



HABIB BANK
حیب بینک

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building,
Stock Exchange Road,
Karachi

April 29, 2019

Dear Sir,

Transmission of Quarterly Report for the First Quarter Ended March 31, 2019

We have to inform you that the Quarterly Report of Habib Bank Limited for the first quarter ended March 31, 2019 have been transmitted through PUCARS and is also available on the Bank's website.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours faithfully,

Neelofar Hameed
Company Secretary

CC:

1. Management Executive (Enforcement), Securities & Exchange Commission of Pakistan, NIC Building, 63 Jinnah Avenue, Islamabad (with 3 printed copies of the Quarterly Report of the Bank for the first quarter ended March 31, 2019)
2. The Registrar, Company Registration Office, State Life Building 7, Jinnah Avenue, Blue Area, Islamabad (with 3 printed copies of the Quarterly Report of the Bank for the first quarter ended March 31, 2019)
3. The Director, Banking Policy & Regulation Department, State Bank of Pakistan, I.I. Chundrigar Road, Karachi (with 3 printed copies of the Quarterly Report of the Bank for the first quarter ended March 31, 2019)

Habib Bank Limited
Corporate Secretariat
(Registered Office)
9th Floor,
Habib Bank Tower,
Jinnah Avenue, Blue
Area, Islamabad

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HBL

A hand is shown at the bottom of the frame, with the index finger touching a glowing blue circular interface. The interface has a complex, futuristic design with concentric circles and a central fingerprint scan pattern. The background is dark, and the overall aesthetic is high-tech and digital.

SHAPING THE FUTURE
QUARTERLY REPORT
MARCH 31, 2019

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CORPORATE INFORMATION

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Shaffiq Dharamshi
Director

Mr. Moez Ahamed Jamal
Director

Ms. Sadia Khan
Director

Mr. Salim Raza
Director

Dr. Najeel Samie
Director

Mr. Agha Sher Shah
Director

Mr. Muhammad Aurangzeb
President & CEO

Chief Operating Officer
Mr. Sagheer Mufti

Chief Financial Officer
Mr. Raymond Kotwal

Company Secretary
Ms. Neelofar Hameed

Legal Advisors
Mandviwalla and Zafar
Legal Consultants and Advocates

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Share Registrar

Central Depository Company of Pakistan Limited
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal
Karachi – 74400, Pakistan
Tel: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
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HBL Corporate Secretariat

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Head Office

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

Registered Office


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Phone: (92-51) 2270856, (92-51) 2821183
Fax: (92-51) 2872205

Websites:

Corporate Website:
www.hbl.com

Internet Banking:

www.hblbank.com.pk

The background is a dark teal color with abstract digital patterns. In the upper half, there are vertical lines of varying heights, some topped with binary digits (0s and 1s), resembling a stylized binary tree or data flow. In the lower half, there are intricate, glowing circuit-like patterns that look like a microscopic view of a microchip or a complex network of data paths.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Directors' Review

On behalf of the Board of Directors, we are pleased to present the condensed interim consolidated financial statements for the quarter ended March 31, 2019.

Domestic Economy

Pakistan's economy is on course for a slowdown with FY'19 GDP growth projected to fall to around 3.5%. Agriculture growth has been impacted by water shortages and a resultant shortfall in the cotton and wheat crops. Meanwhile, the Large-Scale Manufacturing Index declined by 2.3% during 7MFY'19 as investment sentiment among corporate entities has been subdued because of uncertainty over the IMF programme and lack of policy direction. The deceleration has also been partly a deliberate attempt to dampen domestic demand necessitated by the overheating of the economy – evidenced by a 43% increase in private sector credit offtake during 9MFY'19, a period in which interest rates increased by 425 bps – as a result of several years of a relaxed monetary policy and lack of structural reform.

Import containment efforts have had some success, with imports for 9MFY'19 declining by 4.9%. As a result, despite a slight decline in exports, the trade deficit has reduced by 7.7%. The bright spot has been home remittances, which increased by 9% to USD 16.1 billion for 9MFY'19. The combination of a lower trade deficit and higher remittances resulted in the current account deficit narrowing by nearly 30% over the same period last year, to USD 9.6 billion.

Headline CPI touched 9.4% in March 2019, a 5-year high, averaging 6.8% for 9MFY'19 compared to an average of 3.8% in the same period of FY'18. The downward adjustment in the Rupee – which was long overdue – has been a major contributing factor to the rise in inflation.

The Government has managed to stem the falling FX reserves by signing medium-term funding arrangements with friendly countries. Nevertheless, with less than three months of import cover and mounting external debt repayments, Fitch Ratings and S&P both downgraded the country's rating from 'B' to 'B-', in December 2018 and February 2019 respectively.

The fiscal deficit during 1H FY'19 rose to 2.7% of GDP compared to 2.2% in the same period of last year and most projections are for the FY'19 fiscal deficit to be in the 7% range. While the import slowdown has narrowed the trade deficit, it has simultaneously adversely affected revenue collection as 50% of tax receipts are in the form of indirect measures including import tariffs. Additionally, despite the Government's deep cuts in development spending, rising interest rates have exacerbated the debt servicing cost.

The Government is expected to reach an agreement with the IMF on a stabilization package in Q2 2019. The negotiations – which commenced in Q3 2018 – have been arduous and protracted and appear to reflect key differences around the implementation of deep-rooted structural reform which the IMF deems necessary for returning the country to a balanced and sustainable growth trajectory. Key issues include the restructuring of loss-making Public Sector Enterprises, a widening of the tax net and decisively addressing the chronic circular debt.

Monetary tightening continues with the SBP raising rates by 75bps during the quarter. Total industry deposits grew by 0.8% during the first quarter of 2019, while advances remained flat to December 2018 levels. With the pickup in rates and loan repricing, banking system spreads for the first two months of the year have risen by 64 bps over 2M'18 as improvements in lending yield have outpaced relatively contained deposit cost.

Performance

HBL recorded a Profit before Tax of Rs 8.4 billion for the first quarter of 2019, an increase of 14% over the same period of last year. However, with the retrospective imposition of Super Tax on 2017 earnings, profit after tax for Q1'19 is Rs 3.2 billion, compared to Rs 4.7 billion for Q1'18. However, despite the additional tax impact, PAT for Q1'19 is 26% higher than in the previous quarter with earnings per share for Q1'19 at Rs 2.08.

HBL's key business drivers remain on a positive trajectory. Total domestic deposits increased by 2.0%, crossing Rs. 1.9 trillion, with growth in all categories. The market share thus improved to 14.3% with a strong CASA ratio of 85.1%. Domestic advances remained flat to December 2018 levels as seasonal declines in certain businesses were offset by growth in others. Overseas advances rose by nearly 8%; HBL's total net advances thus increased by 1% over December 2018.

Average domestic deposits rose by Rs 120 billion (7.2%) over Q1'18 with a Rs 66 billion growth in average domestic current accounts improving the deposit mix. Average domestic loans grew by 28.1% (nearly Rs 200 billion). The strong business growth was supplemented by a 71 bps improvement in Net Interest Margin – the full flow-through of the 2018 interest rate increases into loan re-pricing and the rollover of maturing investments at higher rates resulted in a significant increase in earning asset yields while the improved current account mix contained growth in the cost of funds. With the rebuilding of international balance sheets, net interest income in the overseas businesses also increased by 13% over the first quarter of 2018. The Bank's total net interest income for Q1'19 thus grew by 19% over Q1'18, to Rs 23.4 billion.

Non mark-up income remained robust, increasing by 22% YoY to Rs 6.6 billion as the lower rupee devaluation reduced the revaluation loss on the Bank's external borrowings by Rs 0.6 billion. Fee income has grown by 18%, to Rs 5.3 billion, as a strong performance from the investment banking business, supported by growth in card and trade related fees, all contributed to the increase. Core FX income improved by 32% to Rs 1 billion due to one-time gains resulting from an increase in arbitrage spreads.

HBL's investments in people and technology will continue. The Bank continues its transformation journey to ensure that it does the right kind of business as a responsible member of the global clearing system. In addition, the Bank has accelerated the pace of its remediation efforts in NY. Despite an increase in headline administrative expenses for Q1'19 to Rs 21.4 billion, the growth of the underlying business has enabled the Bank to reduce its domestic cost / income ratio by 150bps from prior year levels, to 56.8%. Recoveries showed a strong performance in Q1'19; however, weakness in some borrowers and aging of previously provided names resulted in a small net charge of Rs 0.1 billion. With a reversal of previous impairment on investments, total provisions for the quarter recorded a reversal of Rs 0.1 billion.

Movement of Reserves

	Rs million
Unappropriated profit brought forward	101,606
Profit attributable to equity holders of the Bank	3,054
Share of re-measurement loss on defined benefit obligations of associate - net	(3)
Transferred from surplus on revaluation of assets – net of tax	13
	3,065
Profit available for appropriations	104,671
Appropriations	
Transferred to statutory reserves	(356)
Cash dividend – Final 2018	(1,834)
	(2,189)
Unappropriated profit carried forward	102,482
Earnings per share (Rs)	2.08

Capital Ratios

HBL has been designated by the SBP as a Domestic Systemically Important Bank (D-SIB) and placed in category C, the highest currently in use. This requires the Bank to maintain an additional Common Equity Tier 1 (CET1) of 2% in the form of a Higher Loss Absorbency surcharge, effectively meaning that all its Capital Adequacy Ratio (CAR) requirements – CET 1, Tier 1 and Total – stand increased by 2% as of March 31, 2019.

The consolidated CET 1 and Tier 1 CAR were maintained at the December 2018 level of 12.0%. However, as a result of the increased CET 1 requirements, the headroom in this ratio has reduced, thus rendering some of the Tier II capital ineligible. Total Consolidated CAR has thus reduced to 15.4% but remains well above the requirement of 13.9%.

Dividend

The Board of Directors, in its meeting held on April 24, 2019 has declared an interim cash dividend of Rs 1.25 per share (12.50%) for the quarter ended March 31, 2019.

Future Outlook

Pakistan's twin deficits problem has returned in full force and the combined deficit is expected to remain in double digits for FY'19. The dilemma of higher interest rates which stem inflation but negatively impact debt servicing, implies that a protracted and difficult adjustment period – involving growth at below long-term trends – is a real possibility. A way out of this quandary would appear to be a successful implementation of an IMF programme – which would lead to a rise in investor confidence and enhanced capital inflows from international donors – as long as this is accompanied by real structural reform to drive productive investment and reduce leakages in the economy.

Equally importantly, efforts must be intensified to capitalize on the good work done under Phase I of the CPEC programme, which has already started to improve the physical infrastructure of the country. It will now be critical to establish industries that leverage this infrastructure and develop export capability to put the country on a path to sustainable growth.

HBL's results for the first quarter of 2019 are encouraging and provide validation of the work done over the previous year. As a Technology Company with a Banking License, the Bank will accelerate its digital ambitions to transform the way it deals with customers through innovative, customer-centric products and channels. The Bank's market leading mobile app and internet banking platform have nearly 0.9 million users, the highest in the market. HBL remains committed to and is being recognized for its progress in women empowerment and financial inclusion for all. HBL Konnect continues its strong growth with 2.4 million accounts opened to date, 24% of them by women. HBL continues to strive to improve its service quality and efforts in this area will be stepped up. HBL is inextricably linked with sports in the country and, in Q1'19, reiterated this commitment by renewing its title sponsorship of the highly successful HBL PSL, playing a direct contributory role in the return of cricket to Pakistan. The Bank recognizes that it has a responsibility to play a leading role in the development of all sectors of the economy and, with its unmatched franchise, is well positioned to make a meaningful contribution to the country.

Appreciation and Acknowledgement

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

We are indebted to our customers, 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. We would also like to thank our employees and their families for their dedication and their tireless efforts towards the growth of HBL.

On behalf of the Board

Muhammad Aurangzeb
President & Chief Executive Officer

Moez Ahamed Jamal
Director

April 24, 2019

ڈائریکٹرز کا جائزہ

ہمیں بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2019ء کو ختم ہونے والی سہ ماہی کی مختصر عبوری مجموعی مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس ہو رہی ہے۔

ملکی معیشت

پاکستان کی معیشت سست روی کا شکار ہے، جبکہ مالی سال 2019ء کے لیے GDP میں اضافہ لگ بھگ 3.5% کم رہنے کی توقع ہے۔ پانی کی قلت نے زری شعبے کو متاثر کیا ہے جس کے نتیجے میں کپاس اور گندم کی فصلوں میں کمی کا سامنا ہے۔ اسی دوران میں، IMF پروگرام سے متعلق غیر یقینی اور پالیسی کے بے سمت ہونے کی وجہ سے کارپوریٹ اداروں کے درمیان سرمایہ کاری کے رجحان میں کمی سے، مالی سال 2019ء کے 7 مہینوں میں بڑے پیمانے کی اشیا سازی (LSM) میں 2.3% تک تخفیف ہوئی۔ کچھ حد تک یہ سست رفتاری مقامی طلب کی حوصلہ شکنی کی دانستہ کوشش بھی ہے جو، کئی سالوں سے سست رو مالیاتی پالیسی اور بنیادی ڈھانچے میں اصلاحات کے فقدان کے نتیجے میں، بد حال معیشت کے پیش نظر لازمی تھی، جس کا مشاہدہ مالی سال 2019ء کے 9 مہینوں کے دوران نجی شعبے میں کریڈٹ کی طلب میں 43% اضافے کی صورت میں کیا گیا، جبکہ اس عرصے کے دوران شرح سود میں 425 بی پی ایس کا اضافہ ہوا۔

درآمدات محدود کرنے کی کوششوں میں کچھ کامیابی حاصل ہوئی، اور مالی سال 2019ء کے 9 ماہ میں درآمدات میں 4.9% تک کمی دیکھی گئی۔ نتیجتاً، برآمدات میں معمولی تخفیف کے باوجود، تجارتی خسارے میں 7.7% تک کمی واقع ہوئی۔ ایک روشن پہلو ترسیلات زر رہی ہیں جو مالی سال 2019ء کے 9 مہینوں میں 9% اضافے کے ساتھ 16.1 ارب امریکی ڈالر تک پہنچ گئیں۔ کم تر تجارتی خسارے اور بلند تر ترسیلات زر کے امتزاج کے نتیجے میں کرنٹ اکاؤنٹ کا خسارہ کم ہو کر 9.6 ارب امریکی ڈالر رہ گیا، جو گزشتہ سال کے اسی دورانیے کے مقابلے میں تقریباً 30% تک کم ہے۔

عمومی صارف اشاریہ قیمت (CPI) مارچ 2019ء میں 9.4% تک پہنچی، جو 5 سالوں میں بلند ترین ہے۔ مالی سال 2019ء کے 9 مہینوں میں یہ اضافہ اوسطاً 6.8% رہا، جبکہ مالی سال 2018ء کے اسی دورانیے میں یہ اضافہ اوسطاً 3.8% تھا۔ روپے کی قدر میں کمی نے، جو طویل عرصے سے التوا کا شکار تھی، افراط زر میں اضافے میں نمایاں کردار ادا کیا۔

دوست ممالک کے ساتھ متوسط المیعاد سرمائے کے معاہدوں پر دستخط کے ذریعے، حکومت زر مبادلہ کے کم ہوتے ہوئے ذخائر پر بند باندھنے میں کامیاب رہی۔ اس کے باوجود، تین مہینوں سے بھی کم کے درآمدی سرمائے اور بیرونی قرضوں کی واپس ادائیگی کے کوہ گراں کے باعث، Fitch، S&P اور دیگر بینکنگ ایجنسیوں نے بالترتیب دسمبر 2018ء اور فروری 2019ء میں ملک کی ریٹنگ 'B' سے گھٹا کر 'B-' کر دی۔

مالی سال 2019ء کی پہلی ششماہی میں مالی خسارہ بڑھ کر GDP کا 2.7% ہو گیا جو پچھلے سال اس عرصے کے دوران 2.2% تھا اور غالب امکانات یہی ہیں کہ مالی سال 2019ء کا مالی خسارہ 7% تک ہو گا۔ اگرچہ درآمدات میں کمی نے تجارتی خسارے کو گھٹایا ہے، لیکن ساتھ ہی محصولات کی وصولی پر بھی مخالف اثر ڈالا ہے کیونکہ 50% ٹیکس وصولی بالواسطہ اقدامات بشمول درآمدی نرخ ناموں کی صورت میں ہوتی ہے۔ علاوہ ازیں، حکومت کی جانب سے ترقیاتی اخراجات میں بڑی کٹوتیوں کے باوجود بلند شرح سود نے قرضوں کی سروس لاگت میں انتہائی اضافہ کر دیا ہے۔

توقع ہے کہ حکومت 2019ء کی دوسری سہ ماہی میں IMF کے ساتھ استحکام کے پیکیج سے متعلق کسی معاہدے پر پہنچ جائے گی۔ 2018ء کی تیسری سہ ماہی میں شروع ہونے والی بات چیت خاصی کٹھن اور طویل ثابت ہوئی ہے اور گہری سطح تک ساختی اصلاحات کے نفاذ سے متعلق کلیدی اختلافات کی عکاس دکھائی دیتی ہے، جو IMF کے مطابق ملک کو متوازن اور پائیدار ترقی کی راہ پر دوبارہ گامزن کرنے کے لیے ضروری ہیں۔ ان کلیدی مسائل میں خسارے کا شکار پبلک سیکٹر انٹرپرائزز کی تعمیر نو، ٹیکس کا دائرہ کار وسیع کرنا اور دیرینہ گردشی قرضے سے فیصلہ کن انداز میں غنما شامل ہے۔

ذخائر میں اتار چڑھاؤ

ملین روپے

101,606

3,054

(3)

13

3,065

104,671

افتتاحی غیر تخصیص شدہ منافع

بینک لیکویٹی کے حامل افراد کے لیے قابل ادائیگی منافع

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

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

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ - حتمی 2018

(356)

(1,834)

(2,189)

102,482

2.08

اختتامی غیر تخصیص شدہ منافع

فی حصص آمدنی (روپے)

سرمائے کا تناسب

SBP کی جانب سے HBL کو ملکی نظام کا اہم بینک (D-SIB) نامزد کیا گیا ہے اور درجہ 'C' میں رکھا گیا ہے جو اس وقت زیر استعمال سب سے بلند درجہ ہے۔ یہ بینک سے تقاضا کرتا ہے کہ بلند تر نقصان برداشت کرنے کے لئے CET 1 کا 2% سرچارج رکھا جائے، جس کے نتیجے میں اس کی تمام کیپٹل ایڈیکوئیسی ریشو (CAR) کی شرائط، CET 1، Tier 1 اور مجموعی میں 31 مارچ 2019ء کو 2% اضافہ ہو گیا ہے۔

مجموعی CET 1 اور Tier 1 CAR دسمبر 2018ء کی سطح یعنی 12.0% پر برقرار ہیں۔ البتہ، CET 1 کی شرائط میں اضافے کے نتیجے میں، اس تناسب کی اضافی گنجائش میں کمی واقع ہوئی، چنانچہ Tier II کا بعض سرمایہ غیر موثر ہو گیا۔ نتیجتاً کل مجموعی CAR کم ہو کر 15.4% ہو گئی البتہ 13.9% کی شرط سے خاصی بلند ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 24 اپریل 2019ء کو منعقد ہونے والے اپنے اجلاس میں 31 مارچ 2019ء کو اختتام پذیر ہونے والی سہ ماہی کے لیے فی حصص 1.25 روپے (12.50%) کے عبوری منافع منقسمہ کا اعلان کیا ہے۔

مستقبل کی صورت حال

پاکستان کے جڑواں خساروں کا مسئلہ اپنی بھرپور قوت کے ساتھ لوٹ چکا ہے اور مالی سال 2019ء کا مجموعی مالی خسارہ دہرے ہندسوں ہی میں رہنے کی توقع ہے۔ بلند شرح سود کے ساتھ دہری مشکل یہ ہے کہ وہ افراط زر کو تو روکتا ہے، مگر قرضہ جاتی سروسز پر منفی اثرات مرتب کرتا ہے، اور اس سے ظاہر

SBP نے مالیاتی پالیسی میں سختی کو جاری رکھتے ہوئے اس سہ ماہی کے دوران ریٹ میں 75 بی پی بلس کا اضافہ کیا۔ 2019ء کی پہلی سہ ماہی کے دوران مجموعی شعبے کے ڈپازٹس میں 0.8% تک اضافہ ہوا، جبکہ قرضہ جات دسمبر 2018ء کی سطح پر ہی رہے۔ ریٹ میں اضافے اور قرضوں کی قیمت پر نظر ثانی سے، سال کے ابتدائی دو مہینوں میں بینکاری سسٹم اسپریڈز 2018ء کے دو مہینوں کے مقابلے میں 64 بی پی بلس زیادہ رہے، چونکہ قرضہ جات کے منافع نے نسبتاً محدود ڈپازٹ لاگت کو پیچھے چھوڑ دیا ہے۔

کارکردگی

HBL نے 2019ء کی پہلی سہ ماہی میں 8.4 ارب روپے قبل از محصول منافع حاصل کیا جو گزشتہ سال اسی عرصے کے مقابلے میں 14% زائد ہے۔ البتہ، 2017ء کی کمائی پر ماضی سے عائد کردہ سپر ٹیکس کے بعد، 2019ء کی پہلی سہ ماہی کا بعد از محصول منافع 3.2 ارب روپے رہا، جبکہ 2018ء کی پہلی سہ ماہی میں یہ 4.7 ارب روپے تھا۔ البتہ، اضافی محصول کے اثرات کے باوجود، 2019ء کی پہلی سہ ماہی کا بعد از محصول منافع گزشتہ سہ ماہی کے مقابلے میں 26% زیادہ ہے اور 2019ء کی پہلی سہ ماہی کے لیے فی حصص آمدنی 2.08 روپے رہی۔

HBL کے کلیدی کاروباری محرکات مثبت سمت میں سفر جاری رکھے ہوئے ہیں۔ مجموعی ملکی ڈپازٹس، تمام شعبوں میں نمو کے ساتھ، 2.0% اضافے سے 1.9 کھرب سے تجاوز کر گئے۔ چنانچہ 85.1% کے مضبوط CASA تناسب کے ساتھ مارکیٹ شیئر مزید بہتر ہو کر 14.3% ہو گیا۔ بعض کاروباروں میں عارضی کمی اور بعض میں اضافے کی وجہ سے ملکی قرضہ جات دسمبر 2018ء کی سطح پر ہی برقرار رہے۔ غیر ملکی قرضہ جات میں تقریباً 8% اضافہ ہوا، چنانچہ HBL کے مجموعی خالص قرضہ جات دسمبر 2018ء کے مقابلے میں 1% بڑھ گئے۔

اوسط ملکی ڈپازٹس میں، 2018ء کی پہلی سہ ماہی کے مقابلے میں، 120 ارب روپے (7.2%) کا اضافہ ہوا، جبکہ اوسط ملکی کرنٹ اکاؤنٹس میں 66 ارب روپے کے اضافے سے ڈپازٹس کس میں بہتری ہوئی۔ اوسط ملکی قرضہ جات میں 28.1% (تقریباً 200 ارب روپے) کا اضافہ ہوا۔ مضبوط کاروباری ترقی کے باعث نیٹ انٹر سٹ مارجن میں 71 بی پی بلس کی بہتری آئی، جو 2018ء میں شرح سود میں اضافے سے قرضوں کی ری پرائسنگ کے مکمل اثرات اور ميعاد پوری کرنے والے سرمایوں کی زیادہ شرح پر تجدید کے سبب ہے جس کا نتیجہ آمدن اثاثوں کی پیداوار کے حصول میں نمایاں اضافے کی صورت میں نکلا جبکہ فنڈز کی لاگت کو کرنٹ اکاؤنٹ کس میں بہتری نے محدود رکھا۔ بین الاقوامی سیلنس شیٹ کی تعمیر نو کے ساتھ، غیر ملکی کاروباروں کی خالص منافع آمدنی میں 2018ء کی پہلی سہ ماہی کے مقابلے میں 13% اضافہ ہوا۔ چنانچہ 2019ء کی پہلی سہ ماہی کے لیے بینک کی مجموعی خالص منافع آمدنی 2018ء کی پہلی سہ ماہی کے مقابلے میں 19% اضافے کے ساتھ 23.4 ارب روپے ہو گئی۔

نان مارک اپ آمدن بھی مستحکم رہی جو سال بسال 22% اضافے کے ساتھ 6.6 ارب روپے ہو گئی، جس کا سبب روپیہ کی قدر میں کمی کے باعث بینک کے بیرونی قرضہ جات کی قیمت کا دوبارہ تعین کیے جانے کے نقصان میں 0.6 ارب روپے کی کمی واقع ہونا تھا۔ سرمایہ کارانہ بینکاری کے شعبے میں مستحکم کارکردگی کے ساتھ کارڈ اور ٹریڈ سے متعلق فیسوں میں اضافے جیسے تمام پہلو ترقی کا سبب بنے اور فیس کی آمدنی 18% بڑھ کر 5.3 ارب روپے ہو گئی۔ ثالثی اسپریڈ میں اضافے کے نتیجے میں ایک بار حاصل ہونے والی آمدن کے باعث مرکزی ایف ایکس آمدن 32% اضافے کے ساتھ 1 بلین روپے ہو گئی۔

