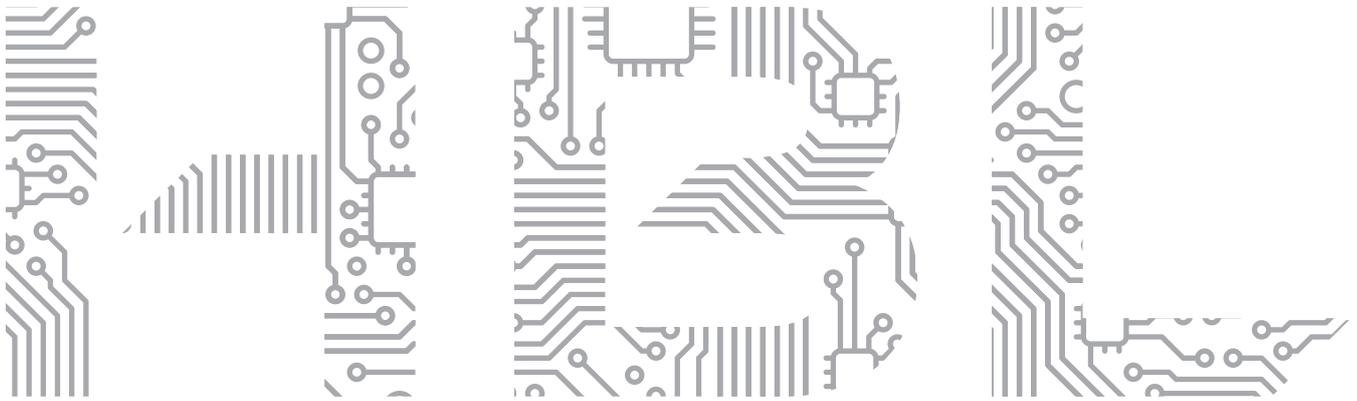


HBL



DIGITALLY YOURS

QUARTERLY REPORT
MARCH 31, 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
		Condensed Interim Unconsolidated Statement of Financial Position
		57
		Condensed Interim Unconsolidated Profit and Loss Account
		58
		Condensed Interim Unconsolidated Statement of Comprehensive Income
		59
		Condensed Interim Unconsolidated Statement of Changes in Equity
		60
		Condensed Interim Unconsolidated Cash Flow Statement
		61
		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. Raymond Kotwal

Company Secretary
Ms. Neelofar Hameed

Legal Advisors
Mandviwalla and Zafar
Legal Consultants and Advocates

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Share Registrar
CDC Share Registrar Services Limited
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shakra-e-Faisal
Karachi – 74400, Pakistan
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Website: www.cdcsrsl.com

HBL Corporate Secretariat
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Corporate Website:
www.hbl.com

Internet Banking:
www.hbllibank.com.pk

Konnect:
www.hbl.com/businesskonnect

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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 quarter ended March 31, 2020.

Macroeconomic Review

By earlier this year Pakistan's economy was showing some signs of recovery from the slowdown resulting from the stabilization program. While growth and economic activity remained depressed, the external account indicators were steadily improving. This was before the COVID-19 pandemic, which has forced lockdowns across the world, restricting economic activity across the board. The supply shock is likely to create a protracted demand shock owing to reduced business activity and consumer spending, thereby further exacerbating the weak economic growth. From earlier GDP growth forecasts of 2.9%, Pakistan's GDP is now expected to contract by up to 1% in FY'20. Headline inflation in March 2020 receded to 10.2%, from 12.4% in the previous month, helped by lower fuel prices. Average inflation for 9MFY'20 is 11.5% compared to 6.3% for the same period last year. The SBP's projection for average inflation for FY'20 remains at 11.0% – 12.0%.

The trade deficit declined by 34% in 8MFY'20, mainly driven by efforts to curb imports, which declined by 18%; exports improved, but by a modest 3%. Remittances, till now, have continued to grow over FY'19, increasing by 5% in 9MFY'20. As a result, the current account deficit contracted by 71%, to USD 2.8 billion. The FX reserves position has strengthened from June 2019 levels, increasing to USD 17.3 billion at the end of March 2020; this was supported by increased FDI as well as strong foreign portfolio flows into government securities. However, since the pandemic outbreak, the investor search for safe havens has resulted in outflows in both equities and government securities. The Rupee, which had strengthened by 5% since its low in June 2019, quickly slid against the dollar and, at March 31, 2020 was 8% lower than December 2019 levels.

In response to the growing concern over the economic impact of the pandemic, the federal government and the SBP quickly took a number of steps to bring financial stability and keep the economy moving. The government pledged fiscal support of PKR 1.13 trillion, targeting the export sector and low-income groups. In addition, it announced an incentive package for the construction industry to support the real estate sector and generate employment, especially for the daily wage earners who are most severely impacted by this crisis. The liquidity and cash flow constraints facing businesses presents another growing challenge. The government announced deferral of loan and interest payments for the export, SME and Agriculture sectors. Meanwhile, the SBP extended the relief package to other industries, whereby principal loan payment can be deferred for up to one year. The SBP also announced new initiatives to maintain the flow of credit, including refinance facilities for salary payments, for funding to hospitals and for setting up new industrial units. The SBP has also encouraged the banking sector to continue lending in this critical time through lowering capital requirements and allowing higher debt burden for consumer loans.

The IMF has approved an assistance package of USD 1.4 billion for Pakistan under a Rapid Financing Instrument. The World Bank has already approved USD 200 million for Pakistan and could divert unutilized funds of USD 600 million to USD 2 billion for early disbursement. In addition, the ADB would provide USD 350 million immediately, while a request has been made for another USD 900 million disbursement by June.

The equity market also turned bearish, owing to the economic effects of the pandemic, reduced growth forecasts and depressed investor sentiment the latter being mainly driven by the reversal of carry trades and global risk aversion. By March 31, 2020, the KSE 100 Index had fallen by 28% since the beginning of 2020; market wide circuit breakers were triggered six times in March and the Index lost more than 8,000 points in one month. Since then, there has been some recovery, especially after the recent rate cut, when the market hit the upper circuit breaker.

In response to the crisis, the SBP cut rates rapidly, in three steps, by a total of 425 bps, with the Policy Rate now at 9%. The SBP also changed the shape of the corridor to make it symmetric around the Policy Rate. Effectively, this will compress margins going forward as the spread between the Policy Rate and the minimum rate payable on savings deposits has reduced by 50 bps. Banking sector advances rose marginally by 1% during the first quarter of 2020, while deposits grew by 3% since December'19. The growing impact of the pandemic on overall economic activity is expected to further slowdown private sector lending which, with a growth of only 2.6% in 8MFY'20, was already showing signs of deceleration. Banking spreads for the first two months of 2020 rose by 7bps over 2019.

Financial Performance

HBL's Profit after Tax for the first quarter of 2020 is Rs 4.1 billion, an increase of 29% over the same period last year. Earnings per share for Q1'20 increased to Rs 2.79 compared to Rs 2.08 in Q1'19. However, profit before tax of Rs 7.1 billion is 15% lower than for the corresponding period last year as a result of the sharp devaluation of the Rupee. Excluding this impact, profit before tax is 10% higher than Q1'19.

HBL continues to support businesses and customers, particularly in these challenging times, with net advances increasing by 1.1% over December 2019, and the ADR improving to 49.6%. Total deposits, at Rs 2.4 trillion, remain at a healthy level with strong current account and CASA ratios of 35.6% and 82.7% respectively. Average domestic deposits rose by Rs 155 billion (8.6%) over Q1'19 leading to a growth of 9.3% in the average domestic balance sheet. A growth of Rs 40 billion in average domestic current accounts supported a 52 bps improvement in net interest margins. As a result, domestic net interest income rose by 21% to Rs 25.8 billion. With an 8% growth in international net interest income, the Bank's total net interest income for Q1'20 increased by 20% over Q1'19, to Rs 28.0 billion.

Total non-fund income, excluding the rupee devaluation impact, grew by 19%. The Bank recorded a capital gain of Rs 2.3 billion, a positive swing of Rs 2.7 billion compared to Q1'19. The gain is primarily driven from opportunistic sales of fixed income instruments as well as significant unrealized gains on the trading portfolio at the end of March 2020. Core FX income improved by 57% to Rs 1.6 billion, driven from both the domestic and international businesses. Fees, however, declined by 11% to Rs 4.7 billion mainly due to lower Bancassurance and investment banking fees and as Q1'19 included some 1-off fee recoveries.

Administrative expenses increased by Rs 4.2 billion over Q1'19. A significant portion of this was due to the acceleration of the New York branch closure, as costs originally expected later in the year have been recorded upfront; this will result in New York costs tapering off rapidly, going forward. There was also a significant impact of the costs associated with growth in activity drivers as well as the rupee devaluation on international expenses. Despite a steady recovery performance, in Q1'20 the Bank booked a provision charge of Rs 0.6 billion, including an impairment of Rs 0.2 billion on its equity portfolio. However, total NPLs have declined by Rs 1.2 billion over Dec'19, leading to a further improvement in asset quality to 6.4% as at end-March. The coverage also increased from 93.2% in December 2019 to 93.4% in March 2020.

Movement of Reserves

	Rs million
Unappropriated profit brought forward	114,550
Profit attributable to equity holders of the Bank	4,096
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	12
	4,003
Profit available for appropriations	118,553
Appropriations	
Transferred to statutory reserves	(461)
Cash dividend – Final 2019	(1,834)
	(2,295)
Unappropriated profit carried forward	116,258
Earnings per share (Rs)	2.79

Capital Ratios

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

The devaluation impacted the Bank's CAR in multiple ways, by a total of 37 bps. Consequently, the consolidated Tier 1 CAR reduced by 28 bps, from 12.45% at the end of 2019 to 12.17% in March 2020. The 100 bps lower CET 1 CAR requirement has resulted in the headroom over minimum levels increasing by 100 bps – consequently, 42 bps of Tier II capital has become eligible. The consolidated total CAR thus increased slightly from December 2019, to 15.39%. HBL's capital and related ratios remain well above regulatory requirements.

Future Outlook

Policy makers across the world have announced massive monetary and fiscal stimulus measures to try to mitigate the impact of the global lockdown, expected to be the worst since the Great Depression. The IMF has called on countries to respond with "very massive" spending to avoid bankruptcies and emerging market debt defaults. The global economic slowdown is expected to have a profound impact on Pakistan's economy. The lockdown related disruption of industrial activity and slowdown in aggregate demand would contract GDP growth, particularly during April-June 2020. Exports and remittances are expected to decline, pressuring the current account, but low oil prices could provide some fiscal space to the government. However, the long-term effects on economic activity will only be known once the pandemic peaks.

The Bank is keenly aware of its duty to support customers and the wider economy at this difficult time. The Bank continues to lend and provide liquidity to its customers; where additional flexibility is needed, HBL will look to assist them further. We plan to be at the forefront of using the liquidity and funding assistance being made available by the SBP to help our customers negotiate what is certain to be a difficult next few months. We intend to deliver for our clients in this respect while maintaining credit discipline in our balance sheet. Operating in the current circumstances will lead to some increased costs and a reduction in short-term profitability – but this is a worthwhile trade-off for the longer-term standing of our business and the broader well-being of our customers and the country.

HBL has always been intrinsic to Pakistan's socio-economic fabric and giving back to the country and the community is a core part of its strategic agenda. In these particularly difficult times, HBL has demonstrated leadership across a broad spectrum of areas. HBL is humbled and honoured to be a leading partner of the Ehsaas Kafalat programme, the largest social safety net initiative in Pakistan's history, aimed at distributing Rs 90 billion to 7.5 million beneficiaries. The Bank is also distributing 12,000 ration bags across the length and breadth of the country to deserving individuals, mostly daily wage earners whose livelihood has been severely disrupted by the lockdown. HBL is also partnering with Serena Hotels to distribute 30,000 meal boxes to frontline doctors across seven cities where Serena is present. HBL will continue to step up in a variety of ways to support the country in this time of crisis.

Dividend

The Board of Directors, in its meeting held on April 22, 2020 has declared an interim cash dividend of Rs 1.25 per share (12.50%) for the quarter ended March 31, 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

April 22, 2020

ڈائریکٹرز کا جائزہ

ایکویٹی مارکیٹ میں بھی مندی رہی، جس کی وجہ وبا کے معیشت پر اثرات، نمو کے امکانات میں کمی اور سرمایہ کاروں کی عدم دلچسپی رہی، جس کی بنیادی وجہ کیری ٹریڈز کی واپسی اور عالمی سطح پر خطرات کے باعث ہچکچاہٹ تھی۔ 2020ء کے آغاز سے 31 مارچ 2020ء تک KSE 100 اشاریہ 28% گر گیا؛ مارکیٹ پر محیط سرکٹ بریکر مارچ میں چھ بار متحرک ہوئے اور اشاریے میں ایک ماہ میں 8000 پوائنٹس کا نقصان ہوا۔ تب سے اب تک کچھ بحالی آئی ہے خصوصاً حالیہ شرح میں کٹوتی کے وقت جب مارکیٹ نے سرکٹ بریکر کی اعلیٰ سطح کو چھوا تھا۔

بحران کے سدباب کے لیے SBP نے تیزی سے تین مرحلوں میں شرح میں مجموعی طور پر 425 بی پی ایس تک کٹوتی کی جس سے پالیسی کی شرح اب 9% ہے۔ SBP نے پالیسی کی شرح سے ہم آہنگی کے لیے راہداری کی ساخت میں بھی تبدیلی کی ہے۔ یہ مارجنز کے مستقبل میں سکڑاؤ کے لیے موثر ہو گا کیونکہ پالیسی کی شرح اور سیونگ ڈپازٹس پر کم از کم واجب الادا شرح کے اسپریڈ میں 50 بی پی ایس کمی آئی ہے۔ بینکاری شعبے میں قرضہ جات میں 2020 کی پہلی سہ ماہی میں 1% تک خاطر خواہ اضافہ ہوا ہے، جبکہ دسمبر 2019 سے ڈپازٹ میں 3% تک اضافہ ہوا ہے۔ مالی سرگرمیوں پر بڑھتے ہوئے وبائی اثرات سے نجی شعبے میں قرضہ جات میں مزید کمی متوقع ہے جو 2020 کے 8 ماہ میں 2.6% نمو کے ساتھ پہلے ہی سست روی دکھا رہی تھی۔ بینکنگ اسپریڈ میں 2020 ابتدائی دو ماہ میں 2019 کی نسبت 7 بی پی ایس اضافہ ہوا۔

مالیاتی کارکردگی

HBL کا مالی سال 2020ء کی پہلی سہ ماہی کا بعد از محصول منافع 4.1 ارب روپے رہا جو گزشتہ برس اسی دورانیے سے 29% زیادہ ہے۔ اس سال کی پہلی سہ ماہی کی فی حصص آمدن میں 2.79 روپے اضافہ ہوا جو 2019ء کی پہلی سہ ماہی میں 2.08 روپے تھی۔ تاہم قبل از محصول منافع 7.1 ارب روپے رہا جو گزشتہ برس اسی دورانیے سے 15% کم ہے، جس کی وجہ روپے کی تیز ارزانی تھی۔ ان اثرات کو نظر انداز کرتے ہوئے قبل از محصول منافع 2019ء کی پہلی سہ ماہی کے مقابلے میں 10% زیادہ ہے۔

HBL نے اپنے صارفین اور کاروبار کی معاونت جاری رکھی خصوصاً اس کڑے وقت میں، خالص قرضہ جات میں دسمبر 2019ء کے مقابلے میں 1.1% اضافے کے ساتھ ADR میں 49.6% بہتری آئی ہے۔ کل ڈپازٹس 2.4 کھرب روپے، ایک مضبوط سطح پر ہیں جبکہ مستحکم جاری کھاتوں اور CASA کی شرح بالترتیب 35.6% اور 82.7% ہے۔ اوسط ملکی ڈپازٹس میں 2019ء کی پہلی سہ ماہی کے مقابلے میں 155 ارب روپے (8.6%) اضافہ ہوا جس سے اوسط ملکی توازن کی فہرست میں 9.3% نمو ہوئی۔ اوسط ملکی جاری کھاتوں میں 40 ارب روپے کی نمو سے خالص منافعوں کے مارجن میں 52 بی پی ایس بہتری آئی۔ نتیجتاً ملکی خالص منافع جاتی آمدن 21% اضافے سے 25.8 ارب روپے ہو گئی۔ بین الاقوامی خالص منافع جاتی آمدن میں 8% اضافے سے بینک کی خالص منافع جاتی آمدن 2020ء کی پہلی سہ ماہی کے لیے بڑھ کر 28.0 ارب روپے ہو گئی جو 2019ء کی پہلی سہ ماہی سے 20% زیادہ ہے۔

روپے کی ارزانی کے اثرات نظر انداز کرتے ہوئے کل غیر فنڈ آمدن میں 19% اضافہ ہوا۔ بینک نے 2.3 ارب کاریکارڈ سرمایہ حاصل کیا جو 2019ء کی پہلی سہ ماہی کے 2.7 ارب روپے مقابلے میں ایک مثبت چڑھاؤ رہا۔ اس نفع کی بنیادی وجہ فکسڈ انکم انشرومنٹ کی بروقت فروخت کے ساتھ مارچ 2020ء کے اختتام پر تجارتی پورٹ فولیو میں نمایاں ان ریٹلائزڈ منافع جات ہیں۔ بنیادی FX آمدن میں 57% بہتری آئی جو 1.6 ارب روپے ہو گئی جو ملکی اور بین الاقوامی کاروبار سے حاصل ہوئی۔ تاہم فیس میں 11% یعنی 4.7 ارب روپے کمی واقع ہوئی جس کی اہم وجہ بینکاشورنس اور سرمایہ کاری بینکاری فیس میں کمی کے علاوہ یہ بھی تھی کہ 2019ء کی پہلی سہ ماہی میں کچھ فیسوں کی یکبارگی ادائیگیاں بھی تھیں۔

بینک کے اخراجات میں 2019ء کی پہلی سہ ماہی کی نسبت 4.2 ارب روپے اضافہ ہوا۔ جس میں ایک نمایاں حصہ نیویارک براؤچ کی بندش میں تیزی کی وجہ سے تھا کیونکہ ابتدائی متوقع لاگت، اواخر سال میں پیشگی ادائیگی ثابت ہوئی؛ اس سے مستقبل میں نیویارک کے اخراجات میں تیزی سے کمی آئے گی۔ اس میں سرگرمیوں کے محرکین سے منسلک لاگت اور بین الاقوامی اخراجات پر روپے کی قدر میں کمی کے اثرات کا بھی ہاتھ رہا ہے۔ ریکوری کی مستحکم کارکردگی کے باوجود، 2020 کی پہلی سہ ماہی میں بینک نے 0.6 ارب کی عبوری لاگت تک کی جس میں اس کے ایکویٹی پورٹ فولیو میں 0.2 ارب کی اضافی لاگت شامل ہے۔ تاہم دسمبر 2019ء تک کل NPL میں 1.2 ارب کی کمی واقع ہوئی جس سے اثاثہ جات کے معیار میں اواخر مارچ تک 6.4% بہتری آئی۔ کوریج بھی دسمبر 2019ء کی 93.2% سے بڑھ کر مارچ 2020ء میں 93.4% ہو گئی۔

ہمیں بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2020ء کو ختم ہونے والی پہلی سہ ماہی کے مختصر عبوری مجموعی مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس ہو رہی ہے۔

کلیاتی اقتصادیات کا جائزہ

پاکستان کی معیشت میں اس سال کے شروع تک استحکام پروگرام کے نتیجے میں مندی سے بحالی کے کچھ آثار دکھائی دے رہے تھے جبکہ ترقی اور معاشی سرگرمی بدستور دباؤ کا شکار ہے، خارجی کھاتوں کے اظہاریے میں مستقل بہتری آرہی تھی۔ یہ صورت حال COVID-19 وبا سے پہلے تھی، لیکن اس وبا نے پوری دنیا کو لاک ڈاؤن پر مجبور اور اقتصادی سرگرمیوں کو محدود کر دیا ہے۔ رَسد کا جھٹکا کاروباری سرگرمیوں اور صارفین کے اخراجات میں کمی کی وجہ سے طلب کے دور رس جھٹکے میں تبدیل ہونے کا امکان ہے، اور اس طرح کمزور معاشی نمو میں مزید اضافے کا بھی۔ پاکستان کی GDP میں 2.9% کی نمو کی پیشین گوئی کی گئی تھی جس میں مالی سال 2020ء میں مزید 1% تخفیف متوقع ہے۔ مارچ 2020ء میں ہیڈلائن افراط زر گزشتہ ماہ 12.4% سے گر کر 10.2% ہو گئی جسے پیٹرنل کی قیمت میں کمی نے سہارا دیا۔ مالی سال 2020ء کے 9 ماہ کے دوران اوسط افراط زر 11.5% رہی جو گزشتہ برس اسی مدت کے لیے 6.3% تھی۔ SBP کی مالی سال 2020ء کے لیے اوسط افراط زر کی شرح کی پیشین گوئی ہنوز 11.0%–12.0% رہی۔

مالی سال 2020ء کے 8 ماہ میں تجارتی خسارے میں 34% کمی آئی جس کی بنیادی وجہ درآمدات کی حوصلہ شکنی کے اقدامات تھے جن میں 18% کمی آئی، برآمدات میں 3% کی معمولی بہتری آئی۔ ترسیلات میں مالی سال 2019ء کے تناسب میں بدستور اضافہ ہوا جو مالی سال 2020ء کے 9 ماہ میں 5% بڑھ گیا۔ اس کے نتیجے میں جاری کھاتوں کے خساروں میں 2.8 ارب امریکی ڈالر سے 71% کمی واقع ہوئی، FX ذخائر میں بھی جون 2019ء کی سطح سے تقویت آئی جو مارچ کے اختتام تک 2020ء میں 17.3 ارب امریکی ڈالر ہو گئے، اسے FDI میں اضافے کے ساتھ سرکاری سکیورٹیز میں غیر ملکی پورٹ فولیو کے بہاؤ سے سہارا ملا۔ تاہم وبا پھیلنے کے باعث محفوظ پناہ گاہوں کے خواہش مند سرمایہ کاروں کا ایکویٹی اور سرکاری سکیورٹیز، دونوں کے حوالے سے بیرونی بہاؤ رہا۔ جون 2019ء سے روپے کی قدر میں 5% اضافہ ڈالر کے مقابلے میں تیزی سے گرتے ہوئے 31 مارچ 2020ء تک دسمبر 2019ء کی سطح سے 8% کم پر آ گیا۔

وبا کے معاشی اثرات کے حوالے سے بڑھتے ہوئے خدشات کے جواب میں مالی استحکام اور معیشت کے پھیلنے کو رواں رکھنے کے لیے وفاقی حکومت اور SBP نے چند فوری اقدامات کیے۔ حکومت نے برآمدی شعبے اور کم آمدنی والے گروہوں کے زیر ہدف 1.13 کھرب روپے مالی امداد کا عہد کیا۔ یہی نہیں، بلکہ جائیداد و تعمیرات کے شعبے میں ترغیبی پیکیج اور روزگار کی فراہمی کا اعلان بھی کیا، بالخصوص یومیہ اجرت والے طبقے کے لیے جو اس بحران سے سب سے زیادہ متاثر ہوا ہے۔ لیکوئڈٹی اور کیش کے بہاؤ میں رکاوٹ کاروباری شعبے کو لاحق ایک اور بڑھتا ہوا چیلنج ہے۔ حکومت نے برآمدات، SME اور زرعی شعبوں کے لیے قرض اور منافع کی ادائیگی میں تاخیر کا اعلان کیا ہے۔ اسی دوران SBP نے دیگر صنعتوں تک ریلیف پیکیج کی توسیع کر دی ہے، جبکہ بنیادی قرض کی ادائیگی میں ایک سال تک کی تاخیر کی جاسکتی ہے۔ SBP نے کریڈٹ کے بہاؤ کے انتظام کے لیے اقدامات، بشمول تنخواہوں کی ادائیگی، ہسپتالوں کی فنڈنگ، اور نئے صنعتی یونٹوں کے قیام کے لیے ری فننس کی سہولت کا بھی اعلان کیا ہے۔ SBP نے اس کڑے وقت میں سرمائے کی شرائط میں کمی اور صارفین قرضہ جات کے لیے اضافی قرض کے بوجھ کے ذریعے بینکاری شعبے کی قرضہ جات کا سلسلہ جاری رکھنے کی حوصلہ افزائی کی ہے۔

