



HABIB BANK
حبیب بینک

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

August 8, 2019

Dear Sir,

Transmission of Half Yearly Report for the Period Ended June 30, 2019

We have to inform you that the Half Yearly report of Habib Bank Limited for the period ended on June 30, 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 Half Yearly Report of the Bank for the period ended on June 30, 2019)
2. The Registrar, Company Registration Office, State Life Building 7, Jinnah Avenue, Blue Area, Islamabad (with 3 printed copies of the Half Yearly Report of the Bank for the period ended on June 30, 2019)
3. The Director, Banking Policy & Regulation Department, State Bank of Pakistan, I.I. Chundrigar Road, Karachi (with 3 printed copies of the Half Yearly Report of the Bank for the period ended on June 30, 2019)

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(Registered Office)
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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 features a fingerprint scan pattern in the center, surrounded by concentric circles and a grid of lines. The background is dark blue with a subtle pattern of lines and dots.

SHAPING THE FUTURE
HALF YEARLY REPORT
JUNE 30, 2019

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CORPORATE INFORMATION

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Shaffiq Dharamshi
Director

Mr. Moez Ahamed Jamal
Director

Ms. Sadia Khan
Director

Mr. Salim Raza
Director

Dr. Najeeb Samie
Director

Mr. Agha Sher Shah
Director

Mr. Muhammad Aurangzeb
President & CEO

Chief Operating Officer
Mr. Sagheer Mufti

Chief Financial Officer
Mr. Rayomond Kotwal

Company Secretary
Ms. Neelofar Hameed

Legal Advisors
Mandviwalla and Zafar
Legal Consultants and Advocates

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Share Registrar

CDC Share Registrar Services Limited
CDC House, 99-B, Block-B,
S.M.C.H.S., Main Shahra-e-Faisal
Karachi – 74400, Pakistan
Tel: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 3432-6053
Email: info@cdcsrsl.com
Website: www.cdcsrsl.com

HBL Corporate Secretariat

Phone: (92-21) 3713-7543
Fax: (92-21) 3514-8370

Head Office

Habib Bank Limited
Habib Bank Plaza
I.I. Chundrigar Road,
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Registered Office


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Websites:

Corporate Website:
www.hbl.com

Internet Banking:

www.hbllibank.com.pk

The background is a dark teal color with a complex, abstract pattern. It features vertical lines of varying heights, some with small circles at the top, resembling a digital or binary structure. Below this, there are horizontal, wavy lines that look like a fingerprint or a topographical map. At the bottom, there are intricate circuit-like patterns with many small dots and lines.

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 half year ended June 30, 2019.

Domestic Economy

The stresses on Pakistan's economy continued to intensify in FY'19, with sizeable twin deficits, rising inflation and depleting foreign exchange reserves. Average FY'19 inflation of 7.3% has remained within SBP's target range, albeit at the higher end; however, this represents a near doubling from the average of 3.9% for FY'18 as the ongoing tightening of both monetary and fiscal policies pushed headline inflation to 8.9% in June '19. As a result, momentum in the real sector slowed, with domestic demand decelerating and GDP growth falling to a nine-year low of 3.3% in FY'19. Real economic activity remained subdued, with the LSM index declining by 3.5% in 10MFY'19 as major sectors including textiles and automobiles posted negative growth.

Multiple import compression measures, including tariff increases, exemption withdrawals and multiple rounds of currency devaluation have resulted in a 7% decline in the import bill for FY'19. However, despite a number of stimulus packages, export growth has not materialized as falling unit prices resulted in a 2% reduction in exports. The trade balance thus reduced by 11% over FY'18. With remittances returning to a steady growth trajectory (up 10%), the current account deficit for FY'19 reduced by 32%, falling from 6.3% of GDP in FY'18 to 4.8% (USD 13.6 billion) in FY'19. Limited FDI flows, 50% lower than last year, along with growing external debt servicing, pushed FX reserves down by 25% to USD 14.4 billion. The Rupee has lost 45% of its value over the last 18 months of this devaluation cycle, weakening by 32% during FY'19 alone to PKR 160/USD.

The fiscal deficit during 9M FY'19 increased to 5.0% of GDP against 4.3% in the same period last year, with the FY'19 deficit likely to be around 7% compared to a target of 5.1%. While the response to the recent tax amnesty scheme appears to have been positive from a tax collection perspective, shortfalls to revenue targets remain, with estimates substantially lower than even the revised FY'19 collection target of PKR 4.15 trillion. Despite a slowdown in public sector spending, higher expenses on security and debt servicing have exacerbated the fiscal pressures.

The equity market has been on a downward trend since the start of FY'18, coinciding with Pakistan's graduation to EM status by MSCI. Negative economic news, escalating interest rates and the previous lack of disclosure around the IMF program continued to dampen investor sentiment and strengthen the bearish mood. The KSE 100 has lost 9% from December 2018 and is down by 36% since its peak in May 2017. The market outflows in 2019 have largely been from local mutual funds, as foreign investors have remained net buyers.

The much-awaited IMF program has finally materialized as the Executive Board of the IMF approved a 39-month Extended Fund Facility (EFF) of USD 6 billion for Pakistan. The first tranche of USD 1 billion has been disbursed. The program builds in quarterly reviews for FY'20, stepping up to semi-annual reviews for the remainder of the term. Most of the prior actions required have been taken, including the move to a more market determined exchange rate, tight monetary measures and approval of the FY'20 Budget which incorporates a series of fiscal steps including tariff phase-outs and rationalization of energy prices. Key structural benchmarks revolve, as expected, around the plans for and management of State Owned Enterprises (SOEs), comprehensive actions for circular debt reduction including automatic power tariff increases, and broad based actions to strengthen the effectiveness of the AML/CFT framework to support Pakistan's exit from the FATF grey list.

The SBP increased the policy rate by 100bps to 13.25% in its July Monetary Policy Statement, bringing the cumulative rate hike to 750bps since January 2018. The current high levels of inflation and the likely near-term increase from budgetary measures, appear to be the driving force behind the rate increase. The MPS also signaled that the current cycle of adjustments to both the interest and exchange rates may be at an end as previously accumulated imbalances have been addressed.

The impact of the protracted tightening has weighed on private credit offtake which increased by only 2% during H1'19 compared to a growth of 10% for the same period in H1'18. Banking sector advances rose by 3% over December 2018, while deposits increased by 8%, largely due to an unexpected inflow of Rs 1 trillion during the last week of June. Average spreads for the banking sector widened during 5M'19 by 78bps over last year as increases in lending yields outpaced growth in the cost of deposits.

Performance

HBL's results for the first half of 2019 have been impacted by two specific market events – the further 15% depreciation in the value of the Rupee (impact : Rs 6.0 billion) and a 9% fall in the continuously declining PSX (impact : Rs 1.9 billion). The incremental impact of these, compared to the first half of 2018, is Rs 4.8 billion. Resultantly, reported Profit before Tax of Rs 9.9 billion for H1'19 is Rs 4.2 billion (30%) lower than for the same period last year. The retrospective imposition of Super Tax on 2017 earnings has increased the effective tax rate for the half year to 60%. Profit after tax for H1'19 is therefore Rs 3.9 billion compared to Rs 8.1 billion for H1'18. Earnings per share for H1'19 are at Rs 2.53.

HBL's core domestic business continues to grow steadily. Total deposits increased by 6.8%, crossing the Rs. 2.0 trillion mark, with half the growth coming from current accounts. The domestic mix of current accounts improved by 66bps to 38.2% while the CASA ratio of 85.2% was just below December '18 levels of 85.4%. Domestic advances increased marginally over

December 2018 levels but the strong run-up in 2018 resulted in average advances for H1'19 being 25% (Rs 180 billion) higher than in H1'18. The Consumer business continued its steady growth with average consumer loans increasing by 17% over H1'18.

Overseas deposits and advances both increased in US dollar terms with the impact more pronounced in Rupees. HBL's total deposits thus grew by 7.8% over December 2018 to Rs 2.3 trillion with net advances of the Bank up by 5% to Rs 1.1 trillion.

Average domestic deposits, driven by a Rs 62 billion growth in average current accounts, increased by around Rs 100 billion. The average balance sheet thus increased by Rs 135 billion (6%). The net interest margin in the domestic business improved by 59 bps as earning asset yields improved significantly due to re-pricing of loans and rollover of maturing investments at higher rates. Domestic net interest income for H1'19 is thus 18% higher than for the same period last year. With a 14% improvement from the international business in Dollar terms, total net interest income for HBL increased by 20%, to Rs 47.7 billion.

Fee income continued to improve, increasing by 16% over H1'18, to Rs 10.7 billion as international fees were restored to their prior year levels. Domestic fee growth of 15% was robust, achieved due to strong performances from the card related business, trade fees and investment banking income. The sale of previously impaired equities resulted in a realized capital loss of Rs 1.8 billion, but with no overall P&L impact. Excluding this, income from treasury related activities increased to Rs 3.4 billion in H1'19 compared to Rs 2.8 billion in the same period last year. Core non mark-up income for the first half of 2019, excluding the revaluation loss on the Bank's open position and the capital loss described above, increased by 13% YoY to Rs 15.8 billion.

Headline administrative expenses for H1'19 increased by 24% to Rs 45.0 billion. This was largely driven by an increase in the ongoing remediation, legal and regulatory costs related to the Bank's New York branch. The substantial impact of Rupee depreciation on international expenses and the incremental cost of HBL's new office building also contributed to the expense growth. Excluding these major items, expenses increased by 11%. Total provisions for the first half of 2019 are Rs 511 million. Net reversals in the domestic business continue, although they are considerably lower, notwithstanding an improved recovery performance.

In 2019, HBL has received several accolades from prestigious international publications. These include Pakistan's Best Bank by Euromoney, Best Domestic Bank and Best Corporate & Investment Bank by Asiamoney and Excellence in Retail Financial Services by the Asian Banker. In addition, the Investment Banking team's prowess was recognized through several "Deal of the Year" awards by The Asset magazine, including for Power, Utility and Transport.

Movement of Reserves

	Rs million
Unappropriated profit brought forward	101,606
Profit attributable to equity holders of the Bank	3,706
Share of re-measurement loss on defined benefit obligations of associate - net	(2)
Transferred from General Reserve	6,074
Transferred from surplus on revaluation of assets – net of tax	239
	10,017
Profit available for appropriations	111,623
Appropriations	
Transferred to statutory reserves	(584)
Cash dividend – Final 2018	(1,834)
Cash dividend – 1st Interim 2019	(1,834)
	(4,251)
Unappropriated profit carried forward	107,372
Earnings per share (Rs)	2.53

Capital Ratios

The SBP has announced the designation of Domestic Systemically Important Banks (D-SIBs) for 2019. HBL remains in category C, the highest currently in use, which requires the Bank to maintain an additional Common Equity Tier 1 (CET1) of 2%. To further strengthen its Tier 1 Capital, HBL has announced the issuance of perpetual Term Finance Certificates of Rs 15 billion (including a greenshoe option of Rs 5 billion) which will qualify as Additional Tier 1 (AT1) capital upon issuance of the TFCs. During the quarter, the Bank received Rs 8.4 billion in subscriptions towards the TFCs which the SBP has allowed to be considered as part of AT1 capital for the purpose of calculation of the Capital Adequacy Ratio (CAR) as at June 30, 2019.

The consolidated CET 1 as of June 30, 2019 has reduced from March levels to 11.33% but is comfortably above the required level of 9.90%. The decline is entirely due to the impact of the steep devaluation in the second quarter which has affected both profitability as well as regulatory eligible CET1. Tier 1 CAR, supported by the AT1 subscription, was 12.04%, slightly above the March 2019 level of 12.0%. However, as a result of the reduced headroom in CET 1, more of the existing Tier II capital has become ineligible. Total Consolidated CAR has thus reduced to 15.14% but remains well above the requirement of 13.90%.

Dividend

The Board of Directors, in its meeting held on July 24, 2019 has declared an interim cash dividend of Rs 1.25 per share (12.5%) for the quarter ended June 30, 2019.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively with the rating of its subordinated debt also at AAA. The TFCs planned to be issued as Additional Tier 1 Capital have been given a rating of AA+. The Outlook on all ratings is Stable. The ratings incorporate HBL's strong momentum in its domestic business, improved asset quality, robust liquidity and sound capitalization and reflect the systemic importance of the Bank.

Future Outlook

The budgetary fiscal measures, including the increase in utility prices, higher taxes and currency adjustments are likely to further accelerate inflation in the short-term, with the SBP projecting headline inflation to average around 11-12% in FY'20. The impact of the macroeconomic adjustments will also weigh on economic growth which the IMF forecasts to recede to 2.4% for FY'20. On the fiscal front, the government has set an ambitious revenue target of PKR 5.5T for FY'20. However, the elevated debt servicing budget and higher PSDP allocation will keep the fiscal deficit at over 7% in FY20, before it moderates to more sustainable levels.

Pakistan's economy is at a critical juncture where it has the opportunity to reduce the twin deficits in a meaningful way and on a permanent basis. This will require a resolute stance by the Government in meeting IMF conditionalities and undertaking long-needed – but long-avoided – serious structural reform to address SOEs, the circular debt and the tax base. The IMF program has provided space, but further tranches will depend on agreed actions being implemented. An 8-10% annual growth in exports seems overly ambitious, especially given recent performance; a 5% increase in the Tax/GDP ratio also seems an uphill task. It is also necessary to refocus on the CPEC programme and build upon the success of Phase I by accelerating the development of the planned Special Economic Zones to localize industry and develop export capability.

HBL's core business continues to gain strength and the results for the first half of 2019 continue the trajectory from Q1. The Bank's digital journey is well underway and, as a Technology Company with a Banking License, HBL will accelerate its efforts across businesses, products and customer segments to bring seamless and innovative new experiences to its customers. The Bank's market leading mobile app and internet banking platform have nearly 1 million users, the highest in the market. HBL's multifaceted commitment to financial inclusion remains strong – for women, for youth and for the currently excluded segments of the country's population. In the one year since launch, HBL Konnect has opened 2.8 million accounts, 24% of them by women, and facilitated millions of people in conducting Rs 100 billion worth of transactions. HBL is intensifying efforts to raise its service levels as this must be the Bank's key differentiator. Even though conditions are expected to remain challenging in the medium-term, HBL will work to support its customers and provide leadership in the development of Pakistan and the economy.

Appreciation and Acknowledgement

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

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

On behalf of the Board

Muhammad Aurangzeb
President & Chief Executive Officer

Moez Ahamed Jamal
Director

July 24, 2019

ڈائریکٹرز کا جائزہ

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

ملکی معیشت

مالی سال 2019ء میں بھی گراں قدر جڑواں خسارے، افراط زر میں اضافے اور غیر ملکی زر مبادلہ کے ذخائر میں قلت سے پاکستان کی معیشت پر دباؤ میں مسلسل اضافہ ہو رہا ہے۔ مالی سال 2019ء کی اوسط افراط زر کی شرح 7.3% جو کہ SBP کے دائرہ ہدف کے اندر رہی، تاہم یہ مالی سال 2018ء کی اوسط 3.9% کے مقابلے میں کم و بیش دو گنا ہے کیونکہ جون 2019ء میں رواں تنگی کے سبب زری اور مالی پالیسیوں نے عمومی افراط زر کی سطح کو 8.9% تک پہنچا دیا۔ جس کے نتیجے میں حقیقی شعبے کی رفتار سست اور مقامی طلب میں کمی واقع ہوئی۔ مالی سال 2019ء میں GDP کی بڑھوتری بھی 9 سالہ کم ترین درجے 3.3% پر پہنچ گئی۔ خالص معاشی سرگرمیوں میں مندی رہی ان میں کمی سے، مالی سال 2019ء کے 10 مہینوں میں بڑے پیمانے کی اشیاء سازی (LSM) میں 3.5% تک تخفیف ہوئی کیونکہ اہم شعبوں ٹیکسٹائل اور آٹوموبائل نے منفی ترقی ظاہر کی۔

درآمدی حوصلہ شکنی کے متعدد اقدامات، بشمول محصولات میں اضافے، استثنائی ہٹانے اور روپے کی قدر میں بار بار کمی نے مالی سال 2019ء کے درآمدی بل میں 7% کمی کی۔ تاہم ایک بڑی تعداد میں ترغیبی پیکیجز کے باوجود، برآمدات میں اضافے کا مسئلہ حل نہ ہو سکا کیونکہ یونٹ کی گرتی ہوئی قیمتوں سے برآمدات میں 2% کمی واقع ہوئی۔ چنانچہ مالی سال 2018ء کے مقابلے میں تجارتی توازن میں 11% کمی آئی۔ ترسیل کے مستحکم ترقی کے مدار (10% اوپر)، میں واپس داخلے سے مالی سال 2019ء کے لیے جاری کھاتوں کا خسارہ کم ہو کر 32% ہو گیا ہے جو مالی سال 2018ء کے 6.3% سے گھٹ کر مالی سال 2019ء کے لیے 4.8% (13.6 ارب امریکی ڈالر) رہ گیا ہے۔ محدود FDI کے بہاؤ، گزشتہ برس سے 50% کم اور بڑھتے ہوئے بیرونی قرضہ جات کی خدمات، نے FX کے ذخائر کو 25% نیچے 14.4 ارب امریکی ڈالر پر دھکیل دیا۔ گزشتہ 18 ماہ میں روپے نے اپنی 45% قدر کھودی جو مالی سال 2019ء میں 32% کمزوری کے بعد 160 روپے فی امریکی ڈالر ہو گئی۔

مالی سال 2019ء کے 9 ماہ کے دوران GDP کا مالی خسارہ بڑھ کر 5.0% پر چلا گیا جو گزشتہ برس اسی مدت کے لیے 4.3% تھا، مالی سال 2019ء کا خسارہ اپنے ہدف 5.1% کے مقابلے میں 7% تک پہنچنے کا امکان ہے، گو کہ ٹیکس ایمنسٹی اسکیم ٹیکس وصولی کے حوالے سے حوصلہ افزا رہی مگر محصولات کے ہدف میں کمی رہی، جس کا تخمینہ مالی سال کے تازہ وصولی کے ہدف 4.15 ٹریلین روپے سے خاطر خواہ کم رہا۔ عوامی شعبے میں خرچ میں سست روی کے باوجود، سیکورٹی کے اخراجات اور قرضہ جات کی خدمات کی مد میں اضافے سے مالی دباؤ میں اضافہ ہوا ہے۔

مالی سال 2018ء سے ایکویٹی مارکیٹ تنزلی کی جانب گامزن ہے جس میں پاکستان کو MSCI کی جانب سے EM اسٹیٹس بھی ملا۔ منفی اقتصادی خبریں، بڑھتی ہوئی شرح سود، اور IMF پروگرام کے حوالے سے تاخیری انکشاف نے سرمایہ کاروں کے جذبات کو سرد کیے رکھا جس سے مندی کا رجحان مستحکم ہوا۔ KSE 100 دسمبر 2018ء سے 9% نقصان میں رہا ہے اور مئی 2017ء میں اپنے عروج سے اب تک 36% زوال پذیر ہوا ہے۔ 2019ء میں مارکیٹ کا بیرونی بہاؤ زیادہ تر لوکل میچوئل فنڈز میں رہا کیونکہ غیر ملکی سرمایہ کار بدستور خالص / بنیادی گاہک رہے ہیں۔

پاکستان کے لیے IMF کی ایگزیکٹو بورڈ کی جانب سے 6 ارب امریکی ڈالر کی 39 ماہی توسیعی فنڈ فیسلٹی (EFF) کے ذریعے زیر التوا IMF پروگرام کو بھی بالآخر عملی جامہ پہنا دیا گیا۔ 1 ارب امریکی ڈالر کی پہلی قسط فراہم کر دی گئی۔ اس پروگرام میں مالی سال 2020ء کے لیے سہ ماہی جائزے تشکیل دیے جائیں گے جن کے باقی ماندہ مدت کے لیے بتدریج ششماہی بنیادوں پر جائزے لیے جائیں گے۔ اس ضمن میں درکار پیشگی اقدامات کیے جا چکے ہیں جس میں زیادہ مارکیٹ پر مبنی شرح مبادلہ، سخت زری اقدامات، مالی سال 2020ء کے بجٹ کی منظوری، جس میں مالی اقدامات کے ایک سلسلے کی شمولیت جمع محصولات میں بتدریج کمی اور توانائی کی قیمتوں کا استدلال شامل ہیں۔ کلیدی ساختی معیارات، اسٹیٹ اونڈینٹز پرائز (SOEs) کی منصوبہ بندی اور تنظیم کے لیے حسب توقع کام کر رہا ہے۔ جن میں گردش قرضہ جات / واجب الادا ادائیگیوں میں کمی بشمول خود کار توانائی کے محصولات میں اضافے اور AML/CFT فریم ورک کی مضبوطی اور اثر پذیری کے لیے وسیع البنیاد اقدامات شامل ہیں تاکہ پاکستان FATF کی گرے فہرست سے باہر آ سکے۔

SBP نے اپنی جولائی کی زری پالیسی اسٹیٹمنٹ میں پالیسی ریٹ 100bps کے تناسب سے بڑھا کر 13.25% کا اضافہ کر دیا جو جنوری 2018ء سے مجموعی شرح میں 750bps اضافے کا باعث بنا ہے۔ موجودہ افراط زر کی بڑھتی ہوئی سطح اور مستقبل قریب میں بجٹ کے اقدامات میں اضافے کے امکان سے شرح میں اضافے کا محرک ثابت ہوں گے۔ MPS اس بات کی جانب بھی اشارہ کتا ہے کہ سود اور شرح مبادلہ میں مطابقت کا موجودہ دور بھی اب اختتام پذیر ہونے والا ہے کیونکہ گزشتہ مجتمع عدم توازن پر کام کیا جا چکا ہے۔

اقتصادی بحران نے نجی قرضوں کی واپسی پر زور ڈالا جس سے ان میں مالی سال 2019ء کی پہلی ششماہی میں صرف 2% اضافہ ہوا جبکہ گزشتہ برس اسی ششماہی

ذخائر میں اتار چڑھاؤ

ملین روپے

101,606

3,706

(2)

6,074

239

10,017

111,623

افتتاحی غیر تخصیص شدہ منافع

بینک ایکویٹی کے حامل افراد کے لیے قابل ادائیگی منافع

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

عمومی ذخائر سے منتقل شدہ

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

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ - حتمی 2018ء

نقد منافع منقسمہ - پہلا عبوری 2019ء

(584)

(1,834)

(1,834)

(4,251)

107,372

اختتامی غیر تخصیص شدہ منافع

2.53

فی حصص آمدنی (روپے)

سرمائے کا تناسب

SBP کی جانب سے HBL کو 2019ء کے لیے ملکی نظام کا اہم بینک (D-SIB) قرار دیا گیا ہے۔ HBL بدستور درجہ "C" میں ہے جو فی الحال زیر استعمال اعلیٰ ترین درجہ ہے۔ جو بینک سے تقاضہ کرتا ہے کہ 2% اضافی عمومی ایکویٹی Tier 1 (CET1) برقرار رکھے۔ اپنے Tier 1 کے سرمائے میں مزید استحکام کے لیے HBL نے 15 ارب روپے کے پریپونسل ٹرم فنانس سرٹیفکیٹس کے اجراء کا اعلان کیا ہے (بشمول 5 ارب روپے کے گرین شو آپشن) جو TFCs کے اجراء کے ساتھ Additional Tier 1 (AT1) کا اہل قرار پائے گا۔ سہ ماہی کے دوران بینک نے TFCs کے کھاتوں کی مد میں 8.4 ارب روپے وصول کیے جس کی SBP نے 30 جون 2019ء کو شرح کفایت سرمایہ (CAR) Capital Adequacy Ratio کے اعداد و شمار کی غرض سے بطور AT1 سرمایہ قبول کرنے کی اجازت دے دی۔

CET1 کی مجموعی شرح 30 جون 2019ء میں مارچ کی سطح سے کم ہو کر 11.33% ہو گئی ہے اور یہ 9.90% کی درکار سطح سے اطمینان بخش حد تک زیادہ ہے۔ یہ کمی کلی طور پر دوسری سہ ماہی میں روپے کی قدر میں تیزی سے گراوٹ کی وجہ سے ہوئی جس نے نہ صرف منفعت بلکہ باضابطہ اہل CET1 کو بھی نقصان پہنچایا۔ AT1 کھاتوں کی معاونت سے Tier 1 CAR 12.04% رہا جو مارچ 2019ء کی 12.0% سطح سے قدرے بلند ہے۔ تاہم CET1 میں قرض کی سہولت کی گنجائش میں کمی کے نتیجے میں موجودہ Tier II سرمائے کا زیادہ تر حصہ نااہل ہو گیا۔ چنانچہ مجموعی CAR کم ہو کر 15.14% ہو گیا جو ہنوز درکار 13.90% سے کافی بلند ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 24 جولائی 2019ء کو منعقد ہونے والے اپنے اجلاس میں 30 جون 2019ء کو اختتام پذیر ہونے والی سہ ماہی کے لیے فی حصص 1.25 روپے (12.5%) کے عبوری نقد منافع منقسمہ کا اعلان کیا ہے۔

