anniversary of the Issue Date, subject to at least 60 days prior notice being given to the investors through the Trustee. The call option, once announced, will be irrevocable.
Lock-in clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Bank's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

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

The key features of the issue are as follows:

Issue date	September 26, 2019
Issue amount	Rs 12.374 billion
Rating	AA+ (Double A plus) [December 31, 2019: AA+ (Double A plus)]
Tenor	Perpetual
Security	Unsecured and subordinated to all other indebtedness of the Bank including depositors, general creditors and holders of the Tier II TFCs. However, they shall rank superior to the claims of ordinary shareholders.
Profit payment frequency	Quarterly in arrears
Redemption	Perpetual, hence not applicable.
Mark-up	Floating rate of return at Base Rate + 1.60%. The Base Rate is defined as the average "Ask Side" rate of the three months Karachi Interbank Offered Rate (KIBOR).
Call option	The Bank may, at its sole discretion, call the TFCs any time after five years from the Issue Date subject to the following: (a) Prior approval of the SBP having been obtained; and (b) The Bank replacing the TFCs with capital of the same or better quality and the capital position of the Bank being above the minimum capital requirement after the Call Option is exercised. If the Bank decides to exercise the Call Option, the Bank shall notify the Trustee and Investors not less than 30 calendar days prior to the date of exercise of such Call Option, which notice shall specify the date fixed for the exercise of the Call Option (the "Call Option Date").
Lock-in clause	Mark-up will only be paid from the current year's earnings and only if the Bank is in compliance with regulatory capital and liquidity requirements.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

18	OTHER LIABILITIES	Note	(Unaudited) June 30, 2020	(Audited) December 31, 2019
			(Rupees in '000)	
	Mark-up / return / profit / interest payable in local currency		10,092,344	11,253,838
	Mark-up / return / profit / interest payable in foreign currency		2,702,283	2,537,607
	Security deposits		1,183,914	1,138,813
	Accrued expenses		15,642,584	14,585,462
	Mark to market loss on forward foreign exchange contracts		4,210,228	7,924,799
	Mark to market loss on derivative instruments		2,006,727	1,708,824
	Unclaimed dividends		678,420	405,966
	Dividends payable		974,411	400,464
	Provision for post retirement medical benefits		4,035,677	3,872,768
	Provision for employees' compensated absences		2,586,346	2,644,978
	Provision against off-balance sheet obligations	18.1	804,196	437,795
	Acceptances		21,250,415	22,771,310
	Provision for staff retirement benefits		1,172,541	1,063,338
	Payable to defined benefit plans		68,613	577,964
	Provision for Workers' Welfare Fund		5,734,190	5,220,295
	Unearned income		3,893,214	3,777,028
	Qarz-e-Hasna Fund		338,923	338,923
	Levies and taxes payable		7,074,578	7,347,626
	Insurance payable		839,360	645,817
	Provision for rewards program expenses		1,410,319	1,249,725
	Liability against trading of securities		1,412,634	7,883,792
	Clearing and settlement accounts		4,934,913	2,037,252
	Payable to HBL Foundation		152,338	158,202
	Contingent consideration payable		500,000	500,000
	Charity fund		12,674	10,375
	Lease liability against right-of-use assets		14,388,751	12,861,471
	Unclaimed deposits		778,396	670,374
	Others		5,047,984	2,422,100
			113,926,973	116,446,906
18.1	Provision against off-balance sheet obligations			
	Opening balance		437,795	479,510
	Exchange adjustment		4,788	7,518
	Charge for the period / year		78,813	53,677
	Reversal for the period / year		(62,768)	(102,910)
	Net charge / (reversal)		16,045	(49,233)
	Other movement		345,568	-
	Closing balance		804,196	437,795
19	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
	Surplus arising on revaluation of assets, on:			
	- Fixed assets		22,200,076	22,235,136
	- Available-for-sale securities	8.1	30,347,205	5,857,959
	- Non-banking assets acquired in satisfaction of claims	13	164,304	164,304
			52,711,585	28,257,399
	Deferred tax on surplus on revaluation of:			
	- Fixed assets		1,148,267	1,161,940
	- Available-for-sale securities		11,835,410	2,284,604
	- Non-banking assets acquired in satisfaction of claims		-	-
			12,983,677	3,446,544
	Surplus on revaluation of assets - net of tax		39,727,908	24,810,855

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

20	CONTINGENCIES AND COMMITMENTS	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
	- Guarantees	20.1	192,007,495	151,961,169
	- Commitments	20.2	518,785,179	822,473,567
	- Other contingent liabilities	20.3	23,566,982	23,458,521
			<u>734,359,656</u>	<u>997,893,257</u>
20.1	Guarantees			
	Financial guarantees		48,562,338	35,102,960
	Performance guarantees		130,263,721	108,417,670
	Other guarantees		13,181,436	8,440,539
			<u>192,007,495</u>	<u>151,961,169</u>
20.2	Commitments			
	Trade-related contingent liabilities		119,198,309	110,535,832
	Commitments in respect of:			
	- Forward foreign exchange contracts	20.2.1	343,978,507	569,780,600
	- Forward Government securities transactions	20.2.2	18,125,927	107,869,401
	- Derivatives	20.2.3	31,189,184	29,437,457
	- Forward lending	20.2.4	3,826,502	3,425,853
			<u>397,120,120</u>	<u>710,513,311</u>
	Commitments for acquisition of:			
	- Fixed assets		1,424,397	661,877
	- Intangible assets		1,042,353	762,547
			<u>2,466,750</u>	<u>1,424,424</u>
			<u>518,785,179</u>	<u>822,473,567</u>
20.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		219,801,941	333,012,340
	Sale		124,176,566	236,768,260
			<u>343,978,507</u>	<u>569,780,600</u>
20.2.2	Commitments in respect of forward Government securities transactions			
	Purchase		15,269,290	45,771,399
	Sale		2,856,637	62,098,002
			<u>18,125,927</u>	<u>107,869,401</u>
20.2.3	Commitments in respect of derivatives			
	Cross Currency swaps			
	Purchase		10,236,304	9,525,572
	Sale		12,404,381	10,882,712
			<u>22,640,685</u>	<u>20,408,284</u>
	Interest rate swaps			
	Purchase		-	-
	Sale		8,548,499	9,029,173
			<u>8,548,499</u>	<u>9,029,173</u>
20.2.4	Commitments in respect of forward lending			
	Undrawn formal standby facilities, credit lines and other commitments to extend credit		3,826,502	3,425,853
			<u>3,826,502</u>	<u>3,425,853</u>