IMF نے پاکستان کے لیے ریپڈ فنانسینگ انسٹرومنٹ کے تحت 1.4 ارب امریکی ڈالر کے امدادی پیکیج کی منظوری دے دی ہے۔ عالمی بینک نے پہلے ہی پاکستان کے لیے 200 ملین امریکی ڈالر منظور کر لیے ہیں اور 600 ملین سے 2 ارب امریکی ڈالر کے غیر استعمال شدہ فنڈ کی پہلے ادائیگی کی جاسکتی ہے۔ اس کے ساتھ ساتھ ADB فوری 350 ملین امریکی ڈالر فراہم کرے گا جبکہ جون تک مزید 900 ملین امریکی ڈالر کی ادائیگی کی درخواست کی جا چکی ہے۔

بینک اس مشکل وقت میں صارفین اور وسیع تر معیشت کے مفاد میں اپنے فرائض سے بخوبی آگاہ ہے۔ بینک اپنے صارفین کو قرضہ جات اور لیکوئڈٹی کی فراہمی میں کوشاں ہے اور جہاں ضرورت ہے وہاں اضافی لچک کے مظاہرے کے ساتھ بڑھ کر مزید معاونت بھی کر رہا ہے۔ ہم لیکوئڈٹی کے استعمال اور SBP کی جانب سے فنڈنگ کی دستیابی میں اپنے صارف کی بات چیت میں معاونت کے لیے آگے رہنے کا منصوبہ بنا رہے ہیں تاکہ اگلے مشکل مہینوں میں سہولت رہے۔ ہم اس حوالے سے اپنی پالیسیوں میں کریڈٹ کے اصولوں کی پاسداری کے ساتھ اپنے صارف کی مدد کے خواہشمند ہیں۔ موجودہ صورتحال میں کام جاری رکھنے سے اخراجات میں اضافہ اور قلیل المیعاد منفعیت میں کمی آئے گی، مگر یہ ہمارے کاروبار کے طویل المیعاد استحکام اور ہمارے صارفین اور ملکی بقا کے لیے ایک قابل قدر تجارت ہے۔

HBL ہمیشہ سے پاکستان کے سماجی و معاشی تانے بانے کا بنیادی حصہ رہا ہے اور ہمارے ملک اور معاشرے نے جو کچھ دیا ہے اسے واپس کرنا بینک کی حکمت عملی اور لہجہ کا حصہ ہے۔ خصوصاً آج کے کڑے وقت میں وسیع تر شعبوں میں HBL نے قائدانہ کردار کا مظاہرہ کیا ہے۔ HBL احساس کفالت پر وگرام کے اہم شریک کی حیثیت سے فخر محسوس کرتا ہے، جو پاکستان کی تاریخ کا سب سے بڑا سماجی حفاظتی جال ہے جس کا ہدف 7.5 ملین مستحقین میں 90 ارب روپے تقسیم کرنا ہے۔ بینک ملک بھر کے طول و عرض پر بسنے والے مستحقین میں 12000 راشن کے تھیلے بھی تقسیم کر رہا ہے جن میں اکثر یومیہ اجرت والے افراد ہیں جن کی زندگی اور روزگار اس لاک ڈاؤن سے سب سے زیادہ متاثر ہوئے ہیں۔ HBL، سرینا ہوٹل کے اشتراک سے، جن سات شہروں میں سرینا ہوٹل موجود ہے وہاں صفِ اوّل میں موجود ڈاکٹروں میں 30,000 کھانے کے ڈبے تقسیم کر رہا ہے۔ HBL اس بحرانی صورتحال میں ملک و قوم کو سہارا دینے کے لیے مختلف طریقوں سے اپنا تعاون جاری رکھے گا۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 22 اپریل 2020 کو منعقد ہونے والے اجلاس میں 31 مارچ 2020 کو اختتام پذیر ہونے والی سہ ماہی کے لیے 1.25 روپے فی حصص (12.50%) کے عبوری نقد منافع منقسمہ کا اعلان کیا۔

اظہارِ تشکر

ہم اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص اسٹیٹ بینک آف پاکستان، وزارت مالیات اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی کاوشوں کی اعتراف کرتے ہیں۔ اس غیر معمولی وقت میں، انہوں 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 بھروسہ 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 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 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، جنہوں 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 انہیں خراج تحسین پیش کرتے ہیں۔

منجانب بورڈ

محمد اورنگزیب

صدر اور چیف ایگزیکٹو آفیسر

22 اپریل 2020ء

ملین روپے

114,550
4,096
(108)
3
12
4,003
118,553
(461)
(1,834)
(2,295)
116,258
2.79

ذخائر میں اتار چڑھاؤ

افتتاحی غیر تخصیص شدہ منافع

بینک ایکویٹی کے حامل افراد کے لیے قابل ادائیگی منافع

سبسڈری پر شناخت کردہ موخر ٹیکس اثاثہ جات

ایسوسی ایٹ کی ذمہ داریوں کی وضاحت شدہ منفعیت پر منافع کے دوبارہ پیمائش کا حصہ۔ خالص

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

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ۔ حتمی

اختتامی غیر تخصیص شدہ منافع

فی حصص (شیر) آمدنی (روپے)

سرمائے کا تناسب

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

قدر میں کمی کی وجہ سے بینک کا کیپٹل ایڈیکویٹی ریشو (CAR) گئی زاویوں سے 37 بی پی ایس متاثر ہوا۔ نتیجتاً مجموعی 28 Tier 1 CAR، 100 بی پی ایس کی کمی سے 12.45% سے مارچ 2020ء میں 12.17% رہ گیا۔ CET 1 CAR میں 100 بی پی ایس کمی سے ہیڈ روم میں کم از کم کی سطح سے 100 بی پی ایس اضافہ ہوا جس کے نتیجے میں Tier II سرمائے کا 42 بی پی ایس اہل ہو گیا۔ بینک کا ٹکل مجموعی CAR سال 2019ء سے معمولی اضافے کے ساتھ 15.39% ہو گیا۔ HBL کا سرمایہ اور اس سے متعلقہ تناسب ریگولیٹری ضروریات سے بالاتر ہے۔

مستقبل کی صورت حال

دنیا بھر میں پالیسی سازوں نے وسیع زری و مالیاتی ترغیبی اقدامات کا اعلان کیا ہے تاکہ عالمی لاک ڈاؤن کے اثرات کا سدباب کیا جاسکے جو اس عظیم دباؤ کے باعث مزید بدتر ہو سکتے ہیں۔ IMF نے ممالک سے گزارش کی ہے کہ وہ دیوالیہ پن سے بچاؤ اور مارکیٹ کے قرضہ جات کی نادرہ صورتحال کے پیش نظر ”وسیع ترین“ پیمانے پر خرچ کریں۔ عالمی معاشی سست روی کے پاکستان کی معیشت پر بھی گہرے اثرات متوقع ہیں۔ لاک ڈاؤن سے متاثرہ صنعتی سرگرمیوں اور مجموعی طلب میں سست روی سے GDP کی نمو، خصوصاً اپریل سے جون 2020ء کے دوران، کم ہو جائے گی۔ برآمدات اور ترسیلات میں بھی کمی متوقع ہے جس سے جاری کھاتوں پر دباؤ بڑھ جائے گا تاہم تیل کی قیمت میں کمی سے حکومت کو کچھ مالیاتی گنجائش مل سکتی ہے۔ چنانچہ معاشی سرگرمیوں پر طویل المیعاد اثرات کا تعین وبا کے عروج کے بعد ہی کیا جاسکتا ہے۔

معزز احمد جمال
ڈائریکٹر

Condensed Interim Consolidated Statement of Financial Position

As at March 31, 2020

	Note	(Unaudited) March 31, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	5	264,550,907	367,593,717
Balances with other banks	6	43,339,998	41,248,554
Lendings to financial institutions	7	49,932,898	45,303,199
Investments	8	1,437,623,173	1,379,607,379
Advances	9	1,179,349,348	1,166,956,994
Fixed assets	10	79,777,594	80,462,410
Intangible assets	11	9,224,713	9,089,345
Deferred tax assets	17	-	-
Other assets	12	128,066,633	136,870,799
		3,191,865,264	3,227,132,397
LIABILITIES			
Bills payable	13	30,259,530	29,681,108
Borrowings	14	375,312,863	382,206,306
Deposits and other accounts	15	2,377,632,071	2,437,597,169
Liabilities against assets subject to finance lease		-	-
Subordinated debt	16	22,358,000	22,360,000
Deferred tax liabilities	17	9,844,018	6,189,687
Other liabilities	18	140,739,571	124,346,615
		2,956,146,053	3,002,380,885
NET ASSETS			
		235,719,211	224,751,512
REPRESENTED BY			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		69,874,478	66,260,511
Surplus on revaluation of assets - net of tax	19	30,518,819	24,875,383
Unappropriated profit		116,257,901	114,550,097
Total equity attributable to the equity holders of the Bank		231,319,723	220,354,516
Non-controlling interest		4,399,488	4,396,996
		235,719,211	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

Salim Raza
Director

Salim Yahya Chinoy
Director

Dr. Najeeb Samie
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2020

	Note	January 01 to March 31, 2020 (Rupees in '000)	January 01 to March 31, 2019 (Rupees in '000)
Mark-up / return / profit / interest earned	22	72,645,814	51,524,931
Mark-up / return / profit / interest expensed	23	44,632,354	28,167,143
Net mark-up / return / profit / interest income		28,013,460	23,357,788
Non mark-up / interest income			
Fee and commission income	24	4,730,547	5,332,333
Dividend income		79,519	100,811
Share of profit of associates and joint venture		255,349	891,248
Foreign exchange (loss) / income		(1,193,768)	465,879
(Loss) / income from derivatives		(280,304)	184,516
Gain / (loss) on securities - net	25	2,279,970	(386,628)
Other (loss) / income	26	(93,812)	58,507
Total non mark-up / interest income		5,777,501	6,646,666
Total income		33,790,961	30,004,454
Non mark-up / interest expenses			
Operating expenses	27	25,639,193	21,440,799
Workers' Welfare Fund		161,519	161,195
Other charges	28	232,198	50,652
Total non mark-up / interest expenses		26,032,910	21,652,646
Profit before provisions and taxation		7,758,051	8,351,808
Provisions / (reversals) and write offs - net	29	625,273	(82,971)
Profit before taxation		7,132,778	8,434,779
Taxation	30	3,024,676	5,257,226
Profit after taxation		4,108,102	3,177,553
Attributable to:			
Equity holders of the Bank		4,096,145	3,054,234
Non-controlling interest		11,957	123,319
		4,108,102	3,177,553
-----Rupees-----			
Basic and diluted earnings per share	31	2.79	2.08

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

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Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2020

	January 01 to March 31, 2020	January 01 to March 31, 2019
	(Rupees in '000)	
Profit after taxation for the period attributable to:		
Equity holders of the Bank	4,096,145	3,054,234
Non-controlling interest	11,957	123,319
	4,108,102	3,177,553
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	3,171,048	1,297,732
Non-controlling interest	11,777	41,360
	3,182,825	1,339,092
(Decrease) / increase in share of exchange translation reserve of associates - net of tax	(84,930)	38,956
Movement in surplus / deficit on revaluation of investments - net of tax, attributable to:		
Equity holders of the Bank	5,749,307	2,258,581
Non-controlling interest	(21,101)	31,641
	5,728,206	2,290,222
Movement in share of surplus / deficit on revaluation of investments of associates - net of tax	(93,583)	(102,439)
<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	(2,610)
Movement in surplus / deficit on revaluation of fixed assets - net of tax, attributable to:		
Equity holders of the Bank	-	-
Non-controlling interest	-	-
	-	-
Movement in surplus / deficit on revaluation of fixed assets of associates - net of tax	-	(2,798)
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	-	-
Total comprehensive income	12,843,264	6,737,976
Total comprehensive income attributable to:		
Equity holders of the Bank	12,840,631	6,541,656
Non-controlling interest	2,633	196,320
	12,843,264	6,737,976

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

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Condensed Interim Consolidated Statement of Changes In Equity (Unaudited)

For the three months ended March 31, 2020

	Attributable to shareholders of the Bank										Non-controlling interest	Total	
	Share capital	Exchange translation reserve	Statutory reserves	Bank	Capital reserve on acquisition of common control entity	Revenue	Unappropriated profit	Surplus / (deficit) on revaluation of	Sub Total				
	(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 three months ended March 31, 2019													
Profit after taxation for the three months ended March 31, 2019	-	-	-	-	-	-	-	3,054,234	-	-	3,054,234	123,319	3,177,553
Other comprehensive income / (loss)													
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	-	1,297,732	-	-	-	-	-	-	-	-	1,297,732	41,360	1,339,092
Increase in share of exchange translation reserve of associates - net of tax	-	38,956	-	-	-	-	-	-	-	-	38,956	-	38,956
Share of remeasurement loss on defined benefit obligations of associates - net	-	-	-	-	-	-	-	(2,610)	-	(2,610)	-	-	(2,610)
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	2,258,581	-	2,258,581	31,641	2,290,222	
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	(102,439)	(2,798)	(105,237)	-	-	(105,237)
Transferred to statutory reserves	-	1,336,688	-	-	-	-	-	3,051,624	2,156,142	(2,798)	6,541,656	196,320	6,737,976
Transferred from surplus on revaluation of assets - net of tax	-	-	71,543	284,163	-	-	-	(355,706)	-	-	-	-	-
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)
Balance as at March 31, 2019	14,668,525	26,342,282	1,079,531	32,241,603	547,115	(156,706)	6,073,812	102,482,038	(5,170,744)	21,842,516	199,949,972	4,206,650	204,156,622
Comprehensive income for the nine months ended December 31, 2019													
Profit after taxation for the nine months ended December 31, 2019	-	-	-	-	-	-	-	12,278,558	-	-	12,278,558	43,684	12,322,242
Other comprehensive income / (loss)													
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	-	4,854,181	-	-	-	-	-	-	-	-	4,854,181	127,501	4,981,682
Increase in share of exchange translation reserve of associates - net of tax	-	70,038	-	-	-	-	-	-	-	-	70,038	-	70,038
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	-	-	87,715	-	87,715	5,255	92,970	
Share of remeasurement gain on defined benefit obligations of associates - net	-	-	-	-	-	-	-	501	-	501	-	501	
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	8,927,565	(93,422)	8,834,143	14,320	8,848,463	
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	(226,671)	(2,986)	(229,657)	-	-	(229,657)
Transferred to statutory reserves	-	4,924,219	-	-	-	-	-	12,366,774	8,700,894	(96,408)	25,895,479	190,760	26,086,239
Transferred to unappropriated profit	-	-	159,682	1,222,256	-	-	-	(1,381,938)	-	-	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	(6,073,812)	6,073,812	-	-	-	-	-
Deferred tax asset recognised on subsidiary under liquidation	-	-	-	-	-	-	-	401,289	-	(400,875)	414	(414)	-
Exchange gain realised on closure of overseas branch - net of tax	-	(99,471)	-	-	-	-	-	108,817	-	108,817	-	108,817	
Transactions with owners, recorded directly in equity													
1st interim cash dividend - Rs 1.25 per share	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
2nd interim cash dividend - Rs 1.25 per share	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
3rd interim cash dividend - Rs 1.25 per share	-	-	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)	-	(1,833,565)
	-	-	-	-	-	-	-	(5,500,695)	-	-	(5,500,695)	-	(5,500,695)
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 three months ended March 31, 2020													
Profit after taxation for the three months ended March 31, 2020	-	-	-	-	-	-	-	4,096,145	-	-	4,096,145	11,957	4,108,102
Other comprehensive income / (loss)													
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	-	3,171,048	-	-	-	-	-	-	-	-	3,171,048	11,777	3,182,825
Decrease in share of exchange translation reserve of associates - net of tax	-	(84,930)	-	-	-	-	-	-	-	-	(84,930)	-	(84,930)
Share of remeasurement gain on defined benefit obligations of associates - net	-	-	-	-	-	-	-	2,644	-	2,644	-	2,644	
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	5,749,307	-	5,749,307	(21,101)	5,728,206	
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	(93,583)	-	(93,583)	-	-	(93,583)
Transferred to statutory reserves	-	3,086,118	-	-	-	-	-	4,098,789	5,655,724	-	12,840,631	2,633	12,843,264
Exchange gain realised on capital reduction in subsidiary - net of tax	-	-	61,254	399,778	-	-	-	(461,032)	-	-	-	-	-
Exchange gain realised on closure of overseas branch - net of tax	-	(1,084,380)	-	-	-	-	-	-	-	-	(1,084,380)	-	(1,084,380)
Reversal of deferred tax asset recognised on subsidiary	-	1,151,197	-	-	-	-	-	-	-	-	1,151,197	-	1,151,197
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	(108,817)	-	(108,817)	-	(108,817)	
Transferred to statutory reserves	-	-	-	-	-	-	-	12,429	(12,288)	141	(141)	-	-
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)
Balance as at March 31, 2020	14,668,525	34,319,965	1,300,467	33,863,637	547,115	(156,706)	-	116,257,901	9,185,874	21,332,945	231,319,723	4,399,488	235,719,211

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

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Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2020

	January 01 to March 31, 2020	January 01 to March 31, 2019
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,132,778	8,434,779
Dividend income	(79,519)	(100,811)
Share of profit of associates and joint venture	(255,349)	(891,248)
	<u>(334,868)</u>	<u>(992,059)</u>
	6,797,910	7,442,720
Adjustments:		
Depreciation	1,458,898	1,214,395
Amortisation	174,541	109,975
Depreciation on right-of-use assets	859,401	704,330
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	485,313	315,225
Provision for / (reversal of) diminution in value of investments	281,990	(162,631)
Provision against loans and advances	434,913	177,283
Provision against other assets	32,186	32,177
Provision / (reversal) against off-balance sheet obligations	15,629	(10,999)
Unrealised gain on held-for-trading securities	(794,615)	(14,306)
Exchange gain on goodwill	(24,262)	(80,293)
Exchange gain realised on reduction in capital of subsidiary - net of tax	(1,084,380)	-
Exchange loss realised on closure of overseas branch - net of tax	1,151,197	-
Gain on sale of fixed assets - net	(16,293)	(5,743)
Workers' Welfare Fund	161,519	161,195
	<u>3,136,037</u>	<u>2,440,608</u>
	9,933,947	9,883,328
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,629,699)	(247,086,890)
Held-for-trading securities	(37,914,961)	(47,292,724)
Advances	(12,827,267)	(11,261,818)
Other assets (excluding advance taxation)	5,889,455	342,346
	<u>(49,482,472)</u>	<u>(305,299,086)</u>
Increase / (decrease) in operating liabilities		
Bills payable	578,422	(13,991,423)
Borrowings from financial institutions	(6,893,443)	(291,196,696)
Deposits and other accounts	(59,965,098)	28,363,978
Other liabilities	16,567,911	34,928,505
	<u>(49,712,208)</u>	<u>(241,895,636)</u>
	(89,260,733)	(537,311,394)
	<u>(1,169,659)</u>	<u>(531,003)</u>
Income tax paid	(90,430,392)	(537,842,397)
Net cash flows used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	(16,861,489)	520,858,168
Net investment in held-to-maturity securities	7,211,511	(14,133,043)
Net investment in associates	(229,810)	975,488
Dividend received	57,666	29,897
Investments in fixed assets	(1,745,519)	(1,671,504)
Investments in intangible assets	(285,647)	(260,392)
Proceeds from sale of fixed assets	26,944	13,069
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	3,086,118	1,336,688
Net cash flows (used in) / generated from investing activities	<u>(8,740,226)</u>	<u>507,148,371</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of translation of net investment by non-controlling interest in subsidiary	11,777	93,846
Repayment of subordinated debt	(2,000)	(2,000)
Payment of lease liability against right-of-use assets	(1,342,556)	(1,380,628)
Dividend paid	(447,969)	(327,655)
Net cash flows used in financing activities	<u>(1,780,748)</u>	<u>(1,616,437)</u>
Decrease in cash and cash equivalents during the period	<u>(100,951,366)</u>	<u>(32,310,463)</u>
Cash and cash equivalents at the beginning of the period	404,505,633	320,419,953
Effect of exchange rate changes on cash and cash equivalents	4,336,638	1,682,757
	<u>408,842,271</u>	<u>322,102,710</u>
Cash and cash equivalents at the end of the period	<u>307,890,905</u>	<u>289,792,247</u>

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 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. The company is in the process of completing the required formalities in this regard. 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 comprises 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 with 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 **Standards, interpretations of and amendments to existing accounting and reporting standards that have become effective in the current year.**

There are certain new standards and interpretations of and 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 not to have any significant impact on the Group's financial statements.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 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.

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 225 basis points to 11% in March 2020 and again by 200 basis points to 9% on April 16, 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
- Relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

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.