میں یہ اضافہ 10% رہا۔ بینکاری شعبے کے قرضہ جات میں دسمبر 2018ء تک 3% اضافہ دیکھا گیا جبکہ ڈپازٹس میں 8% اضافہ ہوا جو بنیادی طور پر جون کے آخری ہفتے میں 1 ٹریلین روپے کے ایک غیر متوقع اندرونی بہاؤ کے سبب ہوا۔ بینکاری شعبے کے اوسط اسپرڈز میں گزشتہ سال کی نسبت 2019ء کے 5 ماہ میں 78bps کی توسیع ہوئی کیونکہ قرضہ جاتی یافت /پیداواری اضافے نے ڈپازٹ کی لاگت میں اضافے کو پیچھے چھوڑ دیا۔

کارکردگی

HBL کے سال 2019ء کی پہلی ششماہی کے نتائج پر مارکیٹ کے دو اہم واقعات نے اثرات مرتب کیے۔ روپے کی قدر میں مزید 15% کمی (اثر / نقصان: 6 ارب روپے) اور مسلسل زوال پذیر PSX میں 9% گراؤ (اثر / نقصان: 1.9 ارب روپے)۔ سال 2018ء کے ابتدائی نصف کے مقابلے میں ان کا اضافی بوجھ 4.8 ارب روپے ہے۔ نتیجتاً مالی سال 2019ء کی پہلی ششماہی کے لیے 9.9 ارب روپے قبل از محصول منافع رہا جو گزشتہ برس اسی دورانیہ سے 4.2 ارب روپے (30%) کم ہے۔ ماضی میں سال 2017ء کی آمدن پر سپر ٹیکس کے اطلاق نے مؤثر شرح محصولات میں نصف سال کے لیے 60% اضافہ کیا۔ چنانچہ مالی سال 2019ء کی پہلی ششماہی کے لیے بعد از محصول منافع 3.9 ارب روپے رہا جو مالی سال 2018ء کی پہلی ششماہی کے لیے 8.1 ارب روپے تھا۔ مالی سال 2019ء کی پہلی ششماہی کے لیے آمدن فی حصص 2.53 روپے ہے۔

HBL کا بنیادی ملکی کاروبار مسلسل استقامت سے نمونہ پذیر ہے۔ کل ڈپازٹس میں 6.8% اضافہ ہوا جنہوں نے 2.0 ٹریلین روپے کی حد عبور کر لی ہے، جن میں سے نصف نمونہ صرف کرنٹ اکاؤنٹس کے سبب ہے۔ کرنٹ اکاؤنٹس کا ملکی امتزاج 66bps بہتری سے 38.2% ہو گیا ہے جبکہ CASA کی شرح 85.2% دسمبر 2018ء کی سطح 85.4% سے کم رہی۔ ملکی قرضہ جات میں دسمبر 2018ء کی سطح سے معمولی اضافہ ہوا مگر 2018ء کے تیز تر اضافے نے مالی سال 2019ء کی پہلی ششماہی کے اوسط قرضہ جات میں مالی سال 2018ء کی پہلی ششماہی کے مقابلے میں 25% (180 ارب روپے) اضافہ کیا۔ صارفی کاروبار میں اپنی مسلسل مستحکم نمو کے ساتھ مالی سال 2018ء کی پہلی ششماہی کے مقابلے میں اوسط صارفی قرضہ جات میں 17% اضافہ ہوا۔

غیر ملکی ڈپازٹس اور قرضہ جات دونوں میں امریکی ڈالر کی مد میں اضافہ ہوا جس کا اثر روپے میں زیادہ واضح طور پر سامنے آیا۔ چنانچہ HBL کے کل ڈپازٹس دسمبر 2018ء کے تناسب میں 7.8% تک بڑھ کر 2.3 ٹریلین روپے ہو گئے جن میں بینک کے خالص قرضہ جات 5% بلند ہو کر 1.1 ٹریلین روپے ہو گئے۔

62 ارب روپے کے اوسط کرنٹ اکاؤنٹس کی نمو کی بدولت حاصل کردہ اوسط ملکی ڈپازٹس میں تقریباً 100 ارب روپے کا اضافہ ہوا۔ جس سے اوسط سیلنس شیڈ میں 135 ارب (6%) روپے تک کا اضافہ ہوا۔ ملکی کاروبار میں خالص منافع کے مارجن میں بھی 59bps بہتری آئی کیونکہ آمدن کے اثاثوں کی یافت / پیداوار میں نمایاں بہتری آئی جس کی وجہ قرض کی قیمت پر نظر ثانی اور سرمایہ کاری کی منافع بخش تکمیل پر اعلیٰ نرخوں پر اجرائے ثانیہ ہے۔ چنانچہ مالی سال 2019ء کی پہلی ششماہی کے لیے ملکی خالص منافع جاتی آمدن گزشتہ برس اسی دورانیہ کے مقابلے میں 18% زیادہ ہے۔ بین الاقوامی کاروبار میں ڈالر کی مد میں 14% بہتری کے ساتھ HBL کی کل خالص منافع جاتی آمدن 20% اضافے کے ساتھ 47.7 ارب روپے ہو گئی۔

فیس کی آمدن میں بھی مسلسل بہتری کے ساتھ مالی سال 2018ء کی پہلی ششماہی کے تناسب سے 16% اضافہ ہوا جو 10.7 ارب روپے تھا کیونکہ بین الاقوامی فیسوں کو گزشتہ سال کی سطح پر بحال کر دیا گیا۔ ملکی فیسوں میں 15% اضافہ ہوا جو کارڈ سے متعلق کاروبار کی اعلیٰ کارکردگی، تجارتی فیس اور سرمایہ کاری بینکاری آمدن کے باعث حاصل ہوا۔ پہلے سے اسپرڈ ایکویٹی / اثاثوں کی فروخت کے نتیجے میں 1.8 ارب روپے کے سرمائے کا نقصان ہوا مگر بحیثیت مجموعی P&L پر اثرات مرتب نہیں ہوئے۔ اس سے ہٹ کر خزانے سے متعلق سرگرمیوں میں مالی سال 2019ء کی پہلی ششماہی میں 3.4 ارب روپے کا اضافہ ہوا جو گزشتہ برس اسی مدت کے لیے 2.8 ارب روپے تھا۔ 2019ء کے اس ابتدائی نصف کے لیے بنیادی نان مارک اپ آمدن، جس میں بینک کی اوپن پوزیشن میں گھٹا کا تخمینہ اور مذکورہ بالا سرمائے کا نقصان بھی منہا ہے، میں سال بسال کا اضافہ 13% سے 15.8 ارب روپے ہو گیا۔

عمومی انتظامی اخراجات میں 2019ء کی پہلی ششماہی میں 24% یعنی 45.0 ارب روپے کا اضافہ ہوا۔ جس کا بڑا محرک بینک کی نیویارک برانچ سے متعلق جاری ثالثی / تجدیدی، قانونی اور ضابطی اخراجات میں اضافہ ہے۔ روپے کی قدر میں ارزانی کا بین الاقوامی اخراجات پر خاطر خواہ اثر اور HBL کے دفتر کی نئی عمارت کی اضافی لاگت بھی اخراجات میں اضافے کا سبب بنی۔ ان اہم عناصر سے قطع نظر اخراجات میں 11% اضافہ ہوا۔ سال 2019ء کے ابتدائی نصف کے لیے ٹوٹل پروویژن 511 ملین روپے ہے۔ ملکی کاروبار میں نیٹ ریور سلز جاری ہیں، گو کہ یہ وصولی کے عمل میں بہتری کے باوجود بھی کافی حد تک کم ہیں۔

2019ء میں HBL نے کئی معروف بین الاقوامی سیلیکشنز سے تعریفی اسناد وصول کیں۔ اس میں یورومنی سے پاکستان کے بہترین بینک کا اعزاز اور ایشیاء منی کی جانب سے بہترین مقامی بینک اور بہترین کارپوریٹ اور سرمایہ کاری بینک کا اعزاز شامل ہیں۔ اس کے ساتھ ساتھ انٹینشنل بینکر کی جانب سے ایسیلنس ان ریٹیل اینڈ فنانشل سروسز کی سند سے بھی نوازا گیا۔ یہی نہیں انویسٹمنٹ بینکنگ ٹیم کی جرأت مندانه کوششوں کو بارہا مختلف مقامات پر سراہا گیا اور ایسیٹ میگزین کی جانب سے ”ڈیل آف دی لیئر“ ایوارڈ دیا گیا جس میں توانائی، یوٹیلیٹی اور ٹرانسپورٹ بھی شامل ہیں۔

کریڈٹ ریٹنگ

JCR-VIS کی جانب سے طویل المیعاد اور قلیل المیعاد بنیادوں پر بالترتیب بینک کی کریڈٹ ریٹنگ AAA/A-1+ تجدید کر دی گئی جس میں اس کے تحت ذیلی قرضہ جات کی ریٹنگ بھی AAA ہے۔ TFCs کی بطور Additional Tier 1 سرمائے کے اجراء کے منصوبے کو بھی AA+ ریٹنگ ملی۔ تمام ریٹنگز کا منظر نامہ پائیدار ہے۔ یہ درجہ بندی ملکی کاروبار، اثاثہ جات کے معیار میں بہتری، مضبوط سیالیت، اور پائیدار سرمایہ کاری میں HBL کی سبک رفتاری کے ساتھ اس کی انتظامی اہمیت کی عکاس ہے۔

مستقبل کی صورت حال

مالیاتی میزانیے کے اقدامات، یوٹیلیٹی کی قیمتوں میں اضافے، محصولات کی زیادتی اور کرنسی کی مطابقت قلیل عرصہ میں افراط زر میں مزید اضافے کا سبب بنیں گے۔ جس میں SBP نے مالیاتی سال 2020ء کے لیے عمومی افراط زر میں اوسطاً 12-11 تک اضافے کی پیشین گوئی کی ہے۔ میکرو اکنامک مطابقت بھی معاشی نمو کو زیر بار کرے گی جس میں IMF کی پیشین گوئی کے مطابق مالی سال 2020ء میں 2.4% کمی واقع ہوگی۔ مالیاتی میدان میں حکومت نے محصول کا ایک پُر عزم ہدف مقرر کیا ہے جو مالی سال 2020ء کے لیے 5.5 ٹریلین ہے۔ تاہم بڑھتا ہوا قرضہ جاتی خدمات کا تخمینہ اور بلند PSDP اس سے قبل کہ یہ پائیداری کی نئی سطح پر قدم جمائے، تفویض مالیاتی خسارے کو مالی سال 2020ء میں 7% سے زائد رکھیں گے۔

پاکستانی معیشت ایک نازک موڑ پر ہے جہاں اس کے پاس موقع ہے کہ جڑواں خسارے میں با معنی انداز اور مستقل بنیادوں پر کمی لائی جاسکے۔ اس کے لیے حکومت کو ایک قرارداد کے طور پر IMF کی شرائط پوری کرنا ہوں گی جس کے لیے دیرینہ سنجیدہ ساختی اصلاحات کرنی ہوں گی تاکہ SOEs، گردش قرضے / واجب الادا ادائیگیاں اور محصول کی اساس سے نمٹا جاسکے۔ IMF نے گو کہ گنجائش فراہم کی ہے مگر اگلی اقساط کا انحصار باہمی رضامندی کے اقدامات کے نفاذ پر ہوگا۔ برآمدات میں 10-8% اضافہ بسات سے باہر نظر آتا ہے۔ خاص طور پر حالیہ کارکردگی کے بعد، ٹیکس / GDP کی شرح میں 5% اضافہ بھی ایک چوٹی سر کرنے کے مصداق محسوس ہوتا ہے۔ یہ بھی ضروری ہے کہ CPEC پروگرام پر نظر ثانی کرتے ہوئے توجہ مرکوز کی جائے اور پہلے دور کی کامیابی، زیر منصوبہ خصوصی معاشی زون کی تشکیل میں تیزی کے ذریعے صنعتوں کو مقامی بنانے اور برآمدات میں اضافے کے ساتھ حاصل کی جائے۔

HBL کا قوزی / مرکزی کاروبار مسلسل مستحکم ہو رہا ہے اور 2019ء کے ابتدائی نصف کے نتائج پہلی سہ ماہی کے مدار میں ہیں۔ بینک کا ڈیجیٹل سفر جاری ہے، اور بینکاری لائسنس کے ساتھ ٹیکنالوجی کمپنی کی حیثیت سے HBL اپنے تمام کاروباری، مصنوعاتی اور صارفی شعبوں میں اپنی کوششیں تیز کرے گا تاکہ اس کے صارف کو ہموار اور نادر تجربات سے روشناس کروایا جاسکے۔ بینک کی مارکیٹ کی قائدانہ موبائل ایپ اور انٹرنیٹ بینکنگ پلیٹ فارم کے تقریباً 1 ملین استعمال کنندہ ہیں جو اس وقت مارکیٹ کی بلند ترین سطح ہے۔ HBL کا فنانشل انکلوژن کا کثیر الجہات عہد اپنی جگہ مصمم ہے، جو خواتین، نوجوانوں اور ملکی آبادی کے تاحال خارج شعبوں کے لیے ہے۔ اپنے تعارف / افتتاح سے اب تک HBL Kconnect کے 2.8 ملین اکاؤنٹ کھولے جا چکے ہیں جن کا 24% خواتین پر مشتمل ہے۔ جس سے لاکھوں افراد کو 100 ارب مالیت کی ترسیل اور منتقلی میں سہولت ملی ہے۔ HBL اپنی خدمات کی فراہمی کے معیار اور سطح میں اضافے کے لیے سرگرم عمل ہے جو اس بینک کی اہم امتیازی خصوصیت ہوگی۔ گو کہ وسطی مدت میں بھی صورتحال بدستور کشیدہ رہنے کا امکان ہے تاہم HBL اپنے صارفین کی معاونت کرے گا اور ملک اور معیشت کی ترقی اور فروغ میں قائدانہ کردار ادا کرے گا۔

اظہار تشکر

بورڈ اور انتظامیہ کی جانب سے، ہم اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص اسٹیٹ بینک آف پاکستان، وزارت مالیات اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی کاوشوں کا اعتراف کرتے ہیں جو انھوں 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، جو ہمارے وفادار مددگار ہیں اور جو اپنے کاروبار کے حوالے سے ہم پر یقین اور اعتماد رکھے ہوئے ہیں۔ ہمیں اپنے حصص یافتگان کا مستقل تعاون حاصل رہا ہے اور ہم اُن کے اور اپنے تمام اسٹیک ہولڈرز کے بے حد مشکور ہیں۔ بورڈ اور مینجمنٹ اعلیٰ ترین معیارات برقرار رکھنے کے لیے اپنے عزم پر قائم ہے اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ ہم اس شعبے میں انڈسٹری کے قائدین ہوں گے۔ ہم HBL کی ترقی میں اپنے ملازمین اور ان کے خاندانوں کی لگن اور انتھک کاوشوں کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ

معیز احمد جمال
ڈائریکٹر

محمد اورنگزیب
صدر اور چیف ایگزیکٹو آفیسر

24 جولائی، 2019ء

Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2019

	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	5	372,968,607	279,460,688
Balances with other banks	6	49,465,786	42,642,022
Lendings to financial institutions	7	70,645,013	51,277,336
Investments	8	1,351,115,719	1,390,052,464
Advances	9	1,135,521,031	1,080,440,220
Fixed assets	10	76,162,241	64,083,277
Intangible assets	11	8,621,922	7,865,361
Deferred tax assets	17	-	570,717
Other assets	12	131,197,120	109,461,065
		3,195,697,439	3,025,853,150
LIABILITIES			
Bills payable	13	38,768,597	42,460,568
Borrowings	14	490,747,915	523,319,055
Deposits and other accounts	15	2,304,626,845	2,137,293,065
Liabilities against assets subject to finance lease		-	-
Subordinated debt	16	18,416,000	9,990,000
Deferred tax liabilities	17	1,199,475	-
Other liabilities	18	132,209,451	113,538,251
		2,985,968,283	2,826,600,939
NET ASSETS			
		209,729,156	199,252,211
REPRESENTED BY			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		67,137,477	64,435,243
Surplus on revaluation of assets - net of tax	19	16,114,414	14,531,643
Unappropriated profit		107,371,884	101,606,320
Total equity attributable to the equity holders of the Bank		205,292,300	195,241,731
Non-controlling interest		4,436,856	4,010,480
		209,729,156	199,252,211
CONTINGENCIES AND COMMITMENTS			
	20		

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeer Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2019

	Note	January 01 to June 30, 2019	January 01 to June 30, 2018	April 01 to June 30, 2019	April 01 to June 30, 2018
		(Rupees in '000)			
		(Restated)		(Restated)	
Mark-up / return / profit / interest earned	22	111,090,000	75,531,749	59,565,888	38,508,698
Mark-up / return / profit / interest expensed	23	63,386,612	35,626,606	35,232,596	18,304,226
Net mark-up / return / profit / interest income		47,703,388	39,905,143	24,333,292	20,204,472
Non mark-up / interest income					
Fee and commission income	24	10,677,330	9,235,317	5,354,593	4,726,434
Dividend income		314,461	495,686	213,650	326,010
Share of profit of associates and joint venture		1,328,379	1,658,780	437,131	594,242
Foreign exchange loss		(1,632,651)	(661,969)	(2,085,403)	(267,636)
Loss from derivatives		(1,023,516)	(116,421)	(1,208,032)	(32,502)
(Loss) / gain on securities - net	25	(2,113,615)	276,141	(1,726,987)	221,501
Other income	26	402,834	226,975	334,122	124,586
Total non mark-up / interest income		7,953,222	11,114,509	1,319,074	5,692,635
Total income		55,656,610	51,019,652	25,652,366	25,897,107
Non mark-up / interest expenses					
Operating expenses	27	44,968,345	36,191,286	23,527,756	18,467,240
Workers' Welfare Fund		202,309	267,883	41,114	128,174
Other charges	28	81,279	309,220	30,627	303,116
Total non mark-up / interest expenses		45,251,933	36,768,389	23,599,497	18,898,530
Profit before provisions and taxation		10,404,677	14,251,263	2,052,869	6,998,577
Provisions and write offs - net	29	510,925	122,682	593,896	239,655
Profit before taxation		9,893,752	14,128,581	1,458,973	6,758,922
Taxation	30	5,966,450	6,000,506	709,224	3,318,491
Profit after taxation		3,927,302	8,128,075	749,749	3,440,431
Attributable to:					
Equity holders of the Bank		3,705,927	7,943,396	651,693	3,360,223
Non-controlling interest		221,375	184,679	98,056	80,208
		3,927,302	8,128,075	749,749	3,440,431
(Rupees)					
Basic and diluted earnings per share	31	2.53	5.42	0.44	2.29

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeef Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2019

	January 01 to June 30, 2019	January 01 to June 30, 2018	April 01 to June 30, 2019	April 01 to June 30, 2018
	(Rupees in '000)			
Profit after taxation for the period attributable to:				
Equity holders of the Bank	3,705,927	7,943,396	651,693	3,360,223
Non-controlling interest	221,375	184,679	98,056	80,208
	3,927,302	8,128,075	749,749	3,440,431
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	8,269,009	4,659,857	6,971,277	1,326,368
Non-controlling interest	163,222	75,549	121,862	(17,210)
	8,432,231	4,735,406	7,093,139	1,309,158
Share of exchange translation reserve of associates	22,396	(19,674)	(16,560)	(84,985)
Movement in surplus / deficit on revaluation of investments - net of tax, attributable to:				
Equity holders of the Bank	2,089,913	(2,997,928)	(168,668)	(1,850,892)
Non-controlling interest	42,232	(38,290)	10,591	(15,344)
	2,132,145	(3,036,218)	(158,077)	(1,866,236)
Movement in share of surplus / deficit on revaluation of investments of associates - net of tax	(141,072)	67,544	(38,633)	(190,086)
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Remeasurement gain on defined benefit obligations - net of tax	-	287,013	-	287,013
Share of remeasurement loss on defined benefit obligations of associates - net of tax	(2,109)	(4,205)	501	-
Movement in surplus / deficit on revaluation of fixed assets - net of tax attributable to:				
Equity holders of the Bank	(128,422)	-	(128,422)	-
Non-controlling interest	(171)	-	(171)	-
Transferred from surplus on revaluation of non-banking assets - net of tax	-	2,461	-	(107)
	(128,593)	2,461	(128,593)	(107)
Movement in surplus / deficit on revaluation of fixed assets of associates - net of tax	1,246	1,215	4,044	-
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	-	11,202	-	1,202
Transferred to surplus on revaluation of fixed assets - net of tax	-	(2,461)	-	107
	-	8,741	-	1,309
Total comprehensive income	14,243,546	10,170,358	7,505,570	2,896,497
Total comprehensive income attributable to:				
Equity holders of the Bank	13,816,888	9,948,420	7,275,232	2,848,843
Non-controlling interest	426,658	221,938	230,338	47,654
	14,243,546	10,170,358	7,505,570	2,896,497

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

For the six months ended June 30, 2019

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

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2019

	January 01 to June 30, 2019	January 01 to June 30, 2018 (Rupees in '000) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,893,752	14,128,581
Dividend income	(314,461)	(495,686)
Share of profit of associates and joint venture	(1,328,379)	(1,658,780)
	(1,642,840)	(2,154,466)
	8,250,912	11,974,115
Adjustments:		
Depreciation	2,500,872	1,765,310
Depreciation on right-of-use assets	1,520,373	-
Amortisation	228,542	337,810
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	569,375	-
Provision for diminution in value of investments	279,592	261,808
Provision / (reversal) against loans and advances	536,920	(11,317)
Provision against other assets	42,338	107,823
(Reversal) / provision against off-balance sheet obligations	(98,032)	2,671
Unrealised loss on held-for-trading securities	11,282	53,594
Exchange gain on goodwill	(322,299)	(133,737)
Exchange gain realised on closure of bank branch - net of tax	(99,471)	-
Gain on sale of fixed assets - net	(56,970)	(17,675)
Workers' Welfare Fund	202,309	267,883
	5,314,831	2,634,170
	13,565,743	14,608,285
Increase in operating assets		
Lendings to financial institutions	(19,367,677)	(17,896,669)
Held-for-trading securities	(138,606,855)	(128,165,655)
Advances	(55,617,731)	(83,100,073)
Other assets (excluding advance taxation)	(24,668,764)	(1,681,170)
	(238,261,027)	(230,843,567)
(Decrease) / increase in operating liabilities		
Bills payable	(3,691,971)	2,811,121
Borrowings from financial institutions	(32,571,140)	(64,303,402)
Deposits and other accounts	167,333,780	118,565,483
Other liabilities	7,030,309	21,532,789
	138,100,978	78,605,991
	(86,594,306)	(137,629,291)
	(1,588,541)	(11,787,587)
	(88,182,847)	(149,416,878)
Income tax paid		
Net cash flows used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	376,852,279	97,821,374
Net investment in held-to-maturity securities	(196,372,951)	47,009,200
Net investment in associates	406,627	(50,061)
Dividend received	153,882	344,778
Investments in fixed assets	(3,216,337)	(4,604,287)
Investments in intangible assets	(662,804)	(724,392)
Proceeds from sale of fixed assets	352,866	51,770
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net of tax	8,291,405	4,640,183
Net cash flows from investing activities	185,804,967	144,488,565
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of translation of net investment by non-controlling interest in subsidiary	163,222	75,549
Proceeds from / (repayment of) subordinated debt	8,426,000	(2,000)
Payment of lease liability against right-of-use assets	(2,723,624)	-
Dividend paid	(3,156,035)	(2,223,122)
Net cash flows from / (used in) financing activities	2,709,563	(2,149,573)
	100,331,683	(7,077,886)
Increase / (decrease) in cash and cash equivalents during the period		
Cash and cash equivalents at the beginning of the period	305,933,454	277,494,750
Effect of exchange rate changes on cash and cash equivalents	16,169,256	9,352,549
	322,102,710	286,847,299
Cash and cash equivalents at the end of the period	422,434,393	279,769,413

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

1 THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding company

- Habib Bank Limited, Pakistan

Subsidiaries

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

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,694 (December 31, 2018: 1,697) branches inside Pakistan including 48 (December 31, 2018: 47) Islamic Banking Branches and 45 (December 31, 2018: 46) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 Habib Finance International Limited, a wholly owned subsidiary of the Bank, has filed for voluntary liquidation and is in the process of completing the required formalities in this regard.
- 1.2 During the period, the Bank has closed its branch in Seychelles.
- 1.3 The Bank had earlier commenced an orderly winding down of its operations in Afghanistan and banking operations have ceased as of June 10, 2019. The remaining formalities required for closure are now underway.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

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

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

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

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

The Group expects that adoption of the 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 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 six months ended June 30, 2019 amounting to Rs 1,381.418 million (June 30, 2018: Rs 438.582 million) which was previously shown as part of foreign exchange income / (loss) has now been shown as part of mark-up / return / profit / interest expensed in the consolidated profit and loss account.