These represent commitments that are irrevocable because they can not be withdrawn at the discretion of the Bank without the risk of incurring a significant penalty or expense.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	(Unaudited) June 30, 2020	(Audited) December 31, 2019
	(Rupees in '000)	
20.3 Other contingent liabilities		
20.3.1 Claims against the Bank not acknowledged as debts	<u>23,566,982</u>	<u>23,458,521</u>
<p>These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Bank and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these condensed interim unconsolidated financial statements.</p>		
<p>20.3.2 On March 4, 2020, by agreement with the New York State Department of Financial Services (NYSDFS) and the Federal Reserve Bank of New York (FRBNY), HBL surrendered to NYSDFS its New York State foreign bank branch license to operate HBL's New York branch office (HBLNY). As of March 31, 2020, HBL had completed the voluntary liquidation of HBLNY under Section 605 of the New York Banking Law. The branch is now closed and formalities required to fully wind up HBL's presence in NY are nearing completion.</p> <p>Pursuant to the terms of the August 24, 2017 Surrender Order between NYSDFS, HBL, and HBLNY, NYSDFS's acceptance on March 4, 2020 of HBL's license surrender automatically suspended the remaining terms of the September 7, 2017 Consent Order between the parties, which Consent Order was disclosed in Note 21.3.2 to the Financial Statements for the year ended December 31, 2019 and in similar notes for the 2017 and 2018 financial statements. The only Consent Order term that had remained in effect post-license surrender was the term governing completion of the lookback review by an independent party, and that lookback review concluded on March 31, 2020. Accordingly, all terms of the September 7, 2017 Consent Order have been satisfied or suspended as of March 31, 2020. At this point, HBL does not expect any further actions or proceedings from NYSDFS or FRBNY.</p> <p>As stated in the above-mentioned Note 21.3.2, the US Attorney's Office for the Eastern District of New York, a component of the U.S. Department of Justice (DOJ), had sought documents in relation to HBLNY's compliance with anti-money laundering laws and the Bank Secrecy Act. To date, the DOJ inquiry has not resulted in any findings, and its final resolution cannot be determined at this stage, including any possible impact on the Bank.</p>		
20.3.3 The Central Bank of United Arab Emirates (CB UAE) is currently carrying out a regulatory examination of UAE operations and has shared a report with the management, which is being responded to. CB UAE has not indicated any specific action till date. However, as the inspection has not been concluded, the eventual outcome cannot be determined at this stage.		

21 DERIVATIVE INSTRUMENTS

Product Analysis

	June 30, 2020 (Unaudited)			
	Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market loss	Notional principal	Mark to market Gain
	(Rupees in '000)			
Market Making	22,640,685	(2,004,560)	8,548,499	187,005
	December 31, 2019 (Audited)			
	Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market loss	Notional principal	Mark to market loss
	(Rupees in '000)			
Market Making	20,408,284	(1,232,477)	9,029,173	(421,893)

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

		(Unaudited)	
		For the six months ended	
	Note	June 30, 2020	June 30, 2019
		(Rupees in '000)	
22	MARK-UP / RETURN / PROFIT / INTEREST EARNED		
On:			
Loans and advances		60,772,983	53,834,917
Investments		72,607,987	41,087,041
Lendings to financial institutions		2,972,487	10,268,104
Balances with banks		383,111	431,893
		<u>136,736,568</u>	<u>105,621,955</u>
23	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
On:			
Deposits		59,255,706	46,932,916
Securities sold under repurchase agreement borrowings		8,534,272	7,751,584
Borrowings		3,799,401	4,259,491
Subordinated debt		1,558,580	544,069
Cost of foreign currency swaps against foreign currency deposits / borrowings		3,242,657	1,273,229
Lease liability against right-of-use assets		968,963	462,549
		<u>77,359,579</u>	<u>61,223,838</u>
24	FEE AND COMMISSION INCOME		
Branch banking customer fees		1,809,131	2,061,219
Consumer finance related fees		655,615	519,191
Card related fees (debit and credit cards)		2,227,307	2,576,750
Credit related fees		282,181	332,279
Investment banking fees		509,091	1,004,537
Commission on trade related products and guarantees		1,370,156	1,266,392
Commission on cash management		318,969	348,610
Commission on remittances (including home remittances)		185,044	192,035
Commission on bancassurance		311,797	1,369,988
Commission on Government to Person (G2P) payments		404,915	258,059
Merchant discount and interchange fees		923,631	907,258
Others		100,189	48,085
		<u>9,098,026</u>	<u>10,884,403</u>
Less: Sales tax / Federal Excise Duty on fee and commission income		<u>(1,304,127)</u>	<u>(1,302,993)</u>
		<u>7,793,899</u>	<u>9,581,410</u>
25	GAIN / (LOSS) ON SECURITIES - NET		
Realised	25.1	6,531,762	(1,077,310)
Unrealised - held-for-trading	8.1	126,403	(11,282)
		<u>6,658,165</u>	<u>(1,088,592)</u>
25.1	Gain / (loss) on securities - realised		
On:			
Federal Government securities			
- Market Treasury Bills		3,740,819	151,861
- Pakistan Investment Bonds		3,026,163	(16,405)
- Ijarah Sukuks		(148,619)	(8,855)
Shares		(215,026)	(2,204,149)
Non-Government debt securities		124,418	(63,808)
Foreign securities		-	29,390
Associates		4,007	1,034,656
		<u>6,531,762</u>	<u>(1,077,310)</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