عوام اور ٹیکنالوجی میں HBL کی سرمایہ کاری جاری رہے گی۔ بینک اپنی ٹرانسفریشن کے سفر پر گامزن ہے تاکہ عالمی کلیئرنگ نظام کا ذمہ دار رکن ہونے کے ناطے درست کاروبار کی انجام دہی یقینی بنائی جائے۔ علاوہ ازیں، بینک نے نیویارک میں اپنی ریمیڈیشن کی کوششوں کی رفتار کو تیز کر دیا ہے۔ 2019ء کی پہلی سہ ماہی کے دوران عمومی انتظامی اخراجات میں 21.4 ارب روپے کے اضافے کے باوجود، بنیادی کاروبار کی ترقی کے باعث بینک اپنی ملکی لاگت / آمدن کے تناسب کو گزشتہ سال کے مقابلے میں 150 بی پی بلس کی کمی کے ساتھ 56.8% لانے میں کامیاب رہا۔ 2019ء کی پہلی سہ ماہی میں وصولیابیوں کے ضمن میں عمدہ کارکردگی رہی؛ البتہ، بعض قرض داروں کی تنزیل اور غیر فعال پرانے قرضہ جات کے مزید وقتی اثرات کا نتیجہ 0.1 ارب روپے کے معمولی خالص چارج کی صورت میں نکلا۔ سرمایہ کاری میں گزشتہ نقصان کی واپسی کے ساتھ، اس سہ ماہی میں پرویشن میں 0.1 ارب روپے کی مجموعی ریورسل حاصل ہوئی۔

ہوتا ہے کہ ایڈجسٹمنٹ کا ایک طویل اور مشکل دورانیہ، بشمول طویل المدتی کم نشوونما کاربجاء، ایک حقیقی ممکنہ صورت ہے۔ اس صورت حال سے نکلنے کا راستہ IMF پروگرام کا کامیاب نفاذ نظر آتا ہے، جس سے سرمایہ کاروں کے اعتماد میں اضافہ ہوگا اور بین الاقوامی ڈونرز کے سرمائے کے اندرونی بہاؤ میں تیزی آئے گی، بشرطیکہ اس کے ساتھ مفید سرمایہ کاری کا محرک بنے اور معیشت میں اخراج کم کرنے کے لیے حقیقی ساختی اصلاحات کی جائیں۔

مساوی طور پر اہم یہ ہے کہ CPEC پروگرام کے پہلے مرحلے کے تحت کیے گئے عمدہ کام سے، جو پہلے ہی ملک میں فزیکل انفراسٹرکچر کو بہتر بنانا شروع کرچکا ہے، استفادہ حاصل کرنے کے لیے کوششوں کو تیز کرنا ضروری ہے۔ اب ایسی صنعتوں کا قیام ضروری ہوگا جو اس انفراسٹرکچر سے فائدہ اٹھاسکیں اور ملک کو پائیدار ترقی کی راہ پر گامزن کرنے کے لیے برآمدی صلاحیت بڑھاسکیں۔

2019ء کی پہلی سہ ماہی کے لیے HBL کے نتائج حوصلہ افزا ہیں اور گزشتہ سال انجام دیے گئے کام کی توثیق کرتے ہیں۔ بینکاری کا اجازت نامہ رکھنے والی ٹیکنالوجی کمپنی کے طور پر، بینک اپنے ڈیجیٹل عزائم کو تیز کرے گا تاکہ جدت، صارف-مرکز پروڈکٹس اور چینلز کے ذریعے صارفین کے ساتھ تعلق کے انداز کو بدل سکے۔ مارکیٹ میں بینک کی سرفہرست موبائل ایپ اور انٹرنیٹ بینکنگ پلیٹ فارم کے تقریباً 0.9 ملین صارفین ہیں، جو مارکیٹ میں سب سے بڑی تعداد ہے۔ HBL خواتین کو بااختیار بنانے اور ہر ایک کی مالیاتی شمولیت کے لیے نہ صرف پُر عزم ہے بلکہ اس ضمن میں اس کی کوششوں کا اعتراف بھی کیا جا رہا ہے۔ HBL کنیکٹ کی بھرپور پیش قدمی کا سلسلہ جاری ہے اور تاحال 2.4 ملین اکاؤنٹس کھولے جا چکے ہیں، جن میں سے 24% خواتین ہیں۔ HBL اپنی سروس کا معیار بہتر بنانے کے لیے سرگرم عمل ہے اور اس حوالے سے کوششوں میں اضافہ کیا جائے گا۔ HBL ملک میں ہونے والے کھیلوں کے ساتھ بھی منسلک ہے اور 2019ء کی پہلی سہ ماہی میں انتہائی کامیاب HBL PSL کی اپنی ٹائٹل اسپانسرشپ کی تجدید کے ساتھ اس عزم کا اعادہ کرتے ہوئے پاکستان میں کرکٹ کی واپسی میں براہ راست کردار ادا کر رہا ہے۔ بینک کو ادراک ہے کہ معیشت کے تمام شعبوں کی ترقی میں قائدانہ کردار نبھانا اس کی ذمہ داری ہے اور اپنی بے مثال فرنیچر کے ساتھ، ملک میں با معنی کردار ادا کرنے کے لیے بہترین مقام کا حامل ہے۔

اظہارِ تشکر

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

ہم اپنے کسٹمرز کے ممنون ہیں، جن میں بہت سے کسٹمرز کئی نسلوں سے ہمارے ساتھ بینکاری کر رہے ہیں، اور اپنے کاروبار اور اعتماد کے ذریعے ہم سے منسلک ہیں۔ ہمیں اپنے حصص یافتگان کا مضبوط تعاون حاصل رہا ہے اور ہم اُن کے اور اپنے تمام اسٹیک ہولڈرز کے بے حد شکر گزار ہیں۔ بورڈ اور مینجمنٹ اعلیٰ ترین معیارات برقرار رکھنے کے لیے اپنے عزم پر قائم ہے اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ ہم اس شعبے میں انڈسٹری کے قائدین ہوں گے۔ ہم HBL کی ترقی میں اپنے ملازمین اور ان کے خاندانوں کی لگن اور انتھک کوششوں کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ

محمد اورنگزیب

صدر اور چیف ایگزیکٹو آفیسر

معیز احمد جمال

ڈائریکٹر

24 اپریل، 2019ء

Condensed Interim Consolidated Statement of Financial Position

As at March 31, 2019

	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	5	247,218,976	279,460,688
Balances with other banks	6	42,573,271	42,642,022
Lendings to financial institutions	7	298,364,226	51,277,336
Investments	8	933,899,247	1,390,052,464
Advances	9	1,091,524,755	1,080,440,220
Fixed assets	10	75,548,203	64,083,277
Intangible assets	11	8,096,071	7,865,361
Deferred tax assets	17	-	570,717
Other assets	12	104,419,839	109,461,065
		2,801,644,588	3,025,853,150
LIABILITIES			
Bills payable	13	28,469,145	42,460,568
Borrowings	14	232,122,359	523,319,055
Deposits and other accounts	15	2,165,657,043	2,137,293,065
Liabilities against assets subject to finance lease		-	-
Subordinated debt	16	9,988,000	9,990,000
Deferred tax liabilities	17	685,553	-
Other liabilities	18	160,565,866	113,538,251
		2,597,487,966	2,826,600,939
NET ASSETS		204,156,622	199,252,211
REPRESENTED BY			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		66,127,637	64,435,243
Surplus on revaluation of assets - net of tax	19	16,671,772	14,531,643
Unappropriated profit		102,482,038	101,606,320
Total equity attributable to the equity holders of the Bank		199,949,972	195,241,731
Non-controlling interest		4,206,650	4,010,480
		204,156,622	199,252,211
CONTINGENCIES AND COMMITMENTS			

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2019

	Note	January 01 to March 31, 2019 (Rupees in '000)	January 01 to March 31, 2018 (Restated)
Mark-up / return / profit / interest earned	22	51,524,112	37,023,051
Mark-up / return / profit / interest expensed	23	28,154,016	17,322,380
Net mark-up / return / profit / interest income		23,370,096	19,700,671
Non mark-up / interest income			
Fee and commission income	24	5,322,737	4,508,883
Dividend income		100,811	169,676
Share of profit of associates and joint venture		891,248	1,064,538
Foreign exchange income / (loss)		452,752	(394,333)
Income / (loss) from derivatives		184,516	(83,919)
(Loss) / gain on securities - net	25	(386,628)	54,640
Other income	26	68,712	102,389
Total non mark-up / interest income		6,634,148	5,421,874
Total income		30,004,244	25,122,545
Non mark-up / interest expenses			
Operating expenses	27	21,440,589	17,724,046
Workers' Welfare Fund		161,195	139,709
Other charges	28	50,652	6,104
Total non mark-up / interest expenses		21,652,436	17,869,859
Profit before provisions and taxation		8,351,808	7,252,686
Provisions and write offs - net	29	(82,971)	(116,973)
Profit before taxation		8,434,779	7,369,659
Taxation	30	5,257,226	2,682,015
Profit after taxation		3,177,553	4,687,644
Attributable to:			
Equity holders of the Bank		3,054,234	4,583,173
Non-controlling interest		123,319	104,471
		3,177,553	4,687,644
(Rupees)			
Basic and diluted earnings per share	31	2.08	3.12

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeef Samie
Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2019

	January 01 to March 31, 2019	January 01 to March 31, 2018
	(Rupees in '000)	
Profit after taxation for the period attributable to:		
Equity holders of the Bank	3,054,234	4,583,173
Non-controlling interest	123,319	104,471
	3,177,553	4,687,644
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	1,297,732	3,333,489
Non-controlling interest	41,360	92,759
	1,339,092	3,426,248
Share of exchange translation reserve of associates	38,956	65,311
Movement in surplus / deficit on revaluation of investments - net of tax, attributable to:		
Equity holders of the Bank	2,258,581	(1,147,036)
Non-controlling interest	31,641	(22,946)
	2,290,222	(1,169,982)
Movement in share of surplus / deficit on revaluation of investments of associates - net of tax	(102,439)	257,630
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>		
Share of remeasurement loss on defined benefit obligations of associates - net of tax	(2,610)	(4,205)
Transferred from surplus on revaluation of non-banking assets - net of tax	-	2,568
Movement in surplus / deficit on revaluation of fixed assets of associates - net of tax	(2,798)	1,215
Transferred to surplus on revaluation of fixed assets - net of tax	-	(2,568)
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	-	10,000
	-	7,432
Total comprehensive income	6,737,976	7,273,861
Total comprehensive income attributable to:		
Equity holders of the Bank	6,541,656	7,099,577
Non-controlling interest	196,320	174,284
	6,737,976	7,273,861

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Consolidated Statement of Changes In Equity (Unaudited)

For the three months ended March 31, 2019

	Attributable to shareholders of the Bank										Non-controlling interest	Total	
	Share capital	Exchange translation reserve	Reserves				Revenue		Surplus / (deficit) on revaluation of				Sub Total
			Capital		Non-distributable capital reserve	Capital reserve on acquisition of common control entity	General reserve	Unappropriated profit	Investments	Fixed / Non-banking assets			
			Associates, Joint venture and subsidiary	Bank									
	(Rupees in '000)												
Balance as at December 31, 2017	14,668,525	14,264,968	758,707	30,778,524	547,115	(156,706)	6,073,812	96,909,270	(402,933)	21,823,385	185,264,667	3,485,954	188,750,621
Comprehensive income for the three months ended March 31, 2018													
Profit after taxation for the three months ended March 31, 2018	-	-	-	-	-	-	-	4,583,173	-	-	4,583,173	104,471	4,687,644
Other comprehensive income / (loss)													
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	-	3,333,489	-	-	-	-	-	-	-	-	3,333,489	92,759	3,426,248
Share of exchange translation reserve of associates	-	65,311	-	-	-	-	-	-	-	-	65,311	-	65,311
Share of remeasurement loss on defined benefit obligations of associates - net	-	-	-	-	-	-	-	(4,205)	-	-	(4,205)	-	(4,205)
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	(1,147,036)	10,000	(1,137,036)	(22,946)	(1,159,982)
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	-	257,630	1,215	258,845	-	258,845
	-	3,398,800	-	-	-	-	-	4,578,968	(889,406)	11,215	7,099,577	174,284	7,273,861
Transferred to statutory reserves	-	-	60,249	395,803	-	-	-	(456,052)	-	-	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	14,236	-	(14,236)	-	-	-
Capital contribution to statutory funds of associates	-	-	-	-	-	-	-	(363)	-	-	(363)	-	(363)
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2018	14,668,525	17,663,768	818,956	31,174,327	547,115	(156,706)	6,073,812	101,046,059	(1,292,339)	21,820,364	192,363,881	3,660,238	196,024,119
Comprehensive income for the nine months ended December 31, 2018													
Profit after taxation for the nine months ended December 31, 2018	-	-	-	-	-	-	-	7,472,398	-	-	7,472,398	280,901	7,753,299
Other comprehensive income / (loss)													
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	-	7,480,165	-	-	-	-	-	-	-	-	7,480,165	93,846	7,574,011
Share of exchange translation reserve of associates	-	(138,339)	-	-	-	-	-	-	-	-	(138,339)	-	(138,339)
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	-	-	-	(154,907)	-	-	(154,907)	(793)	(155,700)
Share of remeasurement gain on defined benefit obligations of associates - net	-	-	-	-	-	-	-	2,839	-	-	2,839	-	2,839
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	(5,982,661)	130,421	(5,852,240)	(23,110)	(5,875,350)
Movement in share of surplus / deficit on revaluation of assets of associates - net of tax	-	-	-	-	-	-	-	-	(51,886)	(43,063)	(94,949)	-	(94,949)
	-	7,341,826	-	-	-	-	-	7,320,330	(6,034,547)	87,358	8,714,967	350,844	9,065,811
Transferred to statutory reserves	-	-	189,032	783,113	-	-	-	(972,145)	-	-	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	49,795	-	(49,193)	602	(602)	-
Transactions with owners, recorded directly in equity													
Final cash dividend - Rs 1.0 per share declared subsequent to the year ended December 31, 2017	-	-	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)	-	(1,466,852)
1st interim cash dividend - Rs 1.0 per share	-	-	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)	-	(1,466,852)
2nd interim cash dividend - Rs 1.0 per share	-	-	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)	-	(1,466,852)
3rd interim cash dividend - Rs 1.0 per share	-	-	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)	-	(1,466,852)
	-	-	-	-	-	-	-	(5,867,408)	-	-	(5,867,408)	-	(5,867,408)
Capital contribution from statutory funds of associates	-	-	-	-	-	-	-	29,689	-	-	29,689	-	29,689
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
Share of exchange translation reserve of associates	-	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)
	-	1,336,688	-	-	-	-	-	3,051,624	2,156,142	(2,798)	6,541,656	196,320	6,737,976
Transferred to statutory reserves	-	-	71,543	284,163	-	-	-	(355,706)	-	-	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	13,365	-	(13,215)	150	(150)	-
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

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

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Rayomond Kotwal
Chief Financial Officer

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Director

Agha Sher Shah
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Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2019

	March 31, 2019	March 31, 2018 (Rupees in '000) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,434,779	7,369,659
Dividend income	(100,811)	(169,676)
Share of profit of associates and joint venture	(891,248)	(1,064,538)
	<u>(992,059)</u>	<u>(1,234,214)</u>
	7,442,720	6,135,445
Adjustments:		
Depreciation	1,214,395	868,210
Depreciation on right-of-use assets	704,330	-
Amortisation	109,975	162,134
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	315,225	-
Reversal of diminution in value of investments	(162,631)	(13,618)
Provision / (reversal) against loans and advances	177,283	(156,182)
Provision against other assets	32,177	93,601
Reversal of provision against off-balance sheet obligations	(10,999)	(35,291)
Unrealised (gain) / loss on held-for-trading securities	(14,306)	45,588
Exchange gain on goodwill	(80,293)	(163,460)
Gain on sale of fixed assets - net	(5,743)	(14,206)
Workers' Welfare Fund	161,195	139,709
	<u>2,440,608</u>	<u>926,485</u>
	9,883,328	7,061,930
(Increase) / decrease in operating assets		
Lendings to financial institutions	(247,086,890)	(110,175,428)
Held-for-trading securities	(47,292,724)	(18,600,132)
Advances	(11,261,818)	(8,832,504)
Other assets (excluding advance taxation)	342,346	5,367,622
	<u>(305,299,086)</u>	<u>(132,240,442)</u>
(Decrease) / increase in operating liabilities		
Bills payable	(13,991,423)	(1,506,338)
Borrowings from financial institutions	(291,196,696)	(172,135,769)
Deposits and other accounts	28,363,978	32,843,184
Other liabilities	34,928,505	13,095,766
	<u>(241,895,636)</u>	<u>(127,703,157)</u>
	(537,311,394)	(252,881,669)
	<u>(531,003)</u>	<u>(3,267,842)</u>
	(537,842,397)	(256,149,511)
Net cash flows used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	520,858,168	222,499,463
Net investment in held-to-maturity securities	(14,133,043)	44,314,792
Net investment in associates	975,488	(45,061)
Dividend income received	29,897	153,475
Investments in fixed assets	(1,671,504)	(2,116,514)
Investments in intangible assets	(260,392)	(198,841)
Proceeds from sale of fixed assets	13,069	18,216
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	1,336,688	3,398,800
Net cash flows from investing activities	<u>507,148,371</u>	<u>268,024,330</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of translation of net investment by non-controlling interest in subsidiary	93,846	92,759
Repayment of subordinated debt	(2,000)	(2,000)
Payment of lease liability against right-of-use assets	(1,380,628)	-
Dividend paid	(327,655)	(4,419)
Net cash flows (used in) / from financing activities	<u>(1,616,437)</u>	<u>86,340</u>
(Decrease) / increase in cash and cash equivalents during the period	(32,310,463)	11,961,159
Cash and cash equivalents at the beginning of the period	320,419,953	280,289,917
Effect of exchange rate changes on cash and cash equivalents	1,682,757	6,557,382
	<u>322,102,710</u>	<u>286,847,299</u>
Cash and cash equivalents at the end of the period	<u>289,792,247</u>	<u>298,808,458</u>

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

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Director

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

1 THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding company

- Habib Bank Limited, Pakistan

Subsidiaries

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

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,698 (December 31, 2018: 1,697) branches inside Pakistan including 48 (December 31, 2018: 47) Islamic Banking Branches and 46 (December 31, 2018: 46) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 Habib Finance International Limited, a wholly owned subsidiary of the Bank, has filed for voluntary liquidation and is in the process of completing the required formalities in this regard.
- 1.2 The Bank had decided to close its branch in Seychelles. Post the receipt of all regulatory approvals, all required formalities for closure have been completed.
- 1.3 The Bank has commenced an orderly winding down of its operations in Afghanistan.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (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 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of 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, 2018.
- 2.3 **Standards, interpretations of and amendments to existing accounting standards that have become effective in the current period.**

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

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

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

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

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

	Effective date (annual periods beginning on or after)
- IFRS 3, Business Combinations - (Amendments)	January 1, 2020
	Effective date (annual periods ending on or after)
- IFRS 9, Financial Instruments: Classification and Measurement	June 30, 2019

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

The Group expects that adoption of the remaining amendments will not affect its financial statements in the period of initial application.

2.5 Critical accounting estimates and judgements

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

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2018 except as disclosed in note 3.1.

3.1 Change in accounting policies

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

- The cost of foreign currency swaps (note 23) for the three months ended March 31, 2019 amounting to Rs 197.818 million (March 31, 2018: Rs 262.832 million) which was previously shown as part of foreign exchange income / (loss) has now been shown as part of mark-up / return / profit / interest expensed in the consolidated profit and loss account.

- 3.1.2 IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases- Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

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

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

On adoption of IFRS 16, the Group has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were measured as the present value of the remaining lease payments, discounted using the Group's incremental weighted average borrowing rate of 11.81% per annum as of January 1, 2019.

The remeasurements of the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	March 31, 2019 (Rupees in '000)	January 1, 2019 (Rupees in '000)
Total lease liability recognised of which:		
Current	274,348	194,689
Non-current	<u>10,379,722</u>	<u>10,952,645</u>
	<u>10,654,070</u>	<u>11,147,334</u>

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

	March 31, 2019 (Rupees in '000)	January 1, 2019 (Rupees in '000)
The recognised right-of-use assets relate to the following types of assets:		
Property	10,998,459	11,604,622
Equipment	<u>16,684</u>	<u>19,794</u>
Total right-of-use assets	<u>11,015,143</u>	<u>11,624,416</u>

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

	As at March 31, 2019 (Rupees in '000)
Impact on Statement of Financial Position	
Increase in fixed assets - right-of-use assets	11,015,143
Decrease in other assets - advances, deposits, advance rent and other prepayments	(477,082)
Increase in other assets - advance taxation	45,244
Increase in other liabilities - lease liability against right-of-use assets	<u>(10,654,070)</u>
Decrease in net assets	<u>(70,765)</u>
Impact on Profit and Loss account	
	For the three months ended March 31, 2019 (Rupees in '000)
Increase in mark-up expense - lease liability against right-of-use assets	(315,225)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(704,330)
- Rent expense	<u>903,546</u>
Decrease in profit before tax	<u>(116,009)</u>
Decrease in tax	<u>45,244</u>
Decrease in profit after tax	<u>(70,765)</u>

4 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2018.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

		(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
5	CASH AND BALANCES WITH TREASURY BANKS		
	In hand		
	Local currency	31,517,238	31,732,010
	Foreign currencies	4,937,092	4,413,924
		<u>36,454,330</u>	<u>36,145,934</u>
	With State Bank of Pakistan in		
	Local currency current accounts	95,392,153	89,523,321
	Foreign currency current accounts	5,944,179	6,660,233
	Foreign currency deposit accounts	17,411,294	18,077,471
		<u>118,747,626</u>	<u>114,261,025</u>
	With other Central Banks in		
	Foreign currency current accounts	35,608,097	37,297,608
	Foreign currency deposit accounts	6,999,981	5,424,122
		<u>42,608,078</u>	<u>42,721,730</u>
	With National Bank of Pakistan in		
	Local currency current accounts	49,172,595	85,848,781
	Local currency deposit account	141,249	355,293
		<u>49,313,844</u>	<u>86,204,074</u>
	National Prize Bonds	95,098	127,925
		<u>247,218,976</u>	<u>279,460,688</u>
		(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
6	BALANCES WITH OTHER BANKS		
	In Pakistan		
	In current accounts	499,846	231,594
	In deposit accounts	1,654,073	3,284,178
		<u>2,153,919</u>	<u>3,515,772</u>
	Outside Pakistan		
	In current accounts	15,620,027	16,511,609
	In deposit accounts	24,799,325	22,614,641
		<u>40,419,352</u>	<u>39,126,250</u>
		<u>42,573,271</u>	<u>42,642,022</u>
7	LENDINGS TO FINANCIAL INSTITUTIONS		
	Call money lendings	100,000	8,900,000
	Repurchase agreement lendings (reverse repo)	277,775,042	38,045,810
	Bai Muajjal receivables		
	- with State Bank of Pakistan	20,489,184	-
	- with other financial institutions	-	4,331,526
		<u>298,364,226</u>	<u>51,277,336</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

8	INVESTMENTS	Note	March 31, 2019 (Unaudited)				December 31, 2018 (Audited)			
			Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.1	Investments by type		(Rupees in '000)							
	Held-for-trading (HFT) securities									
	<i>Federal Government securities</i>									
	- Market Treasury Bills		49,264,171	-	(23,293)	49,240,878	2,569,965	-	(1,499)	2,568,466
	- Pakistan Investment Bonds		4,292,167	-	17,053	4,309,220	3,683,617	-	(12,287)	3,671,330
	<i>Foreign securities</i>									
	- Government debt securities		91,256	-	20,546	111,802	90,499	-	24,575	115,074
			53,647,594	-	14,306	53,661,900	6,344,081	-	10,789	6,354,870
	Available-for-sale (AFS) securities									
	<i>Federal Government securities</i>									
	- Market Treasury Bills		265,992,483	-	(134,752)	265,857,731	758,446,236	-	(275,397)	758,170,839
	- Pakistan Investment Bonds		257,581,230	-	(7,811,642)	249,769,588	234,800,806	-	(10,064,365)	224,736,441
	- Ijarah Sukuks		5,082,419	-	(58,167)	5,024,252	53,675,083	-	(170,821)	53,504,262
	- Government of Pakistan US Dollar Bonds		7,068,672	(95,974)	145,967	7,118,665	5,759,910	(33,047)	(52,654)	5,674,209
	<i>Shares</i>									
	- Listed companies		14,075,165	(3,793,787)	(340,571)	9,940,807	14,599,566	(4,043,987)	(385,376)	10,170,203
	- Unlisted companies		4,174,687	(82,274)	-	4,092,413	3,761,058	(82,274)	-	3,678,784
	<i>Non-Government debt securities</i>	8.4.2								
	- Unlisted		4,338,645	(270,877)	-	4,067,768	4,949,525	(274,630)	-	4,674,895
	<i>Foreign securities</i>									
	- Government debt securities		23,009,543	(77,324)	118,859	23,051,078	21,179,684	(45,262)	(12,207)	21,122,215
	- Non-Government debt securities									
	- Listed		47,539,958	(396,187)	(151,218)	46,992,553	50,437,302	(383,589)	(626,014)	49,427,699
	- Unlisted		4,381,781	(2,750)	989	4,380,020	6,477,305	(2,724)	944	6,475,525
	- Equity securities - Unlisted		5,469	-	-	5,469	5,413	-	-	5,413
	<i>National Investment Trust units</i>		11,113	-	31,247	42,360	11,113	-	31,449	42,562
	<i>Real Estate Investment Trust units</i>		55,000	-	2,200	57,200	55,000	-	4,950	59,950
	<i>Preference shares</i>		97,500	-	-	97,500	97,500	-	-	97,500
			633,413,665	(4,719,173)	(8,197,088)	620,497,404	1,154,255,501	(4,865,513)	(11,549,491)	1,137,840,497
	Held-to-maturity (HTM) securities	8.2								
	<i>Federal Government securities</i>									
	- Market Treasury Bills		168,180	-	-	168,180	154,580	-	-	154,580
	- Pakistan Investment Bonds		180,232,704	-	-	180,232,704	172,011,963	-	-	172,011,963
	- Government of Pakistan US Dollar Bonds		140,754	-	-	140,754	139,274	-	-	139,274
	- Other Federal Government securities		10,794,000	-	-	10,794,000	-	-	-	-
	<i>Non-Government debt securities</i>									
	- Listed		8,754,980	-	-	8,754,980	9,092,850	-	-	9,092,850
	- Unlisted		20,535,978	-	-	20,535,978	22,538,405	-	-	22,538,405
	<i>Foreign Securities</i>									
	- Government debt securities		7,023,116	(644)	-	7,022,472	8,657,345	(609)	-	8,656,736
	- Non-Government debt securities									
	- Listed		1,716,757	-	-	1,716,757	2,535,536	-	-	2,535,536
	- Unlisted		1,105,413	(116)	-	1,105,297	1,208,886	(110)	-	1,208,776
			230,471,882	(760)	-	230,471,122	216,338,839	(719)	-	216,338,120
	Investments in associates and joint venture		28,921,092	-	347,729	29,268,821	29,013,650	-	505,327	29,518,977
	Total Investments		946,454,233	(4,719,933)	(7,835,053)	933,899,247	1,405,952,071	(4,866,232)	(11,033,375)	1,390,052,464

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

8.1.1 Investments given as collateral

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

<i>Federal Government securities</i>		
- Market Treasury Bills	19,761,800	333,213,434
- Pakistan Investment Bonds	30,258,253	29,329,018
<i>Foreign securities</i>		
- Government debt securities	691,958	674,637
- Non-Government debt securities		
- Listed	3,115,973	12,381,600
	53,827,984	375,598,689

8.2 The market value of investments classified as held-to-maturity amounted to Rs 214,779.338 million as at March 31, 2019 (December 31, 2018: Rs 200,460.226 million).