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

The 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 six months ended June 30, 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 initially measured as the present value of the remaining lease payments, discounted using the Group's incremental weighted average borrowing rate of 10.44% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	June 30, 2019 (Rupees in '000)	January 1, 2019 (Rupees in '000)
Total lease liability recognised	10,797,171	11,503,497

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

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

	June 30, 2019 (Rupees in '000)	January 1, 2019 (Rupees in '000)
The recognised right-of-use assets relate to the following type of asset:		
Property	11,659,395	12,409,524

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

Impact on Statement of Financial Position

Increase in fixed assets - right-of-use assets	11,659,395	12,409,524
Decrease in other assets - advances, deposits, advance rent and other prepayments	(906,027)	(906,027)
Increase in other assets - advance taxation	106,139	-
Increase in Total assets	10,859,507	11,503,497
Increase in other liabilities - lease liability against right-of-use assets	(10,797,171)	(11,503,497)
Increase in exchange translation reserve	(228,348)	-
Decrease in net assets	(166,012)	-

Impact on Profit and Loss account

Increase in mark-up expense - lease liability against right-of-use assets	(569,375)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(1,520,373)
- Rent expense	1,817,597
Decrease in profit before tax	(272,151)
Decrease in tax	106,139
Decrease in profit after tax	(166,012)

Earnings per share for the six months ended June 30, 2019 are Rs 0.11 per share lower as a result of the adoption of IFRS 16.

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

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 six months ended June 30, 2019

	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
5 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	34,902,812	31,732,010
Foreign currencies	5,840,870	4,413,924
	<u>40,743,682</u>	<u>36,145,934</u>
With State Bank of Pakistan in		
Local currency current accounts	152,831,946	89,523,321
Foreign currency current accounts	6,583,743	6,660,233
Foreign currency deposit accounts	18,963,940	18,077,471
	<u>178,379,629</u>	<u>114,261,025</u>
With other Central Banks in		
Foreign currency current accounts	44,709,676	37,297,608
Foreign currency deposit accounts	6,392,918	5,424,122
	<u>51,102,594</u>	<u>42,721,730</u>
With National Bank of Pakistan in		
Local currency current accounts	91,522,742	85,848,781
Local currency deposit account	309,937	355,293
	<u>91,832,679</u>	<u>86,204,074</u>
National Prize Bonds	10,910,023	127,925
	<u>372,968,607</u>	<u>279,460,688</u>
	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	278,529	231,594
In deposit accounts	2,633,198	3,284,178
	<u>2,911,727</u>	<u>3,515,772</u>
Outside Pakistan		
In current accounts	20,689,037	16,511,609
In deposit accounts	25,865,022	22,614,641
	<u>46,554,059</u>	<u>39,126,250</u>
	<u>49,465,786</u>	<u>42,642,022</u>
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	3,600,000	8,900,000
Repurchase agreement lendings (reverse repo)	46,555,829	38,045,810
Bai Muajjal receivables		
- with State Bank of Pakistan	20,489,184	-
- with other financial institutions	-	4,331,526
	<u>20,489,184</u>	<u>4,331,526</u>
	<u>70,645,013</u>	<u>51,277,336</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

8	INVESTMENTS	Note	June 30, 2019 (Unaudited)				December 31, 2018 (Audited)			
			Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.1	Investments by type		(Rupees in '000)							
	Held-for-trading (HFT) securities									
	<i>Federal Government securities</i>									
	- Market Treasury Bills		142,284,521	-	(53,159)	142,231,362	2,569,965	-	(1,499)	2,568,466
	- Pakistan Investment Bonds		2,525,076	-	(198)	2,524,878	3,683,617	-	(12,287)	3,671,330
	<i>Shares</i>									
	- Listed companies		48,917	-	26,700	75,617	-	-	-	-
	<i>Foreign securities</i>									
	- Government debt securities		103,211	-	15,375	118,586	90,499	-	24,575	115,074
			144,961,725	-	(11,282)	144,950,443	6,344,081	-	10,789	6,354,870
	Available-for-sale (AFS) securities									
	<i>Federal Government securities</i>									
	- Market Treasury Bills		380,837,064	-	(219,876)	380,617,188	758,446,236	-	(275,397)	758,170,839
	- Pakistan Investment Bonds		282,073,401	-	(9,285,048)	272,788,353	234,800,806	-	(10,064,365)	224,736,441
	- Ijarah Sukuks		5,082,745	-	(198,483)	4,884,262	53,675,083	-	(170,821)	53,504,262
	- Government of Pakistan US Dollar Bonds		6,345,183	(119,615)	258,956	6,484,524	5,759,910	(33,047)	(52,654)	5,674,209
	<i>Shares</i>									
	- Listed companies		11,080,199	(4,111,178)	(36,207)	6,932,814	14,599,566	(4,043,987)	(385,376)	10,170,203
	- Unlisted companies		4,496,968	(82,274)	-	4,414,694	3,761,058	(82,274)	-	3,678,784
	<i>Non-Government debt securities</i>									
	- Unlisted	8.4.2	3,731,517	(270,877)	-	3,460,640	4,949,525	(274,630)	-	4,674,895
	<i>Foreign securities</i>									
	- Government debt securities		38,280,247	(151,766)	377,882	38,506,363	21,179,684	(45,262)	(12,207)	21,122,215
	- Non-Government debt securities									
	- Listed		44,854,777	(496,449)	25,778	44,384,106	50,437,302	(383,589)	(626,014)	49,427,699
	- Unlisted		598,542	(2,659)	1,953	597,836	6,477,305	(2,724)	944	6,475,525
	- Equity securities - Unlisted		6,175	-	-	6,175	5,413	-	-	5,413
	<i>National Investment Trust units</i>		11,113	-	25,171	36,284	11,113	-	31,449	42,562
	<i>Real Estate Investment Trust units</i>		55,000	-	(4,150)	50,850	55,000	-	4,950	59,950
	<i>Preference shares</i>		44,400	-	-	44,400	97,500	-	-	97,500
			777,497,331	(5,234,818)	(9,054,024)	763,208,489	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		197,142,312	-	-	197,142,312	154,580	-	-	154,580
	- Pakistan Investment Bonds		166,380,807	-	-	166,380,807	172,011,963	-	-	172,011,963
	- Government of Pakistan US Dollar Bonds		-	-	-	-	139,274	-	-	139,274
	- Other Federal Government securities		10,794,000	-	-	10,794,000	-	-	-	-
	<i>Non-Government debt securities</i>									
	- Listed		8,037,972	-	-	8,037,972	9,092,850	-	-	9,092,850
	- Unlisted		20,272,964	-	-	20,272,964	22,538,405	-	-	22,538,405
	<i>Foreign Securities</i>									
	- Government debt securities		7,841,520	(3,417)	-	7,838,103	8,657,345	(609)	-	8,656,736
	- Non-Government debt securities									
	- Listed		1,165,728	-	-	1,165,728	2,535,536	-	-	2,535,536
	- Unlisted		1,076,487	(1,698)	-	1,074,789	1,208,886	(110)	-	1,208,776
			412,711,790	(5,115)	-	412,706,675	216,338,839	(719)	-	216,338,120
	Investment in associates and joint venture		29,942,915	-	307,197	30,250,112	29,013,650	-	505,327	29,518,977
	Total Investments		<u>1,365,113,761</u>	<u>(5,239,933)</u>	<u>(8,758,109)</u>	<u>1,351,115,719</u>	<u>1,405,952,071</u>	<u>(4,866,232)</u>	<u>(11,033,375)</u>	<u>1,390,052,464</u>

8.1.1	Investments given as collateral	(Unaudited)		(Audited)	
		June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
		(Rupees in '000)			
	<i>Federal Government securities</i>				
	- Market Treasury Bills			249,677,243	333,213,434
	- Pakistan Investment Bonds			49,737,754	29,329,018
	<i>Foreign securities</i>				
	- Government debt securities			-	674,637
	- Non-Government debt securities				
	- Listed			-	12,381,600
				<u>299,414,997</u>	<u>375,598,689</u>

8.2 The market value of investments classified as held-to-maturity amounted to Rs 392,759.041 million as at June 30, 2019 (December 31, 2018: Rs 200,465.358 million).

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	(Unaudited) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
8.3 Particulars of provision held against diminution in the value of investments		
Opening balance	4,866,232	1,503,051
Exchange adjustments	94,109	41,910
Charge / (reversal) for the period / year		
Charge	2,108,328	4,000,586
Reversal	(33,799)	(28,757)
Reversal on disposal	(1,794,937)	(650,558)
Net charge	279,592	3,321,271
Closing balance	5,239,933	4,866,232

8.4 Particulars of provision against debt securities

Category of classification	June 30, 2019 (Unaudited)		December 31, 2018 (Audited)	
	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	828,543	484,646	724,975	377,549
	1,099,420	755,523	999,605	652,179

8.4.1 In addition to the above, overseas branches hold a general provision of Rs 290.958 million (December 31, 2018: Rs 87.792 million) in accordance with the requirements of IFRS 9.

8.4.2 Exposure amounting to Rs 3,035.640 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) June 30, 2019	(Audited) December 31, 2018	(Unaudited) June 30, 2019	(Audited) December 31, 2018	(Unaudited) June 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		917,842,968	904,889,946	76,643,228	75,471,126	994,486,196	980,361,072
Islamic financing and related assets	36.3	135,290,162	103,488,928	255,100	111,174	135,545,262	103,600,102
Bills discounted and purchased		74,526,971	63,223,929	6,936,107	5,248,713	81,463,078	68,472,642
Advances - gross		1,127,660,101	1,071,602,803	83,834,435	80,831,013	1,211,494,536	1,152,433,816
Provision against advances							
- Specific		-	-	(72,185,711)	(68,465,249)	(72,185,711)	(68,465,249)
- General	9.3	(3,787,794)	(3,528,347)	-	-	(3,787,794)	(3,528,347)
		(3,787,794)	(3,528,347)	(72,185,711)	(68,465,249)	(75,973,505)	(71,993,596)
Advances - net of provision		1,123,872,307	1,068,074,456	11,648,724	12,365,764	1,135,521,031	1,080,440,220

	(Unaudited) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
9.1 Particulars of advances (Gross)		
In local currency	963,587,462	935,571,558
In foreign currencies	247,907,074	216,862,258
	1,211,494,536	1,152,433,816

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

- 9.2 Advances include Rs 83,834.435 million (December 31, 2018: Rs. 80,831.013 million) which have been placed under non-performing status as detailed below:

Category of classification	(Unaudited) June 30, 2019		(Audited) December 31, 2018	
	Non-performing advances	Provision	Non-performing advances	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	1,356,191	-	873,750	-
Substandard	2,156,766	510,415	4,154,859	662,072
Doubtful	2,327,306	1,160,613	1,708,204	852,642
Loss	42,025,518	40,781,290	42,080,394	41,014,020
	47,865,781	42,452,318	48,817,207	42,528,734
Overseas				
Not past due but impaired	1,562,337	318,618	1,703,389	432,809
Overdue by:				
Upto 90 days	23,517	14,537	47,250	3,875
91 to 180 days	636,145	173,127	1,910,162	1,156,936
181 to 365 days	2,438,402	1,508,122	1,813,514	1,003,933
> 365 days	31,308,253	27,718,989	26,539,491	23,338,962
	35,968,654	29,733,393	32,013,806	25,936,515
Total	83,834,435	72,185,711	80,831,013	68,465,249

- 9.2.1 Exposure amounting to Rs 27,821.825 million (December 31, 2018: Rs Nil) relating to Power Holding (Private) Limited has not been classified as non-performing as the SBP has allowed a relaxation from Regulation-8 of the Prudential Regulations. The exposure is fully guaranteed by the GoP and does not require any provision.

9.3 Particulars of provision against advances

Note	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	68,465,249	3,528,347	71,993,596	66,417,176	3,088,343	69,505,519
Exchange adjustment	3,959,270	231,127	4,190,397	5,337,123	322,503	5,659,626
Charge for the period / year	2,678,475	230,383	2,908,858	6,111,202	424,324	6,535,526
Reversal for the period / year	(2,169,875)	(202,063)	(2,371,938)	(4,172,302)	(401,867)	(4,574,169)
Net charge against advances	508,600	28,320	536,920	1,938,900	22,457	1,961,357
Charged off during the period / year - agriculture financing	9.5 (222,707)	-	(222,707)	(477,679)	-	(477,679)
Written off during the period / year	(524,701)	-	(524,701)	(4,750,271)	-	(4,750,271)
Impact of adoption of IFRS 9	-	-	-	-	95,044	95,044
Closing balance	72,185,711	3,787,794	75,973,505	68,465,249	3,528,347	71,993,596

- 9.4 General provision includes provision amounting to Rs 1,780.654 million (December 31, 2018: Rs 1,652.318 million) against the consumer finance portfolio and Rs 277.804 million (December 31, 2018: Rs 232.566 million) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs 1,729.336 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) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
10 FIXED ASSETS		
Capital work-in-progress	10.1 2,194,013	2,426,450
Property and equipment	10.2 73,968,228	61,656,827
	76,162,241	64,083,277
10.1 Capital work-in-progress		
Civil works	872,838	858,424
Equipment	20,465	20,465
Advances to suppliers and contractors	1,300,710	1,547,561
	2,194,013	2,426,450

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

- 10.2 This includes right-of-use assets amounting to Rs 11,659.395 million (2018: NIL) due to adoption of IFRS 16 as detailed in note 3.1.2.

10.3 Additions to fixed assets

(Unaudited)
For the six months ended
June 30, June 30,
2019 2018
(Rupees in '000)

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

Capital work-in-progress - net

(232,437) 2,147,999

Property and equipment

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

-	63,799
46,680	140,014
27,709	4,782
676,626	421,489
290,810	513,836
2,054,735	1,149,585
30,976	122,644
3,127,536	2,416,149

Right-of-use assets

226,222 -

3,121,321 4,564,148

10.4 Disposal of fixed assets

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

Property and equipment

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

285,114	-
3,067	24,172
2,864	5,446
4,143	4,258
708	219
295,896	34,095

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

11 INTANGIBLE ASSETS

Capital work-in-progress

1,081,071 831,891

Computer software
Management rights
Goodwill

2,312,215	2,127,133
2,367,577	2,367,577
2,861,059	2,538,760
7,540,851	7,033,470

8,621,922 7,865,361

(Unaudited)
For the six months ended
June 30, June 30,
2019 2018
(Rupees in '000)

11.1 Additions to Intangible assets

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

Capital work-in-progress
Computer software

249,180	114,954
406,007	605,898
655,187	720,852

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

12	OTHER ASSETS	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
	Mark-up / return / profit / interest accrued in local currency		39,738,750	29,286,417
	Mark-up / return / profit / interest accrued in foreign currency		3,361,230	2,618,087
	Advances, deposits, advance rent and other prepayments		2,757,625	3,002,255
	Advance taxation		39,637,457	44,618,050
	Advance for subscription of shares		50,000	50,000
	Stationery and stamps on hand		109,253	96,756
	Accrued fees and commissions		1,115,593	1,042,503
	Due from Government of Pakistan / SBP		1,015,610	1,076,509
	Mark to market gain on forward foreign exchange contracts		24,209,883	9,257,482
	Mark to market gain on derivative instruments		221,423	53,987
	Non-banking assets acquired in satisfaction of claims		1,418,201	1,596,579
	Receivable from defined benefit plan		37,315	35,293
	Branch adjustment account		186,363	678,113
	Acceptances		15,737,448	12,526,361
	Clearing and settlement accounts		813,882	1,894,880
	Dividend receivable		165,022	4,443
	Claims against fraud and forgeries		457,205	545,909
	Others		766,093	1,578,900
			<u>131,798,353</u>	<u>109,962,524</u>
	Provision held against other assets	12.1	(881,332)	(923,201)
	Other assets - net of provision		<u>130,917,021</u>	<u>109,039,323</u>
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	280,099	421,742
	Other assets - total		<u>131,197,120</u>	<u>109,461,065</u>
12.1	Provision held against other assets			
	Advances, deposits, advance rent and other prepayments		6,159	5,819
	Non-banking assets acquired in satisfaction of claims		23,131	23,152
	Claims against fraud and forgeries		457,205	545,909
	Suit filed cases		333,920	294,272
	Others		60,917	54,049
			<u>881,332</u>	<u>923,201</u>
12.1.1	Movement in provision against other assets			
	Opening balance		923,201	825,520
	Exchange adjustment		50,528	62,052
	Charge for the period / year		67,741	220,974
	Reversal for the period / year		(25,403)	(13,831)
	Net charge		42,338	207,143
	Written off during the period / year		(134,735)	(164,427)
	Other movement		-	(7,087)
	Closing balance		<u>881,332</u>	<u>923,201</u>
13	BILLS PAYABLE			
	In Pakistan		37,495,340	41,396,984
	Outside Pakistan		1,273,257	1,063,584
			<u>38,768,597</u>	<u>42,460,568</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
14	BORROWINGS		
	Secured		
	Borrowings from the SBP under		
	- Export refinance scheme	37,611,132	33,533,707
	- Long term financing facility	14,264,721	10,453,762
	- Financing facility for renewable energy power plants	449,634	104,853
	- Refinance facility for modernization of SMEs	11,600	14,300
	- Financing facility for storage of agricultural produce	27,164	7,500
		52,364,251	44,114,122
	Repurchase agreement borrowings	299,208,197	375,076,788
		351,572,448	419,190,910
	Unsecured		
	- Call money borrowings	4,925,000	5,700,000
	- Overdrawn nostro accounts	471,637	6,053,011
	- Borrowings of overseas branches and subsidiaries	78,321,429	43,439,812
	- Other long-term borrowings	55,457,401	48,935,322
	14.1	139,175,467	104,128,145
		490,747,915	523,319,055

14.1 This includes the following:

- 14.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2018: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR + 5.00% is payable semi-annually from June 2015.
- 14.1.2 A loan from the China Development Bank amounting to US\$ 184 million (December 31, 2018: US\$ 188 million). The principal amount is payable in six half yearly installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi-annually from June 2017.
- 14.1.3 A loan from Allied Bank Limited to HBL Asset Management Limited amounting to Rs 2 billion (December 31, 2018: Rs 2 billion). The principal amount is payable in ten equal half yearly installments from June 2020 to December 2024. Interest at KIBOR + 0.75% is payable semi-annually from June 2018.

15 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	721,709,484	148,463,638	870,173,122	665,733,802	138,623,094	804,356,896
Savings deposits	815,793,435	101,134,275	916,927,710	808,534,689	94,595,375	903,130,064
Term deposits	283,051,192	141,765,285	424,816,477	254,106,362	118,117,489	372,223,851
	1,820,554,111	391,363,198	2,211,917,309	1,728,374,853	351,335,958	2,079,710,811
Financial institutions						
Current deposits	5,368,590	2,103,872	7,472,462	5,673,657	2,511,443	8,185,100
Savings deposits	78,652,053	332,825	78,984,878	40,106,567	181,029	40,287,596
Term deposits	6,061,304	190,892	6,252,196	7,110,418	1,999,140	9,109,558
	90,081,947	2,627,589	92,709,536	52,890,642	4,691,612	57,582,254
	1,910,636,058	393,990,787	2,304,626,845	1,781,265,495	356,027,570	2,137,293,065

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
16	SUBORDINATED DEBT		
Tier II Term Finance Certificates (TFCs)	16.1	9,988,000	9,990,000
Additional Tier I Term Finance Certificates (TFCs)	16.2	8,428,000	-
		18,416,000	9,990,000

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

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

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

During the half year ended June 30, 2019, the Bank completed the first Tranche of the AT 1 TFCs with subscription amounting to Rs 8,428 million. The Bank shall proceed with the subsequent listing of the TFCs upon receipt of the approvals from the Securities and Exchange Commission of Pakistan (SECP), the Pakistan Stock Exchange Limited (PSX) and the Central Depository Company of Pakistan Limited (CDC). The key features of the issue are as follows:

Issue amount	Up to Rs 15 Billion (inclusive of a green-shoe option of Rs 5 Billion).
Rating	AA+ (Double A plus)
Tenor	Perpetual (i.e. no fixed or final redemption date).
Security	Unsecured and subordinated to all other indebtedness of the Bank including depositors, general creditors and holders of the Tier 2 Instrument. However, they shall rank superior to the claims of ordinary shareholders.
Profit payment frequency	Quarterly in arrears
Redemption	Perpetual, hence not applicable.
Mark-up	Floating rate of return at Base Rate + 1.60% [The Base Rate is defined as the average "Ask Side" rate of the three months Karachi Interbank Offered Rate (KIBOR) prevailing on the base rate setting date]
Call option	The Bank may, at its sole discretion, call the TFCs any time after five years from the Issue Date and subject to the following: (a) Prior approval of the SBP has been obtained; and (b) The Bank replaces the TFCs with capital of same or better quality and capital position of the Bank is well above the minimum capital requirement after the Call Option is exercised.
Lock-in clause	Mark-up will only be paid from the current year's earnings and only if the Bank is in compliance with regulatory capital and liquidity requirements.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

Currently, markup is accrued for the broken period from the date of receipt of the funds till the date of issuance of the TFCs i.e. the date when the TFCs will be registered in the Central Depository Company.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	Note	(Unaudited) June 30, 2019	(Audited) December 31, 2018
(Rupees in '000)			
17 DEFERRED TAX LIABILITIES			
Deductible temporary differences on			
- Tax losses of subsidiary		141,904	83,496
- Tax losses of overseas branches		278,561	249,991
- Provision against investments		1,590,979	1,403,506
- Provision against doubtful debts and off-balance sheet obligations		4,104,795	3,295,092
- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001		1,604,923	1,383,110
- Provision against other assets		50,989	45,760
- Deficit on revaluation of investments	19	3,505,089	3,861,947
- Deficit on revaluation of fixed assets		163,960	147,144
- Islamic financing Ijarah		132,104	101,123
- Others		58,721	61,503
		11,632,025	10,632,672
Taxable temporary differences on			
- Accelerated tax depreciation		(2,138,791)	(1,849,670)
- Surplus on revaluation of investments of associates		(119,807)	(176,864)
- Surplus on revaluation of fixed assets	19	(1,191,422)	(1,125,186)
- Surplus on revaluation of fixed assets of associates		(60,887)	(50,608)
- Management rights and goodwill		(171,603)	(157,939)
- Share of profit of associates		(5,363,059)	(4,880,054)
- Exchange translation reserve		(3,785,931)	(1,821,634)
		(12,831,500)	(10,061,955)
Net deferred tax (liabilities) / assets		(1,199,475)	570,717
18 OTHER LIABILITIES			
Mark-up / return / profit / interest payable in local currency		11,088,762	9,863,109
Mark-up / return / profit / interest payable in foreign currency		3,035,375	2,073,700
Security deposits		1,258,500	1,529,172
Accrued expenses		15,473,802	14,224,497
Mark to market loss on forward foreign exchange contracts		11,872,937	6,820,641
Mark to market loss on derivative instruments		2,563,172	1,248,504
Unclaimed dividends		700,663	685,622
Dividends payable		864,568	368,514
Provision for post retirement medical benefits		4,114,583	3,945,133
Provision for employees' compensated absences		3,031,420	3,080,403
Provision against off-balance sheet obligations	18.1	392,017	479,510
Provision for staff retirement benefits		1,219,689	1,101,009
Payable to defined benefit plans		896,836	970,439
Provision for Workers' Welfare Fund		4,898,544	4,697,450
Acceptances		15,737,448	12,526,361
Unearned income		4,842,748	1,010,802
Qarza-e-Hasna Fund		339,080	339,107
Levies and taxes payable		4,611,529	3,920,849
Insurance payable		652,374	670,230
Provision for rewards program expenses		1,258,074	1,087,209
Liability against trading of securities		24,861,072	34,755,041
Clearing and settlement accounts		3,431,214	3,930,956
Payable to HBL Foundation		39,798	125,812
Contingent consideration payable		500,000	500,000
Charity fund		4,819	4,765
Lease liability against right-of-use assets	3.1.2	10,797,171	-
Unclaimed deposits		788,080	30,831
Others		2,935,176	3,548,585
		132,209,451	113,538,251