		(Unaudited)	
		For the six months ended	
		June 30,	June 30,
		2020	2019
		(Rupees in '000)	
26	OTHER (LOSS) / INCOME		
	Incidental charges	193,372	80,510
	Exchange gain realised on reduction in capital of subsidiary	1,395,592	-
	Exchange (loss) / gain realised on closure of banks branch	(1,887,208)	165,156
	Gain on sale of fixed assets - net	2,050	58,017
	Rent on properties	56,022	54,478
	Liabilities no longer required written back	-	50,348
		<u>(240,172)</u>	<u>408,509</u>
27	OPERATING EXPENSES		
	Total compensation expense	16,404,512	14,055,181
	Property expense		
	Rent and taxes	944,565	382,529
	Insurance	38,905	35,798
	Utilities cost	793,264	863,219
	Security (including guards)	899,290	794,521
	Repair and maintenance (including janitorial charges)	1,122,312	999,470
	Depreciation on owned fixed assets	1,447,534	1,343,450
	Depreciation on right-of-use assets	1,636,045	1,283,803
		6,881,915	5,702,790
	Information technology expenses		
	Software maintenance	1,452,769	1,201,477
	Hardware maintenance	386,693	273,528
	Depreciation	865,125	641,347
	Amortisation	335,970	211,328
	Network charges	573,438	654,492
	Consultancy charges	328,674	251,976
		3,942,669	3,234,148
	Other operating expenses		
	Legal and professional charges	1,807,602	3,008,394
	Outsourced services costs	877,231	742,411
	Travelling and conveyance	249,144	352,562
	Insurance	254,303	260,753
	Remittance charges	210,238	252,729
	Security charges	735,367	636,290
	Repairs and maintenance	406,098	325,134
	Depreciation	353,125	314,464
	Training and development	122,493	157,009
	Postage and courier charges	296,586	338,590
	Communication	331,338	319,421
	Stationery and printing	671,673	746,775
	Marketing, advertisement and publicity	2,432,044	1,859,108
	Donations	282,946	39,998
	Auditors' remuneration	79,753	77,315
	Brokerage and commission	322,278	291,449
	Subscription	72,689	61,046
	Documentation and processing charges	1,150,960	1,048,250
	Entertainment	109,242	135,526
	Consultancy charges	2,648,275	5,596,726
	Deposits insurance premium expense	1,116,041	1,045,216
	Others	929,406	211,780
		15,458,832	17,820,946
		42,687,928	40,813,065

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

		(Unaudited)	
		For the six months ended	
	Note	June 30, 2020	June 30, 2019
(Rupees in '000)			
28	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	232,103	80,581
	Penalties imposed by other regulatory bodies	505	698
		<u>232,608</u>	<u>81,279</u>
29	PROVISIONS AND WRITE OFFS - NET		
	Provision for diminution in value of investments	8.3 394,468	232,825
	Provision against loans and advances	9.3 4,419,135	271,731
	Provision against other assets	13.1.1 111,638	42,338
	Provision / (reversal) against off-balance sheet obligations	18.1 16,045	(98,032)
	Recoveries against written off / charged off bad debts	(175,124)	(190,757)
	Recoveries against other assets written off	(58,871)	(36,722)
		<u>4,707,291</u>	<u>221,383</u>
30	TAXATION		
	- Current	10,519,432	4,345,055
	- Prior years	31,256	1,933,029
	- Deferred	(329,472)	(1,064,367)
		<u>10,221,216</u>	<u>5,213,717</u>
31	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	<u>14,924,776</u>	<u>4,474,931</u>
		(Number)	
	Weighted average number of ordinary shares	<u>1,466,852,508</u>	<u>1,466,852,508</u>
		(Rupees)	
	Basic and diluted earnings per share	<u>10.17</u>	<u>3.05</u>

31.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, are estimated using the break-up value of the investee company.

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

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

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

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

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

Level 3 - Fair value measurements using inputs that are not based on observable market data.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

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

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

32.1 Fair value of financial assets

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

	As at June 30, 2020 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
- Federal Government securities	1,250,491,540	-	1,250,491,540	-	1,250,491,540
- Shares - listed companies	5,225,762	5,225,762	-	-	5,225,762
- Non-Government debt securities					
- Listed	1,926,545	-	1,926,545	-	1,926,545
- Unlisted	40,608,613	-	40,608,613	-	40,608,613
- Foreign securities					
- Government debt securities	34,041,664	-	34,041,664	-	34,041,664
- Non-Government debt securities					
- Listed	2,645,182	-	2,645,182	-	2,645,182
- Unlisted	241,701	-	241,701	-	241,701
- National Investment Trust units	37,611	-	37,611	-	37,611
- Real Estate Investment Trust units	54,450	54,450	-	-	54,450
	1,335,273,068	5,280,212	1,329,992,856	-	1,335,273,068
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	151,701,088	-	154,646,917	-	154,646,917
- Non-Government debt securities					
- Listed	5,011,150	-	5,043,329	-	5,043,329
- Unlisted	17,198,314	-	17,198,314	-	17,198,314
- Foreign securities					
- Government debt securities	14,929,295	-	15,382,303	-	15,382,303
- Non-Government debt securities					
- Listed	487,245	-	487,245	-	487,245
- Unlisted	394,362	-	394,362	-	394,362
- Associates and Joint venture	9,109,889	23,357,644	2,760,171	-	26,117,815
	198,831,343	23,357,644	195,912,641	-	219,270,285
	1,534,104,411	28,637,856	1,525,905,497	-	1,554,543,353
As at June 30, 2020 (Unaudited)					
	Notional Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Off-balance sheet financial instruments - measured at fair value					
Commitments					
- Forward foreign exchange contracts	343,978,507	-	4,098,942	-	4,098,942
- Forward Government securities transactions	18,125,927	-	7,485	-	7,485
- Derivative instruments	31,189,184	-	(1,817,555)	-	(1,817,555)