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.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

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 4.789 billion as at March 31, 2020. During the current quarter, the Pakistan Stock Exchange fell by 28%, triggering an impairment of Rs 969.210 million. The Bank has only recorded an impairment of Rs 242.30 million in the condensed interim consolidated financial statements of the current period, and has deferred the recognition of the remaining impairment to be taken 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. The 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. 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.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

	(Unaudited) March 31, 2020	(Audited) December 31, 2019
	(Rupees in '000)	
5 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	49,435,749	32,439,852
Foreign currencies	6,979,779	4,494,979
	<u>56,415,528</u>	<u>36,934,831</u>
With State Bank of Pakistan in		
Local currency current accounts	101,760,312	124,839,494
Foreign currency current accounts	6,882,079	6,497,792
Foreign currency deposit accounts	20,465,975	19,321,075
	<u>129,108,366</u>	<u>150,658,361</u>
With other Central Banks in		
Foreign currency current accounts	36,299,912	62,151,099
Foreign currency deposit accounts	6,852,106	16,988,678
	<u>43,152,018</u>	<u>79,139,777</u>
With National Bank of Pakistan in		
Local currency current accounts	35,497,559	99,821,234
Local currency deposit account	243,811	451,515
	<u>35,741,370</u>	<u>100,272,749</u>
National Prize Bonds	133,625	587,999
	<u>264,550,907</u>	<u>367,593,717</u>
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	349,341	190,077
In deposit accounts	1,746,839	2,907,156
	<u>2,096,180</u>	<u>3,097,233</u>
Outside Pakistan		
In current accounts	25,070,057	19,623,240
In deposit accounts	16,173,761	18,528,081
	<u>41,243,818</u>	<u>38,151,321</u>
	<u>43,339,998</u>	<u>41,248,554</u>
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	4,850,000	300,000
Repurchase agreement lendings (reverse repo)	24,805,360	24,514,015
Bai Muajjal receivables		
- with State Bank of Pakistan	5,257,577	20,489,184
- with other financial institutions	15,019,961	-
	<u>20,277,538</u>	<u>20,489,184</u>
	<u>49,932,898</u>	<u>45,303,199</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

8 INVESTMENTS	Note	March 31, 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		297,083,221	-	654,606	297,737,827	254,388,566	-	(127,306)	254,261,260
- Pakistan Investment Bonds		7,706,120	-	127,781	7,833,901	12,596,388	-	33,166	12,629,554
<i>Shares</i>									
- Listed companies		19,437	-	(1,587)	17,850	-	-	-	-
<i>Foreign securities</i>									
- Government debt securities		106,932	-	13,815	120,747	99,386	-	10,549	109,935
		<u>304,915,710</u>	<u>-</u>	<u>794,615</u>	<u>305,710,325</u>	<u>267,084,340</u>	<u>-</u>	<u>(83,591)</u>	<u>267,000,749</u>
Available-for-sale (AFS) securities									
<i>Federal Government securities</i>									
- Market Treasury Bills		391,433,981	-	3,691,622	395,125,603	350,848,825	-	82,500	350,931,325
- Pakistan Investment Bonds		416,684,280	-	15,894,904	432,579,184	449,714,794	-	3,837,538	453,552,332
- Ijarah Sukuks		6,680,195	-	87,555	6,767,750	4,667,551	-	(46,478)	4,621,073
- Government of Pakistan US Dollar Bonds		6,208,524	(165,200)	(735,834)	5,307,490	4,813,973	(138,672)	307,929	4,983,230
<i>Shares</i>									
- Listed companies		9,991,285	(4,340,286)	(861,770)	4,789,229	9,626,801	(4,198,407)	1,225,135	6,653,529
- Unlisted companies		4,820,042	(82,274)	-	4,737,768	4,820,042	(82,274)	-	4,737,768
<i>Non-Government debt securities</i>									
- Listed		1,750,000	-	(24,011)	1,725,989	1,750,000	-	(27,251)	1,722,749
- Unlisted		2,886,134	(270,877)	-	2,615,257	2,286,134	(270,877)	-	2,015,257
<i>Foreign securities</i>									
- Government debt securities		38,241,177	(193,340)	(2,253,033)	35,794,804	33,895,775	(186,259)	346,033	34,055,549
- Non-Government debt securities									
- Listed		16,863,480	(760,651)	(370,020)	15,732,809	16,245,897	(620,914)	74,576	15,699,559
- Unlisted		353,122	(815)	(1,361)	350,946	348,686	(1,713)	2,411	349,384
- Equity securities - Unlisted		6,178	-	-	6,178	5,912	-	-	5,912
<i>National Investment Trust units</i>		11,113	-	19,534	30,647	11,113	-	31,691	42,804
<i>Real Estate Investment Trust units</i>		55,000	-	(3,900)	51,100	55,000	-	7,450	62,450
<i>Preference shares</i>		44,400	-	-	44,400	44,400	-	-	44,400
		<u>896,028,911</u>	<u>(5,813,443)</u>	<u>15,443,686</u>	<u>905,659,154</u>	<u>879,134,903</u>	<u>(5,499,116)</u>	<u>5,841,534</u>	<u>879,477,321</u>
Held-to-maturity (HTM) securities	8.2								
<i>Federal Government securities</i>									
- Market Treasury Bills		261,661	-	-	261,661	274,477	-	-	274,477
- Pakistan Investment Bonds		141,501,897	-	-	141,501,897	157,029,540	-	-	157,029,540
- Other Federal Government securities		10,794,000	-	-	10,794,000	10,794,000	-	-	10,794,000
<i>Non-Government debt securities</i>									
- Listed		5,428,532	-	-	5,428,532	5,799,373	-	-	5,799,373
- Unlisted		19,671,126	-	-	19,671,126	19,705,186	-	-	19,705,186
<i>Foreign Securities</i>									
- Government debt securities		16,137,814	(2,536)	-	16,135,278	7,373,574	(2,459)	-	7,371,115
- Non-Government debt securities									
- Listed		1,345,929	-	-	1,345,929	1,280,682	-	-	1,280,682
- Unlisted		420,630	(3,440)	-	417,190	516,268	(3,335)	-	512,933
		<u>195,561,589</u>	<u>(5,976)</u>	<u>-</u>	<u>195,555,613</u>	<u>202,773,100</u>	<u>(5,794)</u>	<u>-</u>	<u>202,767,306</u>
Investments in associates and joint venture		30,852,557	-	(154,476)	30,698,081	30,363,064	-	(1,061)	30,362,003
Total Investments		<u>1,427,358,767</u>	<u>(5,819,419)</u>	<u>16,083,825</u>	<u>1,437,623,173</u>	<u>1,379,355,407</u>	<u>(5,504,910)</u>	<u>5,756,882</u>	<u>1,379,607,379</u>

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

8.1.1 Investments given as collateral

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

<i>Federal Government securities</i>		
- Market Treasury Bills	104,972,315	128,024,805
- Pakistan Investment Bonds	50,130,258	71,061,088
<i>Foreign securities</i>		
- Government debt securities	2,216,652	-
	<u>157,319,225</u>	<u>199,085,893</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

8.2 The market value of investments classified as held-to-maturity amounted to Rs 193,655.540 million as at March 31, 2020 (December 31, 2019: Rs 194,167.529 million).

	(Unaudited) March 31, 2020	(Audited) December 31, 2019
(Rupees in '000)		
8.3 Particulars of provision held against diminution in the value of investments		
Opening balance	5,504,910	4,866,232
Exchange adjustments	32,519	85,592
Charge / (reversals)		
Charge for the period / year	382,414	2,986,488
Reversal for the period / year	-	(64,476)
Reversal on disposal during the period / year	(100,424)	(2,368,926)
Net charge	281,990	553,086
Closing balance	5,819,419	5,504,910

8.4 Particulars of provision against debt securities

Category of classification	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Non Performing Investments	Provision	Non Performing Investments	Provision
(Rupees in '000)				
Domestic				
Loss	270,877	270,877	270,877	270,877
Overseas				
Not past due but impaired	832,264	737,758	826,324	599,126
	1,103,141	1,008,635	1,097,201	870,003

8.4.1 In addition to the above, overseas branches hold a general provision of Rs 388.224 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) March 31, 2020	(Audited) December 31, 2019	(Unaudited) March 31, 2020	(Audited) December 31, 2019	(Unaudited) March 31, 2020	(Audited) December 31, 2019
		(Rupees in '000)					
		954,615,708	924,157,670	75,365,177	76,667,738	1,029,980,885	1,000,825,408
	36.3	122,175,590	153,061,117	257,904	258,381	122,433,494	153,319,498
		97,260,629	84,198,315	5,121,434	4,979,731	102,382,063	89,178,046
		1,174,051,927	1,161,417,102	80,744,515	81,905,850	1,254,796,442	1,243,322,952
	9.3	(4,260,864)	(3,730,991)	(71,186,230)	(72,634,967)	(71,186,230)	(72,634,967)
		(4,260,864)	(3,730,991)	(71,186,230)	(72,634,967)	(75,447,094)	(76,365,958)
		1,169,791,063	1,157,686,111	9,558,285	9,270,883	1,179,349,348	1,166,956,994

	(Unaudited) March 31, 2020	(Audited) December 31, 2019
(Rupees in '000)		
9.1 Particulars of advances (Gross)		
In local currency	957,215,625	984,282,028
In foreign currencies	297,580,817	259,040,924
	1,254,796,442	1,243,322,952

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

9.2 Advances include Rs 80,744.515 million (December 31, 2019: Rs 81,905.850 million) which have been placed under non-performing status as detailed below:

Category of classification	(Unaudited) March 31, 2020		(Audited) December 31, 2019	
	Non-performing advances	Provision	Non-performing advances	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	1,218,621	-	934,211	-
Substandard	2,169,233	513,210	2,409,093	576,601
Doubtful	1,878,582	933,729	1,894,866	944,565
Loss	43,399,557	42,117,873	43,692,805	42,625,135
	48,665,993	43,564,812	48,930,975	44,146,301
Overseas				
Not past due but impaired	70,601	21,207	48,676	23,643
Overdue by:				
Upto 90 days	148,179	57,184	215,921	101,186
91 to 180 days	140,579	46,020	1,719,141	483,043
181 to 365 days	3,363,356	1,908,746	755,391	343,117
> 365 days	28,355,807	25,588,261	30,235,746	27,537,677
	32,078,522	27,621,418	32,974,875	28,488,666
Total	80,744,515	71,186,230	81,905,850	72,634,967

9.3 Particulars of provision against advances

Note	March 31, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
	72,634,967	3,730,991	76,365,958	68,465,249	3,528,347	71,993,596
	1,803,636	125,919	1,929,555	3,108,243	183,081	3,291,324
	1,532,773	468,484	2,001,257	7,524,537	528,694	8,053,231
	(1,501,814)	(64,530)	(1,566,344)	(4,256,484)	(420,648)	(4,677,132)
	30,959	403,954	434,913	3,268,053	108,046	3,376,099
	(213,277)	-	(213,277)	(604,496)	-	(604,496)
	(3,070,055)	-	(3,070,055)	(1,602,082)	-	(1,602,082)
	-	-	-	(88,483)	-	(88,483)
	71,186,230	4,260,864	75,447,094	72,634,967	3,730,991	76,365,958

9.4 General provision includes provision amounting to Rs 1,920.024 million (December 31, 2019: Rs 1,879.055 million) against consumer finance portfolio and Rs 318.122 million (December 31, 2019: Rs 306.257 million) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs 2,022.718 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 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) March 31, 2020	(Audited) December 31, 2019
(Rupees in '000)			
10 FIXED ASSETS			
Capital work-in-progress	10.1	2,310,852	1,921,589
Property and equipment	10.2	77,466,742	78,540,821
		79,777,594	80,462,410

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

	(Unaudited) March 31, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
10.1 Capital work-in-progress		
Civil works	891,516	865,266
Equipment	23,194	30,571
Advances to suppliers and contractors	1,396,142	1,025,752
	<u>2,310,852</u>	<u>1,921,589</u>
10.2 Additions to fixed assets	(Unaudited) For the three months ended	
	March 31, 2020 (Rupees in '000)	March 31, 2019 (Rupees in '000)
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	389,263	100,161
Property and equipment		
Leasehold land	464,070	-
Building on leasehold land	292	17,071
Machinery	17,089	20,302
Leasehold improvements	282,635	292,407
Furniture and fixtures	148,196	183,699
Electrical, office and computer equipment	447,206	980,556
Vehicles	13,057	30,726
	<u>1,372,545</u>	<u>1,524,761</u>
Right-of-use assets - net	103,225	95,057
	<u>1,865,033</u>	<u>1,719,979</u>
10.3 Disposal of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:		
Property and equipment		
Leasehold improvements	174	2,689
Furniture and fixtures	963	699
Electrical, office and computer equipment	9,482	3,477
Vehicles	32	461
	<u>10,651</u>	<u>7,326</u>
Derecognition of right-of-use assets on closure of a foreign branch	398,169	-
	<u>408,820</u>	<u>7,326</u>
	(Unaudited) March 31, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
11 INTANGIBLE ASSETS		
Capital work-in-progress - computer software	1,130,424	1,074,544
Intangible assets	8,094,289	8,014,801
	<u>9,224,713</u>	<u>9,089,345</u>
	(Unaudited) For the three months ended	
	March 31, 2020 (Rupees in '000)	March 31, 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	55,880	181,397
Computer software	227,709	80,015
	<u>283,589</u>	<u>261,412</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

	(Unaudited) March 31, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
12 OTHER ASSETS		
Mark-up / return / profit / interest accrued in local currency	40,031,102	51,719,277
Mark-up / return / profit / interest accrued in foreign currency	4,003,671	3,002,765
Advances, deposits, advance rent and other prepayments	2,827,396	2,307,470
Advance taxation	25,598,201	28,059,796
Advance for subscription of securities	5,275,994	5,246,000
Stationery and stamps on hand	135,331	90,271
Accrued fees and commissions	410,194	720,819
Due from Government of Pakistan / SBP	1,670,911	1,547,851
Mark to market gain on forward foreign exchange contracts	15,731,831	6,707,335
Mark to market gain on derivative instruments	77,133	54,454
Non-banking assets acquired in satisfaction of claims	468,704	468,719
Branch adjustment account	1,974,731	-
Receivable from defined benefit plan	24,419	24,419
Acceptances	25,630,145	23,750,896
Clearing and settlement accounts	3,205,868	12,636,565
Dividend receivable	327,368	-
Claims against fraud and forgeries	470,548	450,086
Others	929,710	741,768
	<u>128,793,257</u>	<u>137,528,491</u>
Provision held against other assets	12.1 (890,928)	(821,996)
Other assets - net of provision	<u>127,902,329</u>	<u>136,706,495</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19 164,304	164,304
Other assets - total	<u>128,066,633</u>	<u>136,870,799</u>
12.1 Provision held against other assets		
Non-banking assets acquired in satisfaction of claims	7,008	7,023
Claims against fraud and forgeries	470,548	450,086
Suit filed cases	347,962	323,759
Others	65,410	41,128
	<u>890,928</u>	<u>821,996</u>
12.1.1 Movement in provision against other assets		
Opening balance	821,996	923,201
Exchange adjustment	24,491	34,901
Charge for the period / year	32,626	139,759
Reversal for the period / year	(440)	(49,540)
Net charge	32,186	90,219
Written off during the period / year	(10,445)	(224,820)
Other movement	22,700	(1,505)
Closing balance	<u>890,928</u>	<u>821,996</u>
13 BILLS PAYABLE		
In Pakistan	29,022,744	28,425,034
Outside Pakistan	1,236,786	1,256,074
	<u>30,259,530</u>	<u>29,681,108</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

14	BORROWINGS	Note	(Unaudited)	(Audited)
			March 31, 2020	December 31, 2019
			(Rupees in '000)	
	Secured			
	Borrowings from the SBP under			
	- Export refinance scheme		52,392,791	42,762,668
	- Long term financing facility		21,106,685	18,474,945
	- Financing facility for renewable energy power plants		837,609	831,448
	- Refinance facility for modernization of Small and Medium Enterprises (SMEs)		22,921	28,743
	- Refinance and Credit Guarantee Scheme for Women Entrepreneurs		25,615	2,400
	- Financing facility for storage of agricultural produce		116,231	104,167
	- Refinance facility for working capital of SMEs		17,375	-
			74,519,227	62,204,371
	Repurchase agreement borrowings		162,007,743	197,503,793
			236,526,970	259,708,164
	Unsecured			
	- Call money borrowings		325,000	4,900,000
	- Overdrawn nostro accounts		1,081,961	171,982
	- Borrowings of overseas branches and subsidiaries		61,754,332	54,588,086
	- Other long-term borrowings	14.1	75,624,600	62,838,074
			138,785,893	122,498,142
			375,312,863	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 A loan from the China Development Bank amounting to US\$ 180 million (December 31, 2019: US\$ 180 million). The principal amount is payable in six half yearly installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi annually.

14.1.3 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\$ 109.250 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.

14.1.4 A loan from Allied Bank Limited to HBL Asset Management Limited amounting to Rs 2 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 A loan from Pakistan Mortgage Refinance Company Limited to First MicrofinanceBank Limited amounting to Rs 400 million (December 31, 2019: Nil). The principal amount is payable in twenty quarterly installments from June 2020 to March 2025. Interest at 7.14% is payable quarterly from March 2020.

15 DEPOSITS AND OTHER ACCOUNTS

	March 31, 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	685,893,407	153,210,329	839,103,736	721,389,866	150,213,474	871,603,340
Savings deposits	871,615,611	101,984,678	973,600,289	913,501,109	92,981,084	1,006,482,193
Term deposits	265,243,295	141,096,267	406,339,562	272,716,595	144,891,926	417,608,521
	1,822,752,313	396,291,274	2,219,043,587	1,907,607,570	388,086,484	2,295,694,054
Financial institutions						
Current deposits	5,439,440	2,524,146	7,963,586	4,737,653	2,051,645	6,789,298
Savings deposits	146,478,757	14,912	146,493,669	129,386,923	18,008	129,404,931
Term deposits	3,926,221	205,008	4,131,229	4,796,630	912,256	5,708,886
	155,844,418	2,744,066	158,588,484	138,921,206	2,981,909	141,903,115
	1,978,596,731	399,035,340	2,377,632,071	2,046,528,776	391,068,393	2,437,597,169

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

16	SUBORDINATED DEBT	Note	(Unaudited)	(Audited)
			March 31, 2020	December 31, 2019
			(Rupees in '000)	
	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
			22,358,000	22,360,000

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

Issue Date	February 19, 2016
Issue amount	Rs 10 billion
Rating	AAA (Triple A) [December 31, 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".

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 and subject to the following: (a) Prior approval of the SBP has been obtained; and (b) The Bank replaces the TFCs with capital of the same or better quality and the capital position of the Bank is above the minimum capital requirement after the Call Option is exercised.
Lock-in clause	Mark-up will only be paid from the current year's earnings and only if the Bank is in compliance with regulatory capital and liquidity requirements.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

17	DEFERRED TAX LIABILITIES	Note	(Unaudited)	(Audited)
			March 31, 2020	December 31, 2019
			(Rupees in '000)	
	Deductible temporary differences on			
	- Tax losses of subsidiary		449,596	445,141
	- Provision against investments		1,670,893	1,616,500
	- Provision against doubtful debts and off-balance sheet obligations		4,464,379	4,354,960
	- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001		1,774,985	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		60,246	414
	- Ijarah financing		162,374	150,674
	- Recognised on subsidiary under liquidation		-	108,817
			8,797,422	8,561,799
	Taxable temporary differences on			
	- Accelerated tax depreciation		(1,802,330)	(2,011,063)
	- Surplus on revaluation of fixed assets	19	(1,167,695)	(1,175,641)
	- Surplus on revaluation of fixed assets of associates		(56,392)	(56,392)
	- Surplus / deficit on revaluation of investments	19	(6,189,321)	(2,291,153)
	- Management rights and goodwill		(182,725)	(182,914)
	- Share of profit of associates		(5,942,585)	(6,049,041)
	- Exchange translation reserve		(3,299,721)	(2,982,429)
	- Others		(671)	(2,853)
			(18,641,440)	(14,751,486)
	Net deferred tax liabilities		(9,844,018)	(6,189,687)
18	OTHER LIABILITIES			
	Mark-up / return / profit / interest payable in local currency		24,653,640	12,184,119
	Mark-up / return / profit / interest payable in foreign currency		4,163,495	3,039,180
	Security deposits		1,180,914	1,138,813
	Accrued expenses		15,475,742	15,435,270
	Mark to market loss on forward foreign exchange contracts		10,889,045	8,140,461
	Mark to market loss on derivative instruments		2,163,846	1,708,824
	Unclaimed dividends		657,021	405,966
	Dividends payable		1,535,005	400,464
	Provision for post retirement medical benefits		3,942,681	3,872,768
	Provision for employees' compensated absences		2,601,119	2,644,978
	Provision against off-balance sheet obligations	18.1	460,013	437,795
	Acceptances		25,630,145	23,750,896
	Branch adjustment account		-	188,410
	Provision for staff retirement benefits		1,117,316	1,051,518
	Payable to defined benefit plans		612,270	577,964
	Provision for Workers' Welfare Fund		5,431,249	5,269,726
	Unearned income		4,429,682	3,777,028
	Qarz-e-Hasna Fund		338,923	338,923
	Levies and taxes payable		3,440,474	7,510,391
	Insurance payable		787,079	656,671
	Provision for rewards program expenses		1,349,936	1,249,725
	Liability against trading of securities		4,348,640	7,883,792
	Clearing and settlement accounts		1,022,067	2,037,252
	Payable to HBL Foundation		199,702	158,202
	Contingent consideration payable		500,000	500,000
	Charity fund		10,930	10,375
	Lease liability against right-of-use asset		15,185,443	15,996,664
	Unclaimed deposits		698,778	670,374
	Others		7,914,416	3,310,066
			140,739,571	124,346,615
18.1	Provision against off-balance sheet obligations			
	Opening balance		437,795	479,510
	Exchange adjustment		6,589	7,518
	Charge for the period / year		74,709	53,677
	Reversal for the year period / year		(59,080)	(102,910)
	Net charge / (reversal)		15,629	(49,233)
	Closing balance		460,013	437,795

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

19	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note	March 31, 2020 (Unaudited)			December 31, 2019 (Audited)		
			Attributable to		Total	Attributable to		Total
			Equity holders	Non-controlling interest		Equity holders	Non-controlling interest	
			(Rupees in '000)					
	Surplus / (deficit) arising on revaluation of assets, on							
	- Fixed assets		22,246,921	3,120	22,250,041	22,267,064	3,352	22,270,416
	- Fixed assets of associates		144,596	-	144,596	144,596	-	144,596
	- Available-for-sale securities	8.1	15,459,997	(16,311)	15,443,686	5,843,347	(1,813)	5,841,534
	- Available-for-sale securities held by associates	8.1	(154,476)	-	(154,476)	(1,061)	-	(1,061)
	- Non-banking assets acquired in satisfaction of claims		164,304	-	164,304	164,304	-	164,304
			37,861,342	(13,191)	37,848,151	28,418,250	1,539	28,419,789
	Tax on surplus / (deficit) arising on revaluation of:							
	- Fixed assets		1,166,484	1,211	1,167,695	1,174,339	1,302	1,175,641
	- Fixed assets of associates		56,392	-	56,392	56,392	-	56,392
	- Available-for-sale securities		6,179,893	9,428	6,189,321	2,312,550	2,825	2,315,375
	- Available-for-sale securities held by associates		(60,246)	-	(60,246)	(414)	-	(414)
	- Non-banking assets acquired in satisfaction of claims		-	-	-	-	-	-
			7,342,523	10,639	7,353,162	3,542,867	4,127	3,546,994
	Surplus on revaluation of assets - net of tax		30,518,819	(23,830)	30,494,989	24,875,383	(2,588)	24,872,795
20	CONTINGENCIES AND COMMITMENTS							
	- Guarantees	20.1	194,364,385		194,364,385	152,908,830		152,908,830
	- Commitments	20.2	757,731,153		757,731,153	849,362,191		849,362,191
	- Other contingent liabilities	20.3	23,599,788		23,599,788	23,527,781		23,527,781
			975,695,326		975,695,326	1,025,798,802		1,025,798,802
20.1	Guarantees:							
	Financial guarantees		66,155,998		66,155,998	36,061,515		36,061,515
	Performance guarantees		114,803,605		114,803,605	108,406,776		108,406,776
	Other guarantees		13,404,782		13,404,782	8,440,539		8,440,539
			194,364,385		194,364,385	152,908,830		152,908,830
20.2	Commitments:							
	Trade-related contingent liabilities					111,078,285		112,023,350
	Commitments in respect of:							
	- forward foreign exchange contracts	20.2.1	553,863,145		553,863,145	591,509,497		591,509,497
	- forward Government securities transactions	20.2.2	52,785,935		52,785,935	107,869,401		107,869,401
	- derivatives	20.2.3	32,162,200		32,162,200	29,437,457		29,437,457
	- forward lending	20.2.4	6,002,395		6,002,395	7,098,062		7,098,062
			644,813,675		644,813,675	735,914,417		735,914,417
	Commitments for acquisition of:							
	- fixed assets		995,007		995,007	661,877		661,877
	- intangible assets		844,186		844,186	762,547		762,547
			1,839,193		1,839,193	1,424,424		1,424,424
			757,731,153		757,731,153	849,362,191		849,362,191
20.2.1	Commitments in respect of forward foreign exchange contracts							
	Purchase		329,706,693		329,706,693	343,848,106		343,848,106
	Sale		224,156,452		224,156,452	247,661,391		247,661,391
			553,863,145		553,863,145	591,509,497		591,509,497

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

	(Unaudited) March 31, 2020	(Audited) December 31, 2019
	(Rupees in '000)	
20.2.2 Commitments in respect of forward Government securities transactions		
Purchase	45,611,277	45,771,399
Sale	7,174,658	62,098,002
	<u>52,785,935</u>	<u>107,869,401</u>
20.2.3 Commitments in respect of derivatives		
Cross Currency swaps		
Purchase	10,620,923	9,525,572
Sale	12,835,774	10,882,712
	<u>23,456,697</u>	<u>20,408,284</u>
Interest rate swaps		
Purchase	-	-
Sale	8,705,503	9,029,173
	<u>8,705,503</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>6,002,395</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.