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
18.1 Provision against off-balance sheet obligations		
Opening balance	479,510	385,361
Exchange adjustment	10,539	11,688
Charge for the period / year	19,188	121,962
Reversal for the period / year	(117,220)	(50,806)
Net (reversal) / charge	(98,032)	71,156
Impact of adoption of IFRS 9	-	11,305
Closing balance	392,017	479,510

19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Note	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Attributable to		Total	Attributable to		Total
	Equity holders	Non-controlling interest		Equity holders	Non-controlling interest	
	(Rupees in '000)					
Surplus / (deficit) arising on revaluation of assets, on:						
- Fixed assets	22,307,066	3,814	22,310,880	22,466,485	4,285	22,470,770
- Fixed assets of associates	156,121	-	156,121	144,596	-	144,596
- Available-for-sale securities	(9,047,973)	(6,051)	(9,054,024)	(11,500,460)	(49,031)	(11,549,491)
- Available-for-sale securities of associates	307,198	-	307,198	505,327	-	505,327
- Non-banking assets acquired in satisfaction of claims	280,099	-	280,099	421,742	-	421,742
	14,002,511	(2,237)	14,000,274	12,037,690	(44,746)	11,992,944
Tax on surplus / (deficit) on revaluation of:						
- Fixed assets	1,189,940	1,482	1,191,422	1,123,686	1,500	1,125,186
- Fixed assets of associates	60,887	-	60,887	50,608	-	50,608
- Available-for-sale securities	(3,482,537)	2,487	(3,480,050)	(3,845,111)	1,739	(3,843,372)
- Available-for-sale securities of associates	119,807	-	119,807	176,864	-	176,864
	(2,111,903)	3,969	(2,107,934)	(2,493,953)	3,239	(2,490,714)
Surplus on revaluation of assets - net of tax	16,114,414	(6,206)	16,108,208	14,531,643	(47,985)	14,483,658

	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
20 CONTINGENCIES AND COMMITMENTS			
- Guarantees	20.1	164,271,294	159,697,996
- Commitments	20.2	719,822,933	557,039,148
- Other contingent liabilities	20.3	23,950,003	26,316,205
		908,044,230	743,053,349
20.1 Guarantees:			
Financial guarantees		30,806,421	42,152,199
Performance guarantees		126,074,223	110,071,040
Other guarantees		7,390,650	7,474,757
		164,271,294	159,697,996

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

		(Unaudited) June 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	
20.2	Commitments:		
	Trade-related contingent liabilities	112,106,345	99,605,884
	Commitments in respect of:		
	- forward foreign exchange contracts	556,274,195	393,775,370
	- forward Government securities transactions	16,409,204	39,177,791
	- derivatives	31,286,005	18,896,504
	- forward lending	2,922,915	3,678,492
	- operating lease	-	602,569
		606,892,319	456,130,726
	Commitments for acquisition of:		
	- fixed assets	503,687	680,462
	- intangible assets	320,582	622,076
		719,822,933	557,039,148
20.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	332,545,840	242,113,533
	Sale	223,728,355	151,661,837
		556,274,195	393,775,370
20.2.2	Commitments in respect of forward Government securities transactions		
	Purchase	11,484,714	33,489,184
	Sale	4,924,490	5,688,607
		16,409,204	39,177,791
20.2.3	Commitments in respect of derivatives		
	Foreign currency options		
	Purchase	-	532,918
	Sale	-	532,918
		-	1,065,836
	Cross Currency swaps		
	Purchase	9,785,446	2,874,784
	Sale	11,699,044	3,490,361
		21,484,490	6,365,145
	Interest rate swaps		
	Purchase	-	-
	Sale	9,801,515	11,465,523
		9,801,515	11,465,523
20.2.4	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to extend credit	2,922,915	3,678,492
	These represent commitments that are irrevocable because they can not be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		
20.2.5	Commitments in respect of operating leases		
	Not later than one year	-	409,045
	Later than one year and not later than five years	-	57,845
	Later than five years	-	135,679
		-	602,569

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

(Unaudited)
June 30,
2019
(Rupees in '000)

(Audited)
December 31,
2018
(Rupees in '000)

20.3 Other contingent liabilities

20.3.1 Claims against the Bank not acknowledged as debts

23,950,003 26,316,205

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

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

21 DERIVATIVE INSTRUMENTS

Product Analysis

	June 30, 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	-	-	21,484,490	(1,704,814)	9,801,515	(636,935)
	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 six months ended
June 30,
2019
(Rupees in '000)

June 30,
2018
(Rupees in '000)

22 MARK-UP / RETURN / PROFIT / INTEREST EARNED

On:

Loans and advances	58,550,264	33,886,895
Investments	41,662,256	39,912,687
Lendings to financial institutions	10,268,104	1,256,379
Balances with banks	609,376	475,788
	<u>111,090,000</u>	<u>75,531,749</u>

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

June 30,
2018
(Restated)

23 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

On:

Deposits	48,669,027	25,409,374
Securities sold under repurchase agreement borrowings	7,776,320	6,610,182
Borrowings	4,446,403	2,829,190
Subordinated debt	544,069	339,278
Cost of foreign currency swaps against foreign currency deposits / borrowings	1,381,418	438,582
Lease liability against right-of-use assets	569,375	-
	<u>63,386,612</u>	<u>35,626,606</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

		(Unaudited)	
		For the six months ended	
		June 30,	June 30,
		2019	2018
		(Rupees in '000)	
24	FEE AND COMMISSION INCOME	Note	
	General banking customer fees	2,161,491	2,054,599
	Consumer finance related fees	519,191	533,130
	Card related fees (debit and credit cards)	2,630,767	2,329,728
	Credit related fees	656,656	433,183
	Investment banking fees	1,004,537	447,966
	Commission on trade related products and guarantees	1,386,320	1,220,106
	Commission on cash management	348,610	326,210
	Commission on remittances (including home remittances)	192,035	236,209
	Commission on bancassurance	1,370,595	1,305,676
	Commission on Benazir Income Support Programme (BISP)	258,059	127,649
	Management fee	373,044	420,692
	Merchant discount and interchange fees	907,258	846,900
	Others	171,760	127,887
		<u>11,980,323</u>	<u>10,409,935</u>
	Less: Sales tax / Federal Excise Duty on fee and commission income	(1,302,993)	(1,174,618)
		<u>10,677,330</u>	<u>9,235,317</u>
25	(LOSS) / GAIN ON SECURITIES - NET		
	Realised	25.1 (2,102,333)	329,735
	Unrealised - held-for-trading	8.1 (11,282)	(53,594)
		<u>(2,113,615)</u>	<u>276,141</u>
25.1	(Loss) / gain on securities - realised		
	On:		
	Federal Government securities		
	- Market Treasury Bills	151,861	39,606
	- Pakistan Investment Bonds	(16,405)	200,271
	- Ijarah Sukuks	(8,855)	(55,268)
	Shares	(2,204,149)	93,815
	Non-Government debt securities	(63,808)	291
	Foreign securities	39,023	51,020
		<u>(2,102,333)</u>	<u>329,735</u>
26	OTHER INCOME		
	Incidental charges	92,511	170,833
	Liabilities no longer required written back	50,348	-
	Exchange gain realised on closure of bank branch	165,156	-
	Gain on sale of fixed assets - net	56,970	17,675
	Rent on properties	37,849	38,467
		<u>402,834</u>	<u>226,975</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

27 OPERATING EXPENSES

(Unaudited)
For the six months ended
June 30, June 30,
2019 2018
(Rupees in '000)

Salaries, allowances, etc.	14,990,322	12,506,225
Charge for defined benefit / contribution plan and other benefits	1,332,412	2,943,844
Property expense		
Rent and taxes	459,655	2,073,469
Insurance	56,711	43,487
Utilities cost	942,283	753,245
Security (including guards)	882,478	827,831
Repair and maintenance (including janitorial charges)	1,056,960	943,525
Depreciation on right-of-use assets	1,520,373	-
Depreciation on owned assets	1,438,386	926,885
	6,356,846	5,568,442
Information technology expenses		
Software maintenance	1,294,856	982,773
Hardware maintenance	313,983	237,110
Depreciation	692,276	519,921
Amortisation	228,542	337,810
Network charges	693,299	539,642
Consultancy charges	251,975	221,682
	3,474,931	2,838,938
Other operating expenses		
Non-Executive Directors' fees	25,200	28,800
Shariah Board's fees and allowances	9,902	3,960
Legal and professional charges	3,071,073	1,519,274
Outsourced services costs	742,411	682,796
Travelling and conveyance	476,384	409,097
Insurance	351,165	262,078
Remittance charges	313,625	388,999
Security charges	655,818	583,005
Repairs and maintenance	325,134	218,439
Depreciation	370,210	318,190
Training and development	192,479	155,592
Postage and courier charges	375,833	308,731
Communication	349,192	357,081
Stationery and printing	817,226	626,316
Marketing, advertisement and publicity	1,877,909	1,430,244
Donations	39,998	84,586
Auditors' remuneration	122,776	113,004
Brokerage and commission	291,449	102,178
Subscription	93,609	62,266
Documentation and processing charges	1,086,646	652,520
Entertainment	165,427	122,387
Consultancy charges	5,725,829	3,494,897
Deposit insurance premium expense	1,045,216	-
Others	289,323	409,397
	18,813,834	12,333,837
	44,968,345	36,191,286

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

		(Unaudited)	
		For the six months ended	
	Note	June 30, 2019	June 30, 2018
		(Rupees in '000)	
28	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	80,581	299,945
	Penalties imposed by other regulatory bodies	698	9,275
		<u>81,279</u>	<u>309,220</u>
29	PROVISIONS AND WRITE OFFS - NET		
	Provision for diminution in value of investments	8.3 279,592	261,808
	Provision / (reversal) against loans and advances	9.3 536,920	(11,317)
	Provision against other assets	12.1.1 42,338	107,823
	(Reversal) / provision against off-balance sheet obligations	18.1 (98,032)	2,671
	Recoveries against written off / charged off bad debts	(213,171)	(231,869)
	Recoveries against other assets written off	(36,722)	(6,434)
		<u>510,925</u>	<u>122,682</u>
30	TAXATION		
	- Current	4,636,105	5,969,396
	- Prior years	1,933,029	-
	- Deferred	(602,684)	31,110
		<u>5,966,450</u>	<u>6,000,506</u>
31	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period attributable to equity holders of the Bank	<u>3,705,927</u>	<u>7,943,396</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>2.53</u>	<u>5.42</u>
31.1	Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.		
32	FAIR VALUE OF FINANCIAL INSTRUMENTS		
	The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, other than investments in associates and joint ventures, are estimated using the break-up value of the investee company.		
	The fair value of unquoted debt securities, fixed term advances, other assets and other liabilities can not be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.		
	In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances, deposits, certain long term borrowings and subordinated debt are frequently repriced.		
	All assets and liabilities for which fair value is measured or disclosed in these condensed interim consolidated financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.		

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

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

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

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

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

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

32.1 Fair value of financial assets

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

As at June 30, 2019 (Unaudited)					
	Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
- Federal Government securities	809,530,567	-	809,530,567	-	809,530,567
- Shares - listed companies	7,008,431	7,008,431	-	-	7,008,431
- Foreign securities					
Government debt securities	38,624,949	-	38,624,949	-	38,624,949
Non-Government debt securities					
- Listed	44,384,106	-	44,384,106	-	44,384,106
- Unlisted	597,837	-	597,837	-	597,837
- National Investment Trust Units	36,284	-	36,284	-	36,284
- Real Estate Investment Trust units	50,850	50,850	-	-	50,850
	900,233,024	7,059,281	893,173,743	-	900,233,024
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	374,317,119	-	356,175,824	-	356,175,824
- Non-Government debt securities					
- Listed	8,037,972	-	7,454,975	-	7,454,975
- Unlisted	20,272,964	-	19,063,115	-	19,063,115
- Foreign securities					
Government debt securities	7,838,103	-	7,817,784	-	7,817,784
Non-Government debt securities					
- Listed	1,165,728	-	1,170,856	-	1,170,856
- Unlisted	1,074,789	-	1,076,487	-	1,076,487
	412,706,675	-	392,759,041	-	392,759,041
	1,312,939,699	7,059,281	1,285,932,784	-	1,292,992,065

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

As at June 30, 2019 (Unaudited)				
Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				

Off-balance sheet financial instruments - measured at fair value

Commitments					
- Forward foreign exchange contracts	<u>556,274,195</u>	<u>-</u>	<u>12,336,946</u>	<u>-</u>	<u>12,336,946</u>
- Forward Government securities transactions	<u>16,409,204</u>	<u>-</u>	<u>(55,325)</u>	<u>-</u>	<u>(55,325)</u>
- Derivative instruments	<u>31,286,005</u>	<u>-</u>	<u>(2,341,749)</u>	<u>-</u>	<u>(2,341,749)</u>

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

On balance sheet financial instruments

Financial assets - measured at fair value

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

Financial assets - disclosed but not measured at fair value

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

Off-balance sheet financial instruments - measured at fair value

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

32.2 Fair value of non-financial assets

As at June 30, 2019 (Unaudited)				
Carrying value / notional value	Level 1	Level 2	Level 3	Total
(Rupees in '000)				

- Fixed assets	45,230,860	-	-	45,230,860	45,230,860
- Non-banking assets acquired in satisfaction of claims	1,675,169	-	-	1,675,169	1,675,169
	46,906,029	-	-	46,906,029	46,906,029

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 six months ended June 30, 2019

33 SEGMENT INFORMATION

33.1 Segment details with respect to business activities

	For the six months ended June 30, 2019 (Unaudited)							
	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspondent banking	Asset management	Head office / others	Total
Profit and loss account	(Rupees in million)							
Net mark-up / return / profit - external	(23,261)	5,987	23,286	37,376	4,031	(140)	424	47,703
Inter segment revenue / (expense) - net	57,963	(2,080)	(19,247)	(40,079)	618	-	2,825	-
Non mark-up / return / interest income	3,754	3,194	1,976	165	2,109	372	(3,617)	7,953
Total Income	38,456	7,101	6,015	(2,538)	6,758	232	(368)	55,656
Segment direct expenses	13,529	2,437	1,043	319	13,530	167	14,226	45,251
Inter segment expense allocation	6,716	568	517	131	2,541	-	(10,473)	-
Total expenses	20,245	3,005	1,560	450	16,071	167	3,753	45,251
Provisions	843	96	(983)	33	179	-	343	511
Profit/ (loss) before tax	17,368	4,000	5,438	(3,021)	(9,492)	65	(4,464)	9,894
	As at June 30, 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	171,988	-	746	144,888	98,821	15	5,976	422,434
Lendings to financial institutions	24,089	-	-	46,556	-	-	-	70,645
Net inter segment lending	1,257,823	-	-	-	104,884	-	74,186	1,436,893
Investments	34,647	-	17,415	1,175,883	92,611	247	30,313	1,351,116
Advances - performing	291,509	54,975	553,655	-	184,613	-	39,120	1,123,872
Advances - non-performing	2,287	145	2,529	-	6,235	-	453	11,649
Others	17,597	747	24,914	38,924	15,084	3,010	115,706	215,982
Total assets	1,799,940	55,867	599,259	1,406,251	502,248	3,272	265,754	4,632,591
Borrowings	17,906	-	66,908	301,556	102,378	2,000	-	490,748
Subordinated debt	-	-	-	-	-	-	18,416	18,416
Deposits and other accounts	1,744,038	2,313	201,553	12	319,700	-	37,011	2,304,627
Net inter segment borrowing	-	49,996	316,032	1,070,865	-	-	-	1,436,893
Others	24,640	3,558	14,766	39,978	18,689	357	70,190	172,178
Total liabilities	1,786,584	55,867	599,259	1,412,411	440,767	2,357	125,617	4,422,862
Equity	13,356	-	-	(6,160)	61,481	915	140,137	209,729
Total equity and liabilities	1,799,940	55,867	599,259	1,406,251	502,248	3,272	265,754	4,632,591
Contingencies and commitments	28,624	-	226,137	466,146	162,743	-	24,394	908,044

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

For the six months ended June 30, 2018 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Asset management	Head office / others	Total
Profit and loss account	(Rupees in million)							
Net mark-up / return / profit - external	(9,643)	5,035	11,433	30,236	2,211	(92)	725	39,905
Inter segment revenue / (expense) - net	32,226	(1,508)	(8,293)	(25,565)	1,014	-	2,126	-
Non mark-up / return / interest income	3,530	2,899	1,570	1,188	1,493	448	(13)	11,115
Total Income	26,113	6,426	4,710	5,859	4,718	356	2,838	51,020
Segment direct expenses	11,245	1,900	699	283	9,135	200	13,306	36,768
Inter segment expense allocation	8,264	229	1,234	239	894	-	(10,860)	-
Total expenses	19,509	2,129	1,933	522	10,029	200	2,446	36,768
Provisions	284	57	(990)	266	226	-	280	123
Profit/ (loss) before tax	6,320	4,240	3,767	5,071	(5,537)	156	112	14,129

As at December 31, 2018 (Audited)

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

34

RELATED PARTY TRANSACTIONS

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

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

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

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

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

	As at June 30, 2019 (Unaudited)					
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Statement of financial position						
Balances with other banks						
In current accounts	-	-	291,052	-	154	-
Investments						
Opening balance	-	-	-	25,741,115	3,777,862	4,004,502
Investment made during the period	-	-	-	280,001	-	644,118
Share of profit	-	-	-	977,528	350,851	-
Equity method related adjustments	-	-	-	1,387,438	661,417	-
Investment redeemed / disposed off during the period	-	-	-	(2,926,100)	-	(77,106)
Transfer in / (out) - net	-	-	-	-	-	790,351
Closing balance	-	-	-	25,459,982	4,790,130	5,361,865
Provision for diminution in value of investments	-	-	-	-	-	(60,611)
Advances						
Opening balance	-	234,012	3,536,393	1,500,000	-	13,376,499
Addition during the period	-	40,940	7,452,002	-	-	60,396,755
Repaid during the period	-	(28,415)	(7,469,682)	-	-	(59,139,104)
Closing balance	-	246,537	3,518,713	1,500,000	-	14,634,150
Provision held against advances	-	-	-	-	-	(1,726,437)
Other assets						
Interest / mark-up accrued	-	510	30,190	48,338	-	344,597
Receivable from staff retirement fund	-	-	-	-	-	37,315
Other receivable	-	-	7,349	328,754	-	11,298
	-	510	37,539	377,092	-	393,210
Borrowings						
Opening balance	-	-	2,621,585	2,499,514	1,932,152	-
Borrowings during the period	-	-	4,917,699	960,313	2,959,238	-
Settled during the period	-	-	(3,891,515)	(2,499,514)	(3,290,869)	-
Closing balance	-	-	3,647,769	960,313	1,600,521	-
Deposits and other accounts						
Opening balance	148,728	23,517	12,066,522	4,524,664	-	778,919
Received during the period	871,124	805,661	163,260,600	150,811,741	-	70,445,024
Withdrawn during the period	(864,713)	(689,528)	(163,501,409)	(150,481,538)	-	(68,418,886)
Closing balance	155,139	139,650	11,825,713	4,854,867	-	2,805,057
Other liabilities						
Interest / mark-up payable	1,740	1,570	212,120	29,512	12,064	14,195
Payable to staff retirement fund	-	-	-	-	-	896,836
Other payables	-	-	1,040	12,211	-	67,190
	1,740	1,570	213,160	41,723	12,064	978,221
Contingencies and commitments						
Letter of credit	-	-	1,372,617	-	-	7,696,250
Letter of guarantee	-	-	109,034	-	-	1,429,077
Forward purchase of Government securities	-	-	43,055	-	-	8,622,908
Forward sale of Government securities	-	-	-	-	-	-
Interest rate swaps	-	-	1,301,515	1,500,000	-	-
	-	-	2,826,221	1,500,000	-	17,748,235
Others						
Securities held as custodian	-	8,400	17,676,880	13,096,250	-	22,939,385

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

For the six months ended June 30, 2019 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Profit and loss account						
Income						
Mark-up / return / profit / interest earned	-	10,946	155,283	122,281	-	636,685
Fee and commission income	-	-	2,573	1,377,049	158	2,267
Share of profit	-	-	-	977,528	350,851	-
Dividend income	-	-	-	-	-	69,821
Loss from derivatives	-	-	(17,541)	(11,348)	-	-
Expenses						
Mark-up / return / profit / interest expensed	4,787	1,657	443,729	108,610	33,957	32,800
Operating expenses						
Salaries and allowances	-	634,081	-	-	-	-
Contribution to provident and benevolent funds	-	10,794	-	-	-	-
Non-Executive Directors' fees	25,200	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	509,096
Insurance premium expense	-	-	-	615,842	-	-
Advertisement and publicity	-	-	12,116	-	-	724,067
Travelling	-	-	18,015	-	-	-
Subscription	-	-	-	-	-	25,091
Donation	-	-	-	-	-	39,798
Brokerage and Commission	-	-	-	-	-	78,289
Other Expenses	-	-	970	-	-	-
Provision for diminution in value of investments	-	-	-	-	-	(70,881)
Others						
Purchase of Government securities	-	16,175	79,753,336	6,436,859	-	46,062,951
Sale of Government securities	-	16,160	108,961,092	14,607,433	-	61,492,626
Purchase of foreign currencies	15,863	607	995,844	5,527	-	4,148
Sale of foreign currencies	8,632	152,540	2,149,652	40,050	-	5,615,588
Insurance claims settled	-	-	-	139,019	-	-

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

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

As at December 31, 2018 (Audited)						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Other assets						
Interest / mark-up accrued	-	430	30,552	34,696	-	226,952
Receivable from staff retirement fund	-	-	-	-	-	35,293
Other receivable	-	-	9,042	1,000,240	-	53,873
	-	430	39,594	1,034,936	-	316,118
Borrowings						
Opening balance	-	-	1,141,977	3,312,516	1,104,172	-
Borrowings during the year	-	-	7,034,084	10,275,781	6,382,456	-
Settled during the year	-	-	(5,554,476)	(11,088,783)	(5,554,476)	-
Closing balance	-	-	2,621,585	2,499,514	1,932,152	-
Deposits and other accounts						
Opening balance	127,426	37,694	10,235,376	9,245,055	22,702	1,501,398
Received during the year	1,461,501	268,006	415,569,471	393,178,308	-	98,984,289
Withdrawn during the year	(1,417,307)	(262,047)	(413,738,325)	(397,898,699)	(22,702)	(99,412,868)
Transfer in / (out) - net	(22,892)	(20,136)	-	-	-	(293,900)
Closing balance	148,728	23,517	12,066,522	4,524,664	-	778,919
Other liabilities						
Interest / mark-up payable	1,604	276	189,843	69,854	9,181	2,426
Payable to staff retirement fund	-	-	-	-	-	970,439
Other payables	-	-	106,489	431,670	-	125,812
	1,604	276	296,332	501,524	9,181	1,098,677
Contingencies and Commitments						
Letter of credit	-	-	580,316	-	-	8,847,142
Letter of guarantee	-	-	155,828	-	-	634,705
Forward purchase of Government securities	-	-	411,707	-	-	9,913,419
Forward sale of Government securities	-	-	-	-	-	809,625
Interest rate swaps	-	-	1,448,856	1,500,000	-	-
	-	-	2,596,707	1,500,000	-	20,204,891
Others						
Securities held as custodian	-	8,000	17,841,345	10,462,950	-	20,053,730
For the six months ended June 30, 2018 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Associates	Joint venture	Other related parties
	(Rupees in '000)					
Profit and loss account						
Income						
Mark-up / return / profit / interest earned	-	7,686	147,959	119,880	-	678,936
Fee and commission income	-	-	104	1,287,852	-	11,541
Share of Profit	-	-	-	1,402,655	256,125	-
Dividend income	-	-	-	-	-	36,162
Loss from derivatives	-	-	(7,137)	(1,996)	-	-
Expense						
Mark-up / return / profit / interest expensed	3,275	162	269,134	194,416	12,778	24,313
Operating expenses						
Salaries and Allowances	-	711,839	-	-	-	-
Contribution to provident and benevolent funds	-	8,916	-	-	-	-
Non-Executive Directors' fees	28,800	-	-	-	-	-
Net charge for defined benefit/ contribution plans	-	-	-	-	-	2,284,837
Insurance premium expense	-	-	-	629,426	-	-
Advertisement and publicity	-	-	18,665	-	-	305,679
Travelling	-	-	3,030	-	-	-
Subscription	-	-	-	-	-	19,680
Utilities cost	-	-	-	-	-	1,510
Donation	-	-	-	-	-	82,086
Other expenses	-	-	2,066	1	-	-
Provision for diminution in value of investments	-	-	-	-	-	70,943
Others						
Purchase of Government securities	-	8,297	83,917,802	-	-	35,776,008
Sale of Government securities	-	16,487	90,624,221	26,082,649	-	39,337,012
Purchase of foreign currencies	-	368	735,931	-	-	-
Sale of foreign currencies	-	65,556	962,254	87,000	-	9,429,025
Insurance claims settled	-	-	-	36,436	-	-