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

On balance sheet financial instruments

Financial assets - measured at fair value

Investments

- Federal Government securities
- Shares - listed companies
- Non-Government debt securities - Listed
- Foreign securities
 - Government debt securities
 - Non-Government debt securities
 - Listed
 - Unlisted
- National Investment Trust units
- Real Estate Investment Trust units

As at December 31, 2019 (Audited)				
Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
1,077,517,719	-	1,077,517,719	-	1,077,517,719
6,653,529	6,653,529	-	-	6,653,529
1,722,749	-	1,722,749	-	1,722,749
27,545,041	-	27,545,041	-	27,545,041
3,198,549	-	3,198,549	-	3,198,549
349,384	-	349,384	-	349,384
42,804	-	42,804	-	42,804
62,450	62,450	-	-	62,450
1,117,092,225	6,715,979	1,110,376,246	-	1,117,092,225

Financial assets - disclosed but not measured at fair value

Investments

- Federal Government securities
- Non-Government debt securities
 - Listed
 - Unlisted
- Foreign securities
 - Government debt securities
 - Non-Government debt securities
 - Listed
 - Unlisted
- Associates and Joint venture

167,722,486	-	158,832,106	-	158,832,106
5,799,373	-	5,839,857	-	5,839,857
18,146,759	-	18,146,759	-	18,146,759
7,371,115	-	7,615,906	-	7,615,906
510,542	-	510,542	-	510,542
512,933	-	516,268	-	516,268
9,155,882	27,439,998	3,272,473	-	30,712,471
209,219,090	27,439,998	194,733,911	-	222,173,909
1,326,311,315	34,155,977	1,305,110,157	-	1,339,266,134

Off-balance sheet financial instruments - measured at fair value

Commitments

- Forward foreign exchange contracts
- Forward Government securities transactions
- Derivative instruments

Notional Value	As at December 31, 2019 (Audited)			Total
	Level 1	Level 2	Level 3	
(Rupees in '000)				
569,780,600	-	(1,376,244)	-	(1,376,244)
107,869,401	-	25,258	-	25,258
29,437,457	-	(1,654,370)	-	(1,654,370)

32.2 Fair value of non-financial assets

Fixed assets

Non-banking assets acquired in satisfaction of claims

As at June 30, 2020 (Unaudited)				
Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
45,280,798	-	-	45,280,798	45,280,798
626,000	-	-	626,000	626,000
45,906,798	-	-	45,906,798	45,906,798

As at December 31, 2019 (Audited)

Fixed assets

Non-banking assets acquired in satisfaction of claims

Carrying value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
44,947,377	-	-	44,947,377	44,947,377
626,000	-	-	626,000	626,000
45,573,377	-	-	45,573,377	45,573,377

33 SEGMENT INFORMATION

33.1 Segment Details with respect to Business Activities

For the six months ended June 30, 2020 (Unaudited)

Profit and loss account

- Net mark-up / return / profit / interest income
- Inter segment revenue / (expense) - net
- Non mark-up / interest income
- Total income

Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Head Office / Others	Total
(Rupees in million)						
(27,515)	7,149	25,456	57,197	519	(3,429)	59,377
70,634	(2,919)	(19,447)	(55,541)	3,395	3,878	-
2,070	3,004	1,554	8,156	1,506	(2,380)	13,910
45,189	7,234	7,563	9,812	5,420	(1,931)	73,287
14,075	2,818	1,091	338	10,247	14,865	43,434
8,667	673	724	321	3,267	(13,652)	-
22,742	3,491	1,815	659	13,514	1,213	43,434
1,324	342	354	28	2,598	61	4,707
21,123	3,401	5,394	9,125	(10,692)	(3,205)	25,146

Segment direct expenses

- Inter segment expense allocation
- Total expenses
- Provisions - charge
- Profit / (loss) before tax

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

As at June 30, 2020 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Statement of financial position							
Cash and bank balances	184,784	-	984	93,087	76,832	-	355,687
Lendings to financial institutions	11,650	-	-	69,041	-	-	80,691
Inter segment lending	1,378,214	-	-	-	171,600	154,284	1,704,098
Investments	88,815	-	14,177	1,362,299	69,546	22,496	1,557,333
Advances - performing	275,197	58,434	542,032	-	156,480	14,127	1,046,270
Advances - non-performing	2,009	658	2,262	-	3,118	-	8,047
Others	25,729	1,051	30,184	35,019	12,434	96,942	201,359
Total assets	1,966,398	60,143	589,639	1,559,446	490,010	287,849	4,953,485
Borrowings	34,579	-	51,771	114,860	105,518	-	306,728
Subordinated debt	-	-	-	-	-	22,358	22,358
Deposits and other accounts	1,885,335	848	274,908	121	340,554	23,332	2,525,098
Inter segment borrowing	-	55,098	240,576	1,408,424	-	-	1,704,098
Others	27,003	4,197	22,384	19,300	16,353	74,261	163,498
Total liabilities	1,946,917	60,143	589,639	1,542,705	462,425	119,951	4,721,780
Equity	19,481	-	-	16,741	27,585	167,898	231,705
Total equity and liabilities	1,966,398	60,143	589,639	1,559,446	490,010	287,849	4,953,485
Contingencies and commitments	38,238	-	259,959	346,627	63,920	25,616	734,360