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	(Unaudited) March 31, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
8.3 Particulars of provision held against diminution in the value of investments		
Opening balance	4,866,232	1,503,051
Exchange adjustments	16,332	41,910
Charge / reversal for the period / year		
Charge	284,986	4,000,586
Reversal	(5,220)	(28,757)
Reversal on disposal	(442,397)	(650,558)
Net (reversal) / charge	(162,631)	3,321,271
Closing balance	4,719,933	4,866,232

8.4 Particulars of provision against debt securities

	March 31, 2019 (Unaudited)		December 31, 2018 (Audited)	
Category of classification	Non Performing Investments	Provision	Non Performing Investments	Provision
	(Rupees in '000)			
Domestic				
Loss	270,877	270,877	274,630	274,630
Overseas				
Not past due but impaired	750,132	391,434	724,975	377,549
	1,021,009	662,311	999,605	652,179

8.4.1 In addition to the above, overseas branches hold a general provision of Rs 181.561 million (December 31, 2018: Rs 87.792 million) in accordance with the requirements of IFRS 9.

8.4.2 Exposure amounting to Rs 3,642.768 million (December 31, 2018: Rs 4,249.895 million) relating to privately placed TFCs of Pakistan International Airlines Corporation Limited (PIACL) has not been classified as non-performing in accordance with a relaxation from Regulation-8 of the Prudential Regulations given by the SBP through its letter No. BPRD/BRD/(PR-Ops)/7575/2019 dated April 1, 2019. These TFCs are fully guaranteed by the Government of Pakistan (GoP) and do not require any provision. However, mark-up income on this amount has been suspended and is only recognised when received.

9	ADVANCES	Note	Performing		Non - performing		Total	
			(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
			March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
			(Rupees in '000)					
			889,719,207	904,889,946	75,935,502	75,471,126	965,654,709	980,361,072
			126,180,595	103,488,928	105,503	111,174	126,286,098	103,600,102
			66,684,992	63,223,929	5,127,431	5,248,713	71,812,423	68,472,642
			1,082,584,794	1,071,602,803	81,168,436	80,831,013	1,163,753,230	1,152,433,816
			Advances - gross					
			Provision against advances					
			- Specific					
			-	-	(68,559,622)	(68,465,249)	(68,559,622)	(68,465,249)
			(3,668,853)	(3,528,347)	-	-	(3,668,853)	(3,528,347)
			(3,668,853)	(3,528,347)	(68,559,622)	(68,465,249)	(72,228,475)	(71,993,596)
			- General					
			1,078,915,941	1,068,074,456	12,608,814	12,365,764	1,091,524,755	1,080,440,220
			Advances - net of provision					

	(Unaudited) March 31, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
9.1 Particulars of advances (Gross)		
In local currency	952,195,198	935,571,558
In foreign currencies	211,558,032	216,862,258
	1,163,753,230	1,152,433,816

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

- 9.2 Advances include Rs 81,168.436 million (December 31, 2018: Rs. 80,831.013 million) which have been placed under non-performing status as detailed below:

Category of classification	(Unaudited) March 31, 2019		(Audited) December 31, 2018	
	Non-performing advances	Provision	Non-performing advances	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	1,437,665	-	873,750	-
Substandard	3,775,530	543,168	4,154,859	662,072
Doubtful	2,642,196	1,319,445	1,708,204	852,642
Loss	41,750,666	40,685,407	42,080,394	41,014,020
	49,606,057	42,548,020	48,817,207	42,528,734
Overseas				
Not past due but impaired	1,522,003	375,881	1,703,389	432,809
Overdue by:				
Upto 90 days	17,845	17,845	47,250	3,875
91 to 180 days	497,141	95,313	1,910,162	1,156,936
181 to 365 days	2,835,197	1,825,381	1,813,514	1,003,933
> 365 days	26,690,193	23,697,182	26,539,491	23,338,962
	31,562,379	26,011,602	32,013,806	25,936,515
Total	81,168,436	68,559,622	80,831,013	68,465,249

- 9.2.1 Exposure amounting to Rs 1,412.500 million (December 31, 2018: Rs Nil) relating to Power Holding (Private) Limited has not been classified as non-performing in accordance with a relaxation from Regulation-8 of the Prudential Regulations given by the SBP through its letter No. BPRD/BRD (Ops) 2019/8982 dated April 17, 2019. The exposure is fully guaranteed by the GoP and does not require any provision. However, mark-up income on this amount has been suspended and is only recognised when received.

9.3 Particulars of provision against advances

Note	March 31, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	68,465,249	3,528,347	71,993,596	66,417,176	3,088,343	69,505,519
Exchange adjustment	437,829	28,626	466,455	5,337,123	322,503	5,659,626
Charge for the period / year	1,195,511	192,713	1,388,224	6,111,202	424,324	6,535,526
Reversal for the period / year	(1,130,108)	(80,833)	(1,210,941)	(4,172,302)	(401,867)	(4,574,169)
Net charge / (reversal) against advances	65,403	111,880	177,283	1,938,900	22,457	1,961,357
Charged off during the period / year -						
agriculture financing	(72,274)	-	(72,274)	(477,679)	-	(477,679)
Written off during the period / year	(336,585)	-	(336,585)	(4,750,271)	-	(4,750,271)
Impact of adoption of IFRS 9	-	-	-	-	95,044	95,044
Closing balance	68,559,622	3,668,853	72,228,475	68,465,249	3,528,347	71,993,596

- 9.4 General provision includes provision amounting to Rs 1,720.341 million (December 31, 2018: Rs 1,652.318 million) against consumer finance portfolio and Rs 258.995 million (December 31, 2018: Rs 232.566 million) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs 1,689.517 million (December 31, 2018: Rs 1,643.463 million) pertaining to overseas branches to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.

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

Note	(Unaudited) March 31, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
10 FIXED ASSETS		
Capital work-in-progress	10.1 2,526,611	2,426,450
Property and equipment	10.2 73,021,592	61,656,827
	75,548,203	64,083,277

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

10.1 Capital work-in-progress

	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
Civil works	1,240,975	858,424
Equipment	20,465	20,465
Advances to suppliers and contractors	1,265,171	1,547,561
	<u>2,526,611</u>	<u>2,426,450</u>

10.2 This includes right-of-use assets amounting to Rs 11,015.143 million due to adoption of IFRS 16 as detailed in note 3.1.2.

10.3 Additions to fixed assets

	(Unaudited) For the three months ended March 31, 2019 (Rupees in '000)	(Audited) For the three months ended March 31, 2018 (Rupees in '000)
--	--	--

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

Capital work-in-progress

100,161 999,753

Property and equipment

Leasehold land	-	52,608
Building on leasehold land	17,071	127,438
Machinery	20,302	2,957
Leasehold improvements	292,407	143,663
Furniture and fixtures	183,699	217,637
Electrical, office and computer equipment	980,556	637,595
Vehicles	30,726	4,089
	<u>1,524,761</u>	<u>1,185,987</u>

Right-of-use assets

95,057 -

1,719,979 2,185,740

10.4 Disposal of fixed assets

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

Property and equipment

Leasehold improvements	2,689	1,616
Furniture and fixtures	699	1,670
Electrical, office and computer equipment	3,477	658
Vehicles	461	66
	<u>7,326</u>	<u>4,010</u>

11 INTANGIBLE ASSETS

	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
Capital work-in-progress	1,013,288	831,891
Intangible assets	7,082,783	7,033,470
	<u>8,096,071</u>	<u>7,865,361</u>

11.1 Additions to Intangible assets

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

	(Unaudited) For the three months ended March 31, 2019 (Rupees in '000)	(Audited) For the three months ended March 31, 2018 (Rupees in '000)
Capital work-in-progress	181,397	93,601
Computer software	80,015	103,532
	<u>261,412</u>	<u>197,133</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

12	OTHER ASSETS	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
	Mark-up / return / profit / interest accrued in local currency		31,134,196	29,286,417
	Mark-up / return / profit / interest accrued in foreign currency		3,572,646	2,618,087
	Advances, deposits, advance rent and other prepayments		3,585,225	2,896,944
	Advance taxation		40,007,960	44,618,050
	Advance for subscription of shares		50,000	50,000
	Stationery and stamps on hand		105,701	96,756
	Accrued fees and commissions		1,114,367	1,042,503
	Due from Government of Pakistan / SBP		1,193,621	1,076,509
	Mark to market gain on forward foreign exchange contracts		6,041,291	9,257,482
	Mark to market gain on derivative instruments		213,825	53,987
	Non-banking assets acquired in satisfaction of claims		1,596,568	1,596,579
	Receivable from defined benefit plan		36,304	35,293
	Branch adjustment account		-	678,113
	Acceptances		15,052,314	12,526,361
	Clearing and settlement accounts		208,055	1,894,880
	Dividend receivable		75,357	4,443
	Claims against fraud and forgeries		460,812	545,909
	Others		386,333	1,684,211
			<u>104,834,575</u>	<u>109,962,524</u>
	Provision held against other assets	12.1	(836,478)	(923,201)
	Other assets - net of provision		<u>103,998,097</u>	<u>109,039,323</u>
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	421,742	421,742
	Other assets - total		<u>104,419,839</u>	<u>109,461,065</u>
12.1	Provision held against other assets			
	Advances, deposits, advance rent and other prepayments		9,025	5,819
	Non-banking assets acquired in satisfaction of claims		23,141	23,152
	Claims against fraud and forgeries		460,812	545,909
	Suit filed cases		294,542	294,272
	Others		48,958	54,049
			<u>836,478</u>	<u>923,201</u>
12.1.1	Movement in provision against other assets			
	Opening balance		923,201	825,520
	Exchange adjustment		2,545	62,052
	Charge for the period / year		32,177	220,974
	Reversal for the period / year		-	(13,831)
	Net charge		32,177	207,143
	Written off during the period / year		(121,445)	(164,427)
	Other movement		-	(7,087)
	Closing balance		<u>836,478</u>	<u>923,201</u>
13	BILLS PAYABLE			
	In Pakistan		27,194,711	41,396,984
	Outside Pakistan		1,274,434	1,063,584
			<u>28,469,145</u>	<u>42,460,568</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
14 BORROWINGS			
Secured			
Borrowings from the SBP under			
- Export refinance scheme		37,920,890	33,533,707
- Long term financing facility		12,068,740	10,453,762
- Financing facility for renewable energy power plants		100,959	104,853
- Refinance facility for modernization of SMEs		12,950	14,300
- Financing facility for storage of agricultural produce		6,667	7,500
		50,110,206	44,114,122
Repurchase agreement borrowings		53,764,719	375,076,788
		103,874,925	419,190,910
Unsecured			
- Call money borrowings		11,200,000	5,700,000
- Overdrawn nostro accounts		590,983	6,053,011
- Borrowings of overseas branches and subsidiaries		66,872,608	43,439,812
- Other long-term borrowings	14.1	49,583,843	48,935,322
		128,247,434	104,128,145
		232,122,359	523,319,055

14.1 This includes the following:

- 14.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2018: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5.00% is payable semi annually from June 2015.
- 14.1.2 A loan from the China Development Bank amounting to US\$ 188 million (December 31, 2018: US\$ 188 million). The principal amount is payable in six half yearly installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi annually from June 2017.
- 14.1.3 A loan from Allied Bank Limited to HBL Asset Management Limited amounting to Rs 2 billion (December 31, 2018: Rs 2 billion). The principal amount is payable in ten equal half yearly installments from June 2020 to December 2024. Interest at KIBOR + 0.75% is payable semi annually from June 2018.

15 DEPOSITS AND OTHER ACCOUNTS

	March 31, 2019 (Unaudited)			December 31, 2018 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	676,340,783	127,889,742	804,230,525	665,733,802	138,623,094	804,356,896
Savings deposits	803,653,762	95,292,060	898,945,822	808,534,689	94,595,375	903,130,064
Term deposits	279,729,129	106,858,021	386,587,150	254,106,362	118,117,489	372,223,851
	1,759,723,674	330,039,823	2,089,763,497	1,728,374,853	351,335,958	2,079,710,811
Financial institutions						
Current deposits	4,071,744	2,072,674	6,144,418	5,673,657	2,511,443	8,185,100
Savings deposits	60,544,501	74,015	60,618,516	40,106,567	181,029	40,287,596
Term deposits	7,106,563	2,024,049	9,130,612	7,110,418	1,999,140	9,109,558
	71,722,808	4,170,738	75,893,546	52,890,642	4,691,612	57,582,254
	1,831,446,482	334,210,561	2,165,657,043	1,781,265,495	356,027,570	2,137,293,065

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

16 SUBORDINATED DEBT

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

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

17 DEFERRED TAX LIABILITIES

Deductible temporary differences on

- Tax losses of subsidiary
- Tax losses of overseas branches
- Provision against investments
- Provision against doubtful debts and off-balance sheet obligations
- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001
- Provision against other assets
- Deficit on revaluation of investments
- Deficit on revaluation of fixed assets
- Islamic financing Ijarah
- Others

Note

(Unaudited) March 31, 2019

(Audited) December 31, 2018

(Rupees in '000)

128,198	83,496
249,991	249,991
1,314,686	1,403,506
3,295,092	3,295,092
1,440,367	1,383,110
45,760	45,760
2,803,798	3,861,947
147,144	147,144
109,592	101,123
56,076	61,503
9,590,704	10,632,672

Taxable temporary differences on

- Accelerated tax depreciation
- Surplus on revaluation of investments of associates
- Surplus on revaluation of fixed assets
- Surplus on revaluation of fixed assets of associates
- Management rights and goodwill
- Share of profit of associates
- Exchange translation reserve

19

(1,820,995)	(1,849,670)
(121,705)	(176,864)
(1,117,990)	(1,125,186)
(49,103)	(50,608)
(177,312)	(157,939)
(5,020,085)	(4,880,054)
(1,969,067)	(1,821,634)
(10,276,257)	(10,061,955)
(685,553)	570,717

Net deferred tax (liabilities) / assets

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
18 OTHER LIABILITIES			
Mark-up / return / profit / interest payable in local currency		19,940,536	9,863,109
Mark-up / return / profit / interest payable in foreign currency		3,613,946	2,073,700
Security deposits		1,593,897	1,529,172
Accrued expenses		13,648,422	14,224,497
Mark to market loss on forward foreign exchange contracts		4,633,622	6,820,641
Mark to market loss on derivative instruments		613,334	1,248,504
Unclaimed dividends		684,903	685,622
Dividends payable		1,875,143	368,514
Provision for post retirement medical benefits		4,023,191	3,945,133
Provision for employees' compensated absences		3,058,302	3,080,403
Provision against off-balance sheet obligations	18.1	467,640	479,510
Acceptances		15,052,314	12,526,361
Branch adjustment account		1,539,337	-
Provision for staff retirement benefits		1,126,426	1,101,009
Payable to defined benefit plans		846,825	970,439
Provision for Workers' Welfare Fund		4,858,509	4,697,450
Unearned income		5,523,646	998,598
Qarza-e-Hasna Fund		339,080	339,107
Levies and taxes payable		2,637,379	3,933,053
Insurance payable		661,212	670,230
Provision for rewards program expenses		1,175,397	1,087,209
Liability against trading of securities		55,053,591	34,755,041
Clearing and settlement accounts		1,683,772	3,930,956
Payable to HBL Foundation		34,136	125,812
Contingent consideration payable		500,000	500,000
Charity fund		5,266	4,765
Lease liability against right-of-use assets	3.1.2	10,654,070	-
Unclaimed deposits		559,084	30,831
Others		4,162,886	3,548,585
		160,565,866	113,538,251
18.1 Provision against off-balance sheet obligations			
Opening balance		479,510	385,361
Exchange adjustment		(871)	11,688
Charge for the period / year		26,972	121,962
Reversal for the year period / year		(37,971)	(50,806)
Net charge		(10,999)	71,156
Impact of adoption of IFRS 9		-	11,305
Closing balance		467,640	479,510

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Note	March 31, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Attributable to			Attributable to		
	Equity holders	Non-controlling interest	Total	Equity holders	Non-controlling interest	Total
(Rupees in '000)						
Surplus / (deficit) arising on revaluation of assets, on:						
- Fixed assets	22,446,163	4,046	22,450,209	22,466,485	4,285	22,470,770
- Fixed assets held by associate	140,293	-	140,293	144,596	-	144,596
- Available-for-sale securities	(8,180,488)	(16,600)	(8,197,088)	(11,500,460)	(49,031)	(11,549,491)
- Available-for-sale securities held by associates	347,729	-	347,729	505,327	-	505,327
- Non-banking assets acquired in satisfaction of claims	421,742	-	421,742	421,742	-	421,742
	15,175,439	(12,554)	15,162,885	12,037,690	(44,746)	11,992,944
Tax on surplus / (deficit) on revaluation of:						
- Fixed assets	1,116,579	1,411	1,117,990	1,123,686	1,500	1,125,186
- Fixed assets held by associate	49,103	-	49,103	50,608	-	50,608
- Available-for-sale securities	(2,783,720)	2,529	(2,781,191)	(3,845,111)	1,739	(3,843,372)
- Available-for-sale securities held by associates	121,705	-	121,705	176,864	-	176,864
	(1,496,333)	3,940	(1,492,393)	(2,493,953)	3,239	(2,490,714)
Surplus on revaluation of assets - net of tax	16,671,772	(16,494)	16,655,278	14,531,643	(47,985)	14,483,658

20 CONTINGENCIES AND COMMITMENTS

	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
CONTINGENCIES AND COMMITMENTS			
- Guarantees	20.1	160,640,685	159,697,996
- Commitments	20.2	648,597,804	559,818,098
- Other contingent liabilities	20.3	23,704,002	26,316,205
		<u>832,942,491</u>	<u>745,832,299</u>
Guarantees:			
Financial guarantees		40,455,947	42,152,199
Performance guarantees		114,487,350	110,071,040
Other guarantees		5,697,388	7,474,757
		<u>160,640,685</u>	<u>159,697,996</u>
Commitments:			
Trade-related contingent liabilities		106,721,075	99,605,884
Commitments in respect of:			
- forward foreign exchange contracts	20.2.1	454,392,932	396,554,320
- forward Government securities transactions	20.2.2	55,397,043	39,177,791
- derivatives	20.2.3	28,173,557	18,896,504
- forward lending	20.2.4	3,021,201	3,678,492
- operating lease	20.2.5	-	602,569
		540,984,733	458,909,676
Commitments for acquisition of:			
- fixed assets		539,398	680,462
- intangible assets		352,598	622,076
		<u>648,597,804</u>	<u>559,818,098</u>
Commitments in respect of forward foreign exchange contracts			
Purchase		273,458,610	243,503,864
Sale		180,934,322	153,050,456
		<u>454,392,932</u>	<u>396,554,320</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
20.2.2 Commitments in respect of forward Government Securities transactions		
Purchase	55,395,111	33,489,184
Sale	1,932	5,688,607
	<u>55,397,043</u>	<u>39,177,791</u>
20.2.3 Commitments in respect of derivatives		
Foreign currency options		
Purchase	55,128	532,918
Sale	55,128	532,918
	<u>110,256</u>	<u>1,065,836</u>
Cross Currency swaps		
Purchase	8,203,149	2,874,784
Sale	8,777,076	3,490,361
	<u>16,980,225</u>	<u>6,365,145</u>
Interest rate swaps		
Purchase	-	-
Sale	11,083,076	11,465,523
	<u>11,083,076</u>	<u>11,465,523</u>
20.2.4 Commitments in respect of forward lending		
Undrawn formal standby facilities, credit lines and other commitments to extend credit	<u>3,021,201</u>	<u>3,678,492</u>
These represent commitments that are irrevocable because they can not be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		
	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
20.2.5 Commitments in respect of operating lease		
Not later than one year	-	409,045
Later than one year and not later than five years	-	57,845
Later than five years	-	135,679
	<u>-</u>	<u>602,569</u>
20.3 Other contingent liabilities		
20.3.1 Claims against the Bank not acknowledged as debts	<u>23,704,002</u>	<u>26,316,205</u>

These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Group and other 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 The matter relating to the Bank's New York Branch has been disclosed in Note 21.3.2 to the annual consolidated financial statements of the Group for the year ended December 31, 2018. There is no further update on the same.

21 DERIVATIVE INSTRUMENTS

	March 31, 2019 (Unaudited)					
Product Analysis	Foreign currency options		Cross currency swaps		Interest rate Swaps	
	Notional principal	Mark to market gain/(loss)	Notional principal	Mark to market gain/(loss)	Notional principal	Mark to market gain/(loss)
	(Rupees in '000)					
Hedging	-	-	-	-	-	-
Market Making	110,256	-	16,980,225	170,105	11,083,076	(569,614)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

		December 31, 2018 (Audited)					
		Foreign currency options		Cross currency swaps		Interest rate Swaps	
		Notional principal	Mark to market gain/ (loss)	Notional principal	Mark to market gain/ (loss)	Notional principal	Mark to market gain/ (loss)
		(Rupees in '000)					
	Hedging	-	-	-	-	-	-
	Market Making	1,065,836	-	6,365,145	(567,516)	11,465,523	(627,001)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

		(Unaudited)	
		For the three months ended	
		March 31,	March 31,
		2019	2018
		(Rupees in '000)	
25.1	(Loss) / gain on securities - realised		
	Federal Government securities		
	- Market Treasury Bills	105,392	(441)
	- Pakistan Investment Bonds	(13,592)	2,835
	- Ijarah Sukuks	(8,855)	(25,941)
	Shares	(450,091)	85,810
	Non-Government debt securities	(28,408)	284
	Foreign securities	(5,380)	37,681
		(400,934)	100,228
26	OTHER INCOME		
	Incidental charges	45,258	69,640
	Gain on sale of fixed assets - net	5,743	14,206
	Rent on properties	17,711	18,543
		68,712	102,389
27	OPERATING EXPENSES		
	Salaries, allowances, etc.	7,524,007	5,730,774
	Charge for defined benefit / contribution plan and other benefits	677,846	2,732,750
	Property expense		
	Rent and taxes	238,130	1,011,978
	Insurance	30,562	14,818
	Utilities cost	398,863	293,816
	Security (including guards)	437,071	407,305
	Repair and maintenance (including janitorial charges)	482,584	428,079
	Depreciation on right-of-use assets	704,330	-
	Depreciation	701,817	447,817
		2,993,357	2,603,813
	Information technology expenses		
	Software maintenance	617,804	478,085
	Hardware maintenance	111,341	138,118
	Depreciation	329,443	264,995
	Amortisation	109,975	162,134
	Network charges	327,000	243,898
	Consultancy charges	101,941	104,151
		1,597,504	1,391,381
	Other operating expenses		
	Non-Executive Directors' fees	11,600	13,600
	Fees and allowances to Shariah Board	6,723	1,979
	Legal and professional charges	1,234,676	499,344
	Outsourced services costs	359,787	321,989
	Travelling and conveyance	209,750	184,506
	Insurance	191,965	104,798
	Remittance charges	152,153	200,027
	Security charges	301,225	274,861
	Repairs and maintenance	143,137	74,686
	Depreciation	183,135	155,398
	Training and development	122,186	61,386
	Postage and courier charges	127,677	73,404
	Communication	157,136	93,572
	Stationery and printing	386,756	247,962
	Marketing, advertisement and publicity	1,369,799	879,254
	Donations	34,136	47,443
	Auditors' remuneration	62,734	45,591
	Brokerage and commission	182,056	49,526
	Subscription	40,628	29,784
	Documentation and processing charges	443,049	285,082
	Entertainment	86,696	57,070
	Consultancy charges	2,197,612	1,441,839
	Deposit premium expense	522,608	-
	Others	120,651	122,227
		8,647,875	5,265,328
		21,440,589	17,724,046

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

		(Unaudited)	
		For the three months ended	
	Note	March 31, 2019	March 31, 2018
		(Rupees in '000)	
28	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	50,023	1,874
	Penalties imposed by other regulatory bodies	629	4,230
		<u>50,652</u>	<u>6,104</u>
29	PROVISIONS AND WRITE OFFS - NET		
	Reversal of diminution in value of investments	8.3 (162,631)	(13,618)
	Provision / (reversal) against loans and advances	9.3 177,283	(71,094)
	Provision against other assets	12.1.1 32,177	93,601
	Reversal of provision against off-balance sheet obligations	18.1 (10,999)	(35,291)
	Recoveries against written off / charged off bad debts	(87,407)	(85,088)
	Recoveries against other assets written off	(31,394)	(5,483)
		<u>(82,971)</u>	<u>(116,973)</u>
30	TAXATION		
	- Current	3,208,064	2,478,855
	- Prior years	1,933,029	-
	- Deferred	116,133	203,160
		<u>5,257,226</u>	<u>2,682,015</u>
31	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period attributable to equity holders of the Bank	<u>3,054,234</u>	<u>4,583,173</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>2.08</u>	<u>3.12</u>
31.1	Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.		
32	FAIR VALUE OF FINANCIAL INSTRUMENTS		
	The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, other than investments in associates and joint ventures, are estimated using the break-up value of the investee company.		
	The fair value of unquoted debt securities, fixed term advances, other assets and other liabilities can not be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.		
	In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances, deposits and certain long term borrowings, are frequently repriced.		
	All assets and liabilities for which fair value is measured or disclosed in these condensed interim consolidated financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.		