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

		(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
35	CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	Note	
	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	137,567,682	141,243,268
	Eligible Additional Tier 1 Capital	8,583,793	61,035
	Total Eligible Tier 1 Capital	146,151,475	141,304,303
	Eligible Tier 2 Capital	37,596,170	49,513,636
	Total Eligible Capital (Tier 1 + Tier 2)	183,747,645	190,817,939
	Risk Weighted Assets (RWAs):		
	Credit Risk	923,285,030	873,803,178
	Market Risk	117,438,700	132,656,725
	Operational Risk	173,042,280	173,042,280
	Total	1,213,766,010	1,179,502,183
	Common Equity Tier 1 Capital Adequacy ratio	11.33%	11.97%
	Tier 1 Capital Adequacy Ratio	12.04%	11.98%
	Total Capital Adequacy Ratio	15.14%	16.18%
	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	9.90%	7.90%
	of which: capital conservation buffer requirement	1.90%	1.90%
	of which: countercyclical buffer requirement	-	-
	of which: D-SIB or G-SIB buffer requirement	2.00%	0.00%
	CET1 available to meet buffers (as a percentage of risk weighted assets)	1.43%	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	146,151,475	141,304,303
	Total Exposures	3,508,782,157	3,695,613,262
	Leverage Ratio (%)	4.17%	3.82%
	Minimum Requirement (%)	3.00%	3.00%
	Liquidity Coverage Ratio (LCR)		
	Total High Quality Liquid Assets	811,548,784	987,612,556
	Total Net Cash Outflow	628,243,850	571,294,024
	Liquidity Coverage Ratio (%)	129.18%	172.87%
	Minimum Requirement (%)	100.00%	100.00%
	Net Stable Funding Ratio (NSFR)		
	Total Available Stable Funding	2,214,790,127	2,102,952,345
	Total Required Stable Funding	1,667,786,788	1,490,821,433
	Net Stable Funding Ratio (%)	132.80%	141.06%
	Minimum Requirement (%)	100.00%	100.00%
35.1	The SBP, vide its letter dated July 19, 2019, has allowed the Bank to include subscriptions received against TFCs to be issued as described in Note 16.2 as part of Additional Tier 1 capital.		
35.2	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 six months ended June 30, 2019

36 ISLAMIC BANKING BUSINESS

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

	Note	(Unaudited) June 30, 2019	(Audited) December 31, 2018
STATEMENT OF FINANCIAL POSITION			
ASSETS			
(Rupees in '000)			
Cash and balances with treasury banks		20,672,045	19,365,889
Balances with other banks		-	-
Due from financial institutions	36.1	24,089,184	13,031,526
Investments	36.2	35,447,717	75,296,758
Islamic financing and related assets-net	36.3	135,387,752	103,483,404
Fixed assets		655,399	187,491
Intangible assets		-	-
Due from Head Office		13,029,846	4,932,141
Deferred tax assets		77,408	59,787
Other assets		5,066,187	3,718,796
		234,425,538	220,075,792
LIABILITIES			
Bills payable		12,917	8,543
Due to financial institutions	36.4	7,559,249	1,551,617
Deposits and other accounts	36.5	205,699,844	203,247,709
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities		7,784,455	3,917,646
		221,056,465	208,725,515
NET ASSETS			
		13,369,073	11,350,277
REPRESENTED BY			
Islamic Banking Fund		250,000	250,000
Reserves		-	-
Deficit on revaluation of investments - net of tax		(121,075)	(111,034)
Unappropriated profit	36.6	13,240,148	11,211,311
		13,369,073	11,350,277
CONTINGENCIES AND COMMITMENTS			
	36.7		
PROFIT AND LOSS ACCOUNT			
(Rupees in '000)			
Profit / return earned	36.8	8,084,079	5,667,177
Profit / return expensed	36.9	4,041,927	3,151,357
Net profit / return		4,042,152	2,515,820
Other income			
Fee and commission income		337,002	316,940
Dividend income		-	-
Foreign exchange income		11,907	45,444
Income from derivatives		-	-
Loss on securities - net		(9,767)	(21,762)
Others		3,949	3,631
Total other income		343,091	344,253
Total income			
		4,385,243	2,860,073
Other expenses			
Operating expenses		950,592	724,483
Workers' Welfare Fund		67,877	42,677
Other charges		-	-
Total other expenses		1,018,469	767,160
Profit before provisions			
		3,366,774	2,092,913
Provisions and write offs - net		40,812	1,715
Profit before taxation			
		3,325,962	2,091,198
Taxation		1,297,125	731,919
Profit after taxation			
		2,028,837	1,359,279

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

		(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
36.1	Due from Financial Institutions		
	Unsecured	3,600,000	8,700,000
	Bai Muajjal Receivable from State Bank of Pakistan	20,489,184	-
	Bai Muajjal Receivable from other financial institutions	-	4,331,526
		<u>24,089,184</u>	<u>13,031,526</u>

36.2 Investments by segments

	June 30, 2019 (Unaudited)				December 31, 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government securities								
- Ijarah Sukuks	5,090,453	-	(198,483)	4,891,970	53,682,791	-	(170,822)	53,511,969
- Other Federal Government securities	10,794,000	-	-	10,794,000	-	-	-	-
	15,884,453	-	(198,483)	15,685,970	53,682,791	-	(170,822)	53,511,969
Non-Government debt securities								
- Listed	4,298,025	-	-	4,298,025	5,030,877	-	-	5,030,877
- Unlisted	15,463,722	-	-	15,463,722	16,753,912	-	-	16,753,912
	19,761,747	-	-	19,761,747	21,784,789	-	-	21,784,789
Total Investments	<u>35,646,200</u>	<u>-</u>	<u>(198,483)</u>	<u>35,447,717</u>	<u>75,467,580</u>	<u>-</u>	<u>(170,822)</u>	<u>75,296,758</u>

		(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
36.3	Islamic financing and related assets - net		
	Ijarah	2,021,857	2,078,449
	Murabaha	1,117,211	672,907
	Diminishing Musharakah	82,557,585	66,095,505
	Wakalah	10,000,000	10,000,000
	Islamic Home Financing	487,974	128,820
	Running Musharakah	7,963,153	4,871,319
	Advance for Ijarah	361,997	192,485
	Advance for Murabaha	3,979,130	4,324,684
	Advance for Diminishing Musharakah	2,639,277	995,819
	Advance for Istisna	21,193,277	9,920,835
	Inventories against Tijarah	277,485	17,578
	Inventories against Murabaha	185,565	2,416,470
	Inventories against Istisna	2,260,751	1,885,231
	Inventories against Salam	500,000	-
	Islamic financing and related assets - gross	135,545,262	103,600,102
	Provision against Islamic financing and related assets		
	- Specific	(142,190)	(106,212)
	- General	(15,320)	(10,486)
		<u>(157,510)</u>	<u>(116,698)</u>
	Islamic financing and related assets - net of provision	<u>135,387,752</u>	<u>103,483,404</u>

36.4 Due to financial institutions

	Unsecured acceptance of funds	3,000,000	-
	Acceptances from the SBP under Islamic Export Refinance Scheme	3,699,520	1,551,617
	Acceptances from the SBP under Islamic Long Term Financing Facility	859,729	-
		<u>7,559,249</u>	<u>1,551,617</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

36.5	Deposits and other accounts	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
	Customers			
	Current deposits		56,471,876	44,756,909
	Savings deposits		95,272,175	90,221,909
	Term deposits		22,314,950	39,646,562
			174,059,001	174,625,380
	Financial Institutions			
	Current deposits		239,597	156,967
	Savings deposits		31,218,200	26,478,723
	Term deposits		183,046	1,986,639
			31,640,843	28,622,329
			205,699,844	203,247,709
36.6	Islamic Banking business unappropriated profit			
	Opening Balance		11,211,311	8,569,480
	Add: Islamic Banking profit for the period / year		3,325,962	4,332,623
	Less: Taxation		(1,297,125)	(1,690,792)
	Closing Balance		13,240,148	11,211,311
36.7	Contingencies and commitments			
	- Guarantees	36.7.1	242,275	219,570
	- Commitments	36.7.2	8,379,845	20,811,516
			8,622,120	21,031,086
36.7.1	Guarantees			
	Performance guarantees		237,954	214,177
	Other guarantees		4,321	5,393
			242,275	219,570
36.7.2	Commitments			
	Trade-related contingent liabilities		1,560,796	1,613,153
	Commitments in respect of forward foreign exchange contracts	36.7.2.1	6,819,049	19,198,363
			8,379,845	20,811,516
36.7.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		6,450,744	18,922,353
	Sale		368,305	276,010
			6,819,049	19,198,363
36.8	Profit / return earned			
	On:			
	Financing		5,092,120	2,675,291
	Investments		2,126,057	2,950,212
	Due from financial institutions		865,902	41,674
			8,084,079	5,667,177

(Unaudited)
For the six months ended
June 30, 2019
June 30, 2018
(Rupees in '000)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

		(Unaudited)	
		For the six months ended	
		June 30,	June 30,
		2019	2018
		(Rupees in '000)	
		(Restated)	
36.9	Profit / return expensed		
	On:		
	Deposits and other accounts	3,081,447	1,921,709
	Due to financial institutions	821,622	1,207,348
	Cost against foreign currency deposits for Wa'ad based transactions	108,550	22,300
	Lease liability against right-of-use assets	30,308	-
		<u>4,041,927</u>	<u>3,151,357</u>

37 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 37.1 The Board of Directors in its meeting held on July 24, 2019 has declared a cash dividend of Rs 1.25 per share in respect of the quarter ended June 30, 2019 (June 30, 2018: Rs 1 per share). These condensed interim consolidated financial statements do not include the effect of this appropriation which will be accounted for subsequent to the period end.

38 DATE OF AUTHORISATION FOR ISSUE

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

Dr. Najeeb Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

A person wearing a dark suit and a watch is holding a silver pen and a magnifying glass over a document. The document has a grid pattern of dashed lines. The entire image is overlaid with a teal color and a semi-transparent dark rectangle containing the title text.

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 half year ended June 30, 2019.

Domestic Economy

The stresses on Pakistan's economy continued to intensify in FY'19, with sizeable twin deficits, rising inflation and depleting foreign exchange reserves. Average FY'19 inflation of 7.3% has remained within SBP's target range, albeit at the higher end; however, this represents a near doubling from the average of 3.9% for FY'18 as the ongoing tightening of both monetary and fiscal policies pushed headline inflation to 8.9% in June '19. As a result, momentum in the real sector slowed, with domestic demand decelerating and GDP growth falling to a nine-year low of 3.3% in FY'19. Real economic activity remained subdued, with the LSM index declining by 3.5% in 10MFY'19 as major sectors including textiles and automobiles posted negative growth.

Multiple import compression measures, including tariff increases, exemption withdrawals and multiple rounds of currency devaluation have resulted in a 7% decline in the import bill for FY'19. However, despite a number of stimulus packages, export growth has not materialized as falling unit prices resulted in a 2% reduction in exports. The trade balance thus reduced by 11% over FY'18. With remittances returning to a steady growth trajectory (up 10%), the current account deficit for FY'19 reduced by 32%, falling from 6.3% of GDP in FY'18 to 4.8% (USD 13.6 billion) in FY'19. Limited FDI flows, 50% lower than last year, along with growing external debt servicing, pushed FX reserves down by 25% to USD 14.4 billion. The Rupee has lost 45% of its value over the last 18 months of this devaluation cycle, weakening by 32% during FY'19 alone to PKR 160/USD.

The fiscal deficit during 9M FY'19 increased to 5.0% of GDP against 4.3% in the same period last year, with the FY'19 deficit likely to be around 7% compared to a target of 5.1%. While the response to the recent tax amnesty scheme appears to have been positive from a tax collection perspective, shortfalls to revenue targets remain, with estimates substantially lower than even the revised FY'19 collection target of PKR 4.15 trillion. Despite a slowdown in public sector spending, higher expenses on security and debt servicing have exacerbated the fiscal pressures.

The equity market has been on a downward trend since the start of FY'18, coinciding with Pakistan's graduation to EM status by MSCI. Negative economic news, escalating interest rates and the previous lack of disclosure around the IMF program continued to dampen investor sentiment and strengthen the bearish mood. The KSE 100 has lost 9% from December 2018 and is down by 36% since its peak in May 2017. The market outflows in 2019 have largely been from local mutual funds, as foreign investors have remained net buyers.

The much-awaited IMF program has finally materialized as the Executive Board of the IMF approved a 39-month Extended Fund Facility (EFF) of USD 6 billion for Pakistan. The first tranche of USD 1 billion has been disbursed. The program builds in quarterly reviews for FY'20, stepping up to semi-annual reviews for the remainder of the term. Most of the prior actions required have been taken, including the move to a more market determined exchange rate, tight monetary measures and approval of the FY'20 Budget which incorporates a series of fiscal steps including tariff phase-outs and rationalization of energy prices. Key structural benchmarks revolve, as expected, around the plans for and management of State Owned Enterprises (SOEs), comprehensive actions for circular debt reduction including automatic power tariff increases, and broad based actions to strengthen the effectiveness of the AML/CFT framework to support Pakistan's exit from the FATF grey list.

The SBP increased the policy rate by 100bps to 13.25% in its July Monetary Policy Statement, bringing the cumulative rate hike to 750bps since January 2018. The current high levels of inflation and the likely near-term increase from budgetary measures, appear to be the driving force behind the rate increase. The MPS also signaled that the current cycle of adjustments to both the interest and exchange rates may be at an end as previously accumulated imbalances have been addressed.

The impact of the protracted tightening has weighed on private credit offtake which increased by only 2% during H1'19 compared to a growth of 10% for the same period in H1'18. Banking sector advances rose by 3% over December 2018, while deposits increased by 8%, largely due to an unexpected inflow of Rs 1 trillion during the last week of June. Average spreads for the banking sector widened during 5M'19 by 78bps over last year as increases in lending yields outpaced growth in the cost of deposits.

Performance

HLB's results for the first half of 2019 have been impacted by two specific market events – the further 15% depreciation in the value of the Rupee (impact : Rs 6.0 billion) and a 9% fall in the continuously declining PSX (impact : Rs 1.9 billion). The incremental impact of these, compared to the first half of 2018, is Rs 4.8 billion. Resultantly, reported Profit before Tax of Rs 9.7 billion for H1'19 is Rs 3.1 billion (24%) lower than for the same period last year. The retrospective imposition of Super Tax on 2017 earnings has increased the effective tax rate for the half year to 54%. Profit after tax for H1'19 is therefore Rs 4.5 billion compared to Rs 7.6 billion for H1'18. Earnings per share for H1'19 are at Rs 3.05.

HLB's core domestic business continues to grow steadily. Total deposits increased by 6.8%, crossing the Rs. 2.0 trillion mark, with half the growth coming from current accounts. The domestic mix of current accounts improved by 66bps to 38.2% while the CASA ratio of 85.2% was just below December '18 levels of 85.4%. Domestic advances increased marginally over

December 2018 levels but the strong run-up in 2018 resulted in average advances for H1'19 being 25% (Rs 180 billion) higher than in H1'18. The Consumer business continued its steady growth with average consumer loans increasing by 17% over H1'18.

Overseas deposits and advances both increased in US dollar terms with the impact more pronounced in Rupees. HBL's total deposits thus grew by 7.0% over December 2018 to Rs 2.2 trillion with net advances of the Bank up by 3.4% to Rs 1.05 trillion.

Average domestic deposits, driven by a Rs 62 billion growth in average current accounts, increased by around Rs 100 billion. The average balance sheet thus increased by Rs 123 billion (6%). The net interest margin in the domestic business improved by 57 bps as earning asset yields improved significantly due to re-pricing of loans and rollover of maturing investments at higher rates. Domestic net interest income for H1'19 is thus 17% higher than for the same period last year. With a 17% improvement from the international business in Dollar terms, total net interest income for HBL increased by 19%, to Rs 44.4 billion.

Fee income continued to improve, increasing by 16% over H1'18, to Rs 9.6 billion as international fees were restored to their prior year levels. Domestic fee growth of 15% was robust, achieved due to strong performances from the card related business, trade fees and investment banking income. The sale of previously impaired equities resulted in a realized capital loss of Rs 1.8 billion, but with no overall P&L impact. Excluding this, income from treasury related activities increased to Rs 4.5 billion in H1'19 compared to Rs 2.9 billion in the same period last year. Core non mark-up income for the first half of 2019, excluding the revaluation loss on the Bank's open position and the capital loss described above, increased by 23% YoY to Rs 14.4 billion.

Headline administrative expenses for H1'19 increased by 24% to Rs 40.8 billion. This was largely driven by an increase in the ongoing remediation, legal and regulatory costs related to the Bank's New York branch. The substantial impact of Rupee depreciation on international expenses and the incremental cost of HBL's new office building also contributed to the expense growth. Excluding these major items, expenses increased by 10%. Total provisions for the first half of 2019 are Rs 221 million. Net reversals in the domestic business continue, although they are considerably lower, notwithstanding an improved recovery performance.

In 2019, HBL has received several accolades from prestigious international publications. These include Pakistan's Best Bank by Euromoney, Best Domestic Bank and Best Corporate & Investment Bank by Asiamoney and Excellence in Retail Financial Services by the Asian Banker. In addition, the Investment Banking team's prowess was recognized through several "Deal of the Year" awards by The Asset magazine, including for Power, Utility and Transport.

Movement of Reserves

	Rs million
Unappropriated profit brought forward	91,883
Profit after tax	4,475
Transferred from General Reserve	6,074
Transferred from surplus on revaluation of assets – net of tax	236
	10,785
Profit available for appropriations	102,668
Appropriations	
Transferred to statutory reserves	(447)
Cash dividend – Final 2018	(1,834)
Cash dividend – 1st Interim 2019	(1,834)
	(4,115)
Unappropriated profit carried forward	98,553
Earnings per share (Rs)	3.05

Capital Ratios

The SBP has announced the designation of Domestic Systemically Important Banks (D-SIBs) for 2019. HBL remains in category C, the highest currently in use, which requires the Bank to maintain an additional Common Equity Tier 1 (CET1) of 2%. To further strengthen its Tier 1 Capital, HBL has announced the issuance of perpetual Term Finance Certificates of Rs 15 billion (including a greenshoe option of Rs 5 billion) which will qualify as Additional Tier 1 (AT1) capital upon issuance of the TFCs. During the quarter, the Bank received Rs 8.4 billion in subscriptions towards the TFCs which the SBP has allowed to be considered as part of AT1 capital for the purpose of calculation of the Capital Adequacy Ratio (CAR) as at June 30, 2019.

The unconsolidated CET 1 as of June 30, 2019 has reduced from March levels to 12.38% but is comfortably above the required level of 9.90%. The decline is entirely due to the impact of the steep rupee devaluation in the second quarter which has affected both profitability as well as increased total Risk Weighted Assets. Tier 1 CAR, supported by the AT1 subscription, was 13.15%, above the March 2019 level of 12.70%. Total unconsolidated CAR in reported as 16.68% and remains well above the requirement of 13.90%.

Dividend

The Board of Directors, in its meeting held on July 24, 2019 has declared an interim cash dividend of Rs 1.25 per share (12.5%) for the quarter ended June 30, 2019.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively with the rating of its subordinated debt also at AAA. The TFCs planned to be issued as Additional Tier 1 Capital have been given a rating of AA+. The Outlook on all ratings is Stable. The ratings incorporate HBL's strong momentum in its domestic business, improved asset quality, robust liquidity and sound capitalization and reflect the systemic importance of the Bank.

Future Outlook

The budgetary fiscal measures, including the increase in utility prices, higher taxes and currency adjustments are likely to further accelerate inflation in the short-term, with the SBP projecting headline inflation to average around 11-12% in FY'20. The impact of the macroeconomic adjustments will also weigh on economic growth which the IMF forecasts to recede to 2.4% for FY'20. On the fiscal front, the government has set an ambitious revenue target of PKR 5.5T for FY'20. However, the elevated debt servicing budget and higher PSDP allocation will keep the fiscal deficit at over 7% in FY20, before it moderates to more sustainable levels.

Pakistan's economy is at a critical juncture where it has the opportunity to reduce the twin deficits in a meaningful way and on a permanent basis. This will require a resolute stance by the Government in meeting IMF conditionalities and undertaking long-needed – but long-avoided – serious structural reform to address SOEs, the circular debt and the tax base. The IMF program has provided space, but further tranches will depend on agreed actions being implemented. An 8-10% annual growth in exports seems overly ambitious, especially given recent performance; a 5% increase in the Tax/GDP ratio also seems an uphill task. It is also necessary to refocus on the CPEC programme and build upon the success of Phase I by accelerating the development of the planned Special Economic Zones to localize industry and develop export capability.

HBL's core business continues to gain strength and the results for the first half of 2019 continue the trajectory from Q1. The Bank's digital journey is well underway and, as a Technology Company with a Banking License, HBL will accelerate its efforts across businesses, products and customer segments to bring seamless and innovative new experiences to its customers. The Bank's market leading mobile app and internet banking platform have nearly 1 million users, the highest in the market. HBL's multifaceted commitment to financial inclusion remains strong – for women, for youth and for the currently excluded segments of the country's population. In the one year since launch, HBL Konnect has opened 2.8 million accounts, 24% of them by women, and facilitated millions of people in conducting Rs 100 billion worth of transactions. HBL is intensifying efforts to raise its service levels as this must be the Bank's key differentiator. Even though conditions are expected to remain challenging in the medium-term, HBL will work to support its customers and provide leadership in the development of Pakistan and the economy.