For the six months ended June 30, 2019 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Profit and loss account							
Net mark-up / return / profit / interest income	(23,686)	5,987	23,286	37,376	3,064	(1,629)	44,398
Inter segment revenue / (expense) - net	57,963	(2,080)	(19,247)	(40,079)	618	2,825	-
Non mark-up / interest income	3,754	3,194	1,976	165	1,586	(4,070)	6,605
Total income	38,031	7,101	6,015	(2,538)	5,268	(2,874)	51,003
Segment direct expenses	13,208	2,437	1,043	319	11,593	12,493	41,093
Inter segment expense allocation	7,377	648	626	71	2,541	(11,263)	-
Total expenses	20,585	3,085	1,669	390	14,134	1,230	41,093
Provisions - charge / (reversal)	843	96	(983)	33	140	92	221
Profit / (loss) before tax	16,603	3,920	5,329	(2,961)	(9,006)	(4,196)	9,689

As at December 31, 2019 (Audited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Statement of financial position							
Cash and bank balances	161,969	-	619	121,382	85,411	-	369,381
Lendings to financial institutions	20,489	-	-	24,814	-	-	45,303
Inter segment lending	1,265,980	-	-	-	179,243	96,142	1,541,365
Investments	32,793	-	15,447	1,232,686	50,723	20,313	1,351,962
Advances - performing	323,249	57,908	528,385	-	144,608	12,919	1,067,069
Advances - non-performing	1,807	149	2,094	-	1,899	-	5,949
Others	32,009	1,661	35,905	30,134	11,142	103,218	214,069
Total assets	1,838,296	59,718	582,450	1,409,016	473,026	232,592	4,595,098
Borrowings	23,776	-	68,801	200,002	89,493	-	382,072
Subordinated debt	-	-	-	-	-	22,360	22,360
Deposits and other accounts	1,773,863	3,528	188,176	20	332,828	3,484	2,301,899
Inter segment borrowing	-	51,520	303,408	1,186,437	-	-	1,541,365
Others	23,950	4,670	22,065	19,384	14,907	61,004	145,980
Total liabilities	1,821,589	59,718	582,450	1,405,843	437,228	86,848	4,393,676
Equity	16,707	-	-	3,173	35,798	145,744	201,422
Total equity and liabilities	1,838,296	59,718	582,450	1,409,016	473,026	232,592	4,595,098
Contingencies and commitments	31,112	-	217,213	674,728	50,293	24,547	997,893

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

34 RELATED PARTY TRANSACTIONS

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

Transactions with related parties, other than those under terms of employment, are executed on an arm's length basis i.e. do not involve more than normal risk and are substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties.

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

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

	As at June 30, 2020 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Statement of financial position	(Rupees in '000)						
Balances with other banks							
In current accounts	-	-	25,333	514,617	-	1,663	-
Investments							
Opening balance	-	-	-	18,590,630	9,276,448	135,665	4,775,603
Investment made during the period	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period	-	-	-	(1,625,607)	(45,993)	-	-
Revaluation of investment during the period	-	-	-	-	-	-	(5,193)
Exchange translation impact	-	-	-	396,089	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-
Closing balance	-	-	-	17,361,112	9,230,455	135,665	4,770,410
Advances							
Opening balance	1,181	299,637	3,853,355	52,035	1,375,000	-	7,924,895
Addition during the period	1,678	54,384	7,686,804	72,536	-	-	4,538,600
Repaid during the period	(2,743)	(65,854)	(7,409,673)	(111,485)	(125,000)	-	(4,066,880)
Transfer in / (out) - net	-	(64,591)	-	-	-	-	(1,726,437)
Closing balance	116	223,576	4,130,486	13,086	1,250,000	-	6,670,178
Provision held against advances	-	-	-	-	-	-	-
Other Assets							
Interest / mark-up accrued	-	600	40,142	27,697	35,803	-	176,506
Other receivable	-	1,418	-	64,299	27,601	-	2,630
	-	2,018	40,142	91,996	63,404	-	179,136
Borrowings							
Opening balance	-	-	2,475,576	4,187,854	929,086	1,548,476	-
Borrowings during the period	-	-	5,935,768	5,304,607	1,996,610	3,327,682	500,000
Settled during the period	-	-	(3,195,652)	(7,615,140)	(1,917,392)	(3,195,652)	-
Closing balance	-	-	5,215,692	1,877,321	1,008,304	1,680,506	500,000
Deposits and other accounts							
Opening balance	26,259	165,374	7,803,875	1,076,088	11,245,324	-	670,531
Received during the period	134,878	1,600,209	87,075,007	90,583,012	275,916,314	-	29,783,717
Withdrawn during the period	(137,625)	(1,358,463)	(87,366,015)	(90,229,389)	(269,416,913)	-	(29,469,135)
Transfer in / (out) - net	4,619	36,890	-	-	-	-	(3,509)
Closing balance	28,131	444,010	7,512,867	1,429,711	17,744,725	-	981,604
Other liabilities							
Interest / mark-up payable	6	14	75,524	6,079	35,124	6,560	1,367
Payable to staff retirement fund	-	-	-	-	-	-	68,613
Other payables	-	-	273	17,205	64,992	-	152,338
	6	14	75,797	23,284	100,116	6,560	222,318
Contingencies and Commitments							
Letter of credit	-	-	169,865	-	-	-	2,755,566
Letter of guarantee	-	-	128,229	13,566	-	-	3,419,047
Forward purchase of Government securities	-	-	40,014	-	-	-	458,771
Forward sale of Government securities	-	-	-	-	-	-	-
Forward Lending	-	-	-	-	-	-	200,000
Interest rate swaps	-	-	1,006,832	-	1,250,000	-	-
	-	-	1,344,940	13,566	1,250,000	-	6,833,384
Others							
Securities held as custodians	-	17,900	4,281,980	-	62,850,000	-	12,292,780