20.3 Other contingent liabilities

20.3.1 Claims against the Group not acknowledged as debts	<u>23,599,788</u>	<u>23,527,781</u>
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These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Group and other relief and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Group's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these condensed interim consolidated financial statements.

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 underway.

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.

21 DERIVATIVE INSTRUMENTS

Product Analysis

	March 31, 2020 (Unaudited)			
	Cross currency swaps		Interest rate Swaps	
	Notional principal	Mark to market loss	Notional principal	Mark to market loss
Hedging	-	-	-	-
Market Making	23,456,697	(1,943,585)	8,705,503	(143,128)
	December 31, 2019 (Audited)			
	Cross currency swaps		Interest rate Swaps	
	Notional principal	Mark to market loss	Notional principal	Mark to market loss
Hedging	-	-	-	-
Market Making	20,408,284	(1,232,477)	9,029,173	(421,893)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

	Note	(Unaudited) For the three months ended	
		March 31, 2020	March 31, 2019
(Rupees in '000)			
22 MARK-UP / RETURN / PROFIT / INTEREST EARNED			
On:			
Loans and advances		35,008,922	27,816,992
Investments		35,543,090	18,969,048
Lendings to financial institutions		1,838,724	4,441,110
Balances with banks		255,078	297,781
		<u>72,645,814</u>	<u>51,524,931</u>
23 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED			
On:			
Deposits		34,831,775	22,628,562
Securities sold under repurchase agreement borrowings		4,498,463	2,695,504
Borrowings		1,792,293	2,075,013
Subordinated debt		818,656	241,894
Cost of foreign currency swaps against foreign currency deposits / borrowings		2,205,854	210,945
Lease liability against right-of-use assets		485,313	315,225
		<u>44,632,354</u>	<u>28,167,143</u>

24 FEE AND COMMISSION INCOME

Branch banking customer fees	1,158,520	1,036,455
Consumer finance related fees	320,413	254,807
Card related fees (debit and credit cards)	1,039,978	1,372,063
Credit related fees	325,945	338,140
Investment banking fees	320,572	682,071
Commission on trade related products and guarantees	768,964	646,525
Commission on cash management	181,899	166,523
Commission on remittances including home remittances	122,293	104,152
Commission on bancassurance	123,936	638,254
Commission on G2P payments	78,325	136,570
Management fee	154,261	197,534
Merchant discount and interchange fees	537,624	411,140
Others	203,297	72,599
	<u>5,336,027</u>	6,056,833
Less: Sales tax / Federal Excise Duty on fee and commission income	(605,480)	(724,500)
	<u>4,730,547</u>	<u>5,332,333</u>

25 GAIN / (LOSS) ON SECURITIES - NET

Realised	25.1	1,485,355	(400,934)
Unrealised - held-for-trading	8.1	794,615	14,306
		<u>2,279,970</u>	<u>(386,628)</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2020

	(Unaudited)	
	For the three months ended	
	March 31, 2020	March 31, 2019
	(Rupees in '000)	
25.1 Gain / (loss) on securities - realised		
On:		
Federal Government securities		
- Market Treasury Bills	301,717	105,392
- Pakistan Investment Bonds	1,344,330	(13,592)
- Ijarah Sukuks	(148,619)	(8,855)
Shares	35,891	(450,091)
Non-Government debt securities	-	(28,408)
Foreign securities	(47,964)	(5,380)
	<u>1,485,355</u>	<u>(400,934)</u>
26 OTHER (LOSS) / INCOME		
Incidental charges	55,560	35,053
Exchange gain realised on reduction in capital of subsidiary	1,702,954	-
Exchange loss realised on closure of overseas branch	(1,887,208)	-
Gain on sale of fixed assets - net	16,293	5,743
Rent on properties	18,589	17,711
	<u>(93,812)</u>	<u>58,507</u>
27 OPERATING EXPENSES		
Total compensation expense	10,151,544	8,220,176
Property expense		
Rent and taxes	588,096	238,130
Insurance	24,396	30,562
Utilities cost	439,665	398,863
Security (including guards)	504,061	437,071
Repair and maintenance (including janitorial charges)	568,375	482,584
Depreciation on owned fixed assets	776,536	701,817
Depreciation on right-of-use assets	859,401	704,330
	<u>3,760,530</u>	<u>2,993,357</u>
Information technology expenses		
Software maintenance	788,235	617,804
Hardware maintenance	191,648	111,341
Depreciation	466,985	329,443
Amortisation	174,541	109,975
Network charges	324,904	327,000
Consultancy charges	168,639	101,941
	<u>2,114,952</u>	<u>1,597,504</u>
Other operating expenses		
Legal and professional charges	986,267	1,234,676
Outsourced services costs	414,739	359,787
Travelling and conveyance	241,702	209,750
Insurance	193,085	191,965
Remittance charges	151,943	152,153
Security charges	391,354	301,225
Repairs and maintenance	197,712	143,137
Depreciation	215,377	183,135
Training and development	102,919	122,186
Postage and courier charges	194,503	127,677
Communication	194,896	157,346
Stationery and printing	438,500	386,756
Marketing, advertisement and publicity	1,955,625	1,369,799
Donations	128,450	34,136
Auditors' remuneration	61,838	62,734
Brokerage and commission	134,035	182,056
Subscription	60,774	40,628
Documentation and processing charges	684,145	443,049
Entertainment	88,289	86,696
Consultancy charges	1,931,930	2,197,612
Deposit insurance premium expense	559,191	522,608
Others	284,893	120,651
	<u>9,612,167</u>	<u>8,629,762</u>
	<u>25,639,193</u>	<u>21,440,799</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2020

	Note	(Unaudited)	
		For the three months ended	
		March 31, 2020	March 31, 2019
		(Rupees in '000)	
28 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		231,633	50,023
Penalties imposed by other regulatory bodies		565	629
		<u>232,198</u>	<u>50,652</u>
29 PROVISIONS / (REVERSALS) AND WRITE OFFS - NET			
Provision for / (reversal of) diminution in value of investments	8.3	281,990	(162,631)
Provision against loans and advances	9.3	434,913	177,283
Provision against other assets	12.1.1	32,186	32,177
Provision / (reversal) against off-balance sheet obligations	18.1	15,629	(10,999)
Recoveries against written off / charged off bad debts		(96,832)	(87,407)
Recoveries against other assets written off		(42,613)	(31,394)
		<u>625,273</u>	<u>(82,971)</u>
30 TAXATION			
- Current		3,631,254	3,208,064
- Prior years		-	1,933,029
- Deferred		(606,578)	116,133
		<u>3,024,676</u>	<u>5,257,226</u>
31 BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the period attributable to equity holders of the Bank		<u>4,096,145</u>	<u>3,054,234</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>2.79</u>	<u>2.08</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, 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.			

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

All assets and liabilities for which fair value is measured or disclosed in these 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.

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

32.1 Fair value of financial assets

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

	As at March 31, 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	1,145,351,755	-	1,145,351,755	-	1,145,351,755
- Shares - listed companies	4,807,079	4,807,079	-	-	4,807,079
- Non-Government debt securities - listed	1,725,989	-	1,725,989	-	1,725,989
- Foreign securities					
Government debt securities	35,915,551	-	35,915,551	-	35,915,551
Non-Government debt securities					
- Listed	15,732,809	-	15,732,809	-	15,732,809
- Unlisted	350,946	-	350,946	-	350,946
- National Investment Trust units	30,647	-	30,647	-	30,647
- Real Estate Investment Trust units	51,100	51,100	-	-	51,100
	1,203,965,876	4,858,179	1,199,107,697	-	1,203,965,876
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	152,557,558	-	150,349,330	-	150,349,330
- Non-Government debt securities					
- Listed	5,428,532	-	5,473,240	-	5,473,240
- Unlisted	19,671,126	-	19,663,269	-	19,663,269
- Foreign securities					
Government debt securities	16,135,278	-	16,408,019	-	16,408,019
Non-Government debt securities					
- Listed	1,345,929	-	1,344,492	-	1,344,492
- Unlisted	417,190	-	417,190	-	417,190
	195,555,613	-	193,655,540	-	193,655,540
	1,399,521,489	4,858,179	1,392,763,237	-	1,397,621,416

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

	As at March 31, 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	553,863,145	-	4,842,786	-	4,842,786
- Forward Government securities transactions	52,785,935	-	5,509	-	5,509
- Derivative instruments	32,162,200	-	(2,086,713)	-	(2,086,713)
----- (Rupees in '000) -----					
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
----- (Rupees in '000) -----					
As at December 31, 2019 (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	591,509,497	-	(1,433,126)	-	(1,433,126)
- Forward Government securities transactions	107,869,401	-	25,258	-	25,258
- Derivative instruments	29,437,457	-	(1,654,370)	-	(1,654,370)
----- (Rupees in '000) -----					
As at March 31, 2020 (Unaudited)					
	Carrying value	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----					
Financial assets - disclosed but not measured at fair value					
- Fixed assets	45,540,690	-	-	45,540,690	45,540,690
- Non-banking assets acquired in satisfaction of claims	626,000	-	-	626,000	626,000
	46,166,690	-	-	46,166,690	46,166,690
----- (Rupees in '000) -----					
As at December 31, 2019 (Audited)					
	Carrying value	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----					
Financial assets - disclosed but not measured at fair value					
- 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 three months ended March 31, 2020

33 SEGMENT INFORMATION

33.1 Segment details with respect to Business Activities

For the three months ended March 31, 2020 (Unaudited)								
Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total	
(Rupees in million)								
Net mark-up / return / profit / interest income	(16,438)	3,564	13,243	27,169	646	(76)	(95)	28,013
Inter segment revenue / (expense) - net	38,968	(1,475)	(10,896)	(30,304)	1,779	-	1,928	-
Non mark-up / interest income	1,174	1,750	853	3,109	1,391	126	(2,625)	5,778
Total Income	23,704	3,839	3,200	(26)	3,816	50	(792)	33,791
Segment direct expenses	7,019	1,640	558	180	7,893	80	8,663	26,033
Inter segment expense allocation	4,507	362	377	65	1,629	-	(6,940)	-
Total expenses	11,526	2,002	935	245	9,522	80	1,723	26,033
Provisions - charge / (reversal)	13	110	(674)	142	659	-	375	625
Profit / (loss) before tax	12,165	1,727	2,939	(413)	(6,365)	(30)	(2,890)	7,133

As at March 31, 2020 (Unaudited)								
Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total	
(Rupees in million)								
Cash and bank balances	149,857	-	975	64,180	88,083	1	4,795	307,891
Lendings to financial institutions	24,928	-	-	25,005	-	-	-	49,933
Inter segment lending	1,295,726	-	-	-	159,989	-	112,174	1,567,889
Investments	34,532	-	15,392	1,278,360	78,095	332	30,912	1,437,623
Advances - performing	274,916	59,937	559,759	-	229,700	-	45,479	1,169,791
Advances - non-performing	2,001	212	2,394	-	4,457	-	494	9,558
Others	26,597	755	35,135	28,165	15,124	2,985	108,308	217,069
Total assets	1,808,557	60,904	613,655	1,395,710	575,448	3,318	302,162	4,759,754
Borrowings	25,369	-	79,157	161,128	107,259	2,000	400	375,313
Subordinated debt	-	-	-	-	-	-	22,358	22,358
Deposits and other accounts	1,725,938	480	203,767	22	406,330	-	41,095	2,377,632
Inter segment borrowing	-	56,868	306,797	1,204,224	-	-	-	1,567,889
Others	39,256	3,556	23,934	17,728	19,587	440	76,342	180,843
Total liabilities	1,790,563	60,904	613,655	1,383,102	533,176	2,440	140,195	4,524,035
Equity	17,994	-	-	12,608	42,272	878	161,967	235,719
Total equity and liabilities	1,808,557	60,904	613,655	1,395,710	575,448	3,318	302,162	4,759,754
Contingencies and commitments	34,448	-	245,425	575,184	95,920	-	24,718	975,695

For the three months ended March 31, 2019 (Unaudited)								
Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total	
(Rupees in million)								
Net mark-up / return / profit / interest income	(10,908)	2,900	11,381	17,751	1,977	(65)	322	23,358
Inter segment revenue / (expense) - net	27,760	(962)	(9,289)	(19,048)	249	-	1,290	-
Non mark-up / interest income	1,786	1,597	1,052	470	857	211	674	6,647
Total Income	18,638	3,535	3,144	(827)	3,083	146	2,286	30,005
Segment direct expenses	6,626	1,063	414	157	6,003	86	7,304	21,653
Inter segment expense allocation	3,791	317	290	57	1,371	-	(5,826)	-
Total expenses	10,417	1,380	704	214	7,374	86	1,478	21,653
Provisions - charge / (reversal)	317	45	(335)	(252)	(4)	-	146	(83)
Profit / (loss) before tax	7,904	2,110	2,775	(789)	(4,287)	60	662	8,435

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

As at December 31, 2019 (Audited)								
Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total	
(Rupees in million)								
Cash and bank balances	161,969	-	619	121,382	118,353	11	6,508	408,842
Lendings to financial institutions	20,489	-	-	24,814	-	-	-	45,303
Inter segment lending	1,265,980	-	-	-	179,225	-	96,160	1,541,365
Investments	32,793	-	15,447	1,232,686	66,680	283	31,718	1,379,607
Advances - performing	323,249	57,908	528,385	-	205,023	-	43,121	1,157,686
Advances - non-performing	1,807	149	2,094	-	4,486	-	735	9,271
Others	32,009	1,661	35,905	30,134	15,508	3,012	108,195	226,424
Total assets	1,838,296	59,718	582,450	1,409,016	589,275	3,306	286,437	4,768,498
Borrowings	23,776	-	68,801	200,003	87,626	2,000	-	382,206
Subordinated debt	-	-	-	-	-	-	22,360	22,360
Deposits and other accounts	1,773,863	3,528	188,176	20	431,269	-	40,741	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	70,266	160,218
Total liabilities	1,821,589	59,718	582,450	1,405,844	538,381	2,397	133,367	4,543,746
Equity	16,707	-	-	3,172	50,894	909	153,070	224,752
Total equity and liabilities	1,838,296	59,718	582,450	1,409,016	589,275	3,306	286,437	4,768,498
Contingencies and commitments	31,090	-	217,213	674,728	78,221	-	24,547	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.

Details of transactions and balances with related parties as at the period / year end, other than those disclosed elsewhere in these condensed interim consolidated financial statements, are as follows:

As at March 31, 2020 (Unaudited)					
Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
(Rupees in '000)					
Statement of financial position					
Balances with other banks					
In current accounts	-	13,961	-	960	-
Investments					
Opening balance	-	-	25,464,030	4,897,973	4,775,603
Investment made during the period	-	-	1,202,501	-	-
Share of profit	-	-	(29,955)	285,304	-
Equity method related adjustments	-	-	399,096	93,187	(12,158)
Investment redeemed / disposed off during the period	-	-	(1,063,276)	-	-
Dividend received during the period	-	-	(314,343)	(236,436)	-
Closing balance	-	-	25,658,053	5,040,028	4,763,445
Provision for diminution in value of investments	-	-	-	-	-
Advances					
Opening balance	-	293,212	3,853,355	1,375,000	7,924,625
Addition during the period	-	18,028	4,224,524	-	2,680,347
Repaid during the period	-	(22,836)	(4,044,262)	-	(15,212)
Transfer in - net	-	477	-	-	-
Closing balance	-	288,881	4,033,617	1,375,000	10,589,760
Provision held against advances	-	-	-	-	(1,726,437)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2020

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2020

As at March 31, 2020 (Unaudited)					
Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
(Rupees in '000)					
Other assets					
Interest / mark-up accrued	837	30,339	47,574	-	460,657
Receivable from staff retirement fund	-	-	-	-	24,419
Other receivable	-	-	196,111	-	27,628
	<u>837</u>	<u>30,339</u>	<u>243,685</u>	<u>-</u>	<u>512,704</u>
Borrowings					
Opening balance	-	2,787,405	929,086	1,548,476	-
Borrowings during the period	-	2,555,456	1,007,336	1,678,895	-
Settled during the period	-	(2,000,664)	(936,200)	(1,560,334)	-
Closing balance	-	<u>3,342,197</u>	<u>1,000,222</u>	<u>1,667,037</u>	<u>-</u>
Deposits and other accounts					
Opening balance	97,816	166,208	10,999,321	11,245,398	3,136,756
Received during the period	159,766	805,843	64,208,007	83,735,621	16,001,142
Withdrawn during the period	(172,847)	(662,527)	(64,589,384)	(83,713,452)	(16,555,305)
Transfer in - net	4,757	23,495	-	-	-
Closing balance	<u>89,492</u>	<u>333,019</u>	<u>10,617,944</u>	<u>11,267,567</u>	<u>2,582,593</u>
Other liabilities					
Interest / mark-up payable	1,192	3,106	191,599	37,363	6,710
Payable to staff retirement fund	-	-	-	-	612,270
Other payables	-	-	40,344	71,929	199,702
	<u>1,192</u>	<u>3,106</u>	<u>231,943</u>	<u>109,292</u>	<u>824,785</u>
Contingencies and commitments					
Letter of credit	-	-	302,221	-	3,543,206
Letter of guarantee	-	-	129,559	-	3,185,301
Forward purchase of Government securities	-	-	29,951	-	446,338
Forward sale of Government securities	-	-	-	-	-
Interest rate swaps	-	-	1,080,503	1,375,000	-
	<u>-</u>	<u>-</u>	<u>1,542,234</u>	<u>1,375,000</u>	<u>7,174,845</u>
Others					
Capital work-in-progress	-	-	10,214	-	-
Securities held as custodian	-	15,735	6,506,575	36,068,565	8,825,455

For the three months ended March 31, 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	6,011	86,016	82,624	-	248,241
Fee and commission income	-	30,934	220,298	85	26,821
Share of profit / (loss)	-	-	(29,955)	285,304	-
Dividend income	-	-	-	-	35,653
Loss from derivatives	-	-	(16,233)	(17,457)	-
Expenses					
Mark-up / return / profit / interest expensed	1,611	2,246	239,180	173,924	12,955
Operating expenses	-	358,557	-	-	267,328
Total compensation expense	19,800	-	-	-	-
Non-Executive Directors' fees	-	-	-	-	-
Insurance premium expense	-	-	-	307,378	-
Advertisement and publicity	-	-	87,750	-	-
Travelling	-	-	6,486	-	-
Subscription	-	-	-	-	16,117
Donations	-	-	76,950	-	41,500
Other Expenses	-	-	424	-	54,588
Others					
Purchase of Government securities	-	-	32,169,380	6,813,099	886,411
Sale of Government securities	-	14,895	35,050,146	11,139,353	1,729,810
Purchase of foreign currencies	-	-	390,182	3,728	-
Sale of foreign currencies	4,864	70,278	877,862	17,100	2,533,949
Insurance claims settled	-	-	-	37,799	-

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 (out) - net	-	-	-	-	(165,450)
Closing balance	-	-	<u>25,464,030</u>	<u>4,897,973</u>	<u>4,775,603</u>
Provision for diminution in value of investments					
	-	-	-	-	-
Advances					
Opening balance	-	234,012	3,536,393	1,500,000	13,376,499
Addition during the year	-	112,263	5,302,656	-	350,666,752
Repaid during the year	-	(48,840)	(4,985,694)	(125,000)	(347,323,286)
Transfer (out) - net	-	(4,223)	-	-	(8,795,340)
Closing balance	-	<u>293,212</u>	<u>3,853,355</u>	<u>1,375,000</u>	<u>7,924,625</u>
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
	<u>-</u>	<u>3,860</u>	<u>59,811</u>	<u>322,313</u>	<u>250,824</u>
Borrowings					
Opening balance	-	-	2,621,585	2,499,514	1,388,619
Borrowings during the year	-	-	10,646,717	2,754,171	4,750,143
Settled during the year	-	-	(10,480,897)	(4,324,599)	(4,590,286)
Closing balance	-	-	<u>2,787,405</u>	<u>929,086</u>	<u>1,548,476</u>
Deposits and other accounts					
Opening balance	148,728	23,517	12,066,522	4,524,664	778,919
Received during the year	2,253,960	1,500,913	334,234,988	383,502,207	135,483,687
Withdrawn during the year	(2,301,166)	(1,359,961)	(335,302,189)	(376,781,473)	(133,085,422)
Transfer in / (out) - net	(3,706)	1,739	-	-	(40,428)
Closing balance	<u>97,816</u>	<u>166,208</u>	<u>10,999,321</u>	<u>11,245,398</u>	<u>3,136,756</u>
Other liabilities					
Interest / mark-up payable	1,373	863	171,567	40,441	7,076
Payable to staff retirement fund	-	-	-	-	577,964
Other payables	-	-	71,914	126,626	160,974
	<u>1,373</u>	<u>863</u>	<u>243,481</u>	<u>167,067</u>	<u>750,540</u>
Contingencies and Commitments					
Letter of credit	-	-	502,087	-	2,655,788
Letter of guarantee	-	-	142,888	-	-
Forward purchase of Government securities	-	-	-	-	386,193
Forward sale of Government securities	-	-	-	-	-
Interest rate swaps	-	-	1,154,173	1,375,000	-
	<u>-</u>	<u>-</u>	<u>1,799,148</u>	<u>1,375,000</u>	<u>3,041,981</u>
Others					
Securities held as custodian	-	8,730	7,195,675	28,665,515	8,526,920

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

Profit and loss account	For the three months ended March 31, 2019 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Income						
Mark-up / return / profit / interest earned	-	6,141	76,190	37,840	-	335,423
Fee and commission income	-	-	1	633,584	77	202
Share of profit	-	-	-	713,405	177,843	-
Dividend income	-	-	-	-	-	32,672
Loss from derivatives	-	-	(91,590)	(142,046)	-	-
Expense						
Mark-up / return / profit / interest expensed	2,332	836	213,291	82,036	13,514	9,992
Operating expenses						
Total compensation expense	-	352,766	-	-	-	254,547
Non-Executive Directors' fees	11,600	-	-	-	-	-
Insurance premium expense	-	-	-	294,074	-	-
Advertisement and publicity	-	-	8,470	-	-	759,873
Travelling	-	-	15,195	-	-	-
Subscription	-	-	-	-	-	5,186
Donations	-	-	-	-	-	34,136
Brokerage and Commission	-	-	-	-	-	899
Other Expenses	-	-	508	-	-	-
Provision for diminution in value of investments	-	-	-	-	-	3,929
Others						
Purchase of Government securities	-	-	34,312,314	6,436,859	-	27,763,285
Sale of Government securities	-	7,996	50,469,440	9,254,045	-	34,138,131
Purchase of foreign currencies	15,863	-	498,325	2,763	-	3,597
Sale of foreign currencies	-	-	576,238	19,500	-	1,671,885
Insurance claims settled	-	-	-	117,516	-	-

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

35 **CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	14,668,525	14,668,525
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	147,154,475	145,776,218
Eligible Additional Tier 1 (ADT 1) Capital	12,448,559	12,645,453
Total Eligible Tier 1 Capital	159,603,034	158,421,671