Appreciation and Acknowledgement

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

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

On behalf of the Board

Muhammad Aurangzeb
President & Chief Executive Officer

Moez Ahamed Jamal
Director

July 24, 2019

میں یہ اضافہ 10% رہا۔ بینکاری شعبے کے قرضہ جات میں دسمبر 2018ء تک 3% اضافہ دیکھا گیا جبکہ ڈپازٹس میں 8% اضافہ ہوا جو بنیادی طور پر جون کے آخری ہفتے میں 1 ٹریلین روپے کے ایک غیر متوقع اندرونی بہاؤ کے سبب ہوا۔ بینکاری شعبے کے اوسط اسپرڈز میں گزشتہ سال کی نسبت 2019ء کے 5 ماہ میں 78bps کی توسیع ہوئی کیونکہ قرضہ جاتی یافت /پیداواری اضافے نے ڈپازٹ کی لاگت میں اضافے کو پیچھے چھوڑ دیا۔

کارکردگی

HBL کے سال 2019ء کی پہلی ششماہی کے نتائج پر مارکیٹ کے دو اہم واقعات نے اثرات مرتب کیے۔ روپے کی قدر میں مزید 15% کمی (اثر / نقصان: 6 ارب روپے) اور مسلسل زوال پذیر PSX میں 9% گراؤ، (اثر / نقصان: 1.9 ارب روپے)۔ سال 2018ء کے ابتدائی نصف کے مقابلے میں ان کا اضافی بوجھ 4.8 ارب روپے ہے۔ نتیجتاً مالی سال 2019ء کی پہلی ششماہی کے لیے 9.7 ارب روپے قبل از محصول منافع رہا جو گزشتہ برس اسی دورانیے سے 3.1 ارب روپے (24% کم) ہے۔ ماضی میں سال 2017ء کی آمدن پر سپر ٹیکس کے اطلاق نے مؤثر شرح محصولات میں نصف سال کے لیے 54% اضافہ کیا۔ چنانچہ مالی سال 2019ء کی پہلی ششماہی کے لیے بعد از محصول منافع 4.5 ارب روپے رہا جو مالی سال 2018ء کی پہلی ششماہی کے لیے 7.6 ارب روپے تھا۔ مالی سال 2019ء کی پہلی ششماہی کے لیے آمدن فی حصص 3.05 روپے ہے۔

HBL کا بنیادی ملکی کاروبار مسلسل استقامت سے نمو پذیر ہے۔ کل ڈپازٹس میں 6.8% اضافہ ہوا جنہوں نے 2.0 ٹریلین روپے کی حد عبور کر لی ہے، جن میں سے نصف نمو صرف کرنٹ اکاؤنٹس کے سبب ہے۔ کرنٹ اکاؤنٹس کا ملکی امتزاج 66bps بہتری سے 38.2% ہو گیا ہے جبکہ CASA کی شرح 85.2% دسمبر 2018ء کی سطح 85.4% سے کم رہی۔ ملکی قرضہ جات میں دسمبر 2018ء کی سطح سے معمولی اضافہ ہوا مگر 2018ء کے تیز تر اضافے نے مالی سال 2019ء کی پہلی ششماہی کے اوسط قرضہ جات میں مالی سال 2018ء کی پہلی ششماہی کے مقابلے میں 25% (180 ارب روپے) اضافہ کیا۔ صارفی کاروبار میں اپنی مسلسل مستحکم نمو کے ساتھ مالی سال 2018ء کی پہلی ششماہی کے مقابلے میں اوسط صارفی قرضہ جات میں 17% اضافہ ہوا۔

غیر ملکی ڈپازٹس اور قرضہ جات دونوں میں امریکی ڈالر کی مد میں اضافہ ہوا جس کا اثر روپے میں زیادہ واضح طور پر سامنے آیا۔ چنانچہ HBL کے کل ڈپازٹس دسمبر 2018ء کے تناسب میں 7.0% تک بڑھ کر 2.2 ٹریلین روپے ہو گئے جن میں بینک کے خالص قرضہ جات 3.4% بلند ہو کر 1.05 ٹریلین روپے ہو گئے۔

62 ارب روپے کے اوسط کرنٹ اکاؤنٹس کی نمو کی بدولت حاصل کردہ اوسط ملکی ڈپازٹس میں تقریباً 100 ارب روپے کا اضافہ ہوا۔ جس سے اوسط سیلنس شیڈ میں 123 ارب (6%) روپے تک کا اضافہ ہوا۔ ملکی کاروبار میں خالص منافع کے مارجن میں بھی 57bps بہتری آئی کیونکہ آمدن کے اثاثوں کی یافت / پیداوار میں نمایاں بہتری آئی جس کی وجہ قرض کی قیمت پر نظر ثانی اور سرمایہ کاری کی منافع بخش تکمیل پر اعلیٰ نرخوں پر اجرائے ثانیہ ہے۔ چنانچہ مالی سال 2019ء کی پہلی ششماہی کے لیے ملکی خالص منافع جاتی آمدن گزشتہ برس اسی دورانیے کے مقابلے میں 17% زیادہ ہے۔ بین الاقوامی کاروبار میں ڈالر کی مد میں 17% بہتری کے ساتھ HBL کی کل خالص منافع جاتی آمدن 19% اضافے کے ساتھ 44.4 ارب روپے ہو گئی۔

فیس کی آمدن میں بھی مسلسل بہتری کے ساتھ مالی سال 2018ء کی پہلی ششماہی کے تناسب سے 16% اضافہ ہوا جو 9.6 ارب روپے تھا کیونکہ بین الاقوامی فیسوں کو گزشتہ سال کی سطح پر بحال کر دیا گیا۔ ملکی فیسوں میں 15% اضافہ ہوا جو کارڈ سے متعلقہ کاروبار کی اعلیٰ کارکردگی، تجارتی فیس اور سرمایہ کاری بینکاری آمدن کے باعث حاصل ہوا۔ پہلے سے اسپرڈ لیکویٹی / اثاثوں کی فروخت کے نتیجے میں 1.8 ارب روپے کے سرمائے کا نقصان ہوا مگر بحیثیت مجموعی P&L پر اثرات مرتب نہیں ہوئے۔ اس سے ہٹ کر خزانے سے متعلق سرگرمیوں میں مالی سال 2019ء کی پہلی ششماہی میں 4.5 ارب روپے کا اضافہ ہوا جو گزشتہ برس اسی مدت کے لیے 2.9 ارب روپے تھا۔ 2019ء کے اس ابتدائی نصف کے لیے بنیادی نان مارک اپ آمدن، جس میں بینک کی اوپن پوزیشن میں گھٹا کا تخمینہ اور مذکورہ بالا سرمائے کا نقصان بھی منہا ہے، میں سال بسال کا اضافہ 23% سے 14.4 ارب روپے ہو گیا۔

عمومی انتظامی اخراجات میں مالی سال 2019ء کی پہلی ششماہی میں 24% یعنی 40.8 ارب روپے کا اضافہ ہوا۔ جس کا بڑا محرک بینک کی نیویارک برانچ سے متعلق جاری ثالثی / تجدیدی، قانونی اور ضابطی اخراجات میں اضافہ ہے۔ روپے کی قدر میں ارزانی کا بین الاقوامی اخراجات پر خاطر خواہ اثر اور HBL کے دفتر کی نئی عمارت کی اضافی لاگت بھی اخراجات میں اضافے کا سبب بنی۔ ان اہم عناصر سے قطع نظر اخراجات میں 10% اضافہ ہوا۔ سال 2019ء کے ابتدائی نصف کے لیے ٹوٹل پروویژن 221 ملین ہے۔ ملکی کاروبار میں نیٹ ریور سلز جاری ہیں، گو کہ اس میں وصولی کے عمل میں بہتری کے باوجود یہ کافی حد تک کم ہیں۔

2019ء میں HBL نے کئی معروف بین الاقوامی پبلیکیشنز سے تعریفی اسناد وصول کیں۔ اس میں یورومنی سے پاکستان کے بہترین بینک کا اعزاز اور ایشیاء منی کی جانب سے بہترین مقامی بینک اور بہترین کارپوریٹ اور سرمایہ کاری بینک کا اعزاز شامل ہیں۔ اس کے ساتھ ساتھ ایشیاء منی کی جانب سے ایسیلنس ان ریٹیل اینڈ فنانشل سروسز کی سند سے بھی نوازا گیا۔ یہی نہیں انویسٹمنٹ بینکنگ ٹیم کی جرأت مندانه کوششوں کو بارہا مختلف مقامات پر سراہا گیا اور ایسیٹ میگزین کی جانب سے ”ڈیل آف دی لیئر“ ایوارڈ دیا گیا جس میں توانائی، یوٹیلیٹی اور ٹرانسپورٹ بھی شامل ہیں۔

ڈائریکٹرز کا جائزہ

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

ملکی معیشت

مالی سال 2019ء میں بھی گراں قدر جڑواں خسارے، افراط زر میں اضافے اور غیر ملکی زر مبادلہ کے ذخائر میں قلت سے پاکستان کی معیشت پر دباؤ میں مسلسل اضافہ ہو رہا ہے۔ مالی سال 2019ء کی اوسط افراط زر کی شرح 7.3% جو کہ SBP کے دائرہ ہدف کے اندر رہی، تاہم یہ مالی سال 2018ء کی اوسط 3.9% کے مقابلے میں کم و بیش دو گنا ہے کیونکہ جون 2019ء میں رواں تنگی کے سبب زری اور مالی پالیسیوں نے عمومی افراط زر کی سطح کو 8.9% تک پہنچا دیا۔ جس کے نتیجے میں حقیقی شعبے کی رفتار سست اور مقامی طلب میں کمی واقع ہوئی۔ مالی سال 2019ء میں GDP کی بڑھوتری بھی 9 سالہ کم ترین درجے 3.3% پر پہنچ گئی۔ خالص معاشی سرگرمیوں میں مندی رہی ان میں کمی سے، مالی سال 2019ء کے 10 مہینوں میں بڑے پیمانے کی اشیاء سازی (LSM) میں 3.5% تک تخفیف ہوئی کیونکہ اہم شعبوں ٹیکسٹائل اور آٹوموبائل نے منفی ترقی ظاہر کی۔

درآمدی حوصلہ شکنی کے متعدد اقدامات، بشمول محصولات میں اضافے، استثنائی ہٹانے اور روپے کی قدر میں بار بار کمی نے مالی سال 2019ء کے درآمدی بل میں 7% کمی کی۔ تاہم ایک بڑی تعداد میں ترغیبی پیکیجز کے باوجود، برآمدات میں اضافے کا مسئلہ حل نہ ہو سکا کیونکہ یونٹ کی گرتی ہوئی قیمتوں سے برآمدات میں 2% کمی واقع ہوئی۔ چنانچہ مالی سال 2018ء کے مقابلے میں تجارتی توازن میں 11% کمی آئی۔ ترسیل کے مستحکم ترقی کے مدار (10% اوپر)، میں واپس داخلے سے مالی سال 2019ء کے لیے جاری کھاتوں کا خسارہ کم ہو کر 32% ہو گیا ہے جو مالی سال 2018ء کے 6.3% سے گھٹ کر مالی سال 2019ء کے لیے 4.8% (13.6 ارب امریکی ڈالر) رہ گیا ہے۔ محدود FDI کے بہاؤ، گزشتہ برس سے 50% کم اور بڑھتے ہوئے بیرونی قرضہ جات کی خدمات، نے FX کے ذخائر کو 25% نیچے 14.4 ارب امریکی ڈالر پر دھکیل دیا۔ گزشتہ 18 ماہ میں روپے نے اپنی 45% قدر کھودی جو مالی سال 2019ء میں 32% کمزوری کے بعد 160 روپے فی امریکی ڈالر ہو گئی۔

مالی سال 2019ء کے 9 ماہ کے دوران GDP کا مالی خسارہ بڑھ کر 5.0% پر چلا گیا جو گزشتہ برس اسی مدت کے لیے 4.3% تھا، مالی سال 2019ء کا خسارہ اپنے ہدف 5.1% کے مقابلے میں 7% تک پہنچنے کا امکان ہے، گوکہ ٹیکس ایمنسٹی اسکیم ٹیکس وصولی کے حوالے سے حوصلہ افزا رہی مگر محصولات کے ہدف میں کمی رہی، جس کا تخمینہ مالی سال کے تازہ وصولی کے ہدف 4.15 ٹریلین روپے سے خاطر خواہ کم رہا۔ عوامی شعبے میں خرچ میں سست روی کے باوجود، سیکورٹی کے اخراجات اور قرضہ جات کی خدمات کی مد میں اضافے سے مالی دباؤ میں اضافہ ہوا ہے۔

مالی سال 2018ء سے ایکویٹی مارکیٹ تنزلی کی جانب گامزن ہے جس میں پاکستان کو MSCI کی جانب سے EM اسٹیٹس بھی ملا۔ منفی اقتصادی خبریں، بڑھتی ہوئی شرح سود، اور IMF پروگرام کے حوالے سے تاخیری انکشاف نے سرمایہ کاروں کے جذبات کو سرد کیے رکھا جس سے مندی کا رجحان مستحکم ہوا۔ KSE 100 دسمبر 2018ء سے 9% نقصان میں رہا ہے اور مئی 2017ء میں اپنے عروج سے اب تک 36% زوال پذیر ہوا ہے۔ 2019ء میں مارکیٹ کا بیرونی بہاؤ زیادہ تر لوکل میچوئل فنڈز میں رہا کیونکہ غیر ملکی سرمایہ کار بدستور خالص / بنیادی گاہک رہے ہیں۔

پاکستان کے لیے IMF کی ایگزیکٹو بورڈ کی جانب سے 6 ارب امریکی ڈالر کی 39 ماہی توسیعی فنڈ فیسلٹی (EFF) کے ذریعے زیر التوا IMF پروگرام کو بھی بالآخر عملی جامہ پہنا دیا گیا۔ 1 ارب امریکی ڈالر کی پہلی قسط فراہم کر دی گئی۔ اس پروگرام میں مالی سال 2020ء کے لیے سہ ماہی جائزے تشکیل دیے جائیں گے جن کے باقی ماندہ مدت کے لیے بتدریج ششماہی بنیادوں پر جائزے لیے جائیں گے۔ اس ضمن میں درکار پیشگی اقدامات کیے جا چکے ہیں جس میں زیادہ مارکیٹ پر مبنی شرح مبادلہ، سخت زری اقدامات، مالی سال 2020ء کے بجٹ کی منظوری، جس میں مالی اقدامات کے ایک سلسلے کی شمولیت جمع محصولات میں بتدریج کمی اور توانائی کی قیمتوں کا استدلال شامل ہیں۔ کلیدی ساختی معیارات، اسٹیٹ اونڈینٹز پرائز (SOEs) کی منصوبہ بندی اور تنظیم کے لیے حسب توقع کام کر رہا ہے۔ جن میں گردش قرضہ جات / واجب الادا ادائیگیوں میں کمی بشمول خود کار توانائی کے محصولات میں اضافے اور AML/CFT فریم ورک کی مضبوطی اور اثر پذیری کے لیے وسیع البنیاد اقدامات شامل ہیں تاکہ پاکستان FATF کی گرے فہرست سے باہر آ سکے۔

SBP نے اپنی جولائی کی زری پالیسی اسٹیٹمنٹ میں پالیسی ریٹ 100bps کے تناسب سے بڑھا کر 13.25% کا اضافہ کر دیا جو جنوری 2018ء سے مجموعی شرح میں 750bps اضافے کا باعث بنا ہے۔ موجودہ افراط زر کی بڑھتی ہوئی سطح اور مستقبل قریب میں بجٹ کے اقدامات میں اضافے کے امکان سے شرح میں اضافے کا محرک ثابت ہوں گے۔ MPS اس بات کی جانب بھی اشارہ کتا ہے کہ سود اور شرح مبادلہ میں مطابقت کا موجودہ دور بھی اب اختتام پذیر ہونے والا ہے کیونکہ گزشتہ مجتمع عدم توازن پر کام کیا جا چکا ہے۔

اقتصادی بحران نے نجی قرضوں کی واپسی پر زور ڈالا جس سے ان میں مالی سال 2019ء کی پہلی ششماہی میں صرف 2% اضافہ ہوا جبکہ گزشتہ برس اسی ششماہی

کریڈٹ ریٹنگ

JCR-VIS کی جانب سے طویل المیعاد اور قلیل المیعاد بنیادوں پر بالترتیب بینک کی کریڈٹ ریٹنگ AAA/A-1+ تجدید کر دی گئی جس میں اس کے تحت ذیلی قرضہ جات کی ریٹنگ بھی AAA ہے۔ TFCs کی بطور Additional Tier 1 سرمائے کے اجراء کے منصوبے کو بھی AA+ ریٹنگ ملی۔ تمام ریٹنگز کا منظر نامہ پائیدار ہے۔ یہ درجہ بندی ملکی کاروبار، اثاثہ جات کے معیار میں بہتری، مضبوط سیالیت، اور پائیدار سرمایہ کاری میں HBL کی سبک رفتاری کے ساتھ اس کی انتظامی اہمیت کی عکاس ہے۔

مستقبل کی صورت حال

مالیاتی میزانیے کے اقدامات، یوٹیلیٹی کی قیمتوں میں اضافے، محصولات کی زیادتی اور کرنسی کی مطابقت قلیل عرصہ میں افراط زر میں مزید اضافے کا سبب بنیں گے۔ جس میں SBP نے مالیاتی سال 2020ء کے لیے عمومی افراط زر میں اوسطاً 12-11 تک اضافے کی پیشین گوئی کی ہے۔ میکرو اکنامک مطابقت بھی معاشی نمو کو زیر بار کرے گی جس میں IMF کی پیشین گوئی کے مطابق مالی سال 2020ء میں 2.4% کمی واقع ہوگی۔ مالیاتی میدان میں حکومت نے محصول کا ایک پُر عزم ہدف مقرر کیا ہے جو مالی سال 2020ء کے لیے 5.5 ٹریلین ہے۔ تاہم بڑھتا ہوا قرضہ جاتی خدمات کا تخمینہ اور بلند PSDP اس سے قبل کہ یہ پائیداری کی نئی سطح پر قدم جمائے، تفویض مالیاتی خسارے کو مالی سال 2020ء میں 7% سے زائد رکھیں گے۔

پاکستانی معیشت ایک نازک موڑ پر ہے جہاں اس کے پاس موقع ہے کہ جڑواں خسارے میں با معنی انداز اور مستقل بنیادوں پر کمی لائی جاسکے۔ اس کے لیے حکومت کو ایک قرارداد کے طور پر IMF کی شرائط پوری کرنا ہوں گی جس کے لیے دیرینہ سنجیدہ ساختی اصلاحات کرنی ہوں گی تاکہ SOEs، گردش قرضے / واجب الادا ادائیگیاں اور محصول کی اساس سے نمٹا جاسکے۔ IMF نے گو کہ گنجائش فراہم کی ہے مگر اگلی اقساط کا انحصار باہمی رضامندی کے اقدامات کے نفاذ پر ہوگا۔ برآمدات میں 10-8% اضافہ بسات سے باہر نظر آتا ہے۔ خاص طور پر حالیہ کارکردگی کے بعد، ٹیکس / GDP کی شرح میں 5% اضافہ بھی ایک چوٹی سر کرنے کے مصداق محسوس ہوتا ہے۔ یہ بھی ضروری ہے کہ CPEC پروگرام پر نظر ثانی کرتے ہوئے توجہ مرکوز کی جائے اور پہلے دور کی کامیابی، زیر منصوبہ خصوصی معاشی زون کی تشکیل میں تیزی کے ذریعے صنعتوں کو مقامی بنانے اور برآمدات میں اضافے کے ساتھ حاصل کی جائے۔

HBL کا قوزی / مرکزی کاروبار مسلسل مستحکم ہو رہا ہے اور 2019ء کے ابتدائی نصف کے نتائج پہلی سہ ماہی کے مدار میں ہیں۔ بینک کا ڈیجیٹل سفر جاری ہے، اور بینکاری لائسنس کے ساتھ ٹیکنالوجی کمپنی کی حیثیت سے HBL اپنے تمام کاروباری، مصنوعاتی اور صارفی شعبوں میں اپنی کوششیں تیز کرے گا تاکہ اس کے صارف کو ہموار اور نادر تجربات سے روشناس کروایا جاسکے۔ بینک کی مارکیٹ کی قائدانہ موبائل ایپ اور انٹرنیٹ بینکنگ پلیٹ فارم کے تقریباً 1 ملین استعمال کنندہ ہیں جو اس وقت مارکیٹ کی بلند ترین سطح ہے۔ HBL کا فنانشل انکلوژن کا کثیر الجہات عہد اپنی جگہ مصمم ہے، جو خواتین، نوجوانوں اور ملکی آبادی کے تاحال خارج شعبوں کے لیے ہے۔ اپنے تعارف / افتتاح سے اب تک HBL Kconnect کے 2.8 ملین اکاؤنٹ کھولے جا چکے ہیں جن کا 24% خواتین پر مشتمل ہے۔ جس سے لاکھوں افراد کو 100 ارب مالیت کی ترسیل اور منتقلی میں سہولت ملی ہے۔ HBL اپنی خدمات کی فراہمی کے معیار اور سطح میں اضافے کے لیے سرگرم عمل ہے جو اس بینک کی اہم امتیازی خصوصیت ہوگی۔ گو کہ وسطی مدت میں بھی صورتحال بدستور کشیدہ رہنے کا امکان ہے تاہم HBL اپنے صارفین کی معاونت کرے گا اور ملک اور معیشت کی ترقی اور فروغ میں قائدانہ کردار ادا کرے گا۔

اظہار تشکر

بورڈ اور انتظامیہ کی جانب سے، ہم اپنے ریگولیٹرز اور حکومت پاکستان، بالخصوص اسٹیٹ بینک آف پاکستان، وزارت مالیات اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی کاوشوں کا اعتراف کرتے ہیں جو انھوں 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، جو ہمارے وفادار مددگار ہیں اور جو اپنے کاروبار کے حوالے سے ہم پر یقین اور اعتماد رکھے ہوئے ہیں۔ ہمیں اپنے حصص یافتگان کا مستقل تعاون حاصل رہا ہے اور ہم اُن کے اور اپنے تمام اسٹیک ہولڈرز کے بے حد مشکور ہیں۔ بورڈ اور مینجمنٹ اعلیٰ ترین معیارات برقرار رکھنے کے لیے اپنے عزم پر قائم ہے اور ہم اپنے اسٹیک ہولڈرز کو یقین دلاتے ہیں کہ ہم اس شعبے میں انڈسٹری کے قائدین ہوں گے۔ ہم HBL کی ترقی میں اپنے ملازمین اور ان کے خاندانوں کی لگن اور انتھک کاوشوں کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ

معیز احمد جمال
ڈائریکٹر

محمد اورنگزیب
صدر اور چیف ایگزیکٹو آفیسر

24 جولائی، 2019ء

ذخائر میں اتار چڑھاؤ

ملین روپے
91,883
4,475
6,074
236
10,785
102,668

افتتاحی غیر تخصیص شدہ منافع

منافع بعد از محصول

عمومی ذخائر سے منتقل شدہ

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

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقوم

قانونی ذخائر میں منتقل شدہ

نقد منافع منقسمہ - حتمی 2018ء

نقد منافع منقسمہ - پہلا عبوری 2019ء

(447)
(1,834)
(1,834)
(4,115)

98,553

اختتامی غیر تخصیص شدہ منافع

3.05

فی حصص آمدنی (روپے)

سرمائے کا تناسب

SBP کی جانب سے HBL کو 2019ء کے لیے ملکی نظام کا اہم بینک (D-SIB) قرار دیا گیا ہے۔ HBL بدستور درجہ "C" میں ہے جو فی الحال زیر استعمال اعلیٰ ترین درجہ ہے۔ جو بینک سے تقاضہ کرتا ہے کہ 2% کا اضافی عمومی ایکویٹی Tier 1 (CET1) برقرار رکھے۔ اپنے Tier 1 کے سرمائے میں مزید استحکام کے لیے HBL نے 15 ارب روپے کے پریچونکل ٹرم فنانش سرٹیفکیٹس کے اجراء کا اعلان کیا ہے (بشمول 5 ارب روپے کے گرین شو آپشن) جو TFCs کے اجراء کے ساتھ Additional Tier 1 (AT1) کا اہل قرار پائے گا۔ سہ ماہی کے دوران بینک نے TFCs کے کھاتوں کی مد میں 8.4 ارب روپے وصول کیے جس کی SBP نے 30 جون 2019ء کو شرح کفایت سرمایہ (CAR) Capital Adequacy Ratio کے اعداد و شمار کی غرض سے بطور AT1 سرمایہ قبول کرنے کی اجازت دے دی۔

CET1 کی مجموعی شرح 30 جون 2019ء میں مارچ کی سطح سے کم ہو کر 12.38% ہو گئی ہے اور یہ 9.90% کی درکار سطح سے اطمینان بخش حد تک زیادہ ہے۔ یہ کمی کلی طور پر دوسری سہ ماہی میں روپے کی قدر میں تیزی سے گراؤ کی وجہ سے ہوئی جس نے نہ صرف منفعت بلکہ باضابطہ اہل CET1 کو بھی نقصان پہنچایا۔ AT1 کھاتوں کی معاونت سے CAR Tier 1 13.15% رہا جو مارچ 2019ء کی 12.70% سطح سے قدرے بلند ہے۔ چنانچہ غیر مجموعی CAR کم ہو کر 16.68% ہو گیا جو ہنوز درکار 13.90% سے کافی بلند ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 24 جولائی 2019ء کو منعقد ہونے والے اپنے اجلاس میں 30 جون 2019ء کو اختتام پذیر ہونے والی سہ ماہی کے لیے فی حصص 1.25 روپے (12.5%) کے عبوری نقد منافع منقسمہ کا اعلان کیا ہے۔

Independent Auditor's Review Report

To the members of Habib Bank Limited

Report on review of Condensed Interim Unconsolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Habib Bank Limited ("the Bank") as at June 30, 2019 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated cash flow statement, and notes to the condensed interim unconsolidated financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim unconsolidated financial statements"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures for the quarters ended June 30, 2019 and June 30, 2018 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Scope of Review

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

Conclusion

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

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

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Date: August 1, 2019

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2019

	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
ASSETS			
Cash and balances with treasury banks	5	357,681,529	266,610,256
Balances with other banks	6	27,685,153	26,095,330
Lendings to financial institutions	7	70,645,013	51,277,336
Investments	8	1,301,126,786	1,341,030,709
Advances	9	1,050,811,100	1,015,853,926
Fixed assets	10	71,528,541	62,517,154
Intangible assets	11	3,126,000	2,718,556
Deferred tax assets	12	7,099,828	7,083,718
Other assets	13	127,767,270	106,307,874
		3,017,471,220	2,879,494,859
LIABILITIES			
Bills payable	14	38,628,243	42,325,254
Borrowings	15	488,005,941	518,896,397
Deposits and other accounts	16	2,160,820,913	2,020,007,979
Liabilities against assets subject to finance lease		-	-
Subordinated debt	17	18,416,000	9,990,000
Deferred tax liabilities		-	-
Other liabilities	18	125,299,860	109,226,173
		2,831,170,957	2,700,445,803
NET ASSETS		186,300,263	179,049,056
REPRESENTED BY			
Shareholders' equity			
Share capital		14,668,525	14,668,525
Reserves		57,195,234	57,935,252
Surplus on revaluation of assets - net of tax	19	15,883,366	14,562,465
Unappropriated profit		98,553,138	91,882,814
		186,300,263	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