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

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

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

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

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

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

32.1 Fair value of financial assets

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

	As at March 31, 2019 (Unaudited)				
	Carrying value / Notional value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
- Federal Government securities	581,320,334	-	581,320,334	-	581,320,334
- Shares	9,940,807	9,940,807	-	-	9,940,807
- Foreign securities					
Government debt securities	23,162,880	-	23,162,880	-	23,162,880
Non-Government debt securities					
- Listed	46,992,553	-	46,992,553	-	46,992,553
- Unlisted	629,656	-	629,656	-	629,656
- National Investment Trust Units	42,360	-	42,360	-	42,360
- Real Estate Investment Trust units	57,200	57,200	-	-	57,200
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	176,581,947	-	176,581,947	-	176,581,947
- Non-Government debt securities	28,300,880	-	28,300,880	-	28,300,880
- Foreign securities					
Government debt securities	7,072,053	-	7,072,053	-	7,072,053
Non-Government debt securities	2,824,458	-	2,824,458	-	2,824,458
	<u>876,925,128</u>	<u>9,998,007</u>	<u>866,927,121</u>	<u>-</u>	<u>876,925,128</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	As at March 31, 2019 (Unaudited)				
	Carrying value / Notional value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Off-balance sheet financial instruments - measured at fair value					
Commitments					
- Forward foreign exchange contracts	454,392,932	-	1,407,669	-	1,407,669
- Forward Government securities transactions	55,397,043	-	74,822	-	74,822
- Derivative instruments	28,173,557	-	(399,509)	-	(399,509)

	As at December 31, 2018 (Audited)				
On balance sheet financial instruments	Carrying value / Notional value	Level 1	Level 2	Level 3	Total

Investments					
- Federal Government securities	1,048,325,547	-	1,048,325,547	-	1,048,325,547
- Shares	10,170,203	10,170,203	-	-	10,170,203
- Foreign securities					
Government debt securities	21,237,289	-	21,237,289	-	21,237,289
Non-Government debt securities					
- Listed	49,427,699	-	49,427,699	-	49,427,699
- Unlisted	926,102	-	926,102	-	926,102
- National Investment Trust Units	42,562	-	42,562	-	42,562
- Real Estate Investment Trust units	59,950	59,950	-	-	59,950

Financial assets - disclosed but not measured at fair value

Investments					
- Federal Government securities	156,199,342	-	156,199,342	-	156,199,342
- Non-Government debt securities	31,797,419	-	31,797,419	-	31,797,419
- Foreign securities					
Government debt securities	8,734,733	-	8,734,733	-	8,734,733
Non-Government debt securities	3,728,732	-	3,728,732	-	3,728,732
	1,330,649,578	10,230,153	1,320,419,425	-	1,330,649,578

Off-balance sheet financial instruments - measured at fair value

Commitments					
- Forward foreign exchange contracts	396,554,320	-	2,436,841	-	2,436,841
- Forward Government securities transactions	39,177,791	-	(24,559)	-	(24,559)
- Derivative instruments	18,896,504	-	(1,194,517)	-	(1,194,517)

32.2 Fair value of non-financial assets

Fair value of non-financial assets	As at March 31, 2019 (Unaudited)				
	Carrying value / Notional value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
- Fixed assets	45,454,014	-	-	45,454,014	45,454,014
- Non-banking assets acquired in satisfaction of claims	1,995,169	-	-	1,995,169	1,995,169
	47,449,183	-	-	47,449,183	47,449,183

	As at December 31, 2018 (Audited)				
	Carrying value / Notional value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
- Fixed assets	45,503,874	-	-	45,503,874	45,503,874
- Non-banking assets acquired in satisfaction of claims	1,995,169	-	-	1,995,169	1,995,169
	47,499,043	-	-	47,499,043	47,499,043

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

33 SEGMENT INFORMATION

33.1 Segment details with respect to Business Activities

	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
Profit and loss account	(Rupees in million)							
Net mark-up / return / profit - external	(10,691)	2,900	11,381	17,751	1,990	(65)	104	23,370
Inter segment revenue / (expense) - net	27,760	(962)	(9,289)	(19,048)	249	-	1,290	-
Non mark-up / return / interest income	1,786	1,597	1,052	470	844	211	674	6,634
Total Income	18,855	3,535	3,144	(827)	3,083	146	2,068	30,004
Segment direct expenses	6,758	1,063	414	157	6,003	86	7,171	21,652
Inter segment expense allocation	3,769	276	236	73	1,371	-	(5,725)	-
Total expenses	10,527	1,339	650	230	7,374	86	1,446	21,652
Provisions	317	45	(335)	(252)	(4)	-	146	(83)
Profit/ (loss) before tax	8,011	2,151	2,829	(805)	(4,287)	60	476	8,435
	As at March 31, 2019 (Unaudited)							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total
Statement of financial position	(Rupees in million)							
Cash and bank balances	107,166	-	318	93,830	84,455	3	4,020	289,792
Lendings to financial institutions	20,489	-	-	277,875	-	-	-	298,364
Net inter segment lending	1,256,896	-	-	-	96,682	-	56,467	1,410,045
Investments	35,994	-	17,712	768,013	83,530	326	28,324	933,899
Advances - performing	278,869	53,303	543,748	-	166,106	-	36,890	1,078,916
Advances - non-performing	2,581	126	4,094	-	5,551	-	257	12,609
Others	16,365	788	20,280	15,414	15,223	3,053	116,942	188,065
Total assets	1,718,360	54,217	586,152	1,155,132	451,547	3,382	242,900	4,211,690
Borrowings	24,506	-	63,271	53,038	89,307	2,000	-	232,122
Subordinated debt	-	-	-	-	-	-	9,988	9,988
Deposits and other accounts	1,650,447	2,403	193,191	69	287,888	-	31,659	2,165,657
Net inter segment borrowing	-	48,656	316,177	1,045,212	-	-	-	1,410,045
Others	30,931	3,158	13,513	62,198	16,585	463	62,873	189,721
Total liabilities	1,705,884	54,217	586,152	1,160,517	393,780	2,463	104,520	4,007,533
Equity	12,476	-	-	(5,385)	57,767	919	138,380	204,157
Total equity and liabilities	1,718,360	54,217	586,152	1,155,132	451,547	3,382	242,900	4,211,690
Contingencies and commitments	29,149	-	212,427	424,356	142,830	-	24,180	832,942
	For the three months ended March 31, 2018 (Unaudited)							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total
Profit and loss account	(Rupees in million)							
Net mark-up / return / profit - external	(4,377)	2,472	5,344	14,834	1,227	(46)	247	19,701
Inter segment revenue / (expense) - net	15,488	(749)	(3,756)	(12,347)	342	-	1,022	-
Non mark-up / return / interest income	1,692	1,647	612	405	640	242	184	5,422
Total Income	12,803	3,370	2,200	2,892	2,209	196	1,453	25,123
Segment direct expenses	5,383	815	333	134	4,307	101	6,797	17,870
Inter segment expense allocation	4,412	120	657	127	477	-	(5,793)	-
Total expenses	9,795	935	990	261	4,784	101	1,004	17,870
Provisions	107	(21)	(440)	(14)	126	-	125	(117)
Profit/ (loss) before tax	2,901	2,456	1,650	2,645	(2,701)	95	324	7,370

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	As at December 31, 2018 (Audited)							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total
Statement of financial position	(Rupees in million)							
Cash and bank balances	145,159	-	215	87,342	83,229	-	6,158	322,103
Lendings to financial institutions	13,032	-	-	38,245	-	-	-	51,277
Net inter segment lending	1,218,886	-	-	-	54,497	-	57,585	1,330,968
Investments	74,496	-	17,929	1,181,543	85,755	299	30,030	1,390,052
Advances - performing	266,902	51,416	563,199	-	152,716	-	33,841	1,068,074
Advances - non-performing	2,002	99	4,043	-	6,077	-	145	12,366
Others	12,590	2,112	18,692	20,308	11,172	2,820	114,287	181,981
Total assets	1,733,067	53,627	604,078	1,327,438	393,446	3,119	242,046	4,356,821
Borrowings	10,532	-	59,688	385,532	65,567	2,000	-	523,319
Subordinated debt	-	-	-	-	-	-	9,990	9,990
Deposits and other accounts	1,693,016	2,831	154,212	64	255,030	-	32,140	2,137,293
Net inter segment borrowing	-	47,518	379,197	904,253	-	-	-	1,330,968
Others	18,168	3,278	10,981	44,240	12,753	225	66,354	155,999
Total liabilities	1,721,716	53,627	604,078	1,334,089	333,350	2,225	108,484	4,157,569
Equity	11,351	-	-	(6,651)	60,096	894	133,562	199,252
Total equity and liabilities	1,733,067	53,627	604,078	1,327,438	393,446	3,119	242,046	4,356,821
Contingencies and commitments	24,125	-	142,460	358,144	193,889	-	27,214	745,832

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

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

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

	As at March 31, 2019 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	----- (Rupees in '000) -----					
Statement of financial position						
Balances with other banks						
In current accounts	-	-	194,346	-	848	-
Investments						
Opening balance	-	-	-	25,741,115	3,777,862	4,004,502
Investment made during the period	-	-	-	493,202	-	423,317
Share of profit	-	-	-	713,405	177,843	-
Share of other comprehensive income	-	-	-	(4,015)	-	-
Movement in share of surplus / deficit on assets	-	-	-	(160,312)	(1,589)	-
Exchange translation impact	-	-	-	288,036	92,177	-
Dividend received	-	-	-	(141)	-	-
Investment redeemed / disposed off during the period	-	-	-	(1,848,762)	-	(47,735)
Closing balance	-	-	-	25,222,528	4,046,293	4,380,084
Provision for diminution in value of investments	-	-	-	-	-	(135,420)
Advances						
Opening balance	-	234,012	3,536,393	1,500,000	-	13,376,499
Addition during the period	-	3,523	2,301,664	-	-	40,629,933
Repaid during the period	-	(19,983)	(2,475,734)	-	-	(38,722,216)
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	217,552	3,362,323	1,500,000	-	15,284,216
Provision held against advances	-	-	-	-	-	(1,726,437)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

As at March 31, 2019 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
(Rupees in '000)						
Other assets						
Interest / mark-up accrued	-	509	43,056	37,510	-	357,554
Receivable from staff retirement fund	-	-	-	-	-	36,304
Other receivable	-	-	7,512	148,215	-	3,871
	-	509	50,568	185,725	-	397,729
Borrowings						
Opening balance	-	-	2,621,585	2,499,514	1,932,152	-
Borrowings during the period	-	-	1,530,431	-	-	-
Settled during the period	-	-	(1,407,806)	(1,654,830)	(255,845)	-
Closing balance	-	-	2,744,210	844,684	1,676,307	-
Deposits and other accounts						
Opening balance	148,728	23,517	12,066,522	4,524,664	-	778,919
Received during the period	375,033	549,916	72,438,720	69,544,992	-	25,719,115
Withdrawn during the period	(317,164)	(413,449)	(73,977,331)	(70,583,138)	-	(25,774,689)
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	206,597	159,984	10,527,911	3,486,518	-	723,345
Other liabilities						
Interest / mark-up payable	2,272	703	181,693	45,460	10,331	7,279
Payable to staff retirement fund	-	-	-	-	-	846,825
Other payables	-	-	94,206	207,465	-	35,977
	2,272	703	275,899	252,925	10,331	890,081
Contingencies and commitments						
Letter of credit	-	-	1,279,686	-	-	6,192,055
Letter of guarantee	-	-	106,942	-	-	640,066
Forward purchase of Government securities	-	-	508,861	-	-	6,805,004
Forward sale of Government securities	-	-	-	-	-	-
Interest rate swaps	-	-	1,399,742	1,500,000	-	-
	-	-	3,295,231	1,500,000	-	13,637,125
Others						
Securities held as custodian	-	8,180	18,520,960	11,706,250	-	23,110,565
For the three months ended March 31, 2019 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
(Rupees in '000)						
Profit and loss account						
Income						
Mark-up / return / profit / interest earned	-	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)	-	-
Expenses						
Mark-up / return / profit / interest expensed	2,332	836	213,291	82,036	13,514	9,992
Operating expenses						
Salaries and allowances	-	347,396	-	-	-	-
Contribution to provident and benevolent funds	-	5,370	-	-	-	-
Non-Executive Directors' fees	11,600	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	254,547
Insurance premium expense	-	-	-	294,074	-	-
Advertisement and publicity	-	-	8,470	-	-	759,873
Travelling	-	-	15,195	-	-	-
Subscription	-	-	-	-	-	5,186
Utilities cost	-	-	-	-	-	-
Donation	-	-	-	-	-	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	-	-

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	As at December 31, 2018 (Audited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Statement of financial position						
Balances with other banks						
In current accounts	-	-	178,527	-	22,884	-
Investments						
Opening balance	-	-	-	24,618,037	2,739,781	5,291,967
Investment made during the year	-	-	-	1,422,668	-	2,248,288
Share of profit	-	-	-	2,119,869	603,114	-
Share of other comprehensive income	-	-	-	(91,034)	-	-
Movement in share of surplus / deficit on assets	-	-	-	315,651	(1,590)	-
Share of capital contribution from statutory reserve	-	-	-	29,326	-	-
Exchange translation impact	-	-	-	2,063,258	436,557	-
Dividend received	-	-	-	(650,755)	-	-
Investment redeemed / disposed off during the year	-	-	-	(4,085,905)	-	(1,266,953)
Transfer in / (out) - net	-	-	-	-	-	(2,268,800)
Closing balance	-	-	-	25,741,115	3,777,862	4,004,502
Provision for diminution in value of investments	-	-	-	-	-	(131,491)
Advances						
Opening balance	-	145,569	3,147,907	3,962,169	-	16,536,672
Addition during the year	-	200,111	10,215,143	-	-	183,779,040
Repaid during the year	-	(43,073)	(9,826,657)	(2,462,169)	-	(177,108,006)
Transfer in / (out) - net	-	(68,595)	-	-	-	(9,831,207)
Closing balance	-	234,012	3,536,393	1,500,000	-	13,376,499
Provision held against advances	-	-	-	-	-	(1,726,437)
Other assets						
Interest / mark-up accrued	-	430	30,552	34,696	-	226,952
Receivable from staff retirement fund	-	-	-	-	-	35,293
Other receivable	-	-	9,042	1,000,240	-	53,873
	-	430	39,594	1,034,936	-	316,118
Borrowings						
Opening balance	-	-	1,141,977	3,312,516	1,104,172	-
Borrowings during the year	-	-	7,034,084	10,275,781	6,382,456	-
Settled during the year	-	-	(5,554,476)	(11,088,783)	(5,554,476)	-
Closing balance	-	-	2,621,585	2,499,514	1,932,152	-
Deposits and other accounts						
Opening balance	127,426	37,694	10,235,376	9,245,055	22,702	1,501,398
Received during the year	1,461,501	268,006	415,569,471	393,178,308	-	98,984,289
Withdrawn during the year	(1,417,307)	(262,047)	(413,738,325)	(397,898,699)	(22,702)	(99,412,868)
Transfer in / (out) - net	(22,892)	(20,136)	-	-	-	(293,900)
Closing balance	148,728	23,517	12,066,522	4,524,664	-	778,919
Other liabilities						
Interest / mark-up payable	1,604	276	189,843	69,854	9,181	2,426
Payable to staff retirement fund	-	-	-	-	-	970,439
Other payables	-	-	106,489	431,670	-	125,812
	1,604	276	296,332	501,524	9,181	1,098,677
Contingencies and Commitments						
Letter of credit	-	-	580,316	-	-	8,847,142
Letter of guarantee	-	-	155,828	-	-	634,705
Forward purchase of Government securities	-	-	411,707	-	-	9,913,419
Forward sale of Government securities	-	-	-	-	-	809,625
Interest rate swaps	-	-	1,448,856	1,500,000	-	-
	-	-	2,596,707	1,500,000	-	20,204,891
Others						
Securities held as custodian	-	8,000	17,841,345	10,462,950	-	20,053,730

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

Profit and loss account	For the three months ended March 31, 2018 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Income						
Mark-up / return / profit / interest earned	-	1,174	72,186	59,729	-	322,645
Fee and commission income	-	-	-	668,205	-	-
Share of Profit	-	-	-	913,649	150,889	-
Dividend income	-	-	-	-	-	37,569
Other income	-	-	60	-	-	82
Net gain on sale of securities	-	-	-	19,680	-	-
(Loss) / income from derivatives	-	-	(2,082)	2,498	-	-
Expense						
Mark-up / return / profit / interest expensed	2,360	72	169,791	99,490	6,196	14,564
Operating expenses						
Salaries and Allowances	-	314,666	-	-	-	-
Contribution to provident and benevolent funds	-	4,294	-	-	-	-
Non-Executive Directors' fees	13,600	-	-	-	-	-
Net charge for defined benefit/ contribution plans	-	-	-	-	-	2,388,407
Insurance premium expense	-	-	-	1,761,970	-	-
Advertisement and publicity	-	-	9,278	-	-	298,992
Travelling	-	-	225	-	-	-
Subscription	-	-	-	-	-	4,866
Utilities cost	-	-	-	-	-	688
Donation	-	-	-	-	-	47,443
Other expenses	-	-	1,080	-	-	23,550
Reversal of provision for diminution in value of investments	-	-	-	-	-	(20,593)
Others						
Purchase of Government securities	-	-	47,892,017	-	-	33,897,716
Sale of Government securities	-	8,193	13,704,088	6,313,120	-	23,796,995
Purchase of foreign currencies	-	-	311,404	-	-	-
Sale of foreign currencies	-	-	227,213,235	51,500	-	6,109,122
Insurance claims settled	-	-	-	59,074	-	-
					(Unaudited) March 31, 2019	(Audited) December 31, 2018
					(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	141,407,224	141,243,268
Eligible Additional Tier 1 (ADT 1) Capital	161,201	61,035
Total Eligible Tier 1 Capital	141,568,425	141,304,303
Eligible Tier 2 Capital	39,758,463	49,513,636
Total Eligible Capital (Tier 1 + Tier 2)	181,326,888	190,817,939

Risk Weighted Assets (RWAs):

Credit Risk	903,458,065	873,803,178
Market Risk	102,651,238	132,656,725
Operational Risk	173,042,280	173,042,280
Total	1,179,151,583	1,179,502,183

Common Equity Tier 1 Capital Adequacy ratio	11.99%	11.97%
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Tier 1 Capital Adequacy Ratio	12.01%	11.98%
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Total Capital Adequacy Ratio	15.38%	16.18%
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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		9.90%	7.90%
of which: capital conservation buffer requirement		1.90%	1.90%
of which: countercyclical buffer requirement		-	-
of which: D-SIB or G-SIB buffer requirement	35.1	2.00%	0.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)		2.09%	4.07%
Other information:			
National minimum capital requirements prescribed by the SBP			
CET1 minimum ratio (%)		9.90%	7.90%
Tier 1 minimum ratio (%)		11.40%	9.40%
Total capital minimum ratio (%)		13.90%	11.90%
Leverage Ratio (LR)			
Eligible Tier-1 Capital		141,568,425	141,304,303
Total Exposures		3,111,816,627	3,695,613,262
Leverage Ratio (%)		4.55%	3.82%
Minimum Requirement (%)		3.00%	3.00%
Liquidity Coverage Ratio (LCR)			
		Total Adjusted Value (Rupees in '000)	
Total High Quality Liquid Assets		838,638,967	987,612,556
Total Net Cash Outflow		604,904,260	571,294,024
Liquidity Coverage Ratio (%)		138.64%	172.87%
Minimum Requirement (%)		100.00%	100.00%
Net Stable Funding Ratio (NSFR)			
		Total Weighted Value (Rupees in '000)	
Total Available Stable Funding		2,117,372,850	2,102,952,345
Total Required Stable Funding		1,352,500,916	1,490,821,433
Net Stable Funding Ratio (%)		156.55%	141.06%
Minimum Requirement (%)		100.00%	100.00%

- 35.1 Under the SBP's framework for Domestic Systemically Important Banks (D-SIBs), the Bank was designated as a D-SIB in category 'C' on June 12, 2018. Accordingly, with effect from March 31, 2019 the Bank is required to maintain a Higher Loss Absorbency (HLA) capital surcharge of 2% as additional CET-1.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

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ISLAMIC BANKING BUSINESS

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

	Note	(Unaudited) March 31, 2019	(Audited) December 31, 2018
STATEMENT OF FINANCIAL POSITION			
ASSETS			
(Rupees in '000)			
Cash and balances with treasury banks		13,403,214	19,365,889
Balances with other banks		-	-
Due from financial institutions	36.1	20,489,184	13,031,526
Investments	36.2	36,794,905	75,296,758
Islamic financing and related assets-net	36.3	126,166,940	103,483,404
Fixed assets		190,413	187,491
Intangible assets		-	-
Due from Head Office		10,405,177	4,932,141
Deferred tax assets		20,359	59,787
Other assets		3,959,715	3,718,796
		211,429,907	220,075,792
LIABILITIES			
Bills payable		15,976	8,543
Due to financial institutions	36.4	14,927,987	1,551,617
Deposits and other accounts	36.5	176,754,345	203,247,709
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities		7,255,754	3,917,646
		198,954,062	208,725,515
NET ASSETS			
		12,475,845	11,350,277
REPRESENTED BY			
Islamic Banking Fund		250,000	250,000
Reserves		-	-
(Deficit) / surplus on revaluation of investments - net of tax		(37,809)	(111,034)
Unappropriated profit	36.6	12,263,654	11,211,311
		12,475,845	11,350,277
CONTINGENCIES AND COMMITMENTS			
	36.7	(Unaudited) For the three months ended March 31, 2019	March 31, 2018
(Rupees in '000)			
PROFIT AND LOSS ACCOUNT			
Profit / return earned	36.8	3,915,761	2,967,151
Profit / return expensed	36.9	1,839,207	1,504,552
Net profit / return		2,076,554	1,462,599
Other income			
Fee and commission income		57,533	48,106
Dividend income		-	-
Foreign exchange income		6,503	7,599
Income from derivatives		-	-
Loss on securities - net		(9,767)	(25,936)
Others		1,971	1,794
Total other income		56,240	31,563
Total income			
		2,132,794	1,494,162
Other expenses			
Operating expenses		370,374	201,160
Workers' Welfare Fund		34,984	25,845
Other charges		-	-
Total other expenses		405,358	227,005
Profit before provisions			
Provisions and write offs - net		1,727,436	1,267,157
Profit before taxation			
Taxation		2,284	766
Profit after taxation			
		1,725,152	1,266,391
		672,809	443,237
		1,052,343	823,154

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

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

36.2 Investments by segments

	March 31, 2019 (Unaudited)				December 31, 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government securities								
-Ijarah Sukuks	5,090,127	-	(58,167)	5,031,960	53,682,791	-	(170,822)	53,511,969
- Other Federal Government securities	10,794,000	-	-	10,794,000	-	-	-	-
	<u>15,884,127</u>	<u>-</u>	<u>(58,167)</u>	<u>15,825,960</u>	<u>53,682,791</u>	<u>-</u>	<u>(170,822)</u>	<u>53,511,969</u>
Non-Government debt securities								
-Listed	4,715,033	-	-	4,715,033	5,030,877	-	-	5,030,877
-Unlisted	16,253,912	-	-	16,253,912	16,753,912	-	-	16,753,912
	<u>20,968,945</u>	<u>-</u>	<u>-</u>	<u>20,968,945</u>	<u>21,784,789</u>	<u>-</u>	<u>-</u>	<u>21,784,789</u>
Total Investments	<u>36,853,072</u>	<u>-</u>	<u>(58,167)</u>	<u>36,794,905</u>	<u>75,467,580</u>	<u>-</u>	<u>(170,822)</u>	<u>75,296,758</u>