Eligible Tier 2 Capital	42,190,938	36,890,259
Total Eligible Capital (Tier 1 + Tier 2)	201,793,972	195,311,930

Risk Weighted Assets (RWAs):

Credit Risk	1,004,306,484	959,412,841
Market Risk	128,050,625	133,614,588
Operational Risk	178,963,586	178,963,586
Total	1,311,320,695	1,271,991,015

Common Equity Tier 1 Capital Adequacy ratio	11.22%	11.46%
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Tier 1 Capital Adequacy Ratio	12.17%	12.45%
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Total Capital Adequacy Ratio	15.39%	15.35%
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Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)

of which: capital conservation buffer requirement	9.50%	10.50%
of which: countercyclical buffer requirement	1.50%	2.50%
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)	5.22%	5.46%
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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	159,603,034	158,421,671
Total Exposures	3,589,235,941	3,587,065,060
Leverage Ratio (%)	4.45%	4.42%

Minimum Requirement (%)	3.00%	3.00%
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Liquidity Coverage Ratio (LCR)

Average High Quality Liquid Assets	1,149,525,536	906,731,376
Average Net Cash Outflow	481,566,532	585,290,046
Average Liquidity Coverage Ratio (%)	238.71%	154.92%

Minimum Requirement (%)	100.00%	100.00%
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Net Stable Funding Ratio (NSFR)

Total Available Stable Funding	2,306,952,666	2,354,284,645
Total Required Stable Funding	1,398,263,034	1,337,084,320
Net Stable Funding Ratio (%)	164.99%	176.08%

Minimum Requirement (%)	100.00%	100.00%
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Note (Unaudited) (Audited)
March 31, December 31,
2020 2019
(Rupees in '000)

Total Adjusted Value
(Rupees in '000)

Total Weighted Value
(Rupees in '000)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 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) March 31, 2020	(Audited) December 31, 2019
(Rupees in '000)			
Cash and balances with treasury banks		34,065,676	17,113,303
Balances with other banks		-	-
Due from financial institutions	36.1	24,927,626	20,489,184
Investments	36.2	35,933,326	33,594,111
Islamic financing and related assets - net	36.3	122,154,358	153,117,099
Fixed assets		822,018	862,149
Intangible assets		-	-
Due from Head Office		8,016,015	40,224,245
Deferred tax assets		-	18,126
Other assets		10,576,158	10,709,190
		236,495,177	276,127,407

LIABILITIES

Bills payable		8,699	18,048
Due to financial institutions	36.4	13,099,035	10,780,192
Deposits and other accounts	36.5	197,233,673	242,548,177
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		34,147	-
Other liabilities		8,125,976	6,073,627
		218,501,530	259,420,044

NET ASSETS

Islamic Banking Fund		250,000	250,000
Reserves		-	-
Surplus / (deficit) on revaluation of investments - net of tax		53,409	(28,352)
Unappropriated profit	36.6	17,690,238	16,485,715
		17,993,647	16,707,363

Contingencies and commitments

	Note	(Unaudited) For the three months ended March 31, 2020	(Unaudited) For the three months ended March 31, 2019 (Restated)
(Rupees in '000)			

PROFIT AND LOSS ACCOUNT

Profit / return earned	36.8	5,827,951	3,915,761
Profit / return expensed	36.9	3,095,614	1,854,361
Net profit / return		2,732,337	2,061,400

Other (loss) / income

Fee and commission income		146,255	152,288
Dividend income		-	-
Foreign exchange (loss) / gain		(24,984)	6,503
Income from derivatives		-	-
Loss on securities- net		(168,467)	(9,767)
Others		2,218	1,971
Total other (loss) / income		(44,978)	150,995

Total income

2,687,359		2,212,395
Other expenses		
Operating expenses		595,333
Workers' Welfare Fund		40,301
Other charges		220
Total other expenses		635,854

2,051,505		1,674,989
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76,737		2,284
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1,974,768		1,672,705
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770,245		652,355
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1,204,523		1,020,350
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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

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

36.1 **Due from Financial Institutions**

Unsecured	4,650,000	-
Bai Muajjal Receivable from State Bank of Pakistan	5,257,577	20,489,184
Bai Muajjal Receivable from other financial institutions	15,020,049	-
	24,927,626	20,489,184

36.2 **Investments by segments**

	March 31, 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	6,680,195	-	87,555	6,767,750	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
	17,474,195	-	87,555	17,561,750	15,461,551	-	(46,478)	15,415,073
Non-Government debt securities								
-Listed	3,248,637	-	-	3,248,637	3,564,480	-	-	3,564,480
-Unlisted	15,122,939	-	-	15,122,939	14,614,558	-	-	14,614,558
	18,371,576	-	-	18,371,576	18,179,038	-	-	18,179,038
Total Investments	35,845,771	-	87,555	35,933,326	33,640,589	-	(46,478)	33,594,111

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

36.3 **Islamic financing and related assets - net**

Ijarah	2,070,920	2,171,508
Murabaha	977,805	1,095,324
Diminishing Musharakah	47,181,826	83,342,719
Wakalah	10,000,000	10,000,000
Istisna	749,570	-
Tijarah	15,000	-
Islamic Home Financing	860,035	770,666
Running Musharakah	18,501,408	16,085,686
Advance for Ijarah	196,916	276,530
Advance for Murabaha	4,864,182	973,239
Advance for Diminishing Musharakah	6,878,222	6,295,175
Advance for Istisna	27,780,837	26,191,522
Advance for Salam	599,216	400,000
Inventories against Tijarah	473,647	293,209
Inventories against Murabaha	227,135	3,808,372
Inventories against Istisna	556,775	1,615,548
Inventories against Salam	500,000	-
Islamic financing and related assets - gross	122,433,494	153,319,498
Provision against Islamic financing and related assets		
-Specific	(257,904)	(183,056)
-General	(21,232)	(19,343)
	(279,136)	(202,399)
Islamic financing and related assets - net of provision	122,154,358	153,117,099

36.4 **Due to financial institutions**

Unsecured acceptance of funds	-	2,500,000
Acceptances from the SBP under Islamic Export Refinance Scheme	9,395,273	5,409,205
Acceptances from the SBP under Islamic Long Term Financing Facility	3,703,762	2,870,987
	13,099,035	10,780,192

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

36.5	Deposits and other accounts	Note	(Unaudited)	(Audited)
			March 31, 2020	December 31, 2019
	Customers		(Rupees in '000)	
	Current deposits		56,046,388	53,090,383
	Savings deposits		94,584,248	108,120,718
	Term deposits		12,443,538	14,648,767
			163,074,174	175,859,868
	Financial Institutions			
	Current deposits		347,437	302,467
	Savings deposits		33,760,016	65,183,796
	Term deposits		52,046	1,202,046
			34,159,499	66,688,309
			197,233,673	242,548,177
36.6	Islamic Banking business unappropriated profit			
	Opening Balance		16,485,715	11,091,387
	Add: Islamic Banking profit for the period / year		1,974,768	8,845,722
	Less: Taxation		(770,245)	(3,451,394)
	Closing Balance		17,690,238	16,485,715
36.7	Contingencies and commitments			
	- Guarantees	36.7.1	1,145,366	593,721
	- Commitments	36.7.2	31,991,304	17,180,683
			33,136,670	17,774,404
36.7.1	Guarantees			
	Financial Guarantees		107,121	-
	Performance guarantees		372,282	308,988
	Other guarantees		665,963	284,733
			1,145,366	593,721
36.7.2	Commitments			
	Trade-related contingent liabilities		4,068,841	3,456,851
	Commitments in respect of forward foreign exchange contracts	36.7.2.1	27,922,463	13,723,832
			31,991,304	17,180,683
36.7.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		14,835,019	7,721,565
	Sale		13,087,444	6,002,267
			27,922,463	13,723,832
36.8	Profit / return earned		(Unaudited) For the three months ended	
			March 31, 2020	March 31, 2019
			(Rupees in '000)	
			(Restated)	
	On:			
	Financing		3,737,797	2,372,516
	Investments		1,252,191	1,173,051
	Placements		837,963	370,194
			5,827,951	3,915,761
36.9	Profit / return expensed			
	On:			
	Deposits and other accounts		2,988,557	1,482,584
	Due to financial institutions		60,540	341,243
	Cost against foreign currency deposits for Wa'ad based transactions		21,534	15,380
	Lease liability against right-of-use assets		24,983	15,154
			3,095,614	1,854,361

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

37	NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE
37.1	The Board of Directors in its meeting held on April 22, 2020 has declared a cash dividend of Rs 1.25 per share in respect of the quarter ended March 31, 2020 (March 31, 2019: Rs 1.25 per share). These condensed interim consolidated financial statements do not include the effect of this appropriation which will be accounted for subsequent to the period end.
38	DATE OF AUTHORISATION FOR ISSUE
	These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on April 22, 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

Salim Raza
Director

Salim Yahya Chinoy
Director

Dr. Najeeb Samie
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 quarter ended March 31, 2020.

Macroeconomic Review

By earlier this year Pakistan's economy was showing some signs of recovery from the slowdown resulting from the stabilization program. While growth and economic activity remained depressed, the external account indicators were steadily improving. This was before the COVID-19 pandemic, which has forced lockdowns across the world, restricting economic activity across the board. The supply shock is likely to create a protracted demand shock owing to reduced business activity and consumer spending, thereby further exacerbating the weak economic growth. From earlier GDP growth forecasts of 2.9%, Pakistan's GDP is now expected to contract by up to 1% in FY'20. Headline inflation in March 2020 receded to 10.2%, from 12.4% in the previous month, helped by lower fuel prices. Average inflation for 9MFY'20 is 11.5% compared to 6.3% for the same period last year. The SBP's projection for average inflation for FY'20 remains at 11.0% – 12.0%.

The trade deficit declined by 34% in 8MFY'20, mainly driven by efforts to curb imports, which declined by 18%; exports improved, but by a modest 3%. Remittances, till now, have continued to grow over FY'19, increasing by 5% in 9MFY'20. As a result, the current account deficit contracted by 71%, to USD 2.8 billion. The FX reserves position has strengthened from June 2019 levels, increasing to USD 17.3 billion at the end of March 2020; this was supported by increased FDI as well as strong foreign portfolio flows into government securities. However, since the pandemic outbreak, the investor search for safe havens has resulted in outflows in both equities and government securities. The Rupee, which had strengthened by 5% since its low in June 2019, quickly slid against the dollar and, at March 31, 2020 was 8% lower than December 2019 levels.

In response to the growing concern over the economic impact of the pandemic, the federal government and the SBP quickly took a number of steps to bring financial stability and keep the economy moving. The government pledged fiscal support of PKR 1.13 trillion, targeting the export sector and low-income groups. In addition, it announced an incentive package for the construction industry to support the real estate sector and generate employment, especially for the daily wage earners who are most severely impacted by this crisis. The liquidity and cash flow constraints facing businesses presents another growing challenge. The government announced deferral of loan and interest payments for the export, SME and Agriculture sectors. Meanwhile, the SBP extended the relief package to other industries, whereby principal loan payment can be deferred for up to one year. The SBP also announced new initiatives to maintain the flow of credit, including refinance facilities for salary payments, for funding to hospitals and for setting up new industrial units. The SBP has also encouraged the banking sector to continue lending in this critical time through lowering capital requirements and allowing higher debt burden for consumer loans.

The IMF has approved an assistance package of USD 1.4 billion for Pakistan under a Rapid Financing Instrument. The World Bank has already approved USD 200 million for Pakistan and could divert unutilized funds of USD 600 million to USD 2 billion for early disbursement. In addition, the ADB would provide USD 350 million immediately, while a request has been made for another USD 900 million disbursement by June.

The equity market also turned bearish, owing to the economic effects of the pandemic, reduced growth forecasts and depressed investor sentiment the latter being mainly driven by the reversal of carry trades and global risk aversion. By March 31, 2020, the KSE 100 Index had fallen by 28% since the beginning of 2020; market wide circuit breakers were triggered six times in March and the Index lost more than 8,000 points in one month. Since then, there has been some recovery, especially after the recent rate cut, when the market hit the upper circuit breaker.

In response to the crisis, the SBP cut rates rapidly, in three steps, by a total of 425 bps, with the Policy Rate now at 9%. The SBP also changed the shape of the corridor to make it symmetric around the Policy Rate. Effectively, this will compress margins going forward as the spread between the Policy Rate and the minimum rate payable on savings deposits has reduced by 50 bps. Banking sector advances rose marginally by 1% during the first quarter of 2020, while deposits grew by 3% since December'19. The growing impact of the pandemic on overall economic activity is expected to further slowdown private sector lending which, with a growth of only 2.6% in 8MFY'20, was already showing signs of deceleration. Banking spreads for the first two months of 2020 rose by 7bps over 2019.

Financial Performance

HBL's Profit after Tax for the first quarter of 2020 is Rs 4.0 billion, an increase of 41% over the same period last year. Earnings per share for Q1'20 increased to Rs 2.73 compared to Rs 1.94 in Q1'19. However, profit before tax of Rs 7.0 billion is 10% lower than for the corresponding period last year as a result of the sharp devaluation of the Rupee. Excluding this impact, profit before tax is 17% higher than Q1'19.

HBL continues to support businesses and customers, particularly in these challenging times, with net advances increasing by 1.0% over December 2019, and the ADR improving to 48.1%. Total deposits, at Rs 2.3 trillion, remain at a healthy level with strong current account and CASA ratios of 35.3% and 83.8% respectively. Average domestic deposits rose by Rs 146 billion (8.2%) over Q1'19 leading to a growth of 9.0% in the average domestic balance sheet. A growth of Rs 40 billion in average domestic current accounts supported a 53 bps improvement in net interest margins. As a result, domestic net interest income rose by 21% to Rs 24.5 billion. With a 13% growth in international net interest income, the Bank's total net interest income for Q1'20 increased by 21% over Q1'19, to Rs 26.2 billion.

Total non-fund income, excluding the rupee devaluation impact, grew by 20%. The Bank recorded a capital gain of Rs 2.2 billion compared to Rs 0.1 billion in Q1'19. The gain is primarily driven from opportunistic sales of fixed income instruments as well as significant unrealized gains on the trading portfolio at the end of March 2020. Core FX income improved by 26% to Rs 1.1 billion mainly driven from the domestic business. Fees, however, declined by 14% to Rs 4.1 billion mainly due to lower Bancassurance and investment banking fees and as Q1'19 included some 1-off fee recoveries.

Administrative expenses increased by Rs 3.8 billion over Q1'19. A significant portion of this was due to the acceleration of the New York branch closure, as costs originally expected later in the year have been recorded upfront; this will result in New York costs tapering off rapidly, going forward. There was also a significant impact of the costs associated with growth in activity drivers as well as the rupee devaluation on international expenses. Total NPLs have increased by Rs 1.9 billion entirely as a result of the impact of rupee devaluation on overseas NPLs. Consequently, the infection ratio increased slightly, to 6.4%, while the coverage ratio remains strong at 96.1%.

Movement of Reserves

	Rs million
Unappropriated profit brought forward	104,668
Profit after tax	3,998
Transferred from surplus on revaluation of assets – net of tax	11
	4,009
Profit available for appropriations	108,677
Appropriations	
Transferred to statutory reserves	(400)
Cash dividend – Final 2019	(1,834)
	(2,233)
Unappropriated profit carried forward	106,444
Earnings per share (Rs)	2.73

Capital Ratios

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

The devaluation impacted the Bank's CAR in multiple ways, by a total of 39 bps. Consequently, the unconsolidated Tier 1 CAR reduced by 19 bps, from 13.69% at the end of 2019 to 13.50% in March 2020. The 100 bps lower CET 1 CAR requirement has resulted in the headroom over minimum levels increasing by 100 bps – consequently, 42 bps of Tier II capital has become eligible. The unconsolidated total CAR thus increased by 17bps from December 2019, to 17.24%. HBL's capital and related ratios remain well above regulatory requirements.

Future Outlook

Policy makers across the world have announced massive monetary and fiscal stimulus measures to try to mitigate the impact of the global lockdown, expected to be the worst since the Great Depression. The IMF has called on countries to respond with "very massive" spending to avoid bankruptcies and emerging market debt defaults. The global economic slowdown is expected to have a profound impact on Pakistan's economy. The lockdown related disruption of industrial activity and slowdown in aggregate demand would contract GDP growth, particularly during April-June 2020. Exports and remittances are expected to decline, pressuring the current account, but low oil prices could provide some fiscal space to the government. However, the long-term effects on economic activity will only be known once the pandemic peaks.

The Bank is keenly aware of its duty to support customers and the wider economy at this difficult time. The Bank continues to lend and provide liquidity to its customers; where additional flexibility is needed, HBL will look to assist them further. We plan to be at the forefront of using the liquidity and funding assistance being made available by the SBP to help our customers negotiate what is certain to be a difficult next few months. We intend to deliver for our clients in this respect while maintaining credit discipline in our balance sheet. Operating in the current circumstances will lead to some increased costs and a reduction in short-term profitability – but this is a worthwhile trade-off for the longer-term standing of our business and the broader well-being of our customers and the country.

HBL has always been intrinsic to Pakistan's socio-economic fabric and giving back to the country and the community is a core part of its strategic agenda. In these particularly difficult times, HBL has demonstrated leadership across a broad spectrum of areas. HBL is humbled and honoured to be a leading partner of the Ehsaas Kafalat programme, the largest social safety net initiative in Pakistan's history, aimed at distributing Rs 90 billion to 7.5 million beneficiaries. The Bank is also distributing 12,000 ration bags across the length and breadth of the country to deserving individuals, mostly daily wage earners whose livelihood has been severely disrupted by the lockdown. HBL is also partnering with Serena Hotels to distribute 30,000 meal boxes to frontline doctors across seven cities where Serena is present. HBL will continue to step up in a variety of ways to support the country in this time of crisis.

Dividend

The Board of Directors, in its meeting held on April 22, 2020 has declared an interim cash dividend of Rs 1.25 per share (12.50%) for the quarter ended March 31, 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

April 22, 2020

ڈائریکٹرز کا جائزہ

ایکویٹی مارکیٹ میں بھی مندی رہی، جس کی وجہ وبا کے معیشت پر اثرات، نمو کے امکانات میں کمی اور سرمایہ کاروں کی عدم دلچسپی رہی، جس کی بنیادی وجہ کیری ٹریڈز کی واپسی اور عالمی سطح پر خطرات کے باعث ہچکچاہٹ تھی۔ 2020ء کے آغاز سے 31 مارچ 2020ء تک KSE 100 اشاریہ 28% گر گیا؛ مارکیٹ پر محیط سرکٹ بریکر مارچ میں چھ بار متحرک ہوئے اور اشاریے میں ایک ماہ میں 8000 پوائنٹس کا نقصان ہوا۔ تب سے اب تک کچھ بحالی آئی ہے خصوصاً حالیہ شرح میں کٹوتی کے وقت جب مارکیٹ نے سرکٹ بریکر کی اعلیٰ سطح کو چھوا تھا۔

بحران کے سدباب کے لیے SBP نے تیزی سے تین مرحلوں میں شرح میں مجموعی طور پر 425 بی پی ایس تک کٹوتی کی جس سے پالیسی کی شرح اب 9% ہے۔ SBP نے پالیسی کی شرح سے ہم آہنگی کے لیے راہداری کی ساخت میں بھی تبدیلی کی ہے۔ یہ مارجنز کے مستقبل میں سکڑاؤ کے لیے موثر ہو گا کیونکہ پالیسی کی شرح اور سیونگنز ڈپازٹس پر کم از کم واجب الادا شرح کے اسپریڈ میں 50 بی پی ایس کمی آئی ہے۔ بینکاری شعبے میں قرضہ جات میں 2020 کی پہلی سہ ماہی میں 1% تک خاطر خواہ اضافہ ہوا ہے، جبکہ دسمبر 2019 سے ڈپازٹ میں 3% تک اضافہ ہوا ہے۔ مالی سرگرمیوں پر بڑھتے ہوئے وبائی اثرات سے نجی شعبے میں قرضہ جات میں مزید کمی متوقع ہے جو 2020 کے 8 ماہ میں 2.6% نمو کے ساتھ پہلے ہی سست روی دکھا رہی تھی۔ بینکنگ اسپریڈ میں 2020 ابتدائی دو ماہ میں 2019 کی نسبت 7 بی پی ایس اضافہ ہوا۔

مالیاتی کارکردگی

HBL کا مالی سال 2020ء کی پہلی سہ ماہی کا بعد از محصول منافع 4.0 ارب روپے رہا جو گزشتہ برس اسی دورانیے سے 41% زیادہ ہے۔ اس سال کی پہلی سہ ماہی کی فی حصص آمدن میں 2.73 روپے اضافہ ہوا جو 2019ء کی پہلی سہ ماہی میں 1.94 روپے تھی۔ تاہم قبل از محصول منافع 7.0 ارب روپے رہا جو گزشتہ برس اسی دورانیے سے 10% کم ہے، جس کی وجہ روپے کی تیز ارزانی تھی۔ ان اثرات کو نظر انداز کرتے ہوئے قبل از محصول منافع 2019ء کی پہلی سہ ماہی کے مقابلے میں 17% زیادہ ہے۔

HBL نے اپنے صارفین اور کاروبار کی معاونت جاری رکھی خصوصاً اس کڑے وقت میں، خالص قرضہ جات میں دسمبر 2019ء کے مقابلے میں 1.0% اضافے کے ساتھ ADR میں 48.1% بہتری آئی ہے۔ کل ڈپازٹس 2.3 کھرب روپے، ایک مضبوط سطح پر ہیں جبکہ مستحکم جاری کھاتوں اور CASA کی شرح بالترتیب 35.3% اور 83.8% ہے۔ اوسط ملکی ڈپازٹس میں 2019ء کی پہلی سہ ماہی کے مقابلے میں 146 ارب روپے (8.2%) اضافہ ہوا جس سے اوسط ملکی توازن کی فہرست میں 9.0% نمو ہوئی۔ اوسط ملکی جاری کھاتوں میں 40 ارب روپے کی نمو سے خالص منافعوں کے مارجن میں 53 بی پی ایس بہتری آئی۔ نتیجتاً ملکی خالص منافع جاتی آمدن 21% اضافے سے 24.5 ارب روپے ہو گئی۔ بین الاقوامی خالص منافع جاتی آمدن میں 13% اضافے سے بینک کی خالص منافع جاتی آمدن 2020ء کی پہلی سہ ماہی کے لیے بڑھ کر 26.2 ارب روپے ہو گئی جو 2019ء کی پہلی سہ ماہی سے 21% زیادہ ہے۔

روپے کی ارزانی کے اثرات نظر انداز کرتے ہوئے کل غیر فنڈ آمدن میں 20% اضافہ ہوا۔ بینک نے 2.2 ارب کاریکارڈ سرمایہ حاصل کیا جو 2019ء کی پہلی سہ ماہی کے 0.1 ارب روپے مقابلے میں ایک مثبت چڑھاؤ رہا۔ اس نفع کی بنیادی وجہ فکسڈ انکم انشرومنٹ کی بروقت فروخت کے ساتھ مارچ 2020ء کے اختتام پر تجارتی پورٹ فولیو میں نمایاں ان ریٹلائزڈ منافع جات ہیں۔ بنیادی FX آمدن میں 26% بہتری آئی جو 1.1 ارب روپے ہو گئی جو ملکی اور بین الاقوامی کاروبار سے حاصل ہوئی۔ تاہم فیس میں 14% یعنی 4.1 ارب روپے کمی واقع ہوئی جس کی اہم وجہ بینکاشورنس اور سرمایہ کاری بینکاری فیس میں کمی کے علاوہ یہ بھی تھی کہ 2019ء کی پہلی سہ ماہی میں کچھ فیسوں کی یکبارگی ادائیگیاں بھی تھیں۔