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	For the six months ended June 30, 2020 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Profit and loss account							
Income							
Mark-up / return / profit / interest earned	-	10,888	161,599	137,526	147,823	-	617,645
Fee and commission income	-	-	52,117	16,807	406,762	171	38,725
Dividend income	-	-	-	-	427,079	236,436	35,653
Foreign exchange gain	-	-	-	85,283	-	-	-
Loss from derivatives	-	-	(22,201)	-	(25,269)	-	-
Gain on sale of securities - net	-	-	-	-	4,007	-	-
Rent on properties	-	-	-	18,618	-	-	-
Other income	-	-	-	4,776	-	-	-
Expense							
Mark-up / return / profit / interest expensed	77	4,460	183,095	45,876	425,320	19,504	68,013
Operating expenses							
Total compensation expense	-	584,217	-	-	-	-	458,336
Non-Executive Directors' fees	40,200	-	-	-	-	-	-
Insurance premium expense	-	-	-	-	554,744	-	-
Advertisement and publicity	-	-	123,070	-	-	-	-
Travelling	-	-	13,957	-	-	-	-
Subscription	-	-	-	-	-	-	23,282
Donation	-	-	76,950	-	-	-	152,338
Other expenses	-	-	7,450	90	-	-	98,415
Others							
Purchase of Government securities	-	-	47,003,929	-	11,707,972	-	3,796,247
Sale of Government securities	-	18,889	49,487,758	701,925	51,953,133	-	5,051,742
Purchase of foreign currencies	-	-	528,922	7,636,649	3,818	-	1,840
Sale of foreign currencies	-	-	1,673,767	1,588,431	55,450	-	3,928,000
Insurance claims settled	-	-	-	-	44,775	-	-
As at December 31, 2019 (Audited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Statement of financial position							
Balances with other banks							
In current accounts	-	-	215	350,881	-	2,569	-
Investments							
Opening balance	-	-	-	18,111,059	11,523,187	135,665	4,004,502
Investment made during the year	-	-	-	-	-	-	1,095,511
Investment redeemed / disposed off during the year	-	-	-	-	(2,246,739)	-	(158,960)
Exchange translation impact	-	-	-	479,571	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	(165,450)
Closing balance	-	-	-	18,590,630	9,276,448	135,665	4,775,603
Provision for diminution in value of investments	-	-	-	-	-	-	-
Advances							
Opening balance	1,566	235,460	3,536,393	40,806	1,500,000	-	13,376,593
Addition during the year	13,159	176,846	5,302,656	56,271	-	-	350,670,513
Repaid during the year	(13,544)	(108,244)	(4,985,694)	(45,042)	(125,000)	-	(347,326,871)
Transfer in / (out) - net	-	(4,425)	-	-	-	-	(8,795,340)
Closing balance	1,181	299,637	3,853,355	52,035	1,375,000	-	7,924,895
Provision held against advances	-	-	-	-	-	-	(1,726,437)
Other Assets							
Interest / mark-up accrued	-	665	49,194	56,948	44,448	-	224,553
Receivable from staff retirement fund	-	-	-	-	-	-	24,419
Other receivable	-	3,195	-	57,079	277,475	-	1,852
	-	3,860	49,194	114,027	321,923	-	250,824
Borrowings							
Opening balance	-	-	2,290,315	-	2,499,514	1,388,619	-
Borrowings during the year	-	-	8,423,723	10,370,969	2,754,171	4,750,143	-
Settled during the year	-	-	(8,238,462)	(6,183,115)	(4,324,599)	(4,590,286)	-
Closing balance	-	-	2,475,576	4,187,854	929,086	1,548,476	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	As at December 31, 2019 (Audited)						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Deposits and other accounts							
Opening balance	72,451	14,188	7,181,954	1,366,812	4,499,559	-	778,919
Received during the year	475,433	1,500,913	291,153,125	215,020,749	383,397,316	-	133,112,658
Withdrawn during the year	(517,919)	(1,351,466)	(290,531,204)	(215,311,473)	(376,651,551)	-	(133,180,618)
Transfer in / (out) - net	(3,706)	1,739	-	-	-	-	(40,428)
Closing balance	26,259	165,374	7,803,875	1,076,088	11,245,324	-	670,531
Other liabilities							
Interest / mark-up payable	-	863	45,717	7,169	40,441	7,076	1,258
Payable to staff retirement fund	-	-	-	-	-	-	577,964
Other payables	-	-	69,334	35,669	123,558	-	158,202
	-	863	115,051	42,838	163,999	7,076	737,424
Contingencies and Commitments							
Letter of credit	-	-	502,087	-	-	-	2,655,788
Letter of guarantee	-	-	142,888	12,921	-	-	-
Forward purchase of Government securities	-	-	-	-	-	-	386,193
Forward sale of Government securities	-	-	-	181,610	-	-	-
Interest rate swaps	-	-	1,154,173	-	1,375,000	-	-
	-	-	1,799,148	194,531	1,375,000	-	3,041,981
Others							
Securities held as custodians	-	8,730	7,195,675	-	28,665,515	-	8,526,920
For the six months ended June 30, 2019 (Unaudited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Profit and loss account							
Income							
Mark-up / return / profit / interest earned	-	10,946	155,283	148,814	122,281	-	636,685
Fee and commission income	-	-	2,573	22,331	1,376,651	158	2,267
Dividend income	-	-	-	-	486,592	-	69,821
Foreign exchange loss	-	-	-	(85,632)	-	-	-
Loss from derivatives	-	-	(17,541)	-	(11,348)	-	-
Gain on sale of securities - net	-	-	-	-	1,034,656	-	-
Rent on properties	-	-	-	18,454	-	-	-
Other income	-	-	-	3,922	-	-	-
Expense							
Mark-up / return / profit / interest expensed	1,033	1,657	208,941	32,020	107,998	26,032	17,125
Operating expenses							
Total compensation expense	-	532,632	-	-	-	-	444,903
Non-Executive Directors' fees	25,200	-	-	-	-	-	-
Insurance premium expense	-	-	-	-	575,906	-	-
Advertisement and publicity	-	-	12,116	-	-	-	724,067
Travelling	-	-	17,687	20	-	-	-
Subscription	-	-	-	-	-	-	25,091
Donation	-	-	-	-	-	-	39,798
Brokerage and commission	-	-	-	-	-	-	77,390
Other expenses	-	-	-	2,306	-	-	-
Provision for diminution in value of investments	-	-	-	-	-	-	(70,881)
Others							
Purchase of Government securities	-	16,175	79,753,336	-	6,436,859	-	46,062,951
Sale of Government securities	-	16,160	108,961,092	-	14,607,433	-	61,492,626
Purchase of foreign currencies	15,863	-	995,844	3,772,232	5,527	-	4,148
Sale of foreign currencies	-	-	2,149,652	1,604,949	40,050	-	5,615,588
Insurance claims settled	-	-	-	-	139,019	-	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	14,668,525	14,668,525
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	156,316,916	142,980,287
Eligible Additional Tier 1 (ADT 1) Capital	12,268,272	12,270,890
Total Eligible Tier 1 Capital	168,585,188	155,251,177
Eligible Tier 2 Capital	48,075,830	38,318,243
Total Eligible Capital (Tier 1 + Tier 2)	216,661,018	193,569,420
Risk Weighted Assets (RWAs):		
Credit Risk	895,722,503	866,844,689
Market Risk	105,792,424	98,801,011
Operational Risk	168,054,363	168,054,363
Total	1,169,569,290	1,133,700,063
Common Equity Tier 1 Capital Adequacy ratio	13.37%	12.61%
Tier 1 Capital Adequacy Ratio	14.41%	13.69%
Total Capital Adequacy Ratio	18.52%	17.07%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	9.50%	10.50%
of which: capital conservation buffer requirement	1.50%	2.50%
of which: countercyclical buffer requirement	-	-
of which: D-SIB or G-SIB buffer requirement	2.00%	2.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)	7.37%	6.61%
Other information:		
National minimum capital requirements prescribed by the SBP		
CET1 minimum ratio (%)	9.50%	10.50%
Tier 1 minimum ratio (%)	11.00%	12.00%
Total capital minimum ratio (%)	13.50%	14.50%
Leverage Ratio (LR)		
Eligible Tier-1 Capital	168,585,188	155,251,177
Total Exposures	3,639,967,390	3,417,160,879
Leverage Ratio (%)	4.63%	4.54%
Minimum Requirement (%)	3.00%	3.00%
Liquidity Coverage Ratio (LCR)		
	Total Adjusted Value (Rupees in '000)	
Average High Quality Liquid Assets	1,222,823,428	906,731,376
Average Net Cash Outflow	491,950,384	585,290,046
Liquidity Coverage Ratio (%)	248.57%	154.92%
Minimum Requirement (%)	100.00%	100.00%
Net Stable Funding Ratio (NSFR)		
	Total Weighted Value (Rupees in '000)	
Total Available Stable Funding	2,462,126,037	2,354,284,645
Total Required Stable Funding	1,365,220,973	1,337,084,320
Net Stable Funding Ratio (%)	180.35%	176.08%
Minimum Requirement (%)	100.00%	100.00%