	(Unaudited) March 31, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
36.3	Islamic financing and related assets - net	
Ijarah	2,035,755	2,078,449
Murabaha	1,139,848	672,907
Diminishing Musharakah	73,419,597	66,095,505
Wakalah	10,000,000	10,000,000
Islamic Home Financing	403,309	128,820
Running Musharakah	7,802,445	4,871,319
Advance for Ijarah	212,805	192,485
Advance for Murabaha	5,511,648	4,324,684
Advance for Diminishing Musharakah	1,158,140	995,819
Advance for Istisna	22,994,719	9,920,835
Advance for Salam	499,862	-
Inventories against Tijarah	241,323	17,578
Inventories against Murabaha	141,647	2,416,470
Inventories against Istisna	725,000	1,885,231
Islamic financing and related assets - gross	<u>126,286,098</u>	<u>103,600,102</u>
Provision against Islamic financing and related assets		
-Specific	(104,761)	(106,212)
-General	(14,397)	(10,486)
	<u>(119,158)</u>	<u>(116,698)</u>
Islamic financing and related assets - net of provision	<u>126,166,940</u>	<u>103,483,404</u>

36.4 Due to financial institutions

Unsecured acceptance of funds	11,200,000	-
Acceptances from the SBP under Islamic Export Refinance Scheme	3,724,417	1,551,617
Acceptances from the SBP under Islamic Long Term Financing Facility	3,570	-
	<u>14,927,987</u>	<u>1,551,617</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

36.5	Deposits and other accounts	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
	Customers			
	Current deposits		56,338,724	44,756,909
	Savings deposits		91,337,828	90,221,909
	Term deposits		20,885,835	39,646,562
			<u>168,562,387</u>	<u>174,625,380</u>
	Financial Institutions			
	Current deposits		144,530	156,967
	Savings deposits		6,338,068	26,478,723
	Term deposits		1,709,360	1,986,639
			<u>8,191,958</u>	<u>28,622,329</u>
			<u>176,754,345</u>	<u>203,247,709</u>
36.6	Islamic Banking business unappropriated profit			
	Opening Balance		11,211,311	8,569,480
	Add: Islamic Banking profit for the year		1,725,152	4,332,623
	Less: Taxation		(672,809)	(1,690,792)
	Closing Balance		<u>12,263,654</u>	<u>11,211,311</u>
36.7	Contingencies and commitments			
	- Guarantees	36.7.1	233,836	219,570
	- Commitments	36.7.2	8,479,208	20,811,516
			<u>8,713,044</u>	<u>21,031,086</u>
36.7.1	Guarantees:			
	Performance guarantees		233,836	214,177
	Other guarantees		-	5,393
			<u>233,836</u>	<u>219,570</u>
36.7.2	Commitments:			
	Trade-related contingent liabilities		2,848,214	1,613,153
	Commitments in respect of forward foreign exchange contracts	36.7.2.1	5,630,994	19,198,363
			<u>8,479,208</u>	<u>20,811,516</u>
36.7.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		5,327,688	18,922,353
	Sale		303,306	276,010
			<u>5,630,994</u>	<u>19,198,363</u>
36.8	Profit / return earned			
	On:			
	Financing		2,372,516	1,460,458
	Investments		1,173,051	1,485,221
	Placements		370,194	21,472
			<u>3,915,761</u>	<u>2,967,151</u>
36.9	Profit / return expensed			
	On:			
	Deposits and other accounts		1,482,584	982,439
	Due to financial institutions		341,243	515,055
	Cost against foreign currency deposits for Wa'ad based transactions		15,380	7,058
			<u>1,839,207</u>	<u>1,504,552</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

37 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 37.1 The Board of Directors in its meeting held on April 24, 2019 has declared a cash dividend of Rs 1.25 per share in respect of the quarter ended March 31, 2019 (March 31, 2018: Rs 1 per share). These condensed interim consolidated financial statements do not include the effect of this appropriation which will be accounted for subsequent to the period end.

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on April 24, 2019.

39 GENERAL

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeel Samie
Director



CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

Directors' Review

On behalf of the Board of Directors, we are pleased to present the condensed interim unconsolidated financial statements for the quarter ended March 31, 2019.

Domestic Economy

Pakistan's economy is on course for a slowdown with FY'19 GDP growth projected to fall to around 3.5%. Agriculture growth has been impacted by water shortages and a resultant shortfall in the cotton and wheat crops. Meanwhile, the Large-Scale Manufacturing Index declined by 2.3% during 7MFY'19 as investment sentiment among corporate entities has been subdued because of uncertainty over the IMF programme and lack of policy direction. The deceleration has also been partly a deliberate attempt to dampen domestic demand necessitated by the overheating of the economy – evidenced by a 43% increase in private sector credit offtake during 9MFY'19, a period in which interest rates increased by 425 bps – as a result of several years of a relaxed monetary policy and lack of structural reform.

Import containment efforts have had some success, with imports for 9MFY'19 declining by 4.9%. As a result, despite a slight decline in exports, the trade deficit has reduced by 7.7%. The bright spot has been home remittances, which increased by 9% to USD 16.1 billion for 9MFY'19. The combination of a lower trade deficit and higher remittances resulted in the current account deficit narrowing by nearly 30% over the same period last year, to USD 9.6 billion.

Headline CPI touched 9.4% in March 2019, a 5-year high, averaging 6.8% for 9MFY'19 compared to an average of 3.8% in the same period of FY'18. The downward adjustment in the Rupee – which was long overdue – has been a major contributing factor to the rise in inflation.

The Government has managed to stem the falling FX reserves by signing medium-term funding arrangements with friendly countries. Nevertheless, with less than three months of import cover and mounting external debt repayments, Fitch Ratings and S&P both downgraded the country's rating from 'B' to 'B-', in December 2018 and February 2019 respectively.

The fiscal deficit during 1H FY'19 rose to 2.7% of GDP compared to 2.2% in the same period of last year and most projections are for the FY'19 fiscal deficit to be in the 7% range. While the import slowdown has narrowed the trade deficit, it has simultaneously adversely affected revenue collection as 50% of tax receipts are in the form of indirect measures including import tariffs. Additionally, despite the Government's deep cuts in development spending, rising interest rates have exacerbated the debt servicing cost.

The Government is expected to reach an agreement with the IMF on a stabilization package in Q2 2019. The negotiations – which commenced in Q3 2018 – have been arduous and protracted and appear to reflect key differences around the implementation of deep-rooted structural reform which the IMF deems necessary for returning the country to a balanced and sustainable growth trajectory. Key issues include the restructuring of loss-making Public Sector Enterprises, a widening of the tax net and decisively addressing the chronic circular debt.

Monetary tightening continues with the SBP raising rates by 75bps during the quarter. Total industry deposits grew by 0.8% during the first quarter of 2019, while advances remained flat to December 2018 levels. With the pickup in rates and loan repricing, banking system spreads for the first two months of the year have risen by 64 bps over 2M'18 as improvements in lending yield have outpaced relatively contained deposit cost.

Performance

HBL recorded a Profit before Tax of Rs 7.8 billion for the first quarter of 2019, an increase of 27% over the same period of last year. However, with the retrospective imposition of Super Tax on 2017 earnings, profit after tax for Q1'19 is Rs 2.8 billion, compared to Rs 4.0 billion for Q1'18. However, despite the additional tax impact, PAT for Q1'19 is higher than the previous quarter with earnings per share for Q1'19 at Rs 1.94.

HBL's key business drivers remain on a positive trajectory. Total domestic deposits increased by 2.0%, crossing Rs. 1.9 trillion, with growth in all categories. The market share thus improved to 14.3% with a strong CASA ratio of 85.1%. Domestic advances reduced slightly from December 2018 as a result of seasonal declines in certain businesses. Overseas advances rose by 6%; consequently, HBL's total net advances of Rs 1.0 trillion remained flat to December 2018 level.

Average domestic deposits rose by Rs 120 billion (7.2%) over Q1'18 with a Rs 66 billion growth in average domestic current accounts improving the deposit mix. Average domestic loans grew by 28.1% (nearly Rs 200 billion). The strong business growth was supplemented by a 67 bps improvement in Net Interest Margin – the full flow-through of the 2018 interest rate increases into loan re-pricing and the rollover of maturing investments at higher rates resulted in a significant increase in earning asset yields while the improved current account mix contained growth in the cost of funds. With the rebuilding of international balance sheets, net interest income in the overseas businesses also increased by 11% over the first quarter of 2018. The Bank's total net interest income for Q1'19 thus grew by 18% over Q1'18, to Rs 21.7 billion.

Non mark-up income remained robust, increasing by 43% YoY to Rs 5.6 billion as the lower rupee devaluation reduced the revaluation loss on the Bank's external borrowings by Rs 0.6 billion. Fee income has grown by 19%, to Rs 4.8 billion, as a strong performance from the investment banking business, supported by growth in card and trade related fees, all contributed to the increase. Core FX income improved by 49% to Rs 0.9 billion due to one-time gains resulting from an increase in arbitrage spreads.

HBL's investments in people and technology will continue. The Bank continues its transformation journey to ensure that it does the right kind of business as a responsible member of the global clearing system. In addition, the Bank has accelerated the pace of its remediation efforts in NY. Despite an increase in headline administrative expenses for Q1'19 to Rs 19.5 billion, the growth of the underlying business has enabled the Bank to reduce its domestic cost / income ratio by 356bps from prior year levels, to 57.1%. As a result of reversal of previous impairment on investments, total provisions for the quarter recorded a reversal of Rs 0.2 billion.

Movement of Reserves

	Rs million
Unappropriated profit brought forward	91,883
Profit after tax	2,841
Transferred from surplus on revaluation of assets – net of tax	12
	2,853
Profit available for appropriations	94,736
Appropriations	
Transferred to statutory reserves	(284)
Cash dividend – Final 2018	(1,834)
	(2,118)
Unappropriated profit carried forward	92,618
Earnings per share (Rs)	1.94

Capital Ratios

HBL has been designated by the SBP as a Domestic Systemically Important Bank (D-SIB) and placed in category C, the highest currently in use. This requires the Bank to maintain an additional Common Equity Tier 1 (CET1) of 2% in the form of a Higher Loss Absorbency surcharge, effectively meaning that all its Capital Adequacy Ratio (CAR) requirements – CET 1, Tier 1 and Total – stand increased by 2% as of March 31, 2019.

The unconsolidated CET 1 and Tier 1 CAR have increased by 25bps over December 2018 to 12.70%. However, as a result of the increased CET 1 requirements, the headroom over minimum CET-1 ratio has reduced, thus rendering some of the Tier II capital ineligible for recognition. Resultantly, total unconsolidated CAR of 16.4% remained flat at the December 2018 level, and well above the requirement of 13.9%.

Dividend

The Board of Directors, in its meeting held on April 24, 2019 has declared an interim cash dividend of Rs 1.25 per share (12.50%) for the quarter ended March 31, 2019.

Future Outlook

Pakistan's twin deficits problem has returned in full force and the combined deficit is expected to remain in double digits for FY'19. The dilemma of higher interest rates which stem inflation but negatively impact debt servicing, implies that a protracted and difficult adjustment period – involving growth at below long-term trends – is a real possibility. A way out of this quandary would appear to be a successful implementation of an IMF programme – which would lead to a rise in investor confidence and enhanced capital inflows from international donors – as long as this is accompanied by real structural reform to drive productive investment and reduce leakages in the economy.

Equally importantly, efforts must be intensified to capitalize on the good work done under Phase I of the CPEC programme, which has already started to improve the physical infrastructure of the country. It will now be critical to establish industries that leverage this infrastructure and develop export capability to put the country on a path to sustainable growth.

HBL's results for the first quarter of 2019 are encouraging and provide validation of the work done over the previous year. As a Technology Company with a Banking License, the Bank will accelerate its digital ambitions to transform the way it deals with customers through innovative, customer-centric products and channels. The Bank's market leading mobile app and internet banking platform have nearly 0.9 million users, the highest in the market. HBL remains committed to and is being recognized for its progress in women empowerment and financial inclusion for all. HBL Konnect continues its strong growth with 2.4 million accounts opened to date, 24% of them by women. HBL continues to strive to improve its service quality and efforts in this area will be stepped up. HBL is inextricably linked with sports in the country and, in Q1'19, reiterated this commitment by renewing its title sponsorship of the highly successful HBL PSL, playing a direct contributory role in the return of cricket to Pakistan. The Bank recognizes that it has a responsibility to play a leading role in the development of all sectors of the economy and, with its unmatched franchise, is well positioned to make a meaningful contribution to the country.

Appreciation and Acknowledgement

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

We are indebted to our customers, 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. We would also like to thank our employees and their families for their dedication and their tireless efforts towards the growth of HBL.

On behalf of the Board

Muhammad Aurangzeb
President & Chief Executive Officer

Moez Ahamed Jamal
Director

April 24, 2019

ڈائریکٹرز کا جائزہ

ہمیں بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2019ء کو ختم ہونے والی سہ ماہی کی مختصر عبوری غیر مجموعی مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس ہو رہی ہے۔

ملکی معیشت

پاکستان کی معیشت سست روی کا شکار ہے، جبکہ مالی سال 2019ء کے لیے GDP میں اضافہ لگ بھگ 3.5% کم رہنے کی توقع ہے۔ پانی کی قلت نے زری شعبے کو متاثر کیا ہے جس کے نتیجے میں کپاس اور گندم کی فصلوں میں کمی کا سامنا ہے۔ اسی دوران میں، IMF پروگرام سے متعلق غیر یقینی اور پالیسی کے بے سمت ہونے کی وجہ سے کارپوریٹ اداروں کے درمیان سرمایہ کاری کے رجحان میں کمی سے، مالی سال 2019ء کے 7 مہینوں میں بڑے پیمانے کی اشیا سازی (LSM) میں 2.3% تک تخفیف ہوئی۔ کچھ حد تک یہ سست رفتاری مقامی طلب کی حوصلہ شکنی کی دانستہ کوشش بھی ہے جو، کئی سالوں سے سست رو مالیاتی پالیسی اور بنیادی ڈھانچے میں اصلاحات کے فقدان کے نتیجے میں، بد حال معیشت کے پیش نظر لازمی تھی، جس کا مشاہدہ مالی سال 2019ء کے 9 مہینوں کے دوران نجی شعبے میں کریڈٹ کی طلب میں 43% اضافے کی صورت میں کیا گیا، جبکہ اس عرصے کے دوران شرح سود میں 425 بی پی ایس کا اضافہ ہوا۔

درآمدات محدود کرنے کی کوششوں میں کچھ کامیابی حاصل ہوئی، اور مالی سال 2019ء کے 9 ماہ میں درآمدات میں 4.9% تک کمی دیکھی گئی۔ نتیجتاً، برآمدات میں معمولی تخفیف کے باوجود، تجارتی خسارے میں 7.7% تک کمی واقع ہوئی۔ ایک روشن پہلو ترسیلات زر رہی ہیں جو مالی سال 2019ء کے 9 مہینوں میں 9% اضافے کے ساتھ 16.1 ارب امریکی ڈالر تک پہنچ گئیں۔ کم تر تجارتی خسارے اور بلند تر ترسیلات زر کے امتزاج کے نتیجے میں کرنٹ اکاؤنٹ کا خسارہ کم ہو کر 9.6 ارب امریکی ڈالر رہ گیا، جو گزشتہ سال کے اسی دورانیے کے مقابلے میں تقریباً 30% تک کم ہے۔

عمومی صارف اشاریہ قیمت (CPI) مارچ 2019ء میں 9.4% تک پہنچی، جو 5 سالوں میں بلند ترین ہے۔ مالی سال 2019ء کے 9 مہینوں میں یہ اضافہ اوسطاً 6.8% رہا، جبکہ مالی سال 2018ء کے اسی دورانیے میں یہ اضافہ اوسطاً 3.8% تھا۔ روپے کی قدر میں کمی نے، جو طویل عرصے سے التوا کا شکار تھی، افراط زر میں اضافے میں نمایاں کردار ادا کیا۔

دوست ممالک کے ساتھ متوسط المیعاد سرمائے کے معاہدوں پر دستخط کے ذریعے، حکومت زر مبادلہ کے کم ہوتے ہوئے ذخائر پر بند باندھنے میں کامیاب رہی۔ اس کے باوجود، تین مہینوں سے بھی کم کے درآمدی سرمائے اور بیرونی قرضوں کی واپس ادائیگی کے کوہ گراں کے باعث، Fitch، S&P اور مینگز اور S&P دونوں نے بالترتیب دسمبر 2018ء اور فروری 2019ء میں ملک کی ریٹنگ 'B' سے گھٹا کر 'B-' کر دی۔

مالی سال 2019ء کی پہلی ششماہی میں مالی خسارہ بڑھ کر GDP کا 2.7% ہو گیا جو پچھلے سال اس عرصے کے دوران 2.2% تھا اور غالب امکانات یہی ہیں کہ مالی سال 2019ء کا مالی خسارہ 7% تک ہو گا۔ اگرچہ درآمدات میں کمی نے تجارتی خسارے کو گھٹایا ہے، لیکن ساتھ ہی محصولات کی وصولی پر بھی مخالف اثر ڈالا ہے کیونکہ 50% ٹیکس وصولی بالواسطہ اقدامات بشمول درآمدی نرخ ناموں کی صورت میں ہوتی ہے۔ علاوہ ازیں، حکومت کی جانب سے ترقیاتی اخراجات میں بڑی کٹوتیوں کے باوجود بلند شرح سود نے قرضوں کی سروس لاگت میں انتہائی اضافہ کر دیا ہے۔

توقع ہے کہ حکومت 2019ء کی دوسری سہ ماہی میں IMF کے ساتھ استحکام کے پیکیج سے متعلق کسی معاہدے پر پہنچ جائے گی۔ 2018ء کی تیسری سہ ماہی میں شروع ہونے والی بات چیت خاصی کٹھن اور طویل ثابت ہوئی ہے اور گہری سطح تک ساختی اصلاحات کے نفاذ سے متعلق کلیدی اختلافات کی عکاس دکھائی دیتی ہے، جو IMF کے مطابق ملک کو متوازن اور پائیدار ترقی کی راہ پر دوبارہ گامزن کرنے کے لیے ضروری ہیں۔ ان کلیدی مسائل میں خسارے کا شکار پبلک سیکٹر انٹرپرائزز کی تعمیر نو، ٹیکس کا دائرہ کار وسیع کرنا اور دیرینہ گردشی قرضے سے فیصلہ کن انداز میں غنما شامل ہے۔

ذخائر میں اتار چڑھاؤ

ملین روپے

91,883

2,841

12

2,853

94,736

افتتاحی غیر تخصیص شدہ منافع

منافع بعد از محصول

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

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ - حتمی 2018

(284)

(1,834)

(2,118)

92,618

1.94

اختتامی غیر تخصیص شدہ منافع

فی حصص آمدنی (روپے)

سرمائے کا تناسب

SBP کی جانب سے HBL کو ملکی نظام کا اہم بینک (D-SIB) نامزد کیا گیا ہے اور درجہ 'C' میں رکھا گیا ہے جو اس وقت زیر استعمال سب سے بلند درجہ ہے۔ یہ بینک سے تقاضا کرتا ہے کہ بلند تر نقصان برداشت کرنے کے لئے CET 1 کا 2% سرچارج رکھا جائے، جس کے نتیجے میں اس کی تمام کیپٹل ایڈیکویسی ریشو (CAR) کی شرائط، CET 1، Tier 1 اور مجموعی میں 31 مارچ 2019ء کو 2% اضافہ ہو گیا ہے۔

غیر مجموعی CET 1 اور Tier 1 CAR دسمبر 2018ء کی نسبت 25 بی بی پی ایس اضافے کے ساتھ 12.70% ہو گئے۔ البتہ، CET 1 کی شرائط میں اضافے کے نتیجے میں، CET-1 کے کم از کم تناسب کی اضافی گنجائش میں کمی واقع ہوئی، چنانچہ Tier II کا بعض سرمایہ غیر موثر ہو گیا۔ نتیجتاً کل غیر مجموعی CAR دسمبر 2018ء کی سطح پر رہتے ہوئے 16.4% پر برقرار ہے اور 13.9% کی شرط سے خاصی بلند ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 24 اپریل 2019ء کو منعقد ہونے والے اپنے اجلاس میں 31 مارچ 2019ء کو اختتام پذیر ہونے والی سہ ماہی کے لیے فی حصص 1.25 روپے (12.50%) کے عبوری منافع منقسمہ کا اعلان کیا ہے۔

مستقبل کی صورت حال

پاکستان کے جڑواں خساروں کا مسئلہ اپنی بھرپور قوت کے ساتھ لوٹ چکا ہے اور مالی سال 2019ء کا مجموعی مالی خسارہ دہرے ہندسوں ہی میں رہنے کی توقع ہے۔ بلند شرح سود کے ساتھ دہری مشکل یہ ہے کہ وہ افراط زر کو تو روکتا ہے، مگر قرضہ جاتی سروسز پر منفی اثرات مرتب کرتا ہے، اور اس سے ظاہر ہوتا ہے کہ ایڈجسٹمنٹ کا ایک طویل اور مشکل دورانیہ، بشمول طویل المدتی کم نشوونما کار رجحان، ایک حقیقی ممکنہ صورت ہے۔ اس صورت حال سے نکلنے

SBP نے مالیاتی پالیسی میں سختی کو جاری رکھتے ہوئے اس سہ ماہی کے دوران ریٹ میں 75 بی پی بلس کا اضافہ کیا۔ 2019ء کی پہلی سہ ماہی کے دوران مجموعی شعبے کے ڈپازٹس میں 0.8% تک اضافہ ہوا، جبکہ قرضہ جات دسمبر 2018ء کی سطح پر ہی رہے۔ ریٹ میں اضافے اور قرضوں کی قیمت پر نظر ثانی سے، سال کے ابتدائی دو مہینوں میں بینکاری سسٹم اسپریڈز 2018ء کے دو مہینوں کے مقابلے میں 64 بی پی بلس زیادہ رہے، چونکہ قرضہ جات کے منافع نے نسبتاً محدود ڈپازٹ لاگت کو پیچھے چھوڑ دیا ہے۔

کارکردگی

HBL نے 2019ء کی پہلی سہ ماہی میں 7.8 ارب روپے کا قبل از محصول منافع حاصل کیا جو گزشتہ سال اسی عرصے کے مقابلے میں 27% زائد ہے۔ البتہ، 2017ء کی کمائی پر ماضی سے عائد کردہ سپر ٹیکس کے بعد، 2019ء کی پہلی سہ ماہی کا بعد از محصول منافع 2.8 ارب روپے رہا، جبکہ 2018ء کی پہلی سہ ماہی میں یہ 4.0 ارب روپے تھا۔ البتہ، اضافی محصول کے اثرات کے باوجود، 2019ء کی پہلی سہ ماہی کا بعد از محصول منافع گزشتہ سہ ماہی کے مقابلے میں زیادہ ہے اور 2019ء کی پہلی سہ ماہی کے لیے فی حصص آمدنی 1.94 روپے رہی۔

HBL کے کلیدی کاروباری محرکات مثبت سمت میں سفر جاری رکھے ہوئے ہیں۔ مجموعی ملکی ڈپازٹس، تمام شعبوں میں نمو کے ساتھ، 2.0% اضافے سے 1.9 کھرب سے تجاوز کر گئے۔ چنانچہ 85.1% کے مضبوط CASA تناسب کے ساتھ مارکیٹ شیئر مزید بہتر ہو کر 14.3% ہو گیا۔ بعض کاروباروں میں عارضی کمی اور بعض میں اضافے کی وجہ سے ملکی قرضہ جات دسمبر 2018ء سے معمولی کم ہوئے۔ غیر ملکی قرضہ جات میں تقریباً 6% اضافہ ہوا، چنانچہ HBL کے مجموعی خالص قرضہ جات دسمبر 2018ء کی سطح یعنی 1.0 کھرب روپے پر برقرار رہے۔

اوسط ملکی ڈپازٹس میں، 2018ء کی پہلی سہ ماہی کے مقابلے میں، 120 ارب روپے (7.2%) کا اضافہ ہوا، جبکہ اوسط ملکی کرنٹ اکاؤنٹس میں 66 ارب روپے کے اضافے سے ڈپازٹس کس میں بہتری ہوئی۔ اوسط ملکی قرضہ جات میں 28.1% (تقریباً 200 ارب روپے) کا اضافہ ہوا۔ مضبوط کاروباری ترقی کے باعث نیٹ انٹرسٹ مارجن میں 67 بی پی بلس کی بہتری آئی، جو 2018ء میں شرح سود میں اضافے سے قرضوں کی ری پرائسنگ کے مکمل اثرات اور میعاد پوری کرنے والے سرمایوں کی زیادہ شرح پر تجدید کے سبب ہے جس کا نتیجہ آمدن اثاثوں کی پیداوار کے حصول میں نمایاں اضافے کی صورت میں نکلا جبکہ فنڈز کی لاگت کو کرنٹ اکاؤنٹ کس میں بہتری نے محدود رکھا۔ بین الاقوامی سیلنس شیٹ کی تعمیر نو کے ساتھ، غیر ملکی کاروباروں کی خالص منافع آمدنی میں 2018ء کی پہلی سہ ماہی کے مقابلے میں 11% اضافہ ہوا۔ چنانچہ 2019ء کی پہلی سہ ماہی کے لیے بینک کی مجموعی خالص منافع آمدنی 2018ء کی پہلی سہ ماہی کے مقابلے میں 18% اضافے کے ساتھ 21.7 ارب روپے ہو گئی۔