بینک کے اخراجات میں 2019ء کی پہلی سہ ماہی کی نسبت 3.8 ارب روپے اضافہ ہوا۔ جس میں ایک نمایاں حصہ نیویارک برانچ کی بندش میں تیزی کی وجہ سے تھا کیونکہ ابتدائی متوقع لاگت، اواخر سال میں پیشگی ادائیگی ثابت ہوئی؛ اس سے مستقبل میں نیویارک کے اخراجات میں تیزی سے کمی آئے گی۔ اس میں سرگرمیوں کے محرکین سے منسلک لاگت اور بین الاقوامی اخراجات پر روپے کی قدر میں کمی کے اثرات کا بھی ہاتھ رہا ہے۔ سمندر پار NPLs پر روپے کی قدر میں کمی کے اثرات کے باعث مجموعی NPLs بڑھ کر 1.9 ارب روپے تک پہنچ گئے۔ نتیجتاً، نفلکشن کا تناسب معمولی اضافے کے ساتھ 6.4% ہو گیا، جبکہ کوریج کا تناسب 96.1% پر مستحکم رہا۔

ہمیں بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2020ء کو ختم ہونے والی پہلی سہ ماہی کے مختصر عبوری غیر مجموعی مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس ہو رہی ہے۔

کلیاتی اقتصادیات کا جائزہ

پاکستان کی معیشت میں اس سال کے شروع تک استحکام پروگرام کے نتیجے میں مندی سے بحالی کے کچھ آثار دکھائی دے رہے تھے جبکہ ترقی اور معاشی سرگرمی بدستور دباؤ کا شکار ہے، خارجی کھاتوں کے اظہاریے میں مستقل بہتری آرہی تھی۔ یہ صورت حال COVID-19 وبا سے پہلے تھی، لیکن اس وبا نے پوری دنیا کو لاک ڈاؤن پر مجبور اور اقتصادی سرگرمیوں کو محدود کر دیا ہے۔ رَسد کا جھکاؤ کاروباری سرگرمیوں اور صارفین کے اخراجات میں کمی کی وجہ سے طلب کے دور رس جھٹکے میں تبدیل ہونے کا امکان ہے، اور اس طرح کمزور معاشی نمو میں مزید اضافے کا بھی۔ پاکستان کی GDP میں 2.9% کی نمو کی پیشین گوئی کی گئی تھی جس میں مالی سال 2020ء میں مزید 1% تخفیف متوقع ہے۔ مارچ 2020ء میں ہیڈلائن افراط زر گزشتہ ماہ 12.4% سے گر کر 10.2% ہو گئی جسے پیٹرنل کی قیمت میں کمی نے سہارا دیا۔ مالی سال 2020ء کے 9 ماہ کے دوران اوسط افراط زر 11.5% رہی جو گزشتہ برس اسی مدت کے لیے 6.3% تھی۔ SBP کی مالی سال 2020ء کے لیے اوسط افراط زر کی شرح کی پیشین گوئی ہنوز 11.0%–12.0% رہی۔

مالی سال 2020ء کے 8 ماہ میں تجارتی خسارے میں 34% کمی آئی جس کی بنیادی وجہ درآمدات کی حوصلہ شکنی کے اقدامات تھے جن میں 18% کمی آئی، برآمدات میں 3% کی معمولی بہتری آئی۔ ترسیلات میں مالی سال 2019ء کے تناسب میں بدستور اضافہ ہوا جو مالی سال 2020ء کے 9 ماہ میں 5% بڑھ گیا۔ اس کے نتیجے میں جاری کھاتوں کے خساروں میں 2.8 ارب امریکی ڈالر سے 71% کمی واقع ہوئی، FX ذخائر میں بھی جون 2019ء کی سطح سے تقویت آئی جو مارچ کے اختتام تک 2020ء میں 17.3 ارب امریکی ڈالر ہو گئے، اسے FDI میں اضافے کے ساتھ سرکاری سیکورٹیز میں غیر ملکی پورٹ فولیو کے بہاؤ سے سہارا ملا۔ تاہم وبا پھیلنے کے باعث محفوظ پناہ گاہوں کے خواہش مند سرمایہ کاروں کا ایکویٹیز اور سرکاری سیکورٹیز، دونوں کے حوالے سے بیرونی بہاؤ رہا۔ جون 2019ء سے روپے کی قدر میں 5% اضافہ ڈالر کے مقابلے میں تیزی سے گرتے ہوئے 31 مارچ 2020ء تک دسمبر 2019ء کی سطح سے 8% کم پر آ گیا۔

وبا کے معاشی اثرات کے حوالے سے بڑھتے ہوئے خدشات کے جواب میں مالی استحکام اور معیشت کے پھیلنے کو رواں رکھنے کے لیے وفاقی حکومت اور SBP نے چند فوری اقدامات کیے۔ حکومت نے برآمدی شعبے اور کم آمدنی والے گروہوں کے زیر ہدف 1.13 کھرب روپے مالی امداد کا عہد کیا۔ یہی نہیں، بلکہ جائیداد و تعمیرات کے شعبے میں ترغیبی پیکیج اور روزگار کی فراہمی کا اعلان بھی کیا، بالخصوص یومیہ اجرت والے طبقے کے لیے جو اس بحران سے سب سے زیادہ متاثر ہوا ہے۔ لیکوئڈٹی اور کیش کے بہاؤ میں رکاوٹ کاروباری شعبے کو لاحق ایک اور بڑھتا ہوا چیلنج ہے۔ حکومت نے برآمدات، SME اور زرعی شعبوں کے لیے قرض اور منافع کی ادائیگی میں تاخیر کا اعلان کیا ہے۔ اسی دوران SBP نے دیگر صنعتوں تک ریلیف پیکیج کی توسیع کر دی ہے، جبکہ بنیادی قرض کی ادائیگی میں ایک سال تک کی تاخیر کی جاسکتی ہے۔ SBP نے کریڈٹ کے بہاؤ کے انتظام کے لیے اقدامات، بشمول تنخواہوں کی ادائیگی، ہسپتالوں کی فنڈنگ، اور نئے صنعتی یونٹوں کے قیام کے لیے ری فننس کی سہولت کا بھی اعلان کیا ہے۔ SBP نے اس کڑے وقت میں سرمائے کی شرائط میں کمی اور صارفین قرضہ جات کے لیے اضافی قرض کے بوجھ کے ذریعے بینکاری شعبے کی قرضہ جات کا سلسلہ جاری رکھنے کی حوصلہ افزائی کی ہے۔

IMF نے پاکستان کے لیے ریپڈ فنڈنگ انشرومنٹ کے تحت 1.4 ارب امریکی ڈالر کے امدادی پیکیج کی منظوری دے دی ہے۔ عالمی بینک نے پہلے ہی پاکستان کے لیے 200 ملین امریکی ڈالر منظور کر لیے ہیں اور 600 ملین سے 2 ارب امریکی ڈالر کے غیر استعمال شدہ فنڈ کی پہلے ادائیگی کی جاسکتی ہے۔ اس کے ساتھ ساتھ ADB فوری 350 ملین امریکی ڈالر فراہم کرے گا جبکہ جون تک مزید 900 ملین امریکی ڈالر کی ادائیگی کی درخواست کی جا چکی ہے۔

بینک اس مشکل وقت میں صارفین اور وسیع تر معیشت کے مفاد میں اپنے فرائض سے بخوبی آگاہ ہے۔ بینک اپنے صارفین کو قرضہ جات اور لیکوئڈٹی کی فراہمی میں کوشاں ہے اور جہاں ضرورت ہے وہاں اضافی لچک کے مظاہرے کے ساتھ بڑھ کر مزید معاونت بھی کر رہا ہے۔ ہم لیکوئڈٹی کے استعمال اور SBP کی جانب سے فنڈنگ کی دستیابی میں اپنے صارف کی بات چیت میں معاونت کے لیے آگے رہنے کا منصوبہ بنا رہے ہیں تاکہ اگلے مشکل مہینوں میں سہولت رہے۔ ہم اس حوالے سے اپنی سیلنس شیٹ میں کریڈٹ کے اصولوں کی پاسداری کے ساتھ اپنے صارف کی مدد کے خواہشمند ہیں۔ موجودہ صورتحال میں کام جاری رکھنے سے اخراجات میں اضافہ اور قلیل المیعاد منفعت میں کمی آئے گی، مگر یہ ہمارے کاروبار کے طویل المیعاد استحکام اور ہمارے صارفین اور ملکی بقا کے لیے ایک قابل قدر تجارت ہے۔

HBL ہمیشہ سے پاکستان کے سماجی و معاشی تانے بانے کا بنیادی حصہ رہا ہے اور ہمارے ملک اور معاشرے نے جو کچھ دیا ہے اسے واپس کرنا بینک کی حکمت عملی اور لیجنڈا کا حصہ ہے۔ خصوصاً آج کے کڑے وقت میں وسیع تر شعبوں میں HBL نے قائدانہ کردار کا مظاہرہ کیا ہے۔ HBL احساس کفالت پر وگرام کے اہم شریک کی حیثیت سے فخر محسوس کرتا ہے، جو پاکستان کی تاریخ کا سب سے بڑا سماجی حفاظتی جال ہے جس کا ہدف 7.5 ملین مستحقین میں 90 ارب روپے تقسیم کرنا ہے۔ بینک ملک بھر کے طول و عرض پر بسنے والے مستحقین میں 12000 راشن کے پھیلے بھی تقسیم کر رہا ہے جن میں اکثریومیہ اجرت والے افراد ہیں جن کی زندگی اور روزگار اس لاک ڈاؤن سے سب سے زیادہ متاثر ہوئے ہیں۔ HBL، سرینا ہوٹل کے اشتراک سے، جن سات شہروں میں سرینا ہوٹل موجود ہے وہاں صفِ اول میں موجود ڈاکٹروں میں 30,000 کھانے کے ڈبے تقسیم کر رہا ہے۔ HBL اس بحرانی صورتحال میں ملک و قوم کو سہارا دینے کے لیے مختلف طریقوں سے اپنا تعاون جاری رکھے گا۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 22 اپریل 2020 کو منعقد ہونے والے اجلاس میں 31 مارچ 2020ء کو اختتام پذیر ہونے والی سہ ماہی کے لیے 1.25 روپے فی حصص (12.50%) کے عبوری نقد منافع منقسمہ کا اعلان کیا۔

اظہارِ تشکر

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 بھر و سا 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 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 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

محمد اورنگزیب

صدر اور چیف ایگزیکٹو آفیسر

22 اپریل 2020ء

ملین روپے

104,668
3,998
11
4,009

108,677

(400)
(1,834)
(2,233)

106,444

2.73

ذخائر میں اتار چڑھاؤ

افتتاحی غیر تخصیص شدہ منافع

منافع بعد از محصول

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

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ۔ حتیٰ 2019ء

اختتامی غیر تخصیص شدہ منافع

فی حصص (شینئر) آمدنی (روپے)

سرمائے کا تناسب

موجودہ بحران کے جواب 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 ایلز کی کمی کر دی۔ اس سے تینوں Tiers، یعنی Tier 1 CAR، Common Equity Tier 1 (CET1) CAR اور ٹکل CAR کے سرمائے کی شرائط میں 1% تک کمی آئی۔

قدر میں کمی کی وجہ سے بینک کا کیپٹل ایڈیوکیسی ریشو (CAR) کئی زاویوں سے 39 بی پی ایلز متاثر ہوا۔ نتیجتاً غیر مجموعی 19 Tier 1 CAR، 100 بی پی ایلز سے کم ہو کر 2019ء کے اواخر میں 13.69% سے مارچ 2020ء میں 13.50% رہ گیا۔ CET 1 CAR میں 100 بی پی ایلز کمی سے ہیڈ روم میں کم از کم کی سطح سے 100 بی پی ایلز اضافہ ہوا جس کے نتیجے میں Tier II سرمائے کا 42 بی پی ایلز اہل ہو گیا۔ بینک کا ٹکل غیر مجموعی CAR دسمبر 2019ء کے 17 بی پی ایلز سے معمولی اضافے کے ساتھ 17.24% ہو گیا۔ HBL کا سرمایہ اور اس سے متعلقہ تناسب ریگولیٹری ضروریات سے بالاتر ہے۔

مستقبل کی صورتِ حال

دنیا بھر میں پالیسی سازوں نے وسیع زری و مالیاتی ترغیبی اقدامات کا اعلان کیا ہے تاکہ عالمی لاک ڈاؤن کے اثرات کا سدباب کیا جاسکے جو اس عظیم دباؤ کے باعث مزید بدتر ہو سکتے ہیں۔ IMF نے ممالک سے گزارش کی ہے کہ وہ دیوالیہ پن سے بچاؤ اور مارکیٹ کے قرضہ جات کی نادرہ صورت حال کے پیش نظر ”وسیع ترین“ پیمانے پر خرچ کریں۔ عالمی معاشی سست روی کے پاکستان کی معیشت پر بھی گہرے اثرات متوقع ہیں۔ لاک ڈاؤن سے متاثرہ صنعتی سرگرمیوں اور مجموعی طلب میں سست روی سے GDP کی نمو، خصوصاً اپریل سے جون 2020ء کے دوران، کم ہو جائے گی۔ برآمدات اور ترسیلات میں بھی کمی متوقع ہے جس سے جاری کھاتوں پر دباؤ بڑھ جائے گا تاہم تیل کی قیمت میں کمی سے حکومت کو کچھ مالیاتی گنجائش مل سکتی ہے۔ چنانچہ معاشی سرگرمیوں پر طویل المیعاد اثرات کا تعین وبا کے عروج کے بعد ہی کیا جاسکتا ہے۔

معیز احمد جمال
ڈائریکٹر

Condensed Interim Unconsolidated Statement of Financial Position

As at March 31, 2020

	Note	(Unaudited) March 31, 2020 (Rupees in '000)	(Audited) December 31, 2019
ASSETS			
Cash and balances with treasury banks	5	249,095,201	337,241,623
Balances with other banks	6	28,857,452	32,139,733
Lendings to financial institutions	7	49,932,898	45,303,199
Investments	8	1,408,950,971	1,351,961,513
Advances	9	1,083,291,098	1,073,018,669
Fixed assets	10	74,990,889	75,541,769
Intangible assets	11	3,642,054	3,528,218
Deferred tax assets	12	-	1,898,828
Other assets	13	124,319,855	133,100,201
		3,023,080,418	3,053,733,753
LIABILITIES			
Bills payable	14	30,108,944	29,534,303
Borrowings	15	371,334,728	382,071,512
Deposits and other accounts	16	2,250,372,528	2,301,899,086
Liabilities against assets subject to finance lease		-	-
Subordinated debt	17	22,358,000	22,360,000
Deferred tax liabilities	12	2,179,230	-
Other liabilities	18	133,517,287	116,446,906
		2,809,870,717	2,852,311,807
		213,209,701	201,421,946
NET ASSETS			
REPRESENTED BY			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		61,259,701	57,274,159
Surplus on revaluation of assets - net of tax	19	30,837,689	24,810,855
Unappropriated profit		106,443,786	104,668,407
		213,209,701	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

Salim Raza
Director

Salim Yahya Chinoy
Director

Dr. Najeeb Samie
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2020

	Note	January 01 to March 31, 2020 (Rupees in '000)	January 01 to March 31, 2019
Mark-up / return / profit / interest earned	22	69,822,447	48,923,894
Mark-up / return / profit / interest expensed	23	43,620,056	27,210,625
Net mark-up / return / profit / interest income		26,202,391	21,713,269
Non mark-up / interest income			
Fee and commission income	24	4,134,800	4,820,107
Dividend income		628,361	100,811
Foreign exchange (loss) / income		(1,678,725)	330,273
(Loss) / income from derivatives		(280,304)	184,516
Gain on securities - net	25	2,245,639	102,008
Other (loss) / income	26	(422,060)	66,509
Total non mark-up / interest income		4,627,711	5,604,224
Total income		30,830,102	27,317,493
Non mark-up / interest expenses			
Operating expenses	27	23,253,870	19,457,297
Workers' Welfare Fund		160,170	160,639
Other charges	28	232,198	50,652
Total non mark-up / interest expenses		23,646,238	19,668,588
Profit before provisions and taxation		7,183,864	7,648,905
Provisions / (reversals) and write offs - net	29	141,329	(188,276)
Profit before taxation		7,042,535	7,837,181
Taxation	30	3,044,756	4,995,551
Profit after taxation		3,997,779	2,841,630
-----Rupees-----			
Basic and diluted earnings per share	31	2.73	1.94

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

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Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2020

	January 01 to March 31, 2020 (Rupees in '000)	January 01 to March 31, 2019 (Rupees in '000)
Profit after taxation for the period	3,997,779	2,841,630
Other comprehensive income		
<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	2,434,567	677,159
Movement in surplus / deficit on revaluation of investments - net of tax	6,037,777	1,957,425
<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	-	-
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	-	-
Total comprehensive income	12,470,123	5,476,214

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

Condensed Interim Unconsolidated Statement of Changes In Equity (Unaudited)

For the three months ended March 31, 2020

	Share capital	Reserves				Surplus / (deficit) on revaluation of		Total	
		Exchange translation reserve	Statutory reserve	Capital Non-distributable capital reserve	Revenue	Investments	Fixed / Non-banking assets		
(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 three months ended March 31, 2019									
Profit after taxation for the three months ended March 31, 2019	-	-	-	-	-	2,841,630	-	-	2,841,630
Other comprehensive income / (loss)									
Effect of translation of net investment in foreign branches - net of tax	-	677,159	-	-	-	-	-	-	677,159
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	1,957,425	-	1,957,425
Transferred to statutory reserve	-	677,159	-	-	-	2,841,630	1,957,425	-	5,476,214
Transferred from surplus on revaluation of assets - net of tax	-	-	284,163	-	-	(284,163)	-	-	-
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)
Balance as at March 31, 2019	14,668,525	20,034,044	32,241,603	547,115	6,073,812	92,618,498	(5,218,118)	21,726,226	182,691,705
Comprehensive income for the nine months ended December 31, 2019									
Profit after taxation for the nine months ended December 31, 2019	-	-	-	-	-	12,222,559	-	-	12,222,559
Other comprehensive income / (loss)									
Effect of translation of net investment in foreign branches - net of tax	-	3,328,612	-	-	-	-	-	-	3,328,612
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	79,561	-	-	79,561
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	8,791,473	(91,798)	8,699,675
Transferred to statutory reserve	-	3,328,612	-	-	-	12,302,120	8,791,473	(91,798)	24,330,407
Transferred to unappropriated profit	-	-	1,222,256	-	-	(1,222,256)	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	(6,073,812)	6,073,812	-	-	-
Exchange gain realised on closure of overseas branch - net of tax	-	-	-	-	-	396,928	-	(396,928)	-
Exchange gain realised on closure of overseas branch - net of tax	-	(99,471)	-	-	-	-	-	-	(99,471)
Transactions with owners, recorded directly in equity									
1st interim cash dividend - Rs 1.25 per share	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
2nd interim cash dividend - Rs 1.25 per share	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
3rd interim cash dividend - Rs 1.25 per share	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
	-	-	-	-	-	(5,500,695)	-	-	(5,500,695)
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 three months ended March 31, 2020									
Profit after taxation for the three months ended March 31, 2020	-	-	-	-	-	3,997,779	-	-	3,997,779
Other comprehensive income									
Effect of translation of net investment in foreign branches - net of tax	-	2,434,567	-	-	-	-	-	-	2,434,567
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	6,037,777	-	6,037,777
Transferred to statutory reserve	-	2,434,567	-	-	-	3,997,779	6,037,777	-	12,470,123
Exchange loss realised on closure of Bank's overseas branch - net of tax	-	-	399,778	-	-	(399,778)	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	1,151,197	-	-	-	-	-	-	1,151,197
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	10,943	-	(10,943)	-
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)
Balance as at March 31, 2020	14,668,525	26,848,949	33,863,637	547,115	-	106,443,786	9,611,132	21,226,557	213,209,701

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

Muhammad Aurangzeb
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Condensed Interim Unconsolidated Cash Flow Statement (Unaudited) For the three months ended March 31, 2020

	January 01 to March 31, 2020	January 01 to March 31, 2019
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,042,535	7,837,181
Dividend income	(628,361)	(100,811)
	<u>6,414,174</u>	<u>7,736,370</u>
Adjustments:		
Depreciation	1,339,416	1,116,574
Amortisation	162,047	99,946
Depreciation on right-of-use assets	722,428	597,072
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	429,406	242,575
Provision for / (reversal of) of diminution in value of investments	152,648	(162,631)
Provision against loans and advances	80,311	65,126
Provision against other assets	32,186	32,177
Provision / (reversal) against off-balance sheet obligations	15,629	(10,999)
Unrealised gain on held-for-trading securities	(794,615)	(14,306)
Exchange loss realised on closure of Bank's overseas branch - net of tax	1,151,197	-
Exchange gain realised on reduction in capital of subsidiary	(1,372,357)	-
Gain on sale of fixed assets - net	(15,444)	(7,349)
Workers' Welfare Fund	160,170	160,639
	<u>2,063,022</u>	<u>2,118,824</u>
	<u>8,477,196</u>	<u>9,855,194</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,629,699)	(247,086,890)
Held-for-trading securities	(38,454,857)	(47,292,724)
Advances	(10,352,740)	(2,663,133)
Other assets (excluding advance taxation)	7,459,412	2,165,094
	<u>(45,977,884)</u>	<u>(294,877,653)</u>
Increase / (decrease) in operating liabilities		
Bills payable	574,641	(14,011,315)
Borrowings from financial institutions	(10,736,784)	(290,283,913)
Deposits and other accounts	(51,526,558)	30,879,313
Other liabilities	15,073,848	32,639,196
	<u>(46,614,853)</u>	<u>(240,776,719)</u>
	<u>(84,115,541)</u>	<u>(525,799,178)</u>
Income tax refund / (paid)	(1,210,800)	(349,179)
Net cash flows used in operating activities	<u>(85,326,341)</u>	<u>(526,148,357)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	(16,203,611)	518,876,455
Net investment in held-to-maturity securities	7,317,965	(17,684,605)
Net investment in associates	-	891,156
Dividend received	300,993	29,897
Investments in fixed assets	(1,187,642)	(1,600,546)
Investments in intangible assets	(275,883)	(225,977)
Proceeds realised on reduction in capital of subsidiary	3,021,200	-
Proceeds from sale of fixed assets	25,967	11,972
Effect of translation of net investment in foreign branches - net of tax	2,434,567	677,159
Net cash flows (used in) / generated from investing activities	<u>(4,566,444)</u>	<u>500,975,511</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated debt	(2,000)	(2,000)
Payment of lease liability against right-of-use assets	(1,085,949)	(1,245,624)
Dividend paid	(447,969)	(327,655)
Net cash flows used in financing activities	<u>(1,535,918)</u>	<u>(1,575,279)</u>
Decrease in cash and cash equivalents during the period	<u>(91,428,703)</u>	<u>(26,748,125)</u>
Cash and cash equivalents at the beginning of the period	363,985,741	291,550,913
Effect of exchange rate changes on cash and cash equivalents	5,395,615	1,154,673
	<u>369,381,356</u>	<u>292,705,586</u>
Cash and cash equivalents at the end of the period	<u>277,952,653</u>	<u>265,957,461</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

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Chief Financial Officer

Salim Raza
Director

Salim Yahya Chinoy
Director

Dr. Najeer Samie
Director

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 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. The company is in the process of completing the required formalities in this regard. 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 comprises 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 with 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 Standards, interpretations of and amendments to existing accounting and reporting standards that have become effective in the current year.