Dr. Najeer Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2019

	Note	January 01 to June 30, 2019	January 01 to June 30, 2018	April 01 to June 30, 2019	April 01 to June 30, 2018
		(Rupees in '000)			
		(Restated)		(Restated)	
Mark-up / return / profit / interest earned	22	105,621,955	71,916,611	56,698,880	36,639,171
Mark-up / return / profit / interest expensed	23	61,223,838	34,600,506	34,026,340	17,789,310
Net mark-up / return / profit / interest income		44,398,117	37,316,105	22,672,540	18,849,861
Non mark-up / interest income					
Fee and commission income	24	9,581,410	8,288,385	4,770,359	4,234,319
Dividend income		800,057	1,008,774	699,246	626,097
Foreign exchange loss		(2,073,295)	(998,412)	(2,390,441)	(430,611)
Loss from derivatives		(1,023,516)	(116,421)	(1,208,032)	(32,502)
(Loss) / gain on securities - net	25	(1,088,592)	498,159	(1,190,600)	480,283
Other income	26	408,509	218,037	332,335	122,736
Total non mark-up / interest income		6,604,573	8,898,522	1,012,867	5,000,322
Total income		51,002,690	46,214,627	23,685,407	23,850,183
Non mark-up / interest expenses					
Operating expenses	27	40,813,065	32,832,499	21,355,978	16,607,857
Workers' Welfare Fund		198,315	261,311	37,676	125,361
Other charges	28	81,279	309,220	30,627	303,116
Total non mark-up / interest expenses		41,092,659	33,403,030	21,424,281	17,036,334
Profit before provisions and taxation		9,910,031	12,811,597	2,261,126	6,813,849
Provisions and write offs - net	29	221,383	16,962	409,659	181,544
Profit before taxation		9,688,648	12,794,635	1,851,467	6,632,305
Taxation	30	5,213,717	5,224,582	218,166	3,020,280
Profit after taxation		4,474,931	7,570,053	1,633,301	3,612,025
		(Rupees)			
Basic and diluted earnings per share	31	3.05	5.16	1.11	2.46

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeer Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2019

	January 01 to June 30, 2019	January 01 to June 30, 2018	April 01 to June 30, 2019	April 01 to June 30, 2018
	(Rupees in '000)			
Profit after taxation for the period	4,474,931	7,570,053	1,633,301	3,612,025
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	4,985,772	2,859,402	4,308,613	1,008,321
Movement in surplus / deficit on revaluation of investments - net of tax	1,683,903	(2,673,458)	(273,522)	(1,699,519)
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Remeasurement gain on defined benefit obligations - net of tax	-	287,013	-	287,013
Movement in surplus / deficit on revaluation of fixed assets - net of tax	(126,798)	-	(126,798)	-
Transferred from surplus on revaluation of non-banking assets - net of tax	-	2,461	-	(107)
	(126,798)	2,461	(126,798)	(107)
Movement in surplus / deficit on revaluation of non-banking assets - net of tax	-	11,202	-	1,202
Transferred to surplus on revaluation of fixed assets - net of tax	-	(2,461)	-	107
	-	8,741	-	1,309
Total comprehensive income	11,017,808	8,054,212	5,541,594	3,209,042

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Statement of Changes In Equity (Unaudited)

For the six months ended June 30, 2019

	Share capital	Exchange translation reserve	Reserves				Surplus / (deficit) on revaluation of		Total
			Capital		Revenue		Investments	Fixed / Non-banking assets	
			Statutory reserve	Non - distributable capital reserve	General reserve	Unappropriated profit			
(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 six months ended June 30, 2018									
Profit after taxation for the six months ended June 30, 2018	-	-	-	-	-	7,570,053	-	-	7,570,053
Other comprehensive income / (loss)									
Effect of translation of net investment in foreign branches - net of tax	-	2,859,402	-	-	-	-	-	-	2,859,402
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	287,013	-	-	287,013
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	(2,673,458)	11,202	(2,662,256)
	-	2,859,402	-	-	-	7,857,066	(2,673,458)	11,202	8,054,212
Transferred to statutory reserve	-	-	757,005	-	-	(757,005)	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	26,601	-	(26,601)	-
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)
	-	-	-	-	-	(2,933,704)	-	-	(2,933,704)
Balance as at June 30, 2018	14,668,525	14,979,293	31,535,529	547,115	6,073,812	91,428,579	(3,113,145)	21,639,886	177,759,594
Comprehensive income for the six months ended December 31, 2018									
Profit after taxation for the six months ended December 31, 2018	-	-	-	-	-	4,219,104	-	-	4,219,104
Other comprehensive income / (loss)									
Effect of translation of net investment in foreign branches - net of tax	-	4,377,592	-	-	-	-	-	-	4,377,592
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	-	(440,351)	-	-	(440,351)
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	(4,062,398)	129,219	(3,933,179)
	-	4,377,592	-	-	-	3,778,753	(4,062,398)	129,219	4,223,166
Transferred to statutory reserve	-	-	421,911	-	-	(421,911)	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	31,097	-	(31,097)	-
Transactions with owners, recorded directly in equity									
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)
	-	-	-	-	-	(2,933,704)	-	-	(2,933,704)
Balance as at December 31, 2018	14,668,525	19,356,885	31,957,440	547,115	6,073,812	91,882,814	(7,175,543)	21,738,008	179,049,056
Comprehensive income for the six months ended June 30, 2019									
Profit after taxation for the six months ended June 30, 2019	-	-	-	-	-	4,474,931	-	-	4,474,931
Other comprehensive income									
Effect of translation of net investment in foreign branches - net of tax	-	4,985,772	-	-	-	-	-	-	4,985,772
Movement in surplus / deficit on revaluation of assets - net of tax	-	-	-	-	-	-	1,683,903	(126,798)	1,557,105
	-	4,985,772	-	-	-	4,474,931	1,683,903	(126,798)	11,017,808
Transferred to statutory reserve	-	-	447,493	-	-	(447,493)	-	-	-
Transferred to unappropriated profit	-	-	-	-	(6,073,812)	6,073,812	-	-	-
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	236,204	-	(236,204)	-
Transactions with owners, recorded directly in equity									
Final cash dividend - Rs 1.25 per share declared subsequent to the year ended December 31, 2018	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
1st interim cash dividend - Rs 1.25 per share	-	-	-	-	-	(1,833,565)	-	-	(1,833,565)
	-	-	-	-	-	(3,667,130)	-	-	(3,667,130)
Exchange gain realised on closure of bank branch - net of tax	-	(99,471)	-	-	-	-	-	-	(99,471)
Balance as at June 30, 2019	14,668,525	24,243,186	32,404,933	547,115	-	98,553,138	(5,491,640)	21,375,006	186,300,263

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2019

	June 30, 2019 (Rupees in '000)	June 30, 2018 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,688,648	12,794,635
Dividend income	(800,057)	(1,008,774)
	8,888,591	11,785,861
Adjustments:		
Depreciation	2,299,261	1,627,454
Depreciation on right-of-use assets	1,283,803	-
Amortisation	211,328	324,549
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	462,549	-
Provision for diminution in value of investments	232,825	261,808
Provision / (reversal) against loans and advances	271,731	(127,803)
Provision against other assets	42,338	107,823
(Reversal) / provision against off-balance sheet obligations	(98,032)	2,671
Unrealised loss / (gain) on held-for-trading securities	11,282	53,243
Exchange gain realised on closure of bank branch - net of tax	(99,471)	-
Gain on sale of fixed assets - net	(58,017)	(16,431)
Workers' Welfare Fund	198,315	261,311
	4,757,912	2,494,625
	13,646,503	14,280,486
Increase in operating assets		
Lendings to financial institutions	(19,367,677)	(17,896,669)
Held-for-trading securities	(138,606,855)	(127,627,547)
Advances	(35,228,905)	(85,530,130)
Other assets (excluding advance taxation)	(25,918,572)	(544,887)
	(219,122,009)	(231,599,233)
(Decrease) / increase in operating liabilities		
Bills payable	(3,697,011)	2,750,300
Borrowings from financial institutions	(30,890,456)	(63,749,889)
Deposits and other accounts	140,812,934	114,642,492
Other liabilities	7,475,539	21,211,272
	113,701,006	74,854,175
	(91,774,500)	(142,464,572)
	(1,131,912)	(11,463,323)
	(92,906,412)	(153,927,895)
Income tax paid		
Net cash flows used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	378,588,183	105,850,961
Net investment in held-to-maturity securities	(199,845,517)	45,562,337
Net investment in associates	1,560,612	(345,847)
Dividend received	639,478	857,866
Investments in fixed assets	(2,919,693)	(4,271,840)
Investments in intangible assets	(618,772)	(705,465)
Proceeds from sale of fixed assets	350,782	25,433
Effect of translation of net investment in foreign branches - net of tax	4,985,772	2,859,402
Net cash flows from investing activities	182,740,845	149,832,847
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from / (repayment of) subordinated debt	8,426,000	(2,000)
Payment of lease liability against right-of-use assets	(2,443,302)	-
Dividend paid	(3,156,035)	(2,223,122)
Net cash flows from / (used in) financing activities	2,826,663	(2,225,122)
	92,661,096	(6,320,170)
Increase / (decrease) in cash and cash equivalents during the period		
Cash and cash equivalents at the beginning of the period	280,150,230	251,508,365
Effect of exchange rate changes on cash and cash equivalents	12,555,356	7,525,692
	292,705,586	259,034,057
Cash and cash equivalents at the end of the period	385,366,682	252,713,887

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

Muhammad Aurangzeb
President and
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeef Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,694 (December 31, 2018: 1,697) branches inside Pakistan including 48 (December 31, 2018: 47) Islamic Banking Branches and 45 (December 31, 2018: 46) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 Habib Finance International Limited, a wholly owned subsidiary of the Bank, has filed for voluntary liquidation and is in the process of completing the required formalities in this regard.
- 1.2 During the period, the Bank has closed its branch in Seychelles.
- 1.3 The Bank had earlier commenced an orderly winding down of its operations in Afghanistan and banking operations have ceased as of June 10, 2019. The remaining formalities required for closure are now underway.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

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

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

IFRS 16, 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.

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

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

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

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

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

The Bank expects that adoption of the 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 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 six months ended June 30, 2019 amounting to Rs 1,273.229 million (June 30, 2018: Rs 379.978 million) which was previously shown as part of foreign exchange income / (loss) has now been shown as part of mark-up / return / profit / interest expensed in the unconsolidated profit and loss account.

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

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

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	June 30, 2019 (Rupees in '000)	January 1, 2019
Total lease liability recognised	<u>7,765,893</u>	<u>8,621,176</u>

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

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

	June 30, 2019 (Rupees in '000)	January 1, 2019
The recognised right-of-use assets relate to the following type of asset:		
Property	<u>8,683,720</u>	<u>9,462,510</u>

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

	June 30, 2019 (Rupees in '000)	January 1, 2019
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	8,683,720	9,462,510
Decrease in other assets - advances, deposits, advance rent and other prepayments	(841,334)	(841,334)
Increase in other assets - advance taxation	56,310	-
Increase in total assets	<u>7,898,696</u>	<u>8,621,176</u>
Increase in other liabilities - lease liability against right-of-use assets	(7,765,893)	(8,621,176)
Increase in exchange translation reserve	(220,877)	-
Decrease in net assets	<u>(88,074)</u>	<u>-</u>

Impact on Profit and Loss account

	For the six months ended June 30, 2019 (Rupees in '000)
Increase in mark-up expense - lease liability against right-of-use assets	(462,549)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(1,283,803)
- Rent expense	1,601,968
Decrease in profit before tax	<u>(144,384)</u>
Decrease in tax	56,310
Decrease in profit after tax	<u>(88,074)</u>

Earnings per share for the six months ended June 30, 2019 are Rs 0.06 per share lower as a result of the adoption of IFRS 16.

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

4 FINANCIAL RISK MANAGEMENT

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
5 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	33,888,355	30,940,150
Foreign currencies	<u>5,161,555</u>	<u>3,803,879</u>
	<u>39,049,910</u>	<u>34,744,029</u>
With State Bank of Pakistan in		
Local currency current accounts	<u>151,416,597</u>	<u>88,379,133</u>
Foreign currency current accounts	<u>6,583,743</u>	<u>6,660,233</u>
Foreign currency deposit accounts	<u>18,963,940</u>	<u>18,077,471</u>
	<u>176,964,280</u>	<u>113,116,837</u>
With other Central Banks in		
Foreign currency current accounts	<u>32,841,656</u>	<u>27,348,562</u>
Foreign currency deposit accounts	<u>6,392,918</u>	<u>5,424,122</u>
	<u>39,234,574</u>	<u>32,772,684</u>
With National Bank of Pakistan in local currency current accounts	<u>91,522,742</u>	<u>85,848,781</u>
National Prize Bonds	<u>10,910,023</u>	<u>127,925</u>
	<u>357,681,529</u>	<u>266,610,256</u>
	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	75,538	57,755
Outside Pakistan		
In current accounts	<u>12,564,259</u>	<u>9,408,507</u>
In deposit accounts	<u>15,045,356</u>	<u>16,629,068</u>
	<u>27,609,615</u>	<u>26,037,575</u>
	<u>27,685,153</u>	<u>26,095,330</u>
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	3,600,000	8,900,000
Repurchase agreement lendings (reverse repo)	46,555,829	38,045,810
Bai Muajjal receivables		
- with State Bank of Pakistan	<u>20,489,184</u>	<u>-</u>
- with other financial institutions	<u>-</u>	<u>4,331,526</u>
	<u>20,489,184</u>	<u>4,331,526</u>
	<u>70,645,013</u>	<u>51,277,336</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

8 INVESTMENTS

8.1 Investments by type

Held-for-trading (HFT) securities

Federal Government securities

- Market Treasury Bills
- Pakistan Investment Bonds

Shares

- Listed companies

Foreign securities

- Government debt securities

Available-for-sale (AFS) securities

Federal Government securities

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

Shares

- Listed companies
- Unlisted companies

Non-Government debt securities

- Unlisted

Foreign securities

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

National Investment Trust units

Real Estate Investment Trust units

Preference shares

Held-to-maturity (HTM) securities

Federal Government securities

- 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

Investment in associates and joint venture

Investment in subsidiary companies

Total Investments

Note

June 30, 2019 (Unaudited)

December 31, 2018 (Audited)

Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
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(Rupees in '000)

142,284,521	-	(53,159)	142,231,362	2,569,965	-	(1,499)	2,568,466
2,525,076	-	(198)	2,524,878	3,683,617	-	(12,287)	3,671,330
48,917	-	26,700	75,617	-	-	-	-
103,211	-	15,375	118,586	90,499	-	24,575	115,074
144,961,725	-	(11,282)	144,950,443	6,344,081	-	10,789	6,354,870

378,353,538	-	(216,940)	378,136,598	755,955,226	-	(275,224)	755,680,002
282,073,401	-	(9,285,048)	272,788,353	234,705,582	-	(10,063,132)	224,642,450
5,082,745	-	(198,483)	4,884,262	53,675,083	-	(170,821)	53,504,262
3,839,857	(119,615)	258,385	3,978,627	3,443,551	(33,047)	19,501	3,430,005
11,080,199	(4,111,178)	(36,207)	6,932,814	14,599,566	(4,043,987)	(385,376)	10,170,203
4,496,968	(82,274)	-	4,414,694	3,761,058	(82,274)	-	3,678,784
3,731,517	(270,877)	-	3,460,640	4,949,525	(274,630)	-	4,674,895
25,372,087	(151,766)	397,683	25,618,004	16,144,234	(45,262)	26,119	16,125,091
16,442,795	(11,804)	54,946	16,485,937	18,267,252	(6,040)	(227,707)	18,033,505
5,400,105	(2,659)	1,953	5,399,399	8,874,200	(2,724)	944	8,872,420
6,175	-	-	6,175	5,413	-	-	5,413
11,113	-	25,171	36,284	11,113	-	31,449	42,562
55,000	-	(4,150)	50,850	55,000	-	4,950	59,950
44,400	-	-	44,400	97,500	-	-	97,500
735,989,900	(4,750,173)	(9,002,690)	722,237,037	1,114,544,303	(4,487,964)	(11,039,297)	1,099,017,042

8.2

196,953,400	-	-	196,953,400	-	-	-	-
166,279,367	-	-	166,279,367	171,850,002	-	-	171,850,002
-	-	-	-	139,274	-	-	139,274
10,794,000	-	-	10,794,000	-	-	-	-
8,037,972	-	-	8,037,972	9,092,850	-	-	9,092,850
18,552,552	-	-	18,552,552	20,523,772	-	-	20,523,772
7,841,520	(3,417)	-	7,838,103	6,920,829	(609)	-	6,920,220
365,681	-	-	365,681	319,849	-	-	319,849
1,076,487	(1,698)	-	1,074,789	1,208,886	(110)	-	1,208,776
409,900,979	(5,115)	-	409,895,864	210,055,462	(719)	-	210,054,743

8.2

10,098,240	-	-	10,098,240	11,658,852	-	-	11,658,852
13,945,202	-	-	13,945,202	13,945,202	-	-	13,945,202

1,314,896,046	(4,755,288)	(9,013,972)	1,301,126,786	1,356,547,900	(4,488,683)	(11,028,508)	1,341,030,709
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(Unaudited)
June 30,
2019
(Rupees in '000)

(Audited)
December
31, 2018

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

249,677,243
49,737,754

333,213,434
29,329,018

-
299,414,997

11,711,384
374,253,836

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

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

	June 30, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Book value	Market value	Book value	Market value
	(Rupees in '000)			
- Investment classified as held-to-maturity	409,895,864	391,153,927	210,054,743	194,133,861
- Investment in listed associates and joint venture	9,808,868	30,481,667	11,222,621	34,970,741

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

	(Unaudited) June 30, 2019 (Rupees in '000)		(Audited) December 31, 2018 (Rupees in '000)	
Opening balance	4,488,683		1,503,051	
Exchange adjustment	33,780		10,647	
Charge / (reversal) for the period / year				
Charge	2,061,561		3,654,300	
Reversal	(33,799)		(28,757)	
Reversal on disposal	(1,794,937)		(650,558)	
Net charge	232,825		2,974,985	
Closing balance	4,755,288		4,488,683	

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

	June 30, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Non-Performing Investments	Provision	Non-Performing Investments	Provision
	(Rupees in '000)			
Category of classification				
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 290.958 million (December 31, 2018: Rs 87.792 million) in accordance with the requirements of IFRS 9.
- 8.4.2 Exposure amounting to Rs 3,035.640 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)
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	861,896,627	858,956,737	66,340,701	66,204,592	928,237,328	925,161,329
Islamic financing and related assets	135,290,162	103,488,928	255,100	111,174	135,545,262	103,600,102
Bills discounted and purchased	49,408,153	48,120,612	6,936,106	5,248,713	56,344,259	53,369,325
Advances - gross	1,046,594,942	1,010,566,277	73,531,907	71,564,479	1,120,126,849	1,082,130,756
Provision against advances						
- Specific	-	-	(66,049,296)	(63,193,300)	(66,049,296)	(63,193,300)
- General	(3,266,453)	(3,083,530)	-	-	(3,266,453)	(3,083,530)
	(3,266,453)	(3,083,530)	(66,049,296)	(63,193,300)	(69,315,749)	(66,276,830)
Advances - net of provision	1,043,328,489	1,007,482,747	7,482,611	8,371,179	1,050,811,100	1,015,853,926

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
9.1 Particulars of advances (Gross)		
In local currency	935,052,199	911,714,456
In foreign currencies	185,074,650	170,416,300
	1,120,126,849	1,082,130,756

9.2 Advances include Rs 73,531.907 million (December 31, 2018: Rs 71,564.479 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Unaudited) June 30, 2019		(Audited) December 31, 2018	
	Non - performing advances	Provision	Non - performing advances	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	1,048,359	-	801,712	-
Substandard	2,084,810	492,945	4,112,988	651,742
Doubtful	2,164,051	1,082,026	1,633,835	816,918
Loss	41,966,202	40,723,372	42,054,406	40,989,981
	47,263,422	42,298,343	48,602,941	42,458,641
Overseas				
Not past due but impaired	82,951	45,765	384,740	195,054
Overdue by:				
Upto 90 days	23,517	14,537	47,250	3,875
91 to 180 days	591,838	173,127	1,360,996	1,156,936
181 to 365 days	1,946,757	1,508,122	1,423,881	1,003,933
> 365 days	23,623,422	22,009,402	19,744,671	18,374,861
	26,268,485	23,750,953	22,961,538	20,734,659
Total	73,531,907	66,049,296	71,564,479	63,193,300

9.2.1 Exposure amounting to Rs 27,821.825 million (December 31, 2018: Rs Nil) relating to Power Holding (Private) Limited has not been classified as non-performing as the SBP has allowed a relaxation from Regulation-8 of the Prudential Regulations. The exposure is fully guaranteed by the GoP and does not require any provision.

9.3 Particulars of provision against advances

	Note	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		63,193,300	3,083,530	66,276,830	60,792,948	2,755,637	63,548,585
Exchange adjustment		3,178,731	199,797	3,378,528	4,218,059	287,727	4,505,786
Charge for the period / year		2,309,359	185,189	2,494,548	5,955,190	301,560	6,256,750
Reversal for the period / year		(2,020,754)	(202,063)	(2,222,817)	(3,981,916)	(356,438)	(4,338,354)
Net charge / (reversal) against advances		288,605	(16,874)	271,731	1,973,274	(54,878)	1,918,396
Charged off during the period / year- agriculture financing	9.5	(222,707)	-	(222,707)	(477,679)	-	(477,679)
Written off during the period / year		(388,633)	-	(388,633)	(3,313,302)	-	(3,313,302)
Impact of adoption of IFRS 9		-	-	-	-	95,044	95,044
Closing balance		66,049,296	3,266,453	69,315,749	63,193,300	3,083,530	66,276,830

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

- 9.4 General provision includes provision amounting to Rs 1,780.654 million (December 31, 2018: Rs 1,652.318 million) against the consumer finance portfolio. General provision also includes Rs 1,485.799 million (December 31, 2018: Rs 1,431.212 million) pertaining to overseas branches to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.
- 9.5 These represent non-performing advances for agriculture financing which have been classified as loss, are fully provided and are in default for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held, in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
10	FIXED ASSETS		
Capital work-in-progress	10.1	2,148,619	2,264,230
Property and equipment	10.2	69,379,922	60,252,924
		<u>71,528,541</u>	<u>62,517,154</u>
10.1	Capital work-in-progress		
Civil works		872,838	856,424
Equipment		20,465	20,465
Advances to suppliers and contractors		1,255,316	1,387,341
		<u>2,148,619</u>	<u>2,264,230</u>
10.2	This includes right-of-use assets amounting to Rs 8,683.720 million (2018: NIL) due to adoption of IFRS 16 as detailed in note 3.1.2.		
10.3	Additions to fixed assets		
		(Unaudited) For the six months ended June 30, 2019	June 30, 2018 (Rupees in '000)
The following additions have been made to fixed assets during the period:			
Capital work-in-progress - net		(115,611)	2,067,118
Property and equipment			
Leasehold land		-	63,799
Building on leasehold land		46,680	140,014
Machinery		27,709	4,782
Leasehold improvements		567,778	344,108
Furniture and fixtures		254,196	501,325
Electrical, office and computer equipment		1,848,481	1,041,060
Vehicles		20,429	114,418
		<u>2,765,273</u>	<u>2,209,506</u>
Right-of-use assets		181,161	-
		<u>2,830,823</u>	<u>4,276,624</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

		For the six months ended	
		June 30, 2019	June 30, 2018
		(Rupees in '000)	
10.4	Disposals of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:			
Property and equipment			
	Building on leasehold land	285,114	-
	Leasehold improvements	1,612	1,516
	Furniture and fixtures	2,326	4,625
	Electrical, office and computer equipment	3,239	2,679
	Vehicles	474	182
		292,765	9,002
11	INTANGIBLE ASSETS	(Unaudited) June 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	
	Capital work-in-progress	1,068,779	831,891
	Computer software	2,057,221	1,886,665
		3,126,000	2,718,556
11.1	Additions to intangibles assets	(Unaudited) For the six months ended June 30, 2019	June 30, 2018
		(Rupees in '000)	
The following additions have been made to intangible assets during the period:			
	Capital work-in-progress	236,888	114,953
	Computer software	377,819	587,299
		614,707	702,252
12	DEFERRED TAX ASSETS	Note	(Unaudited) June 30, 2019
			(Audited) December 31, 2018
		(Rupees in '000)	
Deductible temporary differences on			
	- Tax losses of overseas branches	278,561	249,991
	- Provision against investments	1,582,979	1,397,101
	- Provision against doubtful debts and off-balance sheet obligations	4,020,045	3,210,350
	- Liabilities written back under section 34(5) of the Income Tax Ordinance (ITO) 2001	1,603,312	1,382,428
	- Provision against other assets	50,989	45,760
	- Deficit on revaluation of investments	3,511,050	3,863,754
	- Deficit on revaluation of fixed assets	163,960	147,144
	- Islamic financing Ijarah	132,104	101,123
		11,343,000	10,397,651
Taxable temporary differences on			
	- Accelerated tax depreciation	(2,151,297)	(1,857,153)
	- Surplus on revaluation of fixed assets	(1,175,821)	(1,109,480)
	- Exchange translation reserve	(916,054)	(347,300)
		(4,243,172)	(3,313,933)
Net deferred tax assets		7,099,828	7,083,718