نان مارک اپ آمدن بھی مستحکم رہی جو سال بسال 43% اضافے کے ساتھ 5.6 ارب روپے ہو گئی، جس کا سبب روپیہ کی قدر میں کمی کے باعث بینک کے بیرونی قرضہ جات کی قیمت کا دوبارہ تعین کیے جانے کے نقصان میں 0.6 ارب روپے کی کمی واقع ہونا تھا۔ سرمایہ کارانہ بینکاری کے شعبے میں مستحکم کارکردگی کے ساتھ کارڈ اور ٹریڈ سے متعلق فیسوں میں اضافے جیسے تمام پہلو ترقی کا سبب بنے اور فیس کی آمدنی 19% بڑھ کر 4.8 ارب روپے ہو گئی۔ ثالثی اسپریڈ میں اضافے کے نتیجے میں ایک بار حاصل ہونے والی آمدن کے باعث مرکزی ایف ایکس آمدن 49% اضافے کے ساتھ 0.9 ارب روپے ہو گئی۔

عوام اور ٹیکنالوجی میں HBL کی سرمایہ کاری جاری رہے گی۔ بینک اپنی ٹرانسفریشن کے سفر پر گامزن ہے تاکہ عالمی کلیئرنگ نظام کا ذمہ دار رکن ہونے کے ناطے درست کاروبار کی انجام دہی یقینی بنائی جائے۔ علاوہ ازیں، بینک نے نیویارک میں اپنی ریمیڈیشن کی کوششوں کی رفتار کو تیز کر دیا ہے۔ 2019ء کی پہلی سہ ماہی کے دوران عمومی انتظامی اخراجات میں 19.5 ارب روپے کے اضافے کے باوجود، بنیادی کاروبار کی ترقی کے باعث بینک اپنی ملکی لاگت / آمدن کے تناسب کو گزشتہ سال کے مقابلے میں 356 بی پی بلس کی کمی کے ساتھ 57.1% لانے میں کامیاب رہا۔ سرمایہ کاری میں گزشتہ نقصان کی واپسی کے ساتھ، اس سہ ماہی میں پرویژن میں 0.2 ارب روپے کی مجموعی ریورسل حاصل ہوئی۔

کارستہ IMF پروگرام کا کامیاب نفاذ نظر آتا ہے، جس سے سرمایہ کاروں کے اعتماد میں اضافہ ہو گا اور بین الاقوامی ڈونرز کے سرمائے کے اندرونی بہاؤ میں تیزی آئے گی، بشرطیکہ اس کے ساتھ مفید سرمایہ کاری کا محرک بنے اور معیشت میں اخراج کم کرنے کے لیے حقیقی ساختی اصلاحات کی جائیں۔

مساوی طور پر اہم یہ ہے کہ CPEC پروگرام کے پہلے مرحلے کے تحت کیے گئے عمدہ کام سے، جو پہلے ہی ملک میں فزیکل انفراسٹرکچر کو بہتر بنانا شروع کر چکا ہے، استفادہ حاصل کرنے کے لیے کوششوں کو تیز کرنا ضروری ہے۔ اب ایسی صنعتوں کا قیام ضروری ہو گا جو اس انفراسٹرکچر سے فائدہ اٹھا سکیں اور ملک کو پائیدار ترقی کی راہ پر گامزن کرنے کے لیے برآمدی صلاحیت بڑھا سکیں۔

2019ء کی پہلی سہ ماہی کے لیے HBL کے نتائج حوصلہ افزا ہیں اور گزشتہ سال انجام دیے گئے کام کی توثیق کرتے ہیں۔ بینکاری کا اجازت نامہ رکھنے والی ٹیکنالوجی کمپنی کے طور پر، بینک اپنے ڈیجیٹل عزائم کو تیز کرے گا تاکہ جدت، صارف-مرکز پروڈکٹس اور چینلز کے ذریعے صارفین کے ساتھ تعلق کے انداز کو بدل سکے۔ مارکیٹ میں بینک کی سرفہرست موبائل ایپ اور انٹرنیٹ بینکنگ پلیٹ فارم کے تقریباً 0.9 ملین صارفین ہیں، جو مارکیٹ میں سب سے بڑی تعداد ہے۔ HBL خواتین کو بااختیار بنانے اور ہر ایک کی مالیاتی شمولیت کے لیے نہ صرف پُر عزم ہے بلکہ اس ضمن میں اس کی کوششوں کا اعتراف بھی کیا جا رہا ہے۔ HBL کنیکٹ کی بھرپور پیش قدمی کا سلسلہ جاری ہے اور تاحال 2.4 ملین اکاؤنٹس کھولے جا چکے ہیں، جن میں سے 24% خواتین ہیں۔ HBL اپنی سروس کا معیار بہتر بنانے کے لیے سرگرم عمل ہے اور اس حوالے سے کوششوں میں اضافہ کیا جائے گا۔ HBL ملک میں ہونے والے کھیلوں کے ساتھ بھی منسلک ہے اور 2019ء کی پہلی سہ ماہی میں انتہائی کامیاب HBL PSL کی اپنی ٹائٹل اسپانسرشپ کی تجدید کے ساتھ اس عزم کا اعادہ کرتے ہوئے پاکستان میں کرکٹ کی واپسی میں براہ راست کردار ادا کر رہا ہے۔ بینک کو ادراک ہے کہ معیشت کے تمام شعبوں کی ترقی میں قائدانہ کردار نبھانا اس کی ذمہ داری ہے اور اپنی بے مثال فرنیچرز کے ساتھ، ملک میں با معنی کردار ادا کرنے کے لیے بہترین مقام کا حامل ہے۔

اظہارِ تشکر

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

ہم اپنے کسٹمرز کے ممنون ہیں، جن میں بہت سے کسٹمرز کئی نسلوں سے ہمارے ساتھ بینکاری کر رہے ہیں، اور اپنے کاروبار اور اعتماد کے ذریعے ہم سے منسلک ہیں۔ ہمیں اپنے حصص یافتگان کا مضبوط تعاون حاصل رہا ہے اور ہم اُن کے اور اپنے تمام اسٹیک ہولڈرز کے بے حد شکر گزار ہیں۔ بورڈ اور مینجمنٹ اعلیٰ ترین معیارات برقرار رکھنے کے لیے اپنے عزم پر قائم ہے اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ ہم اس شعبے میں انڈسٹری کے قائدین ہوں گے۔ ہم HBL کی ترقی میں اپنے ملازمین اور ان کے خاندانوں کی لگن اور انتھک کوششوں کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ

محمد اورنگزیب

صدر اور چیف ایگزیکٹو آفیسر

معیز احمد جمال
ڈائریکٹر

24 اپریل، 2019ء

Condensed Interim Unconsolidated Statement of Financial Position

As at March 31, 2019

	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	5	236,303,676	266,610,256
Balances with other banks	6	29,653,785	26,095,330
Lendings to financial institutions	7	298,364,226	51,277,336
Investments	8	889,428,786	1,341,030,709
Advances	9	1,018,451,933	1,015,853,926
Fixed assets	10	71,211,497	62,517,154
Intangible assets	11	2,844,587	2,718,556
Deferred tax assets	12	6,036,664	7,083,718
Other assets	13	99,528,202	106,307,874
		2,651,823,356	2,879,494,859
LIABILITIES			
Bills payable	14	28,313,939	42,325,254
Borrowings	15	228,612,484	518,896,397
Deposits and other accounts	16	2,050,887,292	2,020,007,979
Liabilities against assets subject to finance lease		-	-
Subordinated debt	17	9,988,000	9,990,000
Deferred tax liabilities		-	-
Other liabilities	18	151,329,936	109,226,173
		2,469,131,651	2,700,445,803
NET ASSETS		182,691,705	179,049,056
REPRESENTED BY			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		58,896,574	57,935,252
Surplus on revaluation of assets - net of tax	19	16,508,108	14,562,465
Unappropriated profit		92,618,498	91,882,814
		182,691,705	179,049,056
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

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three months ended March 31, 2019

	Note	January 01 to March 31, 2019 (Rupees in '000)	January 01 to March 31, 2018 (Restated)
Mark-up / return / profit / interest earned	22	48,923,075	35,277,440
Mark-up / return / profit / interest expensed	23	27,197,498	16,811,196
Net mark-up / return / profit / interest income		21,725,577	18,466,244
Non mark-up / interest income			
Fee and commission income	24	4,811,051	4,054,066
Dividend income		100,811	382,677
Foreign exchange income / (loss)		317,146	(567,801)
Income / (loss) from derivatives		184,516	(83,919)
Gain on securities - net	25	102,008	17,876
Other income	26	76,174	95,301
Total non mark-up / interest income		5,591,706	3,898,200
Total income		27,317,283	22,364,444
Non mark-up / interest expenses			
Operating expenses	27	19,457,087	16,224,642
Workers' Welfare Fund		160,639	135,950
Other charges	28	50,652	6,104
Total non mark-up / interest expenses		19,668,378	16,366,696
Profit before provisions and taxation		7,648,905	5,997,748
Provisions and write offs - net	29	(188,276)	(164,582)
Profit before taxation		7,837,181	6,162,330
Taxation	30	4,995,551	2,204,302
Profit after taxation		2,841,630	3,958,028
		(Rupees)	
Basic and diluted earnings per share	31	1.94	2.70

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

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Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the three months ended March 31, 2019

	January 01 to March 31, 2019 (Rupees in '000)	January 01 to March 31, 2018 (Rupees in '000)
Profit after taxation for the period	2,841,630	3,958,028
Other comprehensive income / (loss)		
<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>		
Effect of translation of net investment in foreign branches - net of tax	677,159	1,851,081
Movement in surplus / deficit on revaluation of investments - net of tax	1,957,425	(973,939)
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>		
Transferred from surplus on revaluation of non-banking assets - net of tax	-	2,568
Transferred to surplus on revaluation of fixed assets - net of tax	-	(2,568)
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	-	10,000
	-	7,432
Total comprehensive income	5,476,214	4,845,170

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

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Director

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Director

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Director

Condensed Interim Unconsolidated Statement of Changes In Equity (Unaudited)

For the three months ended March 31, 2019

	Share capital	Exchange translation reserve	Reserves		Revenue		Surplus / (deficit) on revaluation of		Total
			Statutory reserve	Non - distributable capital reserve	General reserve	Unappropriated profit	Investments	Fixed / Non-banking assets	
(Rupees in '000)									
Balance as at December 31, 2017	14,668,525	12,119,891	30,778,524	547,115	6,073,812	87,235,621	(439,687)	21,655,285	172,639,086
Comprehensive income for the three months ended March 31, 2018									
Profit after taxation for the three months ended March 31, 2018	-	-	-	-	-	3,958,028	-	-	3,958,028
Other comprehensive income / (loss)									
Effect of translation of net investment in foreign branches - net of tax	-	1,851,081	-	-	-	-	-	-	1,851,081
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	(973,939)	10,000	(963,939)
	-	1,851,081	-	-	-	3,958,028	(973,939)	10,000	4,845,170
Transferred to statutory reserve	-	-	395,803	-	-	(395,803)	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	12,652	-	(12,652)	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2018	14,668,525	13,970,972	31,174,327	547,115	6,073,812	90,810,498	(1,413,626)	21,652,633	177,484,256
Comprehensive income for the nine months ended December 31, 2018									
Profit after taxation for the nine months ended December 31, 2018	-	-	-	-	-	7,831,129	-	-	7,831,129
Other comprehensive income / (loss)									
Effect of translation of net investment in foreign branches - net of tax	-	5,385,913	-	-	-	-	-	-	5,385,913
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	-	(153,338)	-	-	(153,338)
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	(5,761,917)	130,421	(5,631,496)
	-	5,385,913	-	-	-	7,677,791	(5,761,917)	130,421	7,432,208
Transferred to statutory reserve	-	-	783,113	-	-	(783,113)	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	45,046	-	(45,046)	-
Transactions with owners, recorded directly in equity									
Final cash dividend - Rs 1.0 per share declared subsequent to the year ended December 31, 2017	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)
1st interim cash dividend - Rs 1.0 per share	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)
2nd interim cash dividend - Rs 1.0 per share	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)
3rd interim cash dividend - Rs 1.0 per share	-	-	-	-	-	(1,466,852)	-	-	(1,466,852)
	-	-	-	-	-	(5,867,408)	-	-	(5,867,408)
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									
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
	-	677,159	-	-	-	-	1,957,425	-	2,634,584
Transferred to statutory reserve	-	-	284,163	-	-	(284,163)	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	11,782	-	(11,782)	-
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

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the three months ended March 31, 2019

	March 31, 2019	March 31, 2018
	(Rupees in '000)	(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,837,181	6,162,330
Dividend income	(100,811)	(382,677)
	<u>7,736,370</u>	<u>5,779,653</u>
Adjustments:		
Depreciation	1,116,574	802,589
Depreciation on right-of-use assets	597,072	-
Amortisation	99,946	155,170
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	242,575	-
Reversal of diminution in value of investments	(162,631)	(13,618)
Provision / (reversal) against loans and advances	65,126	(124,870)
Provision against other assets	32,177	93,601
Reversal of provision against off-balance sheet obligations	(10,999)	(35,291)
Unrealised (gain) / loss on held-for-trading securities	(14,306)	45,588
Gain on sale of fixed assets - net	(7,349)	(11,148)
Workers' Welfare Fund	160,639	135,950
	<u>2,118,824</u>	<u>1,047,971</u>
	<u>9,855,194</u>	<u>6,827,624</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(247,086,890)	(110,175,428)
Held-for-trading securities	(47,292,724)	(19,049,740)
Advances	(2,663,133)	(12,692,864)
Other assets (excluding advance taxation)	<u>2,165,094</u>	<u>5,669,868</u>
	<u>(294,877,653)</u>	<u>(136,248,164)</u>
(Decrease) / increase in operating liabilities		
Bills payable	(14,011,315)	(1,625,393)
Borrowings from financial institutions	(290,283,913)	(171,241,637)
Deposits and other accounts	30,879,313	33,948,588
Other liabilities	<u>32,639,196</u>	<u>12,917,325</u>
	<u>(240,776,719)</u>	<u>(126,001,117)</u>
	<u>(525,799,178)</u>	<u>(255,421,657)</u>
Income tax paid	(349,179)	(3,178,112)
Net cash flows used in operating activities	<u>(526,148,357)</u>	<u>(258,599,769)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	518,876,455	227,388,225
Net investment in held-to-maturity securities	(17,684,605)	42,877,158
Net investment in subsidiaries	-	-
Net investment in associates	891,156	(90,061)
Dividend income received	29,897	153,475
Investments in fixed assets	(1,600,546)	(2,081,087)
Investments in intangible assets	(225,977)	(100,712)
Proceeds from sale of fixed assets	11,972	13,805
Effect of translation of net investment in foreign branches - net of tax	<u>677,159</u>	<u>1,851,081</u>
Net cash flows from investing activities	<u>500,975,511</u>	<u>270,011,884</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated debt	(2,000)	(2,000)
Payment of lease liability against right-of-use assets	(1,245,624)	-
Dividend paid	(327,655)	(4,419)
Net cash flows used in financing activities	<u>(1,575,279)</u>	<u>(6,419)</u>
	<u>(26,748,125)</u>	<u>11,405,696</u>
(Decrease) / increase in cash and cash equivalents during the period		
Cash and cash equivalents at the beginning of the period	<u>291,550,913</u>	<u>254,678,110</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,154,673</u>	<u>4,355,947</u>
	<u>292,705,586</u>	<u>259,034,057</u>
Cash and cash equivalents at the end of the period	<u>265,957,461</u>	<u>270,439,753</u>

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,698 (December 31, 2018: 1,697) branches inside Pakistan including 48 (December 31, 2018: 47) Islamic Banking Branches and 46 (December 31, 2018: 46) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 Habib Finance International Limited, a wholly owned subsidiary of the Bank, has filed for voluntary liquidation and is in the process of completing the required formalities in this regard.
- 1.2 The Bank had decided to close its branch in Seychelles. Post the receipt of all regulatory approvals, all required formalities for closure have been completed.
- 1.3 The Bank has commenced an orderly winding down of its operations in Afghanistan.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (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 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of 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, 2018.

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

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

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

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

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

	Effective date (annual periods beginning on or after)
- IFRS 3, Business Combinations - (Amendments)	January 1, 2020
	Effective date (annual periods ending on or after)
- IFRS 9, Financial Instruments: Classification and Measurement	June 30, 2019

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

The Bank expects that adoption of the remaining amendments will not affect its financial statements in the period of initial application.

2.5 Critical accounting estimates and judgements

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

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those followed in the preparation of the unconsolidated financial statements for the year ended December 31, 2018 except as disclosed in note 3.1.

3.1 Change in accounting policies

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

- The cost of foreign currency swaps (note 23) for the three months ended March 31, 2019 amounting to Rs 197.818 million (March 31, 2018: Rs 262.832 million) which was previously shown as part of foreign exchange income / (loss) has now been shown as part of mark-up / return / profit / interest expensed in the unconsolidated profit and loss account.

- 3.1.2 IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases- Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were measured as the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 12.28% per annum as of January 1, 2019.

The remeasurements of the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	March 31, 2019	January 1, 2019
	(Rupees in '000)	
Total lease liability recognised of which:		
Current	236,132	206,869
Non-current	7,572,885	8,082,676
	<u>7,809,017</u>	<u>8,289,545</u>

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

	March 31, 2019	January 1, 2019
	(Rupees in '000)	
The recognised right-of-use assets relate to the following types of assets:		
Property	8,198,310	8,746,832
Equipment	16,684	19,794
Total right-of-use assets	<u>8,214,994</u>	<u>8,766,626</u>

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

	As at March 31, 2019
	(Rupees in '000)
Impact on Statement of Financial Position	
Increase in fixed assets - right-of-use assets	8,214,994
Decrease in other assets - advances, deposits, advance rent and other prepayments	(477,082)
Increase in other assets - advance taxation	27,731
Increase in other liabilities - lease liability against right-of-use assets	(7,809,017)
Decrease in net assets	<u>(43,374)</u>

Impact on Profit and Loss account

	For the three months ended March 31, 2019
	(Rupees in '000)
Increase in mark-up expense - lease liability against right-of-use assets	(242,575)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(597,072)
- Rent expense	768,542
Decrease in profit before tax	(71,105)
Decrease in tax	27,731
Decrease in profit after tax	<u>(43,374)</u>

4 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2018.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	(Unaudited) March 31, 2019	(Audited) December 31, 2018
5 CASH AND BALANCES WITH TREASURY BANKS		
	(Rupees in '000)	
In hand		
Local currency	30,753,874	30,940,150
Foreign currencies	4,457,717	3,803,879
	<u>35,211,591</u>	<u>34,744,029</u>
With State Bank of Pakistan in		
Local currency current accounts	94,396,410	88,379,133
Foreign currency current accounts	5,944,179	6,660,233
Foreign currency deposit accounts	17,411,294	18,077,471
	<u>117,751,883</u>	<u>113,116,837</u>
With other Central Banks in		
Foreign currency current accounts	27,072,528	27,348,562
Foreign currency deposit accounts	6,999,981	5,424,122
	<u>34,072,509</u>	<u>32,772,684</u>
With National Bank of Pakistan in local currency current accounts	49,172,595	85,848,781
National Prize Bonds	95,098	127,925
	<u>236,303,676</u>	<u>266,610,256</u>
6 BALANCES WITH OTHER BANKS		
	(Rupees in '000)	
In Pakistan		
In current accounts	311,467	57,755
Outside Pakistan		
In current accounts	10,170,108	9,408,507
In deposit accounts	19,172,210	16,629,068
	<u>29,342,318</u>	<u>26,037,575</u>
	<u>29,653,785</u>	<u>26,095,330</u>
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	100,000	8,900,000
Repurchase agreement lendings (reverse repo)	277,775,042	38,045,810
Bai Muajjal receivables		
- with State Bank of Pakistan	20,489,184	-
- with other financial institutions	-	4,331,526
	<u>298,364,226</u>	<u>51,277,336</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

8 INVESTMENTS

Note

March 31, 2019 (Unaudited)

December 31, 2018 (Audited)

	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
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8.1 Investments by type

(Rupees in '000)

Held-for-trading (HFT) securities

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds

Foreign securities

- Government debt securities

49,264,171	-	(23,293)	49,240,878	2,569,965	-	(1,499)	2,568,466
4,292,167	-	17,053	4,309,220	3,683,617	-	(12,287)	3,671,330
91,256	-	20,546	111,802	90,499	-	24,575	115,074
53,647,594	-	14,306	53,661,900	6,344,081	-	10,789	6,354,870

Available-for-sale (AFS) securities

Federal Government securities

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

Shares

- Listed companies
- Unlisted companies

Non-Government debt securities

- Unlisted

Foreign securities

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

National Investment Trust units

Real Estate Investment Trust units

Preference shares

8.4.2

263,440,091	-	(133,700)	263,306,391	755,955,226	-	(275,224)	755,680,002
257,486,192	-	(7,811,380)	249,674,812	234,705,582	-	(10,063,132)	224,642,450
5,082,419	-	(58,167)	5,024,252	53,675,083	-	(170,821)	53,504,262
4,872,025	(95,974)	164,650	4,940,701	3,443,551	(33,047)	19,501	3,430,005
14,075,165	(3,793,787)	(340,571)	9,940,807	14,599,566	(4,043,987)	(385,376)	10,170,203
4,174,687	(82,274)	-	4,092,413	3,761,058	(82,274)	-	3,678,784
4,338,645	(270,877)	-	4,067,768	4,949,525	(274,630)	-	4,674,895
18,587,820	(77,324)	142,956	18,653,452	16,144,234	(45,262)	26,119	16,125,091
16,673,002	(4,755)	(26,110)	16,642,137	18,267,252	(6,040)	(227,707)	18,033,505
6,771,169	(2,750)	1,000	6,769,419	8,874,200	(2,724)	944	8,872,420
5,469	-	-	5,469	5,413	-	-	5,413
11,113	-	31,247	42,360	11,113	-	31,449	42,562
55,000	-	2,200	57,200	55,000	-	4,950	59,950
97,500	-	-	97,500	97,500	-	-	97,500
595,670,297	(4,327,741)	(8,027,875)	583,314,681	1,114,544,303	(4,487,964)	(11,039,297)	1,099,017,042

Held-to-maturity (HTM) securities

8.2

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Government of Pakistan
- US Dollar Bonds
- Other Federal Government securities

Non-Government debt securities

- Listed
- Unlisted

Foreign securities

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

-	-	-	-	-	-	-	-
180,071,043	-	-	180,071,043	171,850,002	-	-	171,850,002
140,754	-	-	140,754	139,274	-	-	139,274
10,794,000	-	-	10,794,000	-	-	-	-
8,754,980	-	-	8,754,980	9,092,850	-	-	9,092,850
20,023,771	-	-	20,023,771	20,523,772	-	-	20,523,772
6,532,478	(644)	-	6,531,834	6,920,829	(609)	-	6,920,220
317,628	-	-	317,628	319,849	-	-	319,849
1,105,413	(116)	-	1,105,297	1,208,886	(110)	-	1,208,776
227,740,067	(760)	-	227,739,307	210,055,462	(719)	-	210,054,743

Investment in associates and joint venture

8.2

Investment in subsidiary companies

Total Investments

13,945,202	-	-	13,945,202	13,945,202	-	-	13,945,202
901,770,856	(4,328,501)	(8,013,569)	889,428,786	1,356,547,900	(4,488,683)	(11,028,508)	1,341,030,709

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

8.1.1 Investments given as collateral

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

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds

Foreign securities

- Non-Government debt securities
- Listed

19,761,800	333,213,434
30,258,253	29,329,018
2,430,098	11,711,384
52,450,151	374,253,836

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

- 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, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Book value	Market value	Book value	Market value
	(Rupees in '000)			
- Investment classified as held-to-maturity	227,739,307	212,046,567	210,054,743	194,128,729
- Investment in listed associates and joint venture	10,461,465	31,065,001	11,222,621	35,649,612

- 8.3 **Particulars of provision held against diminution in the value of investments**
- (Unaudited) (Audited)
March 31, December 31,
2019 2018
(Rupees in '000)

Opening balance	4,488,683	1,503,051
Exchange adjustment	2,449	10,647
Charge / reversal for the period / year		
Charge	284,986	3,654,300
Reversal	(5,220)	(28,757)
Reversal on disposal	(442,397)	(650,558)
Net (reversal) / charge	(162,631)	2,974,985
Closing balance	4,328,501	4,488,683

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

	March 31, 2019 (Unaudited)		December 31, 2018 (Audited)	
Category of classification	Non-Performing Investments	Provision	Non-Performing Investments	Provision
	(Rupees in '000)			
Domestic				
Loss	270,877	270,877	274,630	274,630

- 8.4.1 In addition to the above, overseas branches hold a general provision of Rs 181.561 million (December 31, 2018: Rs 87.792 million) in accordance with the requirements of IFRS 9.

- 8.4.2 Exposure amounting to Rs 3,642.768 million (December 31, 2018: Rs 4,249.895 million) relating to privately placed TFCs of Pakistan International Airlines Corporation Limited (PIACL) has not been classified as non-performing in accordance with a relaxation from Regulation-8 of the Prudential Regulations given by the SBP through its letter No. BPRD/BRD/(PR-Ops)/7575/2019 dated April 1, 2019. These TFCs are fully guaranteed by the Government of Pakistan (GoP) and do not require any provision. However, mark-up income on this amount has been suspended and is only recognised when received.