There are certain new standards and interpretations of and 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 not to have any significant impact on the Bank's 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 three months ended March 31, 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.

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 225 basis points to 11% in March 2020 and again by 200 basis points to 9% on April 16, 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
- Relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

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.

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.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

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 amounts to Rs 4.789 billion as at March 31, 2020. During the current quarter the Pakistan Stock Exchange fell by 28%, triggering an impairment of Rs 969.210 million. The Bank has only recorded an impairment of Rs 242.30 million in the condensed interim unconsolidated financial statements of the current period, and has deferred the recognition of the remaining impairment to be taken 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. The 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. 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.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

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

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Book value	Market value	Book value	Market value
	(Rupees in '000)			
- Investment classified as held-to-maturity	192,745,061	190,807,420	200,063,208	191,461,438
- Investment in listed associates and joint venture	9,155,882	31,449,845	9,155,882	30,712,471

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

	(Unaudited) (Audited)	
	March 31, 2020	December 31, 2019
	(Rupees in '000)	
Opening balance	4,905,784	4,488,683
Exchange adjustment	23,229	19,001
Charge / (reversals)		
Charge for the period / year	253,072	2,831,502
Reversal for the period / year	-	(64,476)
Reversal on disposal during the period / year	(100,424)	(2,368,926)
Net charge	152,648	398,100
Closing balance	5,081,661	4,905,784

8.4 Particulars of provision against debt securities

Category of classification	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Non-Performing Investments	Provision	Non-Performing Investments	Provision
	(Rupees in '000)			
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 388.224 million (December 31, 2019: Rs 354.226 million) against investment in accordance with the requirements of IFRS 9.

9 ADVANCES	Note	Performing		Non - performing		Total	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
		March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		886,207,783	860,334,857	68,898,004	67,170,214	955,105,787	927,505,071
Islamic financing and related assets	36.3	122,175,590	153,061,117	257,904	258,381	122,433,494	153,319,498
Bills discounted and purchased		71,986,210	56,966,128	5,121,434	4,979,731	77,107,644	61,945,859
Advances - gross		1,080,369,583	1,070,362,102	74,277,342	72,408,326	1,154,646,925	1,142,770,428
Provision against advances							
- Specific		-	-	(67,546,528)	(66,459,144)	(67,546,528)	(66,459,144)
- General	9.3	(3,809,299)	(3,292,615)	-	-	(3,809,299)	(3,292,615)
		(3,809,299)	(3,292,615)	(67,546,528)	(66,459,144)	(71,355,827)	(69,751,759)
Advances - net of provision		1,076,560,284	1,067,069,487	6,730,814	5,949,182	1,083,291,098	1,073,018,669

9.1 Particulars of advances (Gross)

	(Unaudited) (Audited)	
	March 31, 2020 December 31, 2019	
	(Rupees in '000)	
In local currency	924,278,508	952,668,278
In foreign currencies	230,368,417	190,102,150
	1,154,646,925	1,142,770,428

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

9.2 Advances include Rs 74,277.342 million (December 31, 2019: Rs 72,408.326 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Unaudited) March 31, 2020		(Audited) December 31, 2019	
	Non - performing advances	Provision	Non - performing advances	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	1,137,596	-	580,891	-
Substandard	2,068,188	489,929	2,164,790	516,168
Doubtful	1,218,979	609,489	1,509,387	754,694
Loss	43,249,535	41,968,844	43,569,902	42,504,212
	47,674,298	43,068,262	47,824,970	43,775,074
Overseas				
Not past due but impaired	70,601	21,207	48,676	23,643
Overdue by:				
Upto 90 days	148,179	57,184	215,921	101,186
91 to 180 days	124,063	46,021	278,341	209,604
181 to 365 days	1,937,678	1,632,664	755,391	343,117
> 365 days	24,322,523	22,721,190	23,285,027	22,006,520
	26,603,044	24,478,266	24,583,356	22,684,070
Total	74,277,342	67,546,528	72,408,326	66,459,144

9.3 Particulars of provision against advances

Note	March 31, 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	1,624,250	124,595	1,748,845	2,394,415	158,049	2,552,464
Charge for the period / year	918,818	426,529	1,345,347	6,297,991	421,194	6,719,185
Reversal for the period / year	(1,230,596)	(34,440)	(1,265,036)	(3,729,878)	(281,675)	(4,011,553)
Net charge against advances	(311,778)	392,089	80,311	2,568,113	139,519	2,707,632
Charged off during the period / year - agriculture financing	9.5	(213,277)	-	(213,277)	(604,496)	-
		(213,277)	(213,277)	(604,496)	-	(604,496)
Written off during the period / year		(11,811)	(11,811)	(1,092,188)	-	(1,092,188)
Other movements		-	-	-	(88,483)	(88,483)
Closing balance	67,546,528	3,809,299	71,355,827	66,459,144	3,292,615	69,751,759

9.4 General provision includes provision amounting to Rs 1,920.024 million (December 31, 2019: Rs 1,879.055 million) against consumer finance portfolio. General provision also includes Rs 1,889.275 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 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.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

Note	(Unaudited) (Audited)	
	March 31, 2020	December 31, 2019
10 FIXED ASSETS	(Rupees in '000)	
Capital work-in-progress	2,203,822	1,819,077
Property and equipment	72,787,067	73,722,692
	<u>74,990,889</u>	<u>75,541,769</u>
10.1 Capital work-in-progress	(Rupees in '000)	
Civil works	815,095	782,903
Equipment	13,768	19,959
Advances to suppliers and contractors	1,374,959	1,016,215
	<u>2,203,822</u>	<u>1,819,077</u>
10.2 Additions to fixed assets	(Unaudited) For the three months ended	
	March 31, 2020	March 31, 2019
	(Rupees in '000)	
The following additions have been made to fixed assets during the period:		
<i>Capital work-in-progress</i>	384,744	224,854
<i>Property and equipment</i>		
Leasehold land	464,070	-
Building on leasehold land	292	17,071
Machinery	17,089	20,302
Leasehold improvements	265,211	213,675
Furniture and fixtures	112,119	166,783
Electrical, office and computer equipment	405,801	901,893
Vehicles	13,003	20,429
	<u>1,277,585</u>	<u>1,340,153</u>
Right-of-use assets - net	98,030	45,440
	<u>1,760,359</u>	<u>1,610,447</u>
10.3 Disposals of fixed assets	(Rupees in '000)	
The net book value of fixed assets disposed off during the period is as follows:		
<i>Property and equipment</i>		
Leasehold improvements	128	1,239
Furniture and fixtures	915	166
Electrical, office and computer equipment	9,471	2,756
Vehicles	9	461
	<u>10,523</u>	<u>4,622</u>
Derecognition of right-of-use assets on closure of a foreign branch	398,169	-
	<u>408,692</u>	<u>4,622</u>
11 INTANGIBLE ASSETS	(Unaudited) (Audited)	
	March 31, 2020	December 31, 2019
	(Rupees in '000)	
Capital work-in-progress - computer software	1,067,554	1,016,808
Intangible assets	2,574,500	2,511,410
	<u>3,642,054</u>	<u>3,528,218</u>
11.1 Additions to intangibles assets	(Unaudited) For the three months ended	
	March 31, 2020	March 31, 2019
	(Rupees in '000)	
The following additions have been made to intangible assets during the period:		
Capital work-in-progress	50,746	177,302
Computer software	223,268	50,376
	<u>274,014</u>	<u>227,678</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

Note	(Unaudited) (Audited)	
	March 31, 2020	December 31, 2019
12 DEFERRED TAX ASSETS	(Rupees in '000)	
Deductible temporary differences on		
- Provision against investments	1,672,331	1,616,995
- Provision against doubtful debts and off-balance sheet obligations	4,228,458	4,158,485
- Liabilities written back under section 34(5) of the Income Tax Ordinance 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	162,374	150,674
	<u>8,051,958</u>	<u>7,812,114</u>
Taxable temporary differences on		
- Accelerated tax depreciation	(1,913,301)	(2,092,012)
- Surplus on revaluation of fixed assets	(1,154,944)	(1,161,940)
- Surplus on revaluation of investments	(6,144,822)	(2,284,604)
- Exchange translation reserve	(1,018,121)	(374,730)
	<u>(10,231,188)</u>	<u>(5,913,286)</u>
	<u>(2,179,230)</u>	<u>1,898,828</u>
13 OTHER ASSETS		
Mark-up / return / profit / interest accrued in local currency	37,594,166	49,739,889
Mark-up / return / profit / interest accrued in foreign currency	3,430,053	2,364,455
Advances, deposits, advance rent and other prepayments	2,363,308	1,882,477
Advance taxation	25,815,675	28,075,183
Advances against subscription of securities	5,275,994	5,246,000
Stationery and stamps on hand	114,571	77,106
Accrued fees and commissions	389,378	689,984
Due from Government of Pakistan / SBP	1,551,991	1,444,977
Mark to market gain on forward foreign exchange contracts	15,272,925	6,548,555
Mark to market gain on derivative instruments	77,133	54,454
Non-banking assets acquired in satisfaction of claims	468,704	468,719
Receivable from defined benefit plan	24,419	24,419
Branch adjustment account	2,776,581	789,446
Acceptances	25,245,052	22,771,310
Clearing and settlement accounts	3,205,868	12,636,565
Dividend receivable	327,368	-
Claims against fraud and forgeries	470,548	450,086
Others	642,745	494,268
	<u>125,046,479</u>	<u>133,757,893</u>
Provision held against other assets	(890,928)	(821,996)
Other assets- net of provision	<u>124,155,551</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>124,319,855</u>	<u>133,100,201</u>
13.1 Provision held against other assets		
Non-banking assets acquired in satisfaction of claims	7,008	7,023
Claims against fraud and forgeries	470,548	450,086
Suit filed cases	347,962	323,759
Others	65,410	41,128
	<u>890,928</u>	<u>821,996</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

	Note	(Unaudited) March 31, 2020	(Audited) December 31, 2019
13.1.1 Movement in provision against other assets			
Opening balance		821,996	923,201
Exchange adjustment		24,491	34,901
Charge for the period / year		32,626	139,759
Reversal for the period / year		(440)	(49,540)
Net charge		32,186	90,219
Written off during the period / year		(10,445)	(224,820)
Other movement		22,700	(1,505)
Closing balance		890,928	821,996
14 BILLS PAYABLE			
In Pakistan		28,932,490	28,344,335
Outside Pakistan		1,176,454	1,189,968
		30,108,944	29,534,303
15 BORROWINGS			
Secured			
Borrowings from the SBP under			
- Export refinance scheme		52,392,791	42,762,668
- Long term financing facility		21,106,685	18,474,945
- Financing facility for renewable energy power plants		837,609	831,448
- Refinance facility for modernization of Small and Medium Enterprises (SMEs)		22,921	28,743
- Refinance and Credit Guarantee Scheme for Women Entrepreneurs		25,615	2,400
- Financing facility for storage of agricultural produce		116,231	104,167
- Financing facility for working capital of SMEs		17,375	-
		74,519,227	62,204,371
Repurchase agreement borrowings		162,007,743	197,503,793
		236,526,970	259,708,164
Unsecured			
- Call money borrowings		325,000	4,900,000
- Overdrawn nostro accounts		1,029,806	100,623
- Borrowings of overseas branches		60,228,352	56,524,651
- Other long-term borrowings	15.1	73,224,600	60,838,074
		134,807,758	122,363,348
		371,334,728	382,071,512

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 A loan from the China Development Bank amounting to US\$ 180 million (December 31, 2019: US\$ 180 million). The principal amount is payable in six half yearly installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi annually.
- 15.1.3 HBL has entered into a long-term financing facility arrangement of US\$ 300 million with China Development Bank, to be utilized for on-lendings to projects of the Bank's customers. Under this facility, US\$ 109.250 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.

16 DEPOSITS AND OTHER ACCOUNTS

	March 31, 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	683,445,680	102,389,384	785,835,064	718,531,993	101,140,482	819,672,475
Savings deposits	862,593,660	90,947,316	953,540,976	904,288,563	84,593,001	988,881,564
Term deposits	249,263,859	114,521,943	363,785,802	255,854,893	104,894,494	360,749,387
	1,795,303,199	307,858,643	2,103,161,842	1,878,675,449	290,627,977	2,169,303,426
Financial institutions						
Current deposits	6,414,453	1,455,641	7,870,094	4,726,555	1,079,041	5,805,596
Savings deposits	138,763,322	14,912	138,778,234	123,858,010	18,008	123,876,018
Term deposits	357,350	205,008	562,358	2,001,790	912,256	2,914,046
	145,535,125	1,675,561	147,210,686	130,586,355	2,009,305	132,595,660
	1,940,838,324	309,534,204	2,250,372,528	2,009,261,804	292,637,282	2,301,899,086

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

		(Unaudited) March 31, 2020	(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

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 and subject to the following: (a) Prior approval of the SBP has been obtained; and (b) The Bank replaces the TFCs with capital of the same or better quality and the capital position of the Bank is above the minimum capital requirement after the Call Option is exercised.
Lock-in clause	Mark-up will only be paid from the current year's earnings and only if the Bank is in compliance with regulatory capital and liquidity requirements.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

18 OTHER LIABILITIES	Note	(Unaudited)	(Audited)
		March 31, 2020	December 31, 2019
(Rupees in '000)			
Mark-up / return / profit / interest payable in local currency		23,646,348	11,253,838
Mark-up / return / profit / interest payable in foreign currency		3,848,003	2,537,607
Security deposits		1,180,914	1,138,813
Accrued expenses		14,639,064	14,585,462
Mark to market loss on forward foreign exchange contracts		10,374,823	7,924,799
Mark to market loss on derivative instruments		2,163,846	1,708,824
Unclaimed dividends		657,021	405,966
Dividends payable		1,535,005	400,464
Provision for post retirement medical benefits		3,942,681	3,872,768
Provision for employees' compensated absences		2,601,119	2,644,978
Provision against off-balance sheet obligations	18.1	460,013	437,795
Acceptances		25,245,052	22,771,310
Provision for staff retirement benefits		1,118,302	1,063,338
Payable to defined benefit plans		612,270	577,964
Provision for Workers' Welfare Fund		5,380,466	5,220,295
Unearned income		4,429,682	3,777,028
Qarz-e-Hasna Fund		338,923	338,923
Levies and taxes payable		3,358,914	7,347,626
Insurance payable		774,955	645,817
Provision for rewards program expenses		1,349,936	1,249,725
Liability against trading of securities		4,348,640	7,883,792
Clearing and settlement accounts		1,021,427	2,037,252
Payable to HBL Foundation		199,702	158,202
Contingent consideration payable		500,000	500,000
Charity fund		10,930	10,375
Lease liability against right-of-use assets		12,084,956	12,861,471
Unclaimed deposits		698,778	670,374
Others		6,995,517	2,422,100
		<u>133,517,287</u>	<u>116,446,906</u>
18.1 Provision against off-balance sheet obligations			
Opening balance		437,795	479,510
Exchange adjustment		6,589	7,518
Charge for the period / year		74,709	53,677
Reversal for the period / year		(59,080)	(102,910)
Net charge / (reversal)		15,629	(49,233)
		<u>460,013</u>	<u>437,795</u>
19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) arising on revaluation of assets, on:			
- Fixed assets		22,217,197	22,235,136
- Available-for-sale securities	8.1	15,755,954	5,857,959
- Non-banking assets acquired in satisfaction of claims		164,304	164,304
		<u>38,137,455</u>	<u>28,257,399</u>
Deferred tax on surplus / (deficit) on revaluation of:			
- Fixed assets		1,154,944	1,161,940
- Available-for-sale securities		6,144,822	2,284,604
- Non-banking assets acquired in satisfaction of claims		-	-
		<u>7,299,766</u>	<u>3,446,544</u>
Surplus on revaluation of assets - net of tax		<u>30,837,689</u>	<u>24,810,855</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

20 CONTINGENCIES AND COMMITMENTS	Note	(Unaudited)	(Audited)
		March 31, 2020	December 31, 2019
(Rupees in '000)			
- Guarantees	20.1	191,783,131	151,961,169
- Commitments	20.2	721,296,101	822,473,567
- Other contingent liabilities	20.3	23,294,859	23,458,521
		<u>936,374,091</u>	<u>997,893,257</u>
20.1 Guarantees:			
Financial guarantees		63,716,929	35,102,960
Performance guarantees		114,661,420	108,417,670
Other guarantees		13,404,782	8,440,539
		<u>191,783,131</u>	<u>151,961,169</u>
20.2 Commitments:			
Trade-related contingent liabilities		109,317,807	110,535,832
Commitments in respect of:			
- forward foreign exchange contracts	20.2.1	522,000,871	569,780,600
- forward Government securities transactions	20.2.2	52,785,935	107,869,401
- derivatives	20.2.3	32,162,200	29,437,457
- forward lending	20.2.4	3,190,095	3,425,853
		<u>610,139,101</u>	<u>710,513,311</u>
Commitments for acquisition of:			
- fixed assets		995,007	661,877
- intangible assets		844,186	762,547
		<u>1,839,193</u>	<u>1,424,424</u>
		<u>721,296,101</u>	<u>822,473,567</u>
20.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		313,806,380	333,012,340
Sale		208,194,491	236,768,260
		<u>522,000,871</u>	<u>569,780,600</u>
20.2.2 Commitments in respect of forward Government securities transactions			
Purchase		45,611,277	45,771,399
Sale		7,174,658	62,098,002
		<u>52,785,935</u>	<u>107,869,401</u>
20.2.3 Commitments in respect of derivatives			
Cross Currency swaps			
Purchase		10,620,923	9,525,572
Sale		12,835,774	10,882,712
		<u>23,456,697</u>	<u>20,408,284</u>
Interest rate swaps			
Purchase		-	-
Sale		8,705,503	9,029,173
		<u>8,705,503</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		3,190,095	3,425,853

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 three months ended March 31, 2020

	(Unaudited) March 31, 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>23,294,859</u>	<u>23,458,521</u>

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

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 underway.

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.

21 DERIVATIVE INSTRUMENTS

Product Analysis

	March 31, 2020 (Unaudited)			
	Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market loss	Notional principal	Mark to market loss
	----- (Rupees in '000) -----			
Hedging	-	-	-	-
Market Making	23,456,697	(1,943,585)	8,705,503	(143,128)
	----- (Rupees in '000) -----			
	December 31, 2019 (Audited)			
	Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market loss	Notional principal	Mark to market loss

Hedging	-	-	-	-
Market Making	20,408,284	(1,232,477)	9,029,173	(421,893)

22 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	(Unaudited) For the three months ended	
	March 31, 2020	March 31, 2019
	(Rupees in '000)	
On:		
Loans and advances	32,050,300	25,582,667
Investments	35,359,176	18,673,101
Lendings to financial institutions	1,829,213	4,441,110
Balances with banks	583,758	227,016
	<u>69,822,447</u>	<u>48,923,894</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

Note	(Unaudited) For the three months ended	
	March 31, 2020	March 31, 2019
	(Rupees in '000)	
23 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		

On:

Deposits	33,488,130	21,891,199
Securities sold under repurchase agreement borrowings	4,498,463	2,681,647
Borrowings	2,176,562	1,942,365
Subordinated debt	818,656	241,894
Cost of foreign currency swaps against foreign currency deposits / borrowings	2,208,839	210,945
Lease liability against right-of-use assets	429,406	242,575
	<u>43,620,056</u>	<u>27,210,625</u>

24 FEE AND COMMISSION INCOME

Branch banking customer fees	1,114,063	985,852
Consumer finance related fees	320,413	254,807
Card related fees (debit and credit cards)	1,005,841	1,354,095
Credit related fees	132,417	189,519
Investment banking fees	320,572	682,071
Commission on trade related products and guarantees	716,476	597,609
Commission on cash management	181,899	166,523
Commission on remittances (including home remittances)	122,293	104,152
Commission on bancassurance	123,808	637,996
Commission on G2P payments	78,325	136,570
Merchant discount and interchange fees	537,624	411,140
Others	86,549	24,273
	<u>4,740,280</u>	<u>5,544,607</u>

Less: Sales tax / Federal Excise Duty on fee and commission income

	<u>(605,480)</u>	<u>(724,500)</u>
	<u>4,134,800</u>	<u>4,820,107</u>

25 GAIN / (LOSS) ON SECURITIES - NET

Realised	1,451,024	87,702
Unrealised - held-for-trading	794,615	14,306
	<u>2,245,639</u>	<u>102,008</u>

25.1 Gain / (loss) on securities - realised

On:		
Federal Government securities		
- Market Treasury Bills	301,717	105,392
- Pakistan Investment Bonds	1,344,329	(13,592)
- Ijarah Sukuks	(148,619)	(8,855)
Shares	58,185	(450,091)
Non-Government debt securities	-	(28,408)
Foreign securities	(14,905)	-
Associates	(89,683)	483,256
	<u>1,451,024</u>	<u>87,702</u>

26 OTHER (LOSS) / INCOME

Incidental charges	49,457	32,005
Exchange gain realised on reduction in capital of subsidiary	1,372,357	-
Exchange loss realised on closure of overseas branch	(1,887,208)	-
Gain on sale of fixed assets - net	15,444	7,349
Rent on properties	27,890	27,155
	<u>(422,060)</u>	<u>66,509</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

27 OPERATING EXPENSES	(Unaudited)	
	For the three months ended	
	March 31, 2020	March 31, 2019
	(Rupees in '000)	
Total compensation expense	8,764,262	7,087,641
Property expense		
Rent and taxes	559,888	220,961
Insurance	15,730	15,404
Utilities cost	395,928	363,490
Security (including guards)	444,582	395,126
Repair and maintenance (including janitorial charges)	540,756	456,638
Depreciation on owned fixed assets	722,553	657,521
Depreciation on right-of-use assets	722,428	597,072
	3,401,865	2,706,212
Information technology expenses		
Software maintenance	722,156	562,367
Hardware maintenance	180,414	98,947
Depreciation	436,367	305,220
Amortisation	162,047	99,946
Network charges	296,575	307,332
Consultancy charges	168,639	101,941
	1,966,198	1,475,753
Other operating expenses		
Legal and professional charges	945,288	1,192,405
Outsourced services costs	414,739	359,787
Travelling and conveyance	172,183	149,315
Insurance	128,785	158,015
Remittance charges	120,072	127,125
Security charges	379,947	294,428
Repairs and maintenance	197,712	143,137
Depreciation	180,496	153,833
Training and development	86,832	106,443
Postage and courier charges	175,886	107,902
Communication	180,055	141,906
Stationery and printing	402,647	353,121
Marketing, advertisement and publicity	1,999,781	1,370,493
Donations	128,450	34,136
Auditors' remuneration	34,095	39,349
Brokerage and commission	134,035	182,056
Subscription	37,099	26,067
Documentation and processing charges	659,908	427,625
Entertainment	68,986	71,772
Consultancy charges	1,881,505	2,142,413
Deposits insurance premium expense	559,191	522,608
Others	233,853	83,755
	9,121,545	8,187,691
	23,253,870	19,457,297

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

28 OTHER CHARGES	Note	(Unaudited)	
		For the three months ended	
		March 31, 2020	March 31, 2019
		(Rupees in '000)	
Penalties imposed by the State Bank of Pakistan		231,633	50,023
Penalties imposed by other regulatory bodies		565	629
		232,198	50,652
29 PROVISIONS / (REVERSALS) AND WRITE OFFS - NET			
Provision for diminution in value of investments	8.3	152,648	(162,631)
Provision against loans and advances	9.3	80,311	65,126
Provision against other assets	13.1.1	32,186	32,177
Provision / (reversal) against off-balance sheet obligations	18.1	15,629	(10,999)
Recoveries against written off / charged off bad debts		(96,832)	(80,555)
Recoveries against other assets written off		(42,613)	(31,394)
		141,329	(188,276)
30 TAXATION			
- Current		3,470,308	3,073,421
- Prior years		-	1,933,029
- Deferred		(425,552)	(10,899)
		3,044,756	4,995,551
31 BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the period		3,997,779	2,841,630
		(Number)	
Weighted average number of ordinary shares		1,466,852,508	1,466,852,508
		(Rupees)	
Basic and diluted earnings per share		2.73	1.94
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, 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 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 three months ended March 31, 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 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, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.
Fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these condensed interim unconsolidated financial statements.