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

36 ISLAMIC BANKING BUSINESS

The Bank operates 48 (December 31, 2019: 48) Islamic Banking branches and 493 (December 31, 2019: 493) Islamic Banking windows.

STATEMENT OF FINANCIAL POSITION

ASSETS

	Note	(Unaudited) June 30, 2020	(Audited) December 31, 2019
(Rupees in '000)			
Cash and balances with treasury banks		29,328,022	17,113,303
Balances with other banks		-	-
Due from financial institutions	36.1	11,649,732	20,489,184
Investments	36.2	90,409,084	33,594,111
Islamic financing and related assets - net	36.3	130,534,739	153,117,099
Fixed assets		783,027	862,149
Intangible assets		-	-
Due from Head Office		21,877,121	40,224,245
Deferred tax assets		68,596	18,126
Other assets		11,083,655	10,709,190
		295,733,976	276,127,407

LIABILITIES

Bills payable		8,763	18,048
Due to financial institutions	36.4	19,513,212	10,780,192
Deposits and other accounts	36.5	248,546,596	242,548,177
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities		8,185,188	6,073,627
		276,253,759	259,420,044

NET ASSETS

REPRESENTED BY

Islamic Banking Fund		250,000	250,000
Reserves		-	-
Deficit on revaluation of investments - net of tax		(107,291)	(28,352)
Unappropriated profit	36.6	19,337,508	16,485,715
		19,480,217	16,707,363

Contingencies and commitments

		(Unaudited) For the six months ended June 30, 2020	June 30, 2019
(Rupees in '000)			

PROFIT AND LOSS ACCOUNT

Profit / return earned	36.8	11,256,425	8,084,079
Profit / return expensed	36.9	5,009,358	4,041,927
Net profit / return		6,247,067	4,042,152

Other income

Fee and commission income		268,388	337,002
Dividend income		-	-
Foreign exchange (loss) / income		(21,060)	11,907
Income from derivatives		-	-
Loss on securities - net		(171,041)	(9,767)
Others		4,208	3,949
Total other income		80,495	343,091

Total income

6,327,562	4,385,243
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Other expenses

Operating expenses		1,107,148	950,592
Workers' Welfare Fund		102,718	67,877
Other charges		220	-
Total other expenses		1,210,086	1,018,469

Profit before provisions

5,117,476	3,366,774
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Provisions and write offs - net

442,265	40,812
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Profit before taxation

4,675,211	3,325,962
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1,823,418	1,297,125
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2,851,793	2,028,837
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Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

		(Unaudited) June 30, 2020	(Audited) December 31, 2019
		(Rupees in '000)	
36.1	Due from Financial Institutions		
	Unsecured	3,300,000	-
	Bai Muajjal Receivable from State Bank of Pakistan	5,257,577	20,489,184
	Bai Muajjal Receivable from other financial institutions	3,092,155	-
		<u>11,649,732</u>	<u>20,489,184</u>