9 ADVANCES

Note	Performing		Non - performing		Total	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	838,749,085	858,956,737	66,510,126	66,204,592	905,259,211	925,161,329
Islamic financing and related assets	126,180,595	103,488,928	105,503	111,174	126,286,098	103,600,102
Bills discounted and purchased	48,072,462	48,120,612	5,127,431	5,248,713	53,199,893	53,369,325
Advances - gross	1,013,002,142	1,010,566,277	71,743,060	71,564,479	1,084,745,202	1,082,130,756
Provision against advances						
- Specific	-	-	(63,103,426)	(63,193,300)	(63,103,426)	(63,193,300)
- General	(3,189,843)	(3,083,530)	-	-	(3,189,843)	(3,083,530)
	(3,189,843)	(3,083,530)	(63,103,426)	(63,193,300)	(66,293,269)	(66,276,830)
Advances - net of provision	1,009,812,299	1,007,482,747	8,639,634	8,371,179	1,018,451,933	1,015,853,926

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	(Unaudited) March 31, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
9.1 Particulars of advances (Gross)		
In local currency	925,639,042	911,714,456
In foreign currencies	159,106,160	170,416,300
	<u>1,084,745,202</u>	<u>1,082,130,756</u>

9.2 Advances include Rs 71,743.060 million (December 31, 2018: Rs 71,564.479 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Unaudited) March 31, 2019		(Audited) December 31, 2018	
	Non - performing advances	Provision	Non - performing advances	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	1,298,492	-	801,712	-
Substandard	3,715,575	528,558	4,112,988	651,742
Doubtful	2,502,496	1,251,248	1,633,835	816,918
Loss	41,727,703	40,663,277	42,054,406	40,989,981
	<u>49,244,266</u>	<u>42,443,083</u>	<u>48,602,941</u>	<u>42,458,641</u>
Overseas				
Not past due but impaired	170,968	128,901	384,740	195,054
Overdue by:				
Upto 90 days	17,845	17,845	47,250	3,875
91 to 180 days	495,857	95,313	1,360,996	1,156,936
181 to 365 days	1,895,109	1,825,381	1,423,881	1,003,933
> 365 days	19,919,015	18,592,903	19,744,671	18,374,861
	<u>22,498,794</u>	<u>20,660,343</u>	<u>22,961,538</u>	<u>20,734,659</u>
Total	<u>71,743,060</u>	<u>63,103,426</u>	<u>71,564,479</u>	<u>63,193,300</u>

9.2.1 Exposure amounting to Rs 1,412.500 million (December 31, 2018: Rs Nil) relating to Power Holding (Private) Limited has not been classified as non-performing in accordance with a relaxation from Regulation-8 of the Prudential Regulations given by the SBP through its letter No. BPRD/BRD (Ops) 2019/8982 dated April 17, 2019. The exposure is fully guaranteed by the GoP and does not require any provision. However, mark-up income on this amount has been suspended and is only recognised when received.

9.3 Particulars of provision against advances

Note	March 31, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	63,193,300	3,083,530	66,276,830	60,792,948	2,755,637	63,548,585
Exchange adjustment	288,417	20,861	309,278	4,218,059	287,727	4,505,786
Charge for the period / year	1,109,782	166,285	1,276,067	5,955,190	301,560	6,256,750
Reversal for the period / year	(1,130,108)	(80,833)	(1,210,941)	(3,981,916)	(356,438)	(4,338,354)
Net charge / (reversal) against advances	(20,326)	85,452	65,126	1,973,274	(54,878)	1,918,396
Charged off during the period / year- agriculture financing	9.5 (72,274)	-	(72,274)	(477,679)	-	(477,679)
Written off during the period / year	(285,691)	-	(285,691)	(3,313,302)	-	(3,313,302)
Impact of adoption of IFRS 9	-	-	-	-	95,044	95,044
Closing balance	<u>63,103,426</u>	<u>3,189,843</u>	<u>66,293,269</u>	<u>63,193,300</u>	<u>3,083,530</u>	<u>66,276,830</u>

9.4 General provision includes provision amounting to Rs 1,720.341 million (December 31, 2018: Rs 1,652.318 million) against consumer finance portfolio. General provision also includes Rs 1,469.502 million (December 31, 2018: Rs 1,431.212 million) pertaining to overseas branches to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
10 FIXED ASSETS			
Capital work-in-progress	10.1	2,489,084	2,264,230
Property and equipment	10.2	68,722,413	60,252,924
		<u>71,211,497</u>	<u>62,517,154</u>
10.1 Capital work-in-progress			
Civil works		1,235,785	856,424
Equipment		20,465	20,465
Advances to suppliers and contractors		1,232,834	1,387,341
		<u>2,489,084</u>	<u>2,264,230</u>
10.2 This includes right-of-use assets amounting to Rs 8,214.994 million due to adoption of IFRS 16 as detailed in note 3.1.2.			
10.3 Additions to fixed assets		(Unaudited) For the three months ended March 31, 2019	(Audited) For the three months ended March 31, 2018
		(Rupees in '000)	(Rupees in '000)
The following additions have been made to fixed assets during the period:			
Capital work-in-progress		224,854	985,290
Property and equipment			
Leasehold land		-	52,608
Building on leasehold land		17,071	127,438
Machinery		20,302	2,957
Leasehold improvements		213,675	98,067
Furniture and fixtures		166,783	212,584
Electrical, office and computer equipment		901,893	566,972
Vehicles		20,429	-
		<u>1,340,153</u>	<u>1,060,626</u>
Right-of-use assets		45,440	-
		<u>1,610,447</u>	<u>2,045,916</u>
10.4 Disposals of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Property and equipment			
Leasehold improvements		1,239	1,225
Furniture and fixtures		166	848
Electrical, office and computer equipment		2,756	517
Vehicles		461	66
		<u>4,622</u>	<u>2,656</u>
11 INTANGIBLE ASSETS		(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
Capital work-in-progress		1,009,193	831,891
Intangible assets		1,835,394	1,886,665
		<u>2,844,587</u>	<u>2,718,556</u>
11.1 Additions to intangibles assets		(Unaudited) For the three months ended March 31, 2019	(Audited) For the three months ended March 31, 2018
		(Rupees in '000)	(Rupees in '000)
The following additions have been made to intangible assets during the period:			
Capital work-in-progress		177,302	93,601
Computer software		50,376	99,326
		<u>227,678</u>	<u>192,927</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
12 DEFERRED TAX ASSETS			
Deductible temporary differences on			
- Tax losses of overseas branches		249,991	249,991
- Provision against investments		1,309,536	1,397,101
- Provision against doubtful debts and off-balance sheet obligations		3,210,350	3,210,350
- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001		1,438,870	1,382,428
- Provision against other assets		45,760	45,760
- Deficit on revaluation of investments	19	2,809,756	3,863,754
- Deficit on revaluation of fixed assets		147,144	147,144
- Islamic financing Ijarah		109,592	101,123
		9,320,999	10,397,651
Taxable temporary differences on			
- Accelerated tax depreciation		(1,829,944)	(1,857,153)
- Surplus on revaluation of fixed assets	19	(1,103,136)	(1,109,480)
- Exchange translation reserve		(351,255)	(347,300)
		(3,284,335)	(3,313,933)
Net deferred tax assets		6,036,664	7,083,718
13 OTHER ASSETS			
Mark-up / return / profit / interest accrued in local currency		29,388,630	27,936,523
Mark-up / return / profit / interest accrued in foreign currency		2,684,644	1,912,478
Advances, deposits, advance rent and other prepayments		2,635,928	2,514,308
Advance taxation		39,936,618	44,593,889
Advance for subscription of shares		50,000	50,000
Stationery and stamps on hand		92,623	84,346
Accrued fees and commissions		1,101,806	1,028,721
Due from Government of Pakistan / SBP		1,098,990	989,672
Mark to market gain on forward foreign exchange contracts		5,931,488	9,186,058
Mark to market gain on derivative instruments		213,825	53,987
Non-banking assets acquired in satisfaction of claims		1,596,568	1,596,579
Receivable from defined benefit plan		36,304	35,293
Branch adjustment account		1,088,156	2,033,922
Acceptances		13,143,101	11,278,036
Clearing and settlement accounts		208,055	1,894,880
Dividend receivable		75,357	4,443
Claims against fraud and forgeries		460,812	545,909
Others		200,033	1,070,289
		99,942,938	106,809,333
Provision held against other assets	13.1	(836,478)	(923,201)
Other assets- net of provision		99,106,460	105,886,132
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	421,742	421,742
Other assets - total		99,528,202	106,307,874
13.1 Provision held against other assets			
Advances, deposits, advance rent and other prepayments		9,025	5,819
Non-banking assets acquired in satisfaction of claims		23,141	23,152
Claims against fraud and forgeries		460,812	545,909
Suit filed cases		294,542	294,272
Others		48,958	54,049
		836,478	923,201

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	Note	(Unaudited) March 31, 2019	(Audited) December 31, 2018
13.1.1 Movement in provision against other assets			
Opening balance		923,201	825,520
Exchange adjustment		2,545	62,052
Charge for the period / year		32,177	220,974
Reversal for the period / year		-	(13,831)
Net charge		32,177	207,143
Written off during the period / year		(121,445)	(164,427)
Other movement		-	(7,087)
Closing balance		836,478	923,201
14 BILLS PAYABLE			
In Pakistan		27,099,142	41,317,093
Outside Pakistan		1,214,797	1,008,161
		28,313,939	42,325,254
15 BORROWINGS			
Secured			
Borrowings from the SBP under			
- Export refinance scheme		37,920,890	33,533,707
- Long term financing facility		12,068,740	10,453,762
- Financing facility for renewable energy power plants		100,959	104,853
- Refinance facility for modernization of SMEs		12,950	14,300
- Financing facility for storage of agricultural produce		6,667	7,500
		50,110,206	44,114,122
Repurchase agreement borrowings		52,485,801	373,810,983
		102,596,007	417,925,105
Unsecured			
- Call money borrowings		11,200,000	5,700,000
- Overdrawn nostro accounts		777,290	6,021,355
- Borrowings of overseas branches and subsidiaries		66,455,344	42,314,615
- Other long-term borrowings	15.1	47,583,843	46,935,322
		126,016,477	100,971,292
		228,612,484	518,896,397
15.1 This includes the following:			
15.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2018: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5.00% is payable semi annually from June 2015.			
15.1.2 A loan from the China Development Bank amounting to US\$ 188 million (December 31, 2018: US\$ 188 million). The principal amount is payable in six half yearly installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi annually from June 2017.			

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

16 DEPOSITS AND OTHER ACCOUNTS

	March 31, 2019 (Unaudited)			December 31, 2018 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	674,323,899	82,605,307	756,929,206	662,361,570	93,051,632	755,413,202
Savings deposits	797,007,618	89,077,090	886,084,708	803,369,210	87,015,734	890,384,944
Term deposits	265,080,275	73,921,045	339,001,320	239,511,992	85,981,264	325,493,256
	1,736,411,792	245,603,442	1,982,015,234	1,705,242,772	266,048,630	1,971,291,402
Financial institutions						
Current deposits	4,071,741	948,399	5,020,140	5,691,146	893,376	6,584,522
Savings deposits	57,197,291	74,015	57,271,306	36,795,320	181,029	36,976,349
Term deposits	4,556,563	2,024,049	6,580,612	3,156,566	1,999,140	5,155,706
	65,825,595	3,046,463	68,872,058	45,643,032	3,073,545	48,716,577
	1,802,237,387	248,649,905	2,050,887,292	1,750,885,804	269,122,175	2,020,007,979

17 SUBORDINATED DEBT

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

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

18	OTHER LIABILITIES	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
	Mark-up / return / profit / interest payable in local currency		19,204,482	9,246,147
	Mark-up / return / profit / interest payable in foreign currency		3,194,057	1,619,595
	Security deposits		1,593,897	1,529,172
	Accrued expenses		13,172,738	13,660,072
	Mark to market loss on forward foreign exchange contracts		4,503,241	6,409,009
	Mark to market loss on derivative instruments		613,334	1,248,504
	Unclaimed dividends		684,903	685,622
	Dividends payable		1,875,143	368,514
	Provision for post retirement medical benefits		4,023,191	3,945,133
	Provision for employees' compensated absences		3,058,302	3,080,403
	Provision against off-balance sheet obligations	18.1	467,640	479,510
	Provision for staff retirement benefits		1,096,648	1,063,612
	Payable to defined benefit plans		846,825	970,439
	Provision for Workers' Welfare Fund		4,813,767	4,653,128
	Acceptances		13,143,101	11,278,036
	Unearned income		5,523,646	998,598
	Qarza-e-Hasna Fund		339,080	339,107
	Levies and taxes payable		2,496,657	3,767,571
	Insurance payable		650,213	658,641
	Provision for rewards program expenses		1,175,397	1,087,209
	Liability against trading of securities		55,053,591	34,755,041
	Clearing and settlement accounts		1,683,772	3,930,956
	Payable to HBL Foundation		34,136	125,812
	Contingent consideration payable		500,000	500,000
	Charity fund		5,266	4,765
	Lease liability against right-of-use assets	3.1.2	7,809,017	-
	Unclaimed deposits		559,084	30,831
	Others		3,208,808	2,790,746
			151,329,936	109,226,173
18.1	Provision against off-balance sheet obligations			
	Opening balance		479,510	385,361
	Exchange adjustment		(871)	11,688
	Charge for the period / year		26,972	121,962
	Reversal for the period / year		(37,971)	(50,806)
	Net charge		(10,999)	71,156
	Impact of adoption of IFRS 9		-	11,305
	Closing balance		467,640	479,510
19	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
	Surplus / (deficit) arising on revaluation of assets, on:			
	- Fixed assets	8.1	22,407,620	22,425,746
	- Available-for-sale securities		(8,027,875)	(11,039,297)
	- Non-banking assets acquired in satisfaction of claims		421,742	421,742
			14,801,487	11,808,191
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Fixed assets		1,103,136	1,109,480
	- Available-for-sale securities		(2,809,757)	(3,863,754)
			(1,706,621)	(2,754,274)
	Surplus on revaluation of assets - net of tax		16,508,108	14,562,465

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

20	CONTINGENCIES AND COMMITMENTS	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018
	- Guarantees	20.1	159,717,618	158,773,047
	- Commitments	20.2	611,920,613	530,142,175
	- Other contingent liabilities	20.3	23,638,251	26,250,052
			<u>795,276,482</u>	<u>715,165,274</u>
20.1	Guarantees:			
	Financial guarantees		39,512,130	41,302,390
	Performance guarantees		114,508,100	109,947,697
	Other guarantees		5,697,388	7,522,960
			<u>159,717,618</u>	<u>158,773,047</u>
20.2	Commitments:			
	Trade-related contingent liabilities		105,804,228	98,659,632
	Commitments in respect of:			
	- forward foreign exchange contracts	20.2.1	420,385,910	369,583,704
	- forward Government securities transactions	20.2.2	55,397,043	39,177,791
	- derivatives	20.2.3	28,173,557	18,896,504
	- forward lending	20.2.4	1,267,879	2,137,726
	- operating lease	20.2.5	-	384,280
			<u>505,224,389</u>	<u>430,180,005</u>
	Commitments for acquisition of:			
	- fixed assets		539,398	680,462
	- intangible assets		352,598	622,076
			<u>611,920,613</u>	<u>530,142,175</u>
20.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		256,520,591	230,157,689
	Sale		163,865,319	139,426,015
			<u>420,385,910</u>	<u>369,583,704</u>
20.2.2	Commitments in respect of forward Government Securities transactions			
	Purchase		55,395,111	33,489,184
	Sale		1,932	5,688,607
			<u>55,397,043</u>	<u>39,177,791</u>
20.2.3	Commitments in respect of derivatives			
	Foreign currency options			
	Purchase		55,128	532,918
	Sale		55,128	532,918
			<u>110,256</u>	<u>1,065,836</u>
	Cross Currency swaps			
	Purchase		8,203,149	2,874,784
	Sale		8,777,076	3,490,361
			<u>16,980,225</u>	<u>6,365,145</u>
	Interest rate swaps			
	Purchase		-	-
	Sale		11,083,076	11,465,523
			<u>11,083,076</u>	<u>11,465,523</u>
20.2.4	Commitments in respect of forward lending			
	Undrawn formal standby facilities, credit lines and other commitments to extend credit		1,267,879	2,137,726
	These represent commitments that are irrevocable because they can not be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

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

20.3 Other contingent liabilities

20.3.1 Claims against the Bank not acknowledged as debts	<u>23,638,251</u>	<u>26,250,052</u>
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These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Bank and other 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 The matter relating to the Bank's New York Branch has been disclosed in Note 21.3.2 to the annual unconsolidated financial statements of the Bank for the year ended December 31, 2018. There is no further update on the same.

21 DERIVATIVE INSTRUMENTS

Product Analysis

	March 31, 2019 (Unaudited)					
	Foreign currency options		Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain / (loss)
	(Rupees in '000)					
Hedging	-	-	-	-	-	-
Market Making	110,256	-	16,980,225	170,105	11,083,076	(569,614)
	December 31, 2018 (Audited)					
	Foreign currency options		Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain / (loss)
	(Rupees in '000)					
Hedging	-	-	-	-	-	-
Market Making	1,065,836	-	6,365,145	(567,516)	11,465,523	(627,001)

	(Unaudited) For the three months ended	
	March 31, 2019	March 31, 2018
(Rupees in '000)		
22 MARK-UP / RETURN / PROFIT / INTEREST EARNED		

On:

Loans and advances	25,581,848	14,849,443
Investments	18,673,101	19,815,269
Lendings to financial institutions	4,441,110	480,250
Balances with banks	227,016	132,478
	<u>48,923,075</u>	<u>35,277,440</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

		(Unaudited)	
		For the three months ended	
		March 31,	March 31,
		2019	2018
		(Rupees in '000)	
		(Restated)	
23	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On:		
	Deposits	21,891,199	11,804,265
	Securities sold under repurchase agreement borrowings	2,681,647	3,350,964
	Borrowings	1,942,365	1,226,245
	Subordinated debt	241,894	166,890
	Cost of foreign currency swaps against foreign currency deposits / borrowings	197,818	262,832
	Lease liability against right-of-use assets	242,575	-
		<u>27,197,498</u>	<u>16,811,196</u>
		(Unaudited)	
		For the three months ended	
		March 31,	March 31,
		2019	2018
		(Rupees in '000)	
24	FEE AND COMMISSION INCOME		
	Branch banking customer fees	947,116	883,424
	Consumer finance related fees	254,807	256,853
	Card related fees (debit and credit cards)	1,351,560	1,322,422
	Credit related fees	187,923	94,184
	Investment banking fees	680,911	186,471
	Commission on trade related products and guarantees	595,185	513,259
	Commission on cash management	166,523	150,078
	Commission on remittances including home remittances	82,517	68,413
	Commission on bancassurance	637,996	668,205
	Commission on Benazir Income Support Programme (BISP)	136,570	-
	Merchant discount and interchange fees	410,412	435,078
	Others	84,031	18,630
		<u>5,535,551</u>	<u>4,597,017</u>
	Less: Sales tax / Federal Excise Duty on fee and commission income	<u>(724,500)</u>	<u>(542,951)</u>
		<u>4,811,051</u>	<u>4,054,066</u>
25	GAIN / (LOSS) ON SECURITIES - NET		
	Realised	25.1 87,702	63,464
	Unrealised - held-for-trading	8.1 14,306	(45,588)
		<u>102,008</u>	<u>17,876</u>
25.1	Gain on securities - realised		
	Federal Government securities		
	- Market Treasury Bills	105,392	(468)
	- Pakistan Investment Bonds	(13,592)	2,835
	- Ijarah Sukuks	(8,855)	(25,941)
	Shares	(450,091)	63,465
	Non-Government debt securities	(28,408)	284
	Foreign securities	-	23,289
	Associates	483,256	-
		<u>87,702</u>	<u>63,464</u>
26	OTHER INCOME		
	Incidental charges	41,670	57,168
	Gain on sale of fixed assets - net	7,349	11,148
	Rent on properties	27,155	26,985
		<u>76,174</u>	<u>95,301</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

27 OPERATING EXPENSES

	(Unaudited) For the three months ended	
	March 31, 2019	March 31, 2018
	(Rupees in '000)	
Salaries, allowances, etc.	6,426,671	4,881,165
Charge for defined benefit / contribution plan and other benefits	642,647	2,678,223
Property expense		
Rent and taxes	220,961	876,295
Insurance	15,404	9,347
Utilities cost	363,490	274,306
Security (including guards)	395,126	372,943
Repair and maintenance (including janitorial charges)	456,638	410,310
Depreciation on right-of-use assets	597,072	-
Depreciation	657,521	415,947
	2,706,212	2,359,148
Information technology expenses		
Software maintenance	562,367	450,594
Hardware maintenance	98,947	127,549
Depreciation	305,220	247,457
Amortisation	99,946	155,170
Network charges	307,332	233,444
Consultancy charges	101,941	104,151
	1,475,753	1,318,365
Other operating expenses		
Non-Executive Directors' fees	11,600	13,600
Fees and allowances to Shariah Board	6,723	1,979
Legal and professional charges	1,192,405	474,199
Outsourced services costs	359,787	321,989
Travelling and conveyance	149,315	148,182
Insurance	158,015	85,203
Remittance charges	127,125	172,437
Security charges	294,428	271,220
Repairs and maintenance	143,137	74,686
Depreciation	153,833	139,185
Training and development	106,443	52,706
Postage and courier charges	107,902	52,189
Communication	141,696	79,242
Stationery and printing	353,121	230,191
Marketing, advertisement and publicity	1,370,493	865,982
Donations	34,136	47,443
Auditors' remuneration	39,349	30,618
Brokerage and commission	182,056	49,526
Subscription	26,067	20,610
Documentation and processing charges	427,625	266,400
Entertainment	71,772	48,547
Consultancy charges	2,142,413	1,431,330
Deposits premium expense	522,608	-
Others	83,755	110,277
	8,205,804	4,987,741
	19,457,087	16,224,642

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

		(Unaudited)	
		For the three months ended	
	Note	March 31, 2019	March 31, 2018
(Rupees in '000)			
28	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	50,023	1,874
	Penalties imposed by other regulatory bodies	629	4,230
		<u>50,652</u>	<u>6,104</u>
29	PROVISIONS AND WRITE OFFS - NET		
	Reversal of diminution in value of investments	8.3 (162,631)	(13,618)
	Provision / (reversal) against loans and advances	9.3 65,126	(124,870)
	Provision against other assets	13.1.1 32,177	93,601
	Reversal of provision against off-balance sheet obligations	18.1 (10,999)	(35,291)
	Recoveries against written off / charged off bad debts	(80,555)	(78,921)
	Recoveries against other assets written off	(31,394)	(5,483)
		<u>(188,276)</u>	<u>(164,582)</u>
30	TAXATION		
	- Current	3,073,421	2,317,518
	- Prior years	1,933,029	-
	- Deferred	(10,899)	(113,216)
		<u>4,995,551</u>	<u>2,204,302</u>
31	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	<u>2,841,630</u>	<u>3,958,028</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>1.94</u>	<u>2.70</u>
31.1	Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.		
32	FAIR VALUE OF FINANCIAL INSTRUMENTS		
	The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, other than investments in subsidiaries, associates and joint ventures, are estimated using the break-up value of the investee company.		
	The fair value of unquoted debt securities, fixed term advances, other assets and other liabilities can not be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.		
	In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances, deposits and certain long term borrowings, are frequently repriced.		
	All assets and liabilities for which fair value is measured or disclosed in these condensed interim unconsolidated financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.		
	Level 1 - 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 assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
	Level 3 - Fair value measurements using inputs that are not based on observable market data (i.e. unobservable inputs).		