32.1 Fair value of financial assets

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

As at March 31, 2020 (Unaudited)					
Carrying value	Level 1	Level 2	Level 3	Total	

On balance sheet financial instruments

Financial assets - measured at fair value

	Carrying value	Level 1	Level 2	Level 3	Total
Investments					
- Federal Government securities	1,140,921,855	-	1,140,921,855	-	1,140,921,855
- Shares - listed companies	4,789,229	4,789,229	-	-	4,789,229
- Non-Government debt securities - Listed	1,725,989	-	1,725,989	-	1,725,989
- Foreign securities					
Government debt securities	30,960,130	-	30,960,130	-	30,960,130
Non-Government debt securities					
- Listed	3,221,743	-	3,221,743	-	3,221,743
- Unlisted	350,946	-	350,946	-	350,946
- National Investment Trust units	30,647	-	30,647	-	30,647
- Real Estate Investment Trust units	51,100	51,100	-	-	51,100
	1,182,051,639	4,840,329	1,177,211,310	-	1,182,051,639

Financial assets - disclosed but not measured at fair value

	Carrying value	Level 1	Level 2	Level 3	Total
Investments					
- Federal Government securities	152,195,032	-	149,984,650	-	149,984,650
- Non-Government debt securities					
- Listed	5,428,532	-	5,428,532	-	5,428,532
- Unlisted	18,055,139	-	18,055,139	-	18,055,139
- Foreign securities					
Government debt securities	16,135,278	-	16,408,019	-	16,408,019
Non-Government debt securities					
- Listed	513,890	-	513,890	-	513,890
- Unlisted	417,190	-	417,190	-	417,190
- Associates and Joint venture	9,155,882	28,776,206	2,673,639	-	31,449,845
	201,900,943	28,776,206	193,481,059	-	222,257,265
	1,383,952,582	33,616,535	1,370,692,369	-	1,404,308,904

As at March 31, 2020 (Unaudited)					
Notional Value	Level 1	Level 2	Level 3	Total	

Off-balance sheet financial instruments - measured at fair value

	Carrying value	Level 1	Level 2	Level 3	Total
Commitments					
- Forward foreign exchange contracts	522,000,871	-	4,898,102	-	4,898,102
- Forward Government securities transactions	52,785,935	-	5,509	-	5,509
- Derivative instruments	32,162,200	-	(2,086,713)	-	(2,086,713)

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

On balance sheet financial instruments

Financial assets - measured at fair value

	As at December 31, 2019 (Audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
Investments					
- Federal Government securities	1,077,517,719	-	1,077,517,719	-	1,077,517,719
- 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	27,545,041	-	27,545,041	-	27,545,041
Non-Government debt securities					
- Listed	3,198,549	-	3,198,549	-	3,198,549
- 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
	1,117,092,225	6,715,979	1,110,376,246	-	1,117,092,225

Financial assets - disclosed but not measured at fair value

	Carrying value	Level 1	Level 2	Level 3	Total
Investments					
- Federal Government securities	167,722,486	-	158,832,106	-	158,832,106
- Non-Government debt securities					
- Listed	5,799,373	-	5,839,857	-	5,839,857
- Unlisted	18,146,759	-	18,146,759	-	18,146,759
- Foreign securities					
Government debt securities	7,371,115	-	7,615,906	-	7,615,906
Non-Government debt securities					
- Listed	510,542	-	510,542	-	510,542
- Unlisted	512,933	-	516,268	-	516,268
- Associates and Joint venture	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

	Carrying value	Level 1	Level 2	Level 3	Total
Commitments					
- Forward foreign exchange contracts	569,780,600	-	(1,376,244)	-	(1,376,244)
- Forward Government securities transactions	107,869,401	-	25,258	-	25,258
- Derivative instruments	29,437,457	-	(1,654,370)	-	(1,654,370)

32.2 Fair value of non-financial assets

As at March 31, 2020					
Carrying value	Level 1	Level 2	Level 3	Total	
Fixed assets	45,342,592	-	-	45,342,592	45,342,592
Non-banking assets acquired in satisfaction of claims	626,000	-	-	626,000	626,000
	45,968,592	-	-	45,968,592	45,968,592

As at December 31, 2019					
Carrying value	Level 1	Level 2	Level 3	Total	
Fixed assets	44,947,377	-	-	44,947,377	44,947,377
Non-banking assets acquired in satisfaction of claims	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 three months ended March 31, 2020 (Unaudited)						
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Head Office / Others	Total
Profit and loss account							
Net mark-up / return / profit / interest income	(16,438)	3,564	13,243	27,169	142	(1,478)	26,202
Inter segment revenue / (expense) - net	38,968	(1,475)	(10,896)	(30,304)	1,779	1,928	-
Non mark-up / interest income	1,174	1,750	853	3,109	760	(3,018)	4,628
Total income	23,704	3,839	3,200	(26)	2,681	(2,568)	30,830
Segment direct expenses	7,019	1,640	558	180	6,767	7,482	23,646
Inter segment expense allocation	4,507	362	377	65	1,629	(6,940)	-
Total expenses	11,526	2,002	935	245	8,396	542	23,646
Provisions - charge / (reversal)	13	110	(674)	142	571	(21)	141
Profit / (loss) before tax	12,165	1,727	2,939	(413)	(6,286)	(3,089)	7,043

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2020

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 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, other than those disclosed elsewhere in these unconsolidated financial statements, are as follows:

	As at March 31, 2020 (Unaudited)						
	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	-	-	13,961	374,812	-	960	-
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)	-	-	-
Exchange translation impact	-	-	-	265,682	-	-	(12,158)
Closing balance	-	-	-	17,230,705	9,276,448	135,665	4,763,445
Provision for diminution in value of investments	-	-	-	-	-	-	-
Advances							
Opening balance	-	293,212	3,853,355	52,035	1,375,000	-	7,924,625
Addition during the period	-	5,740	4,224,524	67,138	-	-	2,680,347
Repaid during the period	-	(22,837)	(4,044,262)	(49,069)	-	-	(15,212)
Transfer in - net	-	477	-	-	-	-	-
Closing balance	-	276,592	4,033,617	70,104	1,375,000	-	10,589,760
Provision held against advances	-	-	-	-	-	-	(1,726,437)
Other Assets							
Interest / mark-up accrued	-	837	30,339	104,717	47,574	-	460,657
Receivable from staff retirement fund	-	-	-	-	-	-	24,419
Other receivable	-	-	-	62	147,771	-	1,241
	-	837	30,339	104,779	195,345	-	486,317
Borrowings							
Opening balance	-	-	2,475,576	4,187,854	929,086	1,548,476	-
Borrowings during the period	-	-	1,921,916	2,071,973	1,007,336	1,678,895	-
Settled during the period	-	-	(1,560,334)	(5,259,105)	(936,200)	(1,560,334)	-
Closing balance	-	-	2,837,158	1,000,722	1,000,222	1,667,037	-
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	70,121	794,480	56,346,679	50,451,124	83,710,620	-	15,849,314
Withdrawn during the period	(51,971)	(662,541)	(56,503,312)	(49,989,259)	(83,713,452)	-	(15,884,729)
Transfer in - net	4,757	23,495	-	-	-	-	-
Closing balance	49,166	320,808	7,647,242	1,537,953	11,242,492	-	635,116
Other liabilities							
Interest / mark-up payable	5	3,094	62,312	6,806	34,779	6,710	1,648
Payable to staff retirement fund	-	-	-	-	-	-	612,270
Other payables	-	-	39,894	9,780	67,989	-	199,702
	5	3,094	102,206	16,586	102,768	6,710	813,620
Contingencies and Commitments							
Letter of credit	-	-	302,221	-	-	-	3,543,206
Letter of guarantee	-	-	129,559	12,475	-	-	3,185,301
Forward purchase of Government securities	-	-	29,951	-	-	-	446,338
Forward sale of Government securities	-	-	-	-	-	-	-
Interest rate swaps	-	-	1,080,503	-	1,375,000	-	-
	-	-	1,542,234	12,475	1,375,000	-	7,174,845
Others							
Securities held as custodians	-	15,735	6,506,575	-	36,068,565	-	8,825,455

As at March 31, 2020 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Head Office / Others	Total
(Rupees in million)							
Statement of financial position							
Cash and bank balances	149,857	-	975	64,180	62,941	-	277,953
Lendings to financial institutions	24,928	-	-	25,005	-	-	49,933
Inter segment lending	1,295,726	-	-	-	159,953	112,210	1,567,889
Investments	34,532	-	15,392	1,278,360	64,040	16,627	1,408,951
Advances - performing	274,916	59,937	559,759	-	168,097	13,851	1,076,560
Advances - non-performing	2,001	212	2,394	-	2,124	-	6,731
Others	26,597	755	35,135	28,165	11,089	101,212	202,953
Total assets	1,808,557	60,904	613,655	1,395,710	468,244	243,900	4,590,970
Borrowings	25,369	-	79,157	161,128	105,681	-	371,335
Subordinated debt	-	-	-	-	-	22,358	22,358
Deposits and other accounts	1,725,938	480	203,767	22	316,818	3,348	2,250,373
Inter segment borrowing	-	56,868	306,797	1,204,224	-	-	1,567,889
Others	39,256	3,556	23,934	17,728	15,481	65,850	165,805
Total liabilities	1,790,563	60,904	613,655	1,383,102	437,980	91,556	4,377,760
Equity	17,994	-	-	12,608	30,264	152,344	213,210
Total equity and liabilities	1,808,557	60,904	613,655	1,395,710	468,244	243,900	4,590,970
Contingencies and commitments	34,448	-	245,425	575,184	56,582	24,735	936,374

For the three months ended March 31, 2019 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Head Office / Others	Total
(Rupees in million)							
Profit and loss account							
Net mark-up / return / profit / interest income	(10,909)	2,900	11,381	17,751	1,514	(924)	21,713
Inter segment revenue / (expense) - net	27,760	(962)	(9,289)	(19,048)	249	1,290	-
Non mark-up / interest income	1,786	1,597	1,052	470	667	32	5,604
Total income	18,637	3,535	3,144	(827)	2,430	398	27,317
Segment direct expenses	6,626	1,063	414	157	5,098	6,310	19,668
Inter segment expense allocation	3,791	317	290	57	1,371	(5,826)	-
Total expenses	10,417	1,380	704	214	6,469	484	19,668
Provisions - charge / (reversal)	317	45	(335)	(252)	2	35	(188)
Profit / (loss) before tax	7,903	2,110	2,775	(789)	(4,041)	(121)	7,837

As at December 31, 2019 (Audited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent 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 three months ended March 31, 2020

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2020

For the three months ended March 31, 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	-	5,999	86,016	127,079	82,624	248,241
Fee and commission income	-	-	30,934	6,648	220,298	26,821
Dividend income	-	-	-	-	314,344	236,436
Loss from derivatives	-	-	(16,233)	(34,201)	(17,457)	-
Gain on sale of securities - net	-	-	-	-	-	-
Rent on properties	-	-	-	9,301	-	-
Other income	-	-	-	1,214	-	-
Expense						
Mark-up / return / profit / interest expensed	51	2,246	135,846	20,860	173,207	13,402
Operating expenses	-	-	-	-	-	-
Total compensation expense	-	337,751	-	-	-	228,785
Non-Executive Directors' fees	19,800	-	-	-	-	-
Insurance premium expense	-	-	-	-	283,442	-
Advertisement and publicity	-	-	87,750	-	-	-
Travelling	-	-	6,347	-	-	-
Subscription	-	-	-	-	-	11,728
Donation	-	-	76,950	-	-	41,500
Other expenses	-	-	-	-	-	54,588
Others						
Purchase of Government securities	-	-	32,169,380	-	6,813,099	886,411
Sale of Government securities	-	14,895	35,050,146	677,669	11,139,353	1,729,810
Purchase of foreign currencies	-	-	390,182	2,722,327	3,728	-
Sale of foreign currencies	-	-	877,862	937,351	17,100	2,532,942
Insurance claims settled	-	-	-	-	37,737	-
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	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 (out) - net	-	-	-	-	-	(165,450)
Closing balance	-	-	-	18,590,630	9,276,448	4,775,603
Provision for diminution in value of investments	-	-	-	-	-	-
Advances						
Opening balance	-	234,012	3,536,393	40,806	1,500,000	13,376,499
Addition during the year	-	112,263	5,302,656	56,271	-	350,666,752
Repaid during the year	-	(48,840)	(4,985,694)	(45,042)	(125,000)	(347,323,286)
Transfer (out) - net	-	(4,223)	-	-	-	(8,795,340)
Closing balance	-	293,212	3,853,355	52,035	1,375,000	7,924,625
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

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	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	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 three months ended March 31, 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	-	6,141	76,190	75,274	37,840	335,423
Fee and commission income	-	-	1	14,561	633,326	77
Dividend income	-	-	-	-	141	32,672
Foreign exchange loss	-	-	-	(42,709)	-	-
Loss from derivatives	-	-	(91,590)	-	(142,046)	-
Gain on sale of securities - net	-	-	-	-	483,256	-
Rent on properties	-	-	-	9,444	-	-
Other income	-	-	-	1,955	-	-
Expense						
Mark-up / return / profit / interest expensed	686	836	98,523	6,775	81,589	9,992
Operating expenses	-	-	-	-	-	-
Total compensation expense	-	285,612	-	-	-	223,071
Non-Executive Directors' fees	11,600	-	-	-	-	-
Insurance premium expense	-	-	-	-	273,357	-
Advertisement and publicity	-	-	8,470	-	-	759,873
Travelling	-	-	15,085	-	-	-
Subscription	-	-	-	-	-	5,186
Donation	-	-	-	-	-	34,136
Other expenses	-	-	-	277	-	-
Provision for diminution in value of investments	-	-	-	-	-	3,929
Others						
Purchase of Government securities	-	-	34,312,314	-	6,436,859	27,763,285
Sale of Government securities	-	7,996	50,469,440	-	9,254,045	34,138,131
Purchase of foreign currencies	15,863	-	498,325	1,804,431	2,763	3,597
Sale of foreign currencies	-	-	576,238	945,127	19,500	1,671,885
Insurance claims settled	-	-	-	-	117,516	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the three months ended March 31, 2020

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Unaudited) March 31, 2020	(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	146,757,741	142,980,287
Eligible Additional Tier 1 (ADT 1) Capital	12,040,634	12,270,890
Total Eligible Tier 1 Capital	158,798,375	155,251,177
Eligible Tier 2 Capital	43,995,057	38,318,243
Total Eligible Capital (Tier 1 + Tier 2)	202,793,432	193,569,420
Risk Weighted Assets (RWAs):		
Credit Risk	902,935,629	866,844,689
Market Risk	105,284,374	98,801,011
Operational Risk	168,054,363	168,054,363
Total	1,176,274,366	1,133,700,063
Common Equity Tier 1 Capital Adequacy ratio	12.48%	12.61%
Tier 1 Capital Adequacy Ratio	13.50%	13.69%
Total Capital Adequacy Ratio	17.24%	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 buffer requirement	2.00%	2.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)	6.48%	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	158,798,375	155,251,177
Total Exposures	3,425,324,547	3,417,160,879
Leverage Ratio (%)	4.64%	4.54%
Minimum Requirement (%)	3.00%	3.00%
Liquidity Coverage Ratio (LCR)		
Average High Quality Liquid Assets	1,149,525,536	906,731,376
Average Net Cash Outflow	481,566,532	585,290,046
Liquidity Coverage Ratio (%)	238.71%	154.92%
Minimum Requirement (%)	100.00%	100.00%
Net Stable Funding Ratio (NSFR)		
Total Available Stable Funding	2,306,952,666	2,354,284,645
Total Required Stable Funding	1,398,263,034	1,337,084,320
Net Stable Funding Ratio (%)	164.99%	176.08%
Minimum Requirement (%)	100.00%	100.00%

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the three months ended March 31, 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

Cash and balances with treasury banks	34,065,676	17,113,303
Balances with other banks	-	-
Due from financial institutions	24,927,626	20,489,184
Investments	35,933,326	33,594,111
Islamic financing and related assets - net	122,154,358	153,117,099
Fixed assets	822,018	862,149
Intangible assets	-	-
Due from Head Office	8,016,015	40,224,245
Deferred tax assets	-	18,126
Other assets	10,576,158	10,709,190
	236,495,177	276,127,407

LIABILITIES

Bills payable	8,699	18,048
Due to financial institutions	13,099,035	10,780,192
Deposits and other accounts	197,233,673	242,548,177
Due to Head Office	-	-
Subordinated debt	-	-
Deferred tax liabilities	34,147	-
Other liabilities	8,125,976	6,073,627
	218,501,530	259,420,044

NET ASSETS

REPRESENTED BY

Islamic Banking Fund	250,000	250,000
Reserves	-	-
Surplus / (deficit) on revaluation of investments - net of tax	53,409	(28,352)
Unappropriated profit	17,690,238	16,485,715
	17,993,647	16,707,363

Contingencies and commitments

PROFIT AND LOSS ACCOUNT

Profit / return earned	5,827,951	3,915,761
Profit / return expensed	3,095,614	1,854,361
Net profit / return	2,732,337	2,061,400

Other (loss) / income

Fee and commission income	146,255	152,288
Dividend income	-	-
Foreign exchange (loss) / income	(24,984)	6,503
Income from derivatives	-	-
Loss on securities- net	(168,467)	(9,767)
Others	2,218	1,971
Total other (loss) / income	(44,978)	150,995

Total income

Other expenses

Operating expenses	595,333	503,269
Workers' Welfare Fund	40,301	34,137
Other charges	220	-
Total other expenses	635,854	537,406
Profit before provisions	2,051,505	1,674,989
Provisions and write offs - net	76,737	2,284
Profit before taxation	1,974,768	1,672,705
Taxation	770,245	652,355
Profit after taxation	1,204,523	1,020,350

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

	(Unaudited) March 31, 2020	(Audited) December 31, 2019						
36.1 Due from Financial Institutions								
Unsecured	4,650,000	-						
Bai Muajjal Receivable from State Bank of Pakistan	5,257,577	20,489,184						
Bai Muajjal Receivable from other financial institutions	15,020,049	-						
	<u>24,927,626</u>	<u>20,489,184</u>						
36.2 Investments by segments								
	March 31, 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	6,680,195	-	87,555	6,767,750	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
	17,474,195	-	87,555	17,561,750	15,461,551	-	(46,478)	15,415,073
Non-Government debt securities								
-Listed	3,248,637	-	-	3,248,637	3,564,480	-	-	3,564,480
-Unlisted	15,122,939	-	-	15,122,939	14,614,558	-	-	14,614,558
	18,371,576	-	-	18,371,576	18,179,038	-	-	18,179,038
Total Investments	<u>35,845,771</u>	<u>-</u>	<u>87,555</u>	<u>35,933,326</u>	<u>33,640,589</u>	<u>-</u>	<u>(46,478)</u>	<u>33,594,111</u>
		(Unaudited) March 31, 2020	(Audited) December 31, 2019					
		(Rupees in '000)						
36.3 Islamic financing and related assets - net								
Ijarah		2,070,920	2,171,508					
Murabaha		977,805	1,095,324					
Diminishing Musharakah		47,181,826	83,342,719					
Wakalah		10,000,000	10,000,000					
Istisna		749,570	-					
Tijarah		15,000	-					
Islamic Home Financing		860,035	770,666					
Running Musharakah		18,501,408	16,085,686					
Advance for Ijarah		196,916	276,530					
Advance for Murabaha		4,864,182	973,239					
Advance for Diminishing Musharakah		6,878,222	6,295,175					
Advance for Istisna		27,780,837	26,191,522					
Advance for Salam		599,216	400,000					
Inventories against Tijarah		473,647	293,209					
Inventories against Murabaha		227,135	3,808,372					
Inventories against Istisna		556,775	1,615,548					
Inventories against Salam		500,000	-					
Islamic financing and related assets - gross		122,433,494	153,319,498					
Provision against Islamic financing and related assets								
-Specific		(257,904)	(183,056)					
-General		(21,232)	(19,343)					
		(279,136)	(202,399)					
Islamic financing and related assets - net of provision		<u>122,154,358</u>	<u>153,117,099</u>					
36.4 Due to financial institutions								
Unsecured acceptance of funds		-	2,500,000					
Acceptances from the SBP under Islamic Export Refinance Scheme		9,395,273	5,409,205					
Acceptances from the SBP under Islamic Long Term Financing Facility		3,703,762	2,870,987					
		<u>13,099,035</u>	<u>10,780,192</u>					

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020

	Note	(Unaudited) March 31, 2020	(Audited) December 31, 2019
36.5 Deposits and other accounts			
Customers			
Current deposits		56,046,388	53,090,383
Savings deposits		94,584,248	108,120,718
Term deposits		12,443,538	14,648,767
		<u>163,074,174</u>	<u>175,859,868</u>
Financial Institutions			
Current deposits		347,437	302,467
Savings deposits		33,760,016	65,183,796
Term deposits		52,046	1,202,046
		<u>34,159,499</u>	<u>66,688,309</u>
		<u>197,233,673</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		1,974,768	8,845,722
Less: Taxation		(770,245)	(3,451,394)
Closing Balance		<u>17,690,238</u>	<u>16,485,715</u>
36.7 Contingencies and commitments			
- Guarantees	36.7.1	1,145,366	593,721
- Commitments	36.7.2	31,991,304	17,180,683
		<u>33,136,670</u>	<u>17,774,404</u>
36.7.1 Guarantees			
Financial Guarantees		107,121	-
Performance guarantees		372,282	308,988
Other guarantees		665,963	284,733
		<u>1,145,366</u>	<u>593,721</u>
36.7.2 Commitments			
Trade-related contingent liabilities		4,068,841	3,456,851
Commitments in respect of forward foreign exchange contracts	36.7.2.1	27,922,463	13,723,832
		<u>31,991,304</u>	<u>17,180,683</u>
36.7.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		14,835,019	7,721,565
Sale		13,087,444	6,002,267
		<u>27,922,463</u>	<u>13,723,832</u>
36.8 Profit / return earned			
		(Unaudited) For the three months ended	
		March 31, 2020	March 31, 2019
		(Rupees in '000)	
		(Restated)	
On:			
Financing		3,737,797	2,372,516
Investments		1,252,191	1,173,051
Placements		837,963	370,194
		<u>5,827,951</u>	<u>3,915,761</u>
36.9 Profit / return expensed			
On:			
Deposits and other accounts		2,988,557	1,482,584
Due to financial institutions		60,540	341,243
Cost against foreign currency deposits for Wa'ad based transactions		21,534	15,380
Lease liability against right-of-use assets		24,983	15,154
		<u>3,095,614</u>	<u>1,854,361</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2020

37 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

37.1 The Board of Directors in its meeting held on April 22, 2020 has declared a cash dividend of Rs 1.25 per share in respect of the quarter ended March 31, 2020 (March 31, 2019: Rs 1.25 per share). These condensed interim unconsolidated financial statements do not include the effect of this appropriation which will be accounted for subsequent to the period end.

38 DATE OF AUTHORISATION FOR ISSUE

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

Salim Raza
Director

Salim Yahya Chinoy
Director

Dr. Najeeb Samie
Director