36.2 Investments by segments

	June 30, 2020 (Unaudited)				December 31, 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government securities								
-Ijarah Sukuks	22,500,000	-	(184,500)	22,315,500	4,667,551	-	(46,478)	4,621,073
- Bai Muajjal with Government of Pakistan	-	-	-	-	-	-	-	-
	<u>10,794,000</u>	<u>-</u>	<u>-</u>	<u>10,794,000</u>	<u>10,794,000</u>	<u>-</u>	<u>-</u>	<u>10,794,000</u>
	33,294,000	-	(184,500)	33,109,500	15,461,551	-	(46,478)	15,415,073
Non-Government debt securities								
-Listed	3,024,827	-	-	3,024,827	3,564,480	-	-	3,564,480
-Unlisted	54,266,144	-	8,613	54,274,757	14,614,558	-	-	14,614,558
	<u>57,290,971</u>	<u>-</u>	<u>8,613</u>	<u>57,299,584</u>	<u>18,179,038</u>	<u>-</u>	<u>-</u>	<u>18,179,038</u>
Total Investments	<u>90,584,971</u>	<u>-</u>	<u>(175,887)</u>	<u>90,409,084</u>	<u>33,640,589</u>	<u>-</u>	<u>(46,478)</u>	<u>33,594,111</u>

	(Unaudited) June 30, 2020	(Audited) December 31, 2019
	(Rupees in '000)	
36.3	Islamic financing and related assets - net	
Ijarah	2,330,492	2,171,508
Murabaha	1,010,636	1,095,324
Diminishing Musharakah	46,770,629	83,342,719
Wakalah	10,000,000	10,000,000
Istisna	2,637,062	-
Tijarah	148,517	-
Islamic Home Financing	1,034,719	770,666
Running Musharakah	27,625,025	16,085,686
Currency Salam	822,344	-
Islamic refinance scheme for payment of wages and salaries	545,440	-
Advance for Ijarah	157,796	276,530
Advance for Murabaha	3,850,859	973,239
Advance for Diminishing Musharakah	6,841,191	6,295,175
Advance for Istisna	24,576,889	26,191,522
Advance for Salam	-	400,000
Inventories against Murabaha	888,161	3,808,372
Inventories against Istisna	531,068	1,615,548
Inventories against Tijarah	597,659	293,209
Inventories against Salam	810,917	-
Islamic financing and related assets - gross	<u>131,179,404</u>	<u>153,319,498</u>
Provision against Islamic financing and related assets		
-Specific	(270,187)	(183,056)
-General	(374,478)	(19,343)
	<u>(644,665)</u>	<u>(202,399)</u>
Islamic financing and related assets - net of provision	<u>130,534,739</u>	<u>153,117,099</u>

36.4 Due to financial institutions

Unsecured acceptance of funds	5,500,000	2,500,000
Acceptances from the SBP under Islamic Export Refinance Scheme	9,421,100	5,409,205
Acceptances from the SBP under Islamic Long Term Financing Facility	4,005,929	2,870,987
Acceptances from SBP under Islamic refinance scheme for payment of wages and salaries	86,183	-
Acceptances from Pakistan Mortgage Refinance Company	500,000	-
	<u>19,513,212</u>	<u>10,780,192</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
36.5	Deposits and other accounts		
	Customers		
	Current deposits	66,903,618	53,090,383
	Savings deposits	104,778,770	108,120,718
	Term deposits	21,093,095	14,648,767
		<u>192,775,483</u>	<u>175,859,868</u>
	Financial Institutions		
	Current deposits	229,070	302,467
	Savings deposits	53,142,083	65,183,796
	Term deposits	2,399,960	1,202,046
		<u>55,771,113</u>	<u>66,688,309</u>
		<u>248,546,596</u>	<u>242,548,177</u>
36.6	Islamic Banking business unappropriated profit		
	Opening Balance	16,485,715	11,091,387
	Add: Islamic Banking profit for the period / year	4,675,211	8,845,722
	Less: Taxation	(1,823,418)	(3,451,394)
	Closing Balance	<u>19,337,508</u>	<u>16,485,715</u>
36.7	Contingencies and commitments		
	- Guarantees	36.7.1 1,280,258	593,721
	- Commitments	36.7.2 26,150,466	17,180,683
		<u>27,430,724</u>	<u>17,774,404</u>
36.7.1	Guarantees		
	Financial Guarantees	107,121	-
	Performance guarantees	608,609	308,988
	Other guarantees	564,528	284,733
		<u>1,280,258</u>	<u>593,721</u>
36.7.2	Commitments		
	Trade-related contingent liabilities	5,168,038	3,456,851
	Commitments in respect of forward foreign exchange contracts	20,982,428	13,723,832
		<u>26,150,466</u>	<u>17,180,683</u>
36.7.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	11,213,096	7,721,565
	Sale	9,769,332	6,002,267
		<u>20,982,428</u>	<u>13,723,832</u>
36.8	Profit / return earned		
		(Unaudited) For the six months ended June 30, 2020 (Rupees in '000)	June 30, 2019 (Rupees in '000)
	On:		
	Financing	6,946,162	5,092,120
	Investments	2,986,609	2,126,057
	Due from financial institutions	1,323,654	865,902
		<u>11,256,425</u>	<u>8,084,079</u>
36.9	Profit / return expensed		
	On:		
	Deposits and other accounts	4,546,996	3,081,447
	Amounts due to financial institutions	387,482	821,622
	Foreign currency deposits for Wa'ad based transactions	24,914	108,550
	Lease liability against right-of-use assets	49,966	30,308
		<u>5,009,358</u>	<u>4,041,927</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2020

37 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 37.1 In compliance with the SBP's instructions as disclosed in note 4.6 to the condensed interim unconsolidated financial statements, the Board of Directors, in its meeting held on July 24, 2020 has not declared any cash dividend in respect of the quarter ended June 30, 2020 (June 30, 2019: Rs 1.25 per share). Therefore, there is no non-adjusting event after the balance sheet date.

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on July 24, 2020.

39 GENERAL

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Yahya Chinoy
Director

Salim Raza
Director