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

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

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

32.1 Fair value of financial assets

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

	As at March 31, 2019 (Unaudited)			
	Carrying value / Notional Value	Level 1	Level 2	Level 3
(Rupees in '000)				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
- Federal Government securities	576,496,254	-	576,496,254	-
- Shares	9,940,807	9,940,807	-	-
- Foreign securities				
Government debt securities	18,765,254	-	18,765,254	-
Non-Government debt securities				
- Listed	16,642,137	-	16,642,137	-
- Unlisted	629,656	-	629,656	-
- National Investment Trust units	42,360	-	42,360	-
- Real Estate Investment Trust units	57,200	57,200	-	-
Financial assets - disclosed but not measured at fair value				
Investments				
- Federal Government securities	176,252,178	-	176,252,178	-
- Non-Government debt securities	27,788,674	-	27,788,674	-
- Foreign securities				
Government debt securities	6,580,452	-	6,580,452	-
Non-Government debt securities	1,425,263	-	1,425,263	-
- Associates and Joint venture	31,065,001	31,065,001	-	-
	865,685,236	41,063,008	824,622,228	-
Off-balance sheet financial instruments - measured at fair value				
Commitments				
- Forward foreign exchange contracts	420,385,910	-	1,428,247	-
- Forward Government securities transactions	55,397,043	-	74,822	-
- Derivative instruments	28,173,557	-	(399,509)	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

On balance sheet financial instruments

Financial assets - measured at fair value

Financial assets - measured at fair value					
Investments					
- Federal Government securities	1,043,496,515	-	1,043,496,515	-	1,043,496,515
- Shares	10,170,203	10,170,203	-	-	10,170,203
- Foreign securities					
Government debt securities	16,240,165	-	16,240,165	-	16,240,165
Non-Government debt securities					
- Listed	18,033,505	-	18,033,505	-	18,033,505
- Unlisted	926,102	-	926,102	-	926,102
- National Investment Trust units	42,562	-	42,562	-	42,562
- Real Estate Investment Trust units	59,950	59,950	-	-	59,950

Financial assets - disclosed but not measured at fair value

Investments					
- Federal Government securities	155,837,686	-	155,837,686	-	155,837,686
- Non-Government debt securities	29,782,786	-	29,782,786	-	29,782,786
- Foreign securities					
Government debt securities	6,979,522	-	6,979,522	-	6,979,522
Non-Government debt securities	1,528,735	-	1,528,735	-	1,528,735
- Associates and Joint venture	35,649,612	35,649,612	-	-	35,649,612
	1,318,747,343	45,879,765	1,272,867,578	-	1,318,747,343

Off-balance sheet financial instruments - measured at fair value

Commitments					
- Forward foreign exchange contracts	369,583,704	-	2,777,049	-	2,777,049
- Forward Government securities transactions	39,177,791	-	(24,559)	-	(24,559)
- Derivative instruments	18,896,504	-	(1,194,517)	-	(1,194,517)

32.2 Fair value of non-financial assets

Fair value of non-financial assets	As at March 31, 2019				
	Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
Fixed assets	45,249,348	-	-	45,249,348	45,249,348
Non-banking assets acquired in satisfaction of claims	1,995,169	-	-	1,995,169	1,995,169
	47,244,517	-	-	47,244,517	47,244,517

	As at December 31, 2018				
	Carrying value / Notional Value	Level 1	Level 2	Level 3	Total

33 SEGMENT INFORMATION

33.1 Segment Details with respect to Business Activities

	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 - external	(10,691)	2,900	11,381	17,751	1,526	(1,141)	21,726
Inter segment revenue / (expense) - net	27,760	(962)	(9,289)	(19,048)	249	1,290	-
Non mark-up / return / interest income	1,786	1,597	1,052	470	655	32	5,592
Total income	18,855	3,535	3,144	(827)	2,430	181	27,318
Segment direct expenses	6,758	1,063	414	157	5,098	6,178	19,668
Inter segment expense allocation	3,769	276	236	73	1,371	(5,725)	-
Total expenses	10,527	1,339	650	230	6,469	453	19,668
Provisions	317	45	(335)	(252)	2	35	(188)
Profit / (loss) before tax	8,011	2,151	2,829	(805)	(4,041)	(307)	7,838

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

As at March 31, 2019 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Statement of financial position							
Cash and bank balances	107,166	-	318	93,830	64,644	(1)	265,957
Lendings to financial institutions	20,489	-	-	277,875	-	-	298,364
Net inter segment lending	1,256,896	-	-	-	98,013	55,137	1,410,046
Investments	35,994	-	17,712	768,013	47,103	20,607	889,429
Advances - performing	278,869	53,303	543,748	-	122,938	10,954	1,009,812
Advances - non-performing	2,581	126	4,094	-	1,838	1	8,640
Others	16,365	788	20,280	15,414	9,965	116,809	179,621
Total assets	1,718,360	54,217	586,152	1,155,132	344,501	203,507	4,061,869
Borrowings	24,506	-	63,271	53,038	87,797	-	228,612
Subordinated debt	-	-	-	-	-	9,988	9,988
Deposits and other accounts	1,650,447	2,403	193,191	69	202,318	2,459	2,050,887
Net inter segment borrowing	-	48,657	316,177	1,045,212	-	-	1,410,046
Others	30,931	3,157	13,513	62,198	11,549	58,296	179,644
Total liabilities	1,705,884	54,217	586,152	1,160,517	301,664	70,743	3,879,177
Equity	12,476	-	-	(5,385)	42,837	132,764	182,692
Total equity and liabilities	1,718,360	54,217	586,152	1,155,132	344,501	203,507	4,061,869
Contingencies and commitments	29,149	-	212,468	424,356	105,123	24,180	795,276

For the three months ended March 31, 2018 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Profit and loss account							
Net mark-up / return / profit - external	(4,377)	2,472	5,344	14,834	897	(704)	18,466
Inter segment revenue / (expense) - net	15,488	(749)	(3,756)	(12,347)	342	1,022	-
Non mark-up / return / interest income	1,692	1,647	612	405	417	(875)	3,898
Total income	12,803	3,370	2,200	2,892	1,656	(557)	22,364
Segment direct expenses	5,383	815	333	134	3,592	6,110	16,367
Inter segment expense allocation	4,412	120	657	127	477	(5,793)	-
Total expenses	9,795	935	990	261	4,069	317	16,367
Provisions	107	(21)	(440)	(14)	126	77	(165)
Profit / (loss) before tax	2,901	2,456	1,650	2,645	(2,539)	(951)	6,162

As at December 31, 2018 (Audited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Statement of financial position							
Cash and bank balances	145,159	-	215	87,342	59,947	42	292,705
Lendings to financial institutions	13,032	-	-	38,245	-	-	51,277
Net inter segment lending	1,218,886	-	-	-	55,865	56,217	1,330,968
Investments	74,496	-	17,929	1,181,543	45,245	21,818	1,341,031
Advances - performing	266,902	51,416	563,199	-	115,535	10,431	1,007,483
Advances - non-performing	2,002	99	4,043	-	2,227	-	8,371
Others	12,590	2,112	18,692	20,308	8,037	116,888	178,627
Total assets	1,733,067	53,627	604,078	1,327,438	286,856	205,396	4,210,462
Borrowings	10,532	-	59,688	385,532	63,144	-	518,896
Subordinated debt	-	-	-	-	-	9,990	9,990
Deposits and other accounts	1,693,016	2,831	154,212	64	168,124	1,761	2,020,008
Net inter segment borrowing	-	47,518	379,197	904,253	-	-	1,330,968
Others	18,168	3,278	10,981	44,240	9,500	65,384	151,551
Total liabilities	1,721,716	53,627	604,078	1,334,089	240,768	77,135	4,031,413
Equity	11,351	-	-	(6,651)	46,088	128,261	179,049
Total equity and liabilities	1,733,067	53,627	604,078	1,327,438	286,856	205,396	4,210,462
Contingencies and commitments	24,125	-	142,460	358,144	163,219	27,217	715,165

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

34 RELATED PARTY TRANSACTIONS

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

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

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

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

	As at March 31, 2019 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Statement of financial position	(Rupees in '000)						
Balances with other banks							
In current accounts	-	-	194,346	235,209	-	780	-
Investments							
Opening balance	-	-	-	18,111,059	11,523,187	135,665	4,004,502
Investment made during the period	-	-	-	-	-	-	423,317
Investment redeemed / disposed off during the period	-	-	-	57,561	(891,155)	-	(47,735)
Exchange translation impact	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-
Closing balance	-	-	-	18,168,620	10,632,032	135,665	4,380,084
Provision for diminution in value of investments	-	-	-	-	-	-	(135,420)
Advances							
Opening balance	-	234,012	3,536,393	40,806	1,500,000	-	13,376,499
Addition during the period	-	3,523	2,301,664	27,951	-	-	40,629,933
Repaid during the period	-	(19,983)	(2,475,734)	(38,742)	-	-	(38,722,216)
Transfer in / (out) - net	-	-	-	-	-	-	-
Closing balance	-	217,552	3,362,323	30,015	1,500,000	-	15,284,216
Provision held against advances	-	-	-	-	-	-	(1,726,437)
Other Assets							
Interest / mark-up accrued	-	509	43,056	61,481	37,510	-	357,554
Receivable from staff retirement fund	-	-	-	-	-	-	36,304
Other receivable	-	-	-	53,304	122,761	-	3,871
	-	509	43,056	114,785	160,271	-	397,729
Borrowings							
Opening balance	-	-	2,290,315	-	2,499,514	1,388,619	-
Borrowings during the period	-	-	1,861,701	865,115	-	19,187	-
Settled during the period	-	-	(1,407,806)	-	(1,654,830)	-	-
Closing balance	-	-	2,744,210	865,115	844,684	1,407,806	-
Deposits and other accounts							
Opening balance	72,451	14,188	7,181,954	1,366,812	4,499,559	-	778,919
Received during the period	209,497	549,916	65,545,218	51,918,346	69,544,992	-	25,719,115
Withdrawn during the period	(162,970)	(410,612)	(66,681,033)	(52,178,701)	(70,583,137)	-	(25,774,689)
Transfer in / (out) - net	-	-	-	-	-	-	-
Closing balance	118,978	153,492	6,046,139	1,106,457	3,461,414	-	723,345
Other liabilities							
Interest / mark-up payable	696	703	52,398	3,509	43,880	6,335	7,279
Payable to staff retirement fund	-	-	-	-	-	-	846,825
Other payables	-	-	91,590	125,906	205,002	-	34,136
	696	703	143,988	129,415	248,882	6,335	888,240
Contingencies and Commitments							
Letter of credit	-	-	1,279,686	-	-	-	6,192,055
Letter of guarantee	-	-	106,942	46,222	-	-	640,066
Forward purchase of Government securities	-	-	508,861	-	-	-	6,805,004
Forward sale of Government securities	-	-	-	-	-	-	-
Interest rate swaps	-	-	1,399,742	-	1,500,000	-	-
	-	-	3,295,231	46,222	1,500,000	-	13,637,125
Others							
Securities held as custodians	-	8,180	18,520,960	456,769	11,706,250	-	23,110,565

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

For the three months ended March 31, 2019 (Unaudited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
<hr/>							
(Rupees in '000)							
<hr/>							
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	202
Dividend income	-	-	-	-	141	-	32,672
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	5,815	9,992
Loss from derivatives	-	-	(91,590)	-	(142,046)	-	-
Operating expenses	-	-	-	-	-	-	-
Salaries and allowances	-	281,103	-	-	-	-	-
Contribution to provident and benevolent funds	-	4,509	-	-	-	-	-
Non-Executive Directors' fees	11,600	-	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	223,071
Insurance premium expense	-	-	-	-	273,357	-	-
Exchange loss	-	-	-	42,709	-	-	-
Advertisement and publicity	-	-	8,470	-	-	-	759,873
Travelling	-	-	15,085	-	-	-	-
Subscription	-	-	-	-	-	-	5,186
Utilities cost	-	-	-	-	-	-	-
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	-	-
<hr/>							
As at December 31, 2018 (Audited)							
<hr/>							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
<hr/>							
(Rupees in '000)							
<hr/>							
Statement of financial position							
<hr/>							
Balances with other banks							
In current accounts	-	-	178,527	841,351	-	22,762	-
<hr/>							
Investments							
Opening balance	-	-	-	17,259,428	12,186,523	135,665	5,291,967
Investment made during the year	-	-	-	-	1,446,121	-	2,248,288
Investment redeemed / disposed off during the year	-	-	-	-	(2,109,457)	-	(1,266,953)
Exchange translation impact	-	-	-	851,631	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	(2,268,800)
Closing balance	-	-	-	18,111,059	11,523,187	135,665	4,004,502
Provision for diminution in value of investments	-	-	-	-	-	-	(131,491)
<hr/>							
Advances							
Opening balance	-	142,108	3,147,907	605,113	2,851,690	-	16,536,672
Addition during the year	-	200,111	10,215,143	2,254,567	-	-	183,779,040
Repaid during the year	-	(39,612)	(9,826,657)	(2,818,874)	(1,351,690)	-	(177,108,006)
Transfer in / (out) - net	-	(68,595)	-	-	-	-	(9,831,207)
Closing balance	-	234,012	3,536,393	40,806	1,500,000	-	13,376,499
Provision held against advances	-	-	-	-	-	-	(1,726,437)
<hr/>							
Other Assets							
Interest / mark-up accrued	-	430	30,552	42,563	34,696	-	226,952
Receivable from staff retirement fund	-	-	-	-	-	-	35,293
Other receivable	-	-	1,500	57,409	991,956	-	51,693
	-	430	32,052	99,972	1,026,652	-	313,938
<hr/>							
Borrowings							
Opening balance	-	-	479,694	1,247,874	3,312,516	1,104,172	-
Borrowings during the year	-	-	7,365,097	-	10,275,781	5,838,923	-
Settled during the year	-	-	(5,554,476)	(1,247,874)	(11,088,783)	(5,554,476)	-
Closing balance	-	-	2,290,315	-	2,499,514	1,388,619	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

	As at December 31, 2018 (Audited)						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Deposits and other accounts							
Opening balance	127,426	33,952	8,412,090	1,030,077	9,219,513	22,702	1,501,398
Received during the year	1,310,083	262,419	429,705,396	194,454,461	393,074,879	-	98,984,289
Withdrawn during the year	(1,342,166)	(262,047)	(430,935,532)	(194,117,726)	(397,794,833)	(22,702)	(99,412,868)
Transfer in / (out) - net	(22,892)	(20,136)	-	-	-	-	(293,900)
Closing balance	72,451	14,188	7,181,954	1,366,812	4,499,559	-	778,919
Other liabilities							
Interest / mark-up payable	254	276	100,072	2,343	68,722	5,811	2,426
Payable to staff retirement fund	-	-	-	-	-	-	970,439
Other payables	-	-	103,824	35,352	425,474	-	125,812
	254	276	203,896	37,695	494,196	5,811	1,098,677
Contingencies and Commitments							
Letter of credit	-	-	580,316	-	-	-	8,847,142
Letter of guarantee	-	-	155,828	53,458	-	-	634,705
Forward purchase of Government securities	-	-	411,707	-	-	-	9,913,419
Forward sale of Government securities	-	-	-	-	-	-	809,625
Interest rate swaps	-	-	1,448,856	-	1,500,000	-	-
	-	-	2,596,707	53,458	1,500,000	-	20,204,891
Others							
Securities held as custodians	-	8,000	17,841,345	456,397	10,462,950	-	20,053,730
For the three months ended March 31, 2018 (Unaudited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Profit and loss account							
Income							
Mark-up / return / profit / interest earned	-	1,174	72,186	55,876	58,347	-	322,645
Fee and commission income	-	-	-	1,281	668,205	-	-
Dividend income	-	-	-	-	213,001	-	37,569
Rent on properties	-	-	-	8,442	-	-	-
Other income	-	-	60	-	-	-	82
Net gain on sale of securities	-	-	-	-	19,680	-	-
(Loss) / income from derivatives	-	-	(2,082)	-	2,498	-	-
Expense							
Mark-up / return / profit / interest expensed	2,360	72	122,479	7,394	96,514	6,196	14,564
Operating expenses							
Salaries and allowances	-	250,460	-	-	-	-	-
Contribution to provident and benevolent funds	-	3,543	-	-	-	-	-
Non-Executive Directors' fees	13,600	-	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	2,388,407
Insurance premium expense	-	-	-	-	201,432	-	-
Advertisement and publicity	-	-	9,278	-	-	-	298,992
Travelling	-	-	225	-	-	-	-
Subscription	-	-	-	-	-	-	4,866
Utilities cost	-	-	-	-	-	-	688
Donation	-	-	-	-	-	-	47,443
Other expenses	-	-	-	1,008	-	-	-
Reversal of provision for diminution in value of investments	-	-	-	-	-	-	(20,593)
Others							
Purchase of Government securities	-	-	47,892,017	-	-	-	33,897,716
Sale of Government securities	-	8,193	13,704,088	-	6,313,120	-	23,796,995
Purchase of foreign currencies	-	-	311,404	2,365,869	-	-	-
Sale of foreign currencies	-	-	227,213,235	1,928,657	51,500	-	6,109,122
Insurance claims settled	-	-	-	-	59,074	-	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

35	CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	Note	(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
	Minimum Capital Requirement (MCR):			
	Paid-up capital (net of losses)		14,668,525	14,668,525
	Capital Adequacy Ratio (CAR):			
	Eligible Common Equity Tier 1 (CET 1) Capital		135,452,230	134,409,556
	Eligible Additional Tier 1 (ADT 1) Capital		-	-
	Total Eligible Tier 1 Capital		135,452,230	134,409,556
	Eligible Tier 2 Capital		39,108,880	42,393,281
	Total Eligible Capital (Tier 1 + Tier 2)		174,561,110	176,802,837
	Risk Weighted Assets (RWAs):			
	Credit Risk		825,201,943	806,562,433
	Market Risk		77,360,999	108,783,786
	Operational Risk		163,870,862	163,870,862
	Total		1,066,433,804	1,079,217,081
	Common Equity Tier 1 Capital Adequacy ratio		12.70%	12.45%
	Tier 1 Capital Adequacy Ratio		12.70%	12.45%
	Total Capital Adequacy Ratio		16.37%	16.38%
	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		9.90%	7.90%
	of which: capital conservation buffer requirement		1.90%	1.90%
	of which: countercyclical buffer requirement		-	-
	of which: D-SIB or G-SIB buffer requirement	35.1	2.00%	-
	CET1 available to meet buffers (as a percentage of risk weighted assets)		2.80%	4.55%
	Other information:			
	National minimum capital requirements prescribed by the SBP			
	CET1 minimum ratio (%)		9.90%	7.90%
	Tier 1 minimum ratio (%)		11.40%	9.40%
	Total capital minimum ratio (%)		13.90%	11.90%
	Leverage Ratio (LR)			
	Eligible Tier-1 Capital		135,452,230	134,409,556
	Total Exposures		2,963,703,084	3,552,227,144
	Leverage Ratio (%)		4.57%	3.78%
	Minimum Requirement (%)		3.00%	3.00%
	Liquidity Coverage Ratio (LCR)			
	Total High Quality Liquid Assets		838,638,967	987,612,556
	Total Net Cash Outflow		604,904,260	571,294,024
	Liquidity Coverage Ratio (%)		138.64%	172.87%
	Minimum Requirement (%)		100.00%	100.00%
	Net Stable Funding Ratio (NSFR)			
	Total Available Stable Funding		2,117,372,850	2,102,952,345
	Total Required Stable Funding		1,352,500,916	1,490,821,433
	Net Stable Funding Ratio (%)		156.55%	141.06%
	Minimum Requirement (%)		100.00%	100.00%
35.1	Under the SBP's framework for Domestic Systemically Important Banks (D-SIBs), the Bank was designated as a D-SIB in category 'C' on June 12, 2018. Accordingly, with effect from March 31, 2019 the Bank is required to maintain a Higher Loss Absorbency (HLA) capital surcharge of 2% as additional CET-1.			

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

36

ISLAMIC BANKING BUSINESS

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

STATEMENT OF FINANCIAL POSITION

ASSETS

Cash and balances with treasury banks	
Balances with other banks	
Due from financial institutions	36.1
Investments	36.2
Islamic financing and related assets-net	36.3
Fixed assets	
Intangible assets	
Due from Head Office	
Deferred tax assets	
Other assets	

Note	(Unaudited) March 31, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
	13,403,214	19,365,889
	-	-
36.1	20,489,184	13,031,526
36.2	36,794,905	75,296,758
36.3	126,166,940	103,483,404
	190,413	187,491
	-	-
	10,405,177	4,932,141
	20,359	59,787
	3,959,715	3,718,796
	211,429,907	220,075,792

LIABILITIES

Bills payable	
Due to financial institutions	36.4
Deposits and other accounts	36.5
Due to Head Office	
Subordinated debt	
Deferred tax liabilities	
Other liabilities	

	15,976	8,543
36.4	14,927,987	1,551,617
36.5	176,754,345	203,247,709
	-	-
	-	-
	-	-
	7,255,754	3,917,646
	198,954,062	208,725,515

NET ASSETS

	12,475,845	11,350,277
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REPRESENTED BY

Islamic Banking Fund	
Reserves	
(Deficit) / surplus on revaluation of investments - net of tax	
Unappropriated profit	36.6

	250,000	250,000
	-	-
	(37,809)	(111,034)
36.6	12,263,654	11,211,311
	12,475,845	11,350,277

CONTINGENCIES AND COMMITMENTS

36.7		
	(Unaudited)	
	For the three months ended	
	March 31,	March 31,
	2019	2018

PROFIT AND LOSS ACCOUNT

Profit / return earned	36.8
Profit / return expensed	36.9
Net profit / return	

	(Rupees in '000)	(Restated)
	3,915,761	2,967,151
	1,839,207	1,504,552
	2,076,554	1,462,599

Other income

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

	57,533	48,106
	-	-
	6,503	7,599
	-	-
	(9,767)	(25,936)
	1,971	1,794
	56,240	31,563

Total income

	2,132,794	1,494,162
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Other expenses

Operating expenses	
Workers' Welfare Fund	
Other charges	
Total other expenses	

	370,374	201,160
	34,984	25,845
	-	-
	405,358	227,005

Profit before provisions

Provisions and write offs - net	
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	1,727,436	1,267,157
	2,284	766

Profit before taxation

Taxation	
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	1,725,152	1,266,391
	672,809	443,237

Profit after taxation

	1,052,343	823,154
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Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

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

36.2 Investments by segments

	March 31, 2019 (Unaudited)				December 31, 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government securities								
-Ijarah Sukuks	5,090,127	-	(58,167)	5,031,960	53,682,791	-	(170,822)	53,511,969
- Other Federal Government securities	10,794,000	-	-	10,794,000	-	-	-	-
	15,884,127	-	(58,167)	15,825,960	53,682,791	-	(170,822)	53,511,969
Non-Government debt securities								
-Listed	4,715,033	-	-	4,715,033	5,030,877	-	-	5,030,877
-Unlisted	16,253,912	-	-	16,253,912	16,753,912	-	-	16,753,912
	20,968,945	-	-	20,968,945	21,784,789	-	-	21,784,789
Total Investments	<u>36,853,072</u>	<u>-</u>	<u>(58,167)</u>	<u>36,794,905</u>	<u>75,467,580</u>	<u>-</u>	<u>(170,822)</u>	<u>75,296,758</u>

	(Unaudited) March 31, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
36.3	Islamic financing and related assets - net	
Ijarah	2,035,755	2,078,449
Murabaha	1,139,848	672,907
Diminishing Musharakah	73,419,597	66,095,505
Wakalah	10,000,000	10,000,000
Islamic Home Financing	403,309	128,820
Running Musharakah	7,802,445	4,871,319
Advance for Ijarah	212,805	192,485
Advance for Murabaha	5,511,648	4,324,684
Advance for Diminishing Musharakah	1,158,140	995,819
Advance for Istisna	22,994,719	9,920,835
Advance for Salam	499,862	-
Inventories against Tijarah	241,323	17,578
Inventories against Murabaha	141,647	2,416,470
Inventories against Istisna	725,000	1,885,231
Islamic financing and related assets - gross	126,286,098	103,600,102
Provision against Islamic financing and related assets		
-Specific	(104,761)	(106,212)
-General	(14,397)	(10,486)
	<u>(119,158)</u>	<u>(116,698)</u>
Islamic financing and related assets - net of provision	<u>126,166,940</u>	<u>103,483,404</u>

36.4 Due to financial institutions

Unsecured acceptance of funds	11,200,000	-
Acceptances from the SBP under Islamic Export Refinance Scheme	3,724,417	1,551,617
Acceptances from the SBP under Islamic Long Term Financing Facility	3,570	-
	<u>14,927,987</u>	<u>1,551,617</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

			(Unaudited) March 31, 2019	(Audited) December 31, 2018
	Note		(Rupees in '000)	
36.5		Deposits and other accounts		
		Customers		
		Current deposits	56,338,724	44,756,909
		Savings deposits	91,337,828	90,221,909
		Term deposits	20,885,835	39,646,562
			168,562,387	174,625,380
		Financial Institutions		
		Current deposits	144,530	156,967
		Savings deposits	6,338,068	26,478,723
		Term deposits	1,709,360	1,986,639
			8,191,958	28,622,329
			176,754,345	203,247,709
36.6		Islamic Banking business unappropriated profit		
		Opening Balance	11,211,311	8,569,480
		Add: Islamic Banking profit for the year	1,725,152	4,332,623
		Less: Taxation	(672,809)	(1,690,792)
		Closing Balance	12,263,654	11,211,311
36.7		Contingencies and commitments		
	36.7.1	- Guarantees	233,836	219,570
	36.7.2	- Commitments	8,479,208	20,811,516
			8,713,044	21,031,086
36.7.1		Guarantees:		
		Performance guarantees	233,836	214,177
		Other guarantees	-	5,393
			233,836	219,570
36.7.2		Commitments:		
		Trade-related contingent liabilities	2,848,214	1,613,153
	36.7.2.1	Commitments in respect of forward foreign exchange contracts	5,630,994	19,198,363
			8,479,208	20,811,516
36.7.2.1		Commitments in respect of forward foreign exchange contracts		
		Purchase	5,327,688	18,922,353
		Sale	303,306	276,010
			5,630,994	19,198,363
36.8		Profit / return earned		
		On:		
		Financing	2,372,516	1,460,458
		Investments	1,173,051	1,485,221
		Placements	370,194	21,472
			3,915,761	2,967,151
36.9		Profit / return expensed		
		On:		
		Deposits and other accounts	1,482,584	982,439
		Due to financial institutions	341,243	515,055
		Cost against foreign currency deposits for Wa'ad based transactions	15,380	7,058
			1,839,207	1,504,552

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

37 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 37.1 The Board of Directors in its meeting held on April 24, 2019 has declared a cash dividend of Rs 1.25 per share in respect of the quarter ended March 31, 2019 (March 31, 2018: Rs 1 per share). These condensed interim unconsolidated financial statements do not include the effect of this appropriation which will be accounted for subsequent to the period end.

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on April 24, 2019.

39 GENERAL

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Dr. Najeeb Samie
Director