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
13 OTHER ASSETS			
Mark-up / return / profit / interest accrued in local currency		37,802,280	27,936,523
Mark-up / return / profit / interest accrued in foreign currency		2,705,581	1,912,478
Advances, deposits, advance rent and other prepayments		2,200,913	2,514,308
Advance taxation		39,447,717	44,593,889
Advance for subscription of shares		50,000	50,000
Stationery and stamps on hand		90,819	84,346
Accrued fees and commissions		1,085,201	1,028,721
Due from Government of Pakistan / SBP		1,015,610	989,672
Mark to market gain on forward foreign exchange contracts		23,947,831	9,186,058
Mark to market gain on derivative instruments		221,423	53,987
Non-banking assets acquired in satisfaction of claims		1,418,201	1,596,579
Receivable from defined benefit plan		37,315	35,293
Branch adjustment account		1,284,172	2,033,922
Acceptances		15,162,433	11,278,036
Clearing and settlement accounts		813,882	1,894,880
Dividend receivable		165,022	4,443
Claims against fraud and forgeries		457,205	545,909
Others		462,898	1,070,289
		<u>128,368,503</u>	<u>106,809,333</u>
Provision held against other assets	13.1	(881,332)	(923,201)
Other assets- net of provision		<u>127,487,171</u>	<u>105,886,132</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	280,099	421,742
Other assets - total		<u>127,767,270</u>	<u>106,307,874</u>
13.1 Provision held against other assets			
Advances, deposits, advance rent and other prepayments		6,159	5,819
Non-banking assets acquired in satisfaction of claims		23,131	23,152
Claims against fraud and forgeries		457,205	545,909
Suit filed cases		333,920	294,272
Others		60,917	54,049
		<u>881,332</u>	<u>923,201</u>
13.1.1 Movement in provision against other assets			
Opening balance		923,201	825,520
Exchange adjustment		50,528	62,052
Charge for the period / year		67,741	220,974
Reversal for the period / year		(25,403)	(13,831)
Net charge		42,338	207,143
Written off during the period / year		(134,735)	(164,427)
Other movement		-	(7,087)
Closing balance		<u>881,332</u>	<u>923,201</u>
14 BILLS PAYABLE			
In Pakistan		37,423,816	41,317,093
Outside Pakistan		1,204,427	1,008,161
		<u>38,628,243</u>	<u>42,325,254</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
15	BORROWINGS		
	Secured		
	Borrowings from the SBP under		
	- Export refinance scheme	37,611,132	33,533,707
	- Long term financing facility	14,264,721	10,453,762
	- Financing facility for renewable energy power plants	449,634	104,853
	- Refinance facility for modernization of SMEs	11,600	14,300
	- Financing facility for storage of agricultural produce	27,164	7,500
		52,364,251	44,114,122
	Repurchase agreement borrowings	299,208,197	373,810,983
		351,572,448	417,925,105
	Unsecured		
	- Call money borrowings	4,925,000	5,700,000
	- Overdrawn nostro accounts	448,421	6,021,355
	- Borrowings of overseas branches	77,602,671	42,314,615
	- Other long-term borrowings	53,457,401	46,935,322
	15.1	136,433,493	100,971,292
		488,005,941	518,896,397

15.1 This includes the following:

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

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

16 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	718,507,670	96,142,378	814,650,048	662,361,570	93,051,632	755,413,202
Savings deposits	806,630,517	92,479,631	899,110,148	803,369,210	87,015,734	890,384,944
Term deposits	268,077,668	95,004,038	363,081,706	239,511,992	85,981,264	325,493,256
	1,793,215,855	283,626,047	2,076,841,902	1,705,242,772	266,048,630	1,971,291,402
Financial institutions						
Current deposits	5,095,865	769,029	5,864,894	5,691,146	893,376	6,584,522
Savings deposits	73,244,096	332,825	73,576,921	36,795,320	181,029	36,976,349
Term deposits	4,346,304	190,892	4,537,196	3,156,566	1,999,140	5,155,706
	82,686,265	1,292,746	83,979,011	45,643,032	3,073,545	48,716,577
	1,875,902,120	284,918,793	2,160,820,913	1,750,885,804	269,122,175	2,020,007,979

	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
17	SUBORDINATED DEBT		
	Tier II Term Finance Certificates (TFCs)	17.1	9,988,000
	Additional Tier I Term Finance Certificates (TFCs)	17.2	-
		18,416,000	9,990,000

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

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

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

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

During the half year ended June 30, 2019, the Bank completed the first Tranche of the AT 1 TFCs with subscription amounting to Rs 8,428 million. The Bank shall proceed with the subsequent listing of the TFCs upon receipt of the approvals from the Securities and Exchange Commission of Pakistan (SECP), the Pakistan Stock Exchange Limited (PSX) and the Central Depository Company of Pakistan Limited (CDC). The key features of the issue are as follows:

Issue amount	Up to Rs 15 Billion (inclusive of a green-shoe option of Rs 5 Billion).
Rating	AA+ (Double A plus)
Tenor	Perpetual (i.e. no fixed or final redemption date).
Security	Unsecured and subordinated to all other indebtedness of the Bank including depositors, general creditors and holders of the Tier 2 Instrument. However, they shall rank superior to the claims of ordinary shareholders.
Profit payment frequency	Quarterly in arrears
Redemption	Perpetual, hence not applicable.
Mark-up	Floating rate of return at Base Rate + 1.60% [The Base Rate is defined as the average "Ask Side" rate of the three months Karachi Interbank Offered Rate (KIBOR) prevailing on the base rate setting date]
Call option	The Bank may, at its sole discretion, call the TFCs any time after five years from the Issue Date and subject to the following: (a) Prior approval of the SBP has been obtained; and (b) The Bank replaces the TFCs with capital of same or better quality and capital position of the Bank is well above the minimum capital requirement after the Call Option is exercised.
Lock-in clause	Mark-up will only be paid from the current year's earnings and only if the Bank is in compliance with regulatory capital and liquidity requirements.
Loss absorbency clause	The TFCs will be subject to a loss absorbency clause as stipulated under the SBP's "Instructions for Basel III Implementation in Pakistan".

Currently, markup is accrued for the broken period from the date of receipt of the funds till the date of issuance of the TFCs i.e. the date when the TFCs will be registered in the Central Depository Company.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

18	OTHER LIABILITIES	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
	Mark-up / return / profit / interest payable in local currency		10,406,631	9,246,147
	Mark-up / return / profit / interest payable in foreign currency		2,457,662	1,619,595
	Security deposits		1,258,500	1,529,172
	Accrued expenses		15,007,798	13,660,072
	Mark to market loss on forward foreign exchange contracts		11,346,932	6,409,009
	Mark to market loss on derivative instruments		2,563,172	1,248,504
	Unclaimed dividends		700,663	685,622
	Dividends payable		864,568	368,514
	Provision for post retirement medical benefits		4,114,583	3,945,133
	Provision for employees' compensated absences		3,031,420	3,080,403
	Provision against off-balance sheet obligations	18.1	392,017	479,510
	Provision for staff retirement benefits		1,180,530	1,063,612
	Payable to defined benefit plans		896,836	970,439
	Provision for Workers' Welfare Fund		4,851,443	4,653,128
	Acceptances		15,162,433	11,278,036
	Unearned income		4,836,234	998,598
	Qarza-e-Hasna Fund		339,080	339,107
	Levies and taxes payable		4,533,646	3,767,571
	Insurance payable		642,345	658,641
	Provision for rewards program expenses		1,258,074	1,087,209
	Liability against trading of securities		24,861,072	34,755,041
	Clearing and settlement accounts		3,431,214	3,930,956
	Payable to HBL Foundation		39,798	125,812
	Contingent consideration payable		500,000	500,000
	Charity fund		4,819	4,765
	Lease liability against right-of-use assets	3.1.2	7,765,895	-
	Unclaimed deposits		788,080	30,831
	Others		2,064,415	2,790,746
			125,299,860	109,226,173
18.1	Provision against off-balance sheet obligations			
	Opening balance		479,510	385,361
	Exchange adjustment		10,539	11,688
	Charge for the period / year		19,188	121,962
	Reversal for the period / year		(117,220)	(50,806)
	Net (reversal) / charge		(98,032)	71,156
	Impact of adoption of IFRS 9		-	11,305
	Closing balance		392,017	479,510
19	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
	Surplus / (deficit) arising on revaluation of assets, on:			
	- Fixed assets		22,270,728	22,425,746
	- Available-for-sale securities	8.1	(9,002,690)	(11,039,297)
	- Non-banking assets acquired in satisfaction of claims		280,099	421,742
			13,548,137	11,808,191
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Fixed assets		1,175,821	1,109,480
	- Available-for-sale securities		(3,511,050)	(3,863,754)
			(2,335,229)	(2,754,274)
	Surplus on revaluation of assets - net of tax		15,883,366	14,562,465

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

20	CONTINGENCIES AND COMMITMENTS	Note	(Unaudited) June 30, 2019	(Audited) December 31, 2018
			(Rupees in '000)	
	- Guarantees	20.1	163,208,758	158,773,047
	- Commitments	20.2	684,509,314	527,363,224
	- Other contingent liabilities	20.3	23,874,181	26,250,052
			<u>871,592,253</u>	<u>712,386,323</u>
20.1	Guarantees:			
	Financial guarantees		29,734,578	41,302,390
	Performance guarantees		126,083,530	109,947,697
	Other guarantees		7,390,650	7,522,960
			<u>163,208,758</u>	<u>158,773,047</u>
20.2	Commitments:			
	Trade-related contingent liabilities		111,157,810	98,659,632
	Commitments in respect of:			
	- forward foreign exchange contracts	20.2.1	524,061,019	366,804,753
	- forward Government securities transactions	20.2.2	16,409,204	39,177,791
	- derivatives	20.2.3	31,286,005	18,896,504
	- forward lending	20.2.4	771,007	2,137,726
	- operating lease	20.2.5	-	384,280
			<u>572,527,235</u>	<u>427,401,054</u>
	Commitments for acquisition of:			
	- fixed assets		503,687	680,462
	- intangible assets		320,582	622,076
			<u>684,509,314</u>	<u>527,363,224</u>
20.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		316,615,174	228,767,357
	Sale		207,445,845	138,037,396
			<u>524,061,019</u>	<u>366,804,753</u>
20.2.2	Commitments in respect of forward Government securities transactions			
	Purchase		11,484,714	33,489,184
	Sale		4,924,490	5,688,607
			<u>16,409,204</u>	<u>39,177,791</u>
20.2.3	Commitments in respect of derivatives			
	Foreign currency options			
	Purchase		-	532,918
	Sale		-	532,918
			<u>-</u>	<u>1,065,836</u>
	Cross Currency swaps			
	Purchase		9,785,446	2,874,784
	Sale		11,699,044	3,490,361
			<u>21,484,490</u>	<u>6,365,145</u>
	Interest rate swaps			
	Purchase		-	-
	Sale		9,801,515	11,465,523
			<u>9,801,515</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>771,007</u>	<u>2,137,726</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.			

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	(Unaudited) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
20.2.5 Commitments in respect of operating leases		
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>23,874,181</u>	<u>26,250,052</u>
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These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Bank and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these condensed interim unconsolidated financial statements.

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

21 DERIVATIVE INSTRUMENTS

Product Analysis

	June 30, 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	-	-	21,484,490	(1,704,814)	9,801,515	(636,935)
	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 six months ended	
	June 30, 2019	June 30, 2018
	(Rupees in '000)	
22 MARK-UP / RETURN / PROFIT / INTEREST EARNED		
On:		
Loans and advances	53,834,917	30,860,788
Investments	41,087,041	39,463,366
Lendings to financial institutions	10,268,104	1,256,379
Balances with banks	431,893	336,078
	<u>105,621,955</u>	<u>71,916,611</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

		(Unaudited) For the six months ended	
		June 30, 2019	June 30, 2018
		(Rupees in '000)	
		(Restated)	
23	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On:		
	Deposits	46,932,916	24,524,188
	Securities sold under repurchase agreement borrowings	7,751,584	6,610,182
	Borrowings	4,259,491	2,746,880
	Subordinated debt	544,069	339,278
	Cost of foreign currency swaps against foreign currency deposits / borrowings	1,273,229	379,978
	Lease liability against right-of-use assets	462,549	-
		<u>61,223,838</u>	<u>34,600,506</u>
		(Unaudited) For the six months ended	
		June 30, 2019	June 30, 2018
		(Rupees in '000)	
24	FEE AND COMMISSION INCOME		
	General banking customer fees	2,061,219	1,992,442
	Consumer finance related fees	519,191	522,876
	Card related fees (debit and credit cards)	2,576,750	2,323,387
	Credit related fees	332,279	204,657
	Investment banking fees	1,004,537	447,966
	Commission on trade related products and guarantees	1,266,392	1,124,964
	Commission on cash management	348,610	326,210
	Commission on remittances (including home remittances)	192,035	236,209
	Commission on bancassurance	1,369,988	1,305,075
	Commission on Benazir Income Support Programme (BISP)	258,059	127,649
	Merchant discount and interchange fees	907,258	846,900
	Others	48,085	4,668
		<u>10,884,403</u>	<u>9,463,003</u>
	Less: Sales tax / Federal Excise Duty on fee and commission income	<u>(1,302,993)</u>	<u>(1,174,618)</u>
		<u>9,581,410</u>	<u>8,288,385</u>
25	(LOSS) / GAIN ON SECURITIES - NET		
	Realised	25.1 (1,077,310)	551,402
	Unrealised - held-for-trading	8.1 (11,282)	(53,243)
		<u>(1,088,592)</u>	<u>498,159</u>
25.1	(Loss) / gain on securities - realised		
	On:		
	Federal Government securities		
	- Market Treasury Bills	151,861	39,930
	- Pakistan Investment Bonds	(16,405)	199,921
	- Ijarah Sukuks	(8,855)	(55,268)
	Shares	(2,204,149)	87,154
	Non-Government debt securities	(63,808)	291
	Foreign securities	29,390	23,587
	Associates	1,034,656	255,787
		<u>(1,077,310)</u>	<u>551,402</u>
26	OTHER INCOME		
	Incidental charges	80,510	146,199
	Liabilities no longer required written back	50,348	-
	Exchange gain realised on closure of bank branch	165,156	-
	Gain on sale of fixed assets - net	58,017	16,434
	Rent on properties	54,478	55,404
		<u>408,509</u>	<u>218,037</u>

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

27 OPERATING EXPENSES

	(Unaudited) For the six months ended	
	June 30, 2019	June 30, 2018
	(Rupees in '000)	
Salaries, allowances, etc.	12,756,602	10,752,434
Charge for defined benefit / contribution plan and other benefits	1,263,477	2,819,225
Property expenses		
Rent and taxes	382,529	1,782,682
Insurance	35,798	32,846
Utilities cost	863,219	702,410
Security (including guards)	794,521	757,388
Repair and maintenance (including janitorial charges)	999,470	907,741
Depreciation on right-of-use assets	1,283,803	-
Depreciation on owned fixed assets	1,343,450	860,838
	5,702,790	5,043,905
Information technology expenses		
Software maintenance	1,201,477	918,863
Hardware maintenance	273,528	213,587
Depreciation	641,347	490,852
Amortisation	211,328	324,549
Network charges	654,492	515,072
Consultancy charges	251,976	221,682
	3,234,148	2,684,605
Other operating expenses		
Non-Executive Directors' fees	25,200	28,800
Shariah Board's fees and allowances	9,902	3,960
Legal and professional charges	3,008,394	1,460,256
Outsourced services costs	742,411	682,796
Travelling and conveyance	352,562	326,135
Insurance	260,753	220,392
Remittance charges	252,729	330,970
Security charges	636,290	573,850
Repairs and maintenance	325,134	218,439
Depreciation	314,464	275,450
Training and development	157,009	131,130
Postage and courier charges	338,590	267,482
Communication	319,421	328,361
Stationery and printing	746,775	587,435
Marketing, advertisement and publicity	1,859,108	1,398,637
Donations	39,998	84,586
Auditors' remuneration	77,315	75,474
Brokerage and commission	291,449	102,178
Subscription	61,046	43,749
Documentation and processing charges	1,048,250	606,619
Entertainment	135,526	102,962
Consultancy charges	5,596,726	3,298,208
Deposits insurance premium expense	1,045,216	-
Others	211,780	384,461
	17,856,048	11,532,330
	40,813,065	32,832,499

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

		(Unaudited)	
		For the six months ended	
	Note	June 30, 2019	June 30, 2018
(Rupees in '000)			
28	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	80,581	299,945
	Penalties imposed by other regulatory bodies	698	9,275
		<u>81,279</u>	<u>309,220</u>
29	PROVISIONS AND WRITE OFFS - NET		
	Provision for diminution in value of investments	8.3 232,825	261,808
	Provision / (reversal) against loans and advances	9.3 271,731	(127,803)
	Provision against other assets	13.1.1 42,338	107,823
	(Reversal) / provision against off-balance sheet obligations	18.1 (98,032)	2,671
	Recoveries against written off / charged off bad debts	(190,757)	(221,103)
	Recoveries against other assets written off	(36,722)	(6,434)
		<u>221,383</u>	<u>16,962</u>
30	TAXATION		
	- Current	4,345,055	5,612,511
	- Prior years	1,933,029	-
	- Deferred	(1,064,367)	(387,929)
		<u>5,213,717</u>	<u>5,224,582</u>
31	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	<u>4,474,931</u>	<u>7,570,053</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>3.05</u>	<u>5.16</u>
31.1	Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.		
32	FAIR VALUE OF FINANCIAL INSTRUMENTS		
	The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, other than investments in subsidiaries, associates and joint ventures, are estimated using the break-up value of the investee company.		
	The fair value of unquoted debt securities, fixed term advances, other assets and other liabilities can not be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.		
	In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances, deposits, certain long term borrowings and subordinated debts are frequently repriced.		
	All assets and liabilities for which fair value is measured or disclosed in these condensed interim unconsolidated financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.		
	Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.		
	Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
	Level 3 - Fair value measurements using inputs that are not based on observable market data (i.e. unobservable inputs).		

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

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

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

32.1

Fair value of financial assets

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

	As at June 30, 2019 (Unaudited)				
	Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
- Federal Government securities	804,544,080	-	804,544,080	-	804,544,080
- Shares	7,008,431	7,008,431	-	-	7,008,431
- Foreign securities					
Government debt securities	25,736,590	-	25,736,590	-	25,736,590
Non-Government debt securities					
- Listed	16,485,937	-	16,485,937	-	16,485,937
- Unlisted	597,837	-	597,837	-	597,837
- National Investment Trust units	36,284	-	36,284	-	36,284
- Real Estate Investment Trust units	50,850	50,850	-	-	50,850
	854,460,009	7,059,281	847,400,728	-	854,460,009
Financial assets - disclosed but not measured at fair value					
Investments					
- Federal Government securities	374,026,767	-	355,885,633	-	355,885,633
- Non-Government debt securities					
- Listed	8,037,972	-	7,454,975	-	7,454,975
- Unlisted	18,552,552	-	18,548,239	-	18,548,239
- Foreign securities					
Government debt securities	7,838,103	-	7,817,784	-	7,817,784
Non-Government debt securities					
- Listed	365,681	-	370,809	-	370,809
- Unlisted	1,074,789	-	1,076,487	-	1,076,487
- Associates and Joint venture - Listed	9,808,868	26,982,522	3,499,145	-	30,481,667
	419,704,732	26,982,522	394,653,072	-	421,635,594
	1,274,164,741	34,041,803	1,242,053,800	-	1,276,095,603
Off-balance sheet financial instruments - measured at fair value					
Commitments					
- Forward foreign exchange contracts	524,061,019	-	12,600,899	-	12,600,899
- Forward Government securities transactions	16,409,204	-	(55,325)	-	(55,325)
- Derivative instruments	31,286,005	-	(2,341,749)	-	(2,341,749)

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

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

32.2 Fair value of non-financial assets

Fair value of non-financial assets	As at June 30, 2019 (Unaudited)				
	Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Fixed assets	45,016,262	-	-	45,016,262	45,016,262
Non-banking assets acquired in satisfaction of claims	1,675,169	-	-	1,675,169	1,675,169
	46,691,431	-	-	46,691,431	46,691,431
	As at December 31, 2018 (Audited)				
	Carrying value / Notional Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Fixed assets	45,297,376	-	-	45,297,376	45,297,376
Non-banking assets acquired in satisfaction of claims	1,995,169	-	-	1,995,169	1,995,169
	47,292,545	-	-	47,292,545	47,292,545

33 SEGMENT INFORMATION

33.1 Segment Details with respect to business activities

For the six months ended June 30, 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	(23,261)	5,987	23,286	37,376	3,064	(2,054)	44,398
Inter segment revenue / (expense) - net	57,963	(2,080)	(19,247)	(40,079)	618	2,825	-
Non mark-up / return / interest income	3,754	3,194	1,976	165	1,586	(4,070)	6,605
Total income	38,456	7,101	6,015	(2,538)	5,268	(3,299)	51,003
Segment direct expenses	13,529	2,437	1,043	319	11,593	12,172	41,093
Inter segment expense allocation	6,716	568	517	131	2,541	(10,473)	-
Total expenses	20,245	3,005	1,560	450	14,134	1,699	41,093
Provisions	843	96	(983)	33	140	92	221
Profit / (loss) before tax	17,368	4,000	5,438	(3,021)	(9,006)	(5,090)	9,689

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

As at June 30, 2019 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Statement of financial position							
Cash and bank balances	171,988	-	746	144,888	67,745	-	385,367
Lendings to financial institutions	24,089	-	-	46,556	-	-	70,645
Net inter segment lending	1,257,823	-	-	-	105,208	73,862	1,436,893
Investments	34,647	-	17,415	1,175,883	53,320	19,862	1,301,127
Advances - performing	291,509	54,975	553,654	-	131,725	11,465	1,043,328
Advances - non-performing	2,287	145	2,530	-	2,521	-	7,483
Others	17,597	747	24,914	38,924	11,063	116,276	209,521
Total assets	1,799,940	55,867	599,259	1,406,251	371,582	221,465	4,454,364
Borrowings	17,906	-	66,908	301,556	101,636	-	488,006
Subordinated debt	-	-	-	-	-	18,416	18,416
Deposits and other accounts	1,744,038	2,313	201,553	12	210,318	2,587	2,160,821
Net inter segment borrowing	-	49,996	316,032	1,070,865	-	-	1,436,893
Others	24,640	3,558	14,766	39,978	14,266	66,720	163,928
Total liabilities	1,786,584	55,867	599,259	1,412,411	326,220	87,723	4,268,064
Equity	13,356	-	-	(6,160)	45,362	133,742	186,300
Total equity and liabilities	1,799,940	55,867	599,259	1,406,251	371,582	221,465	4,454,364
Contingencies and commitments	28,624	-	226,137	466,146	126,291	24,394	871,592

For the six months ended June 30, 2018 (Unaudited)

	Branch banking	Consumer banking	Corporate banking	Treasury	International and correspon- dent banking	Head Office / Others	Total
(Rupees in million)							
Profit and loss account							
Net mark-up / return / profit - external	(9,643)	5,035	11,433	30,236	1,537	(1,282)	37,316
Inter segment revenue / (expense) - net	32,226	(1,508)	(8,293)	(25,565)	1,014	2,126	-
Non mark-up / return / interest income	3,530	2,899	1,570	1,188	1,051	(1,339)	8,899
Total income	26,113	6,426	4,710	5,859	3,602	(495)	46,215
Segment direct expenses	11,245	1,900	699	283	7,464	11,812	33,403
Inter segment expense allocation	8,264	229	1,234	239	894	(10,860)	-
Total expenses	19,509	2,129	1,933	522	8,358	952	33,403
Provisions	284	57	(990)	266	226	174	17
Profit / (loss) before tax	6,320	4,240	3,767	5,071	(4,982)	(1,621)	12,795

As at December 31, 2018 (Audited)

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

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

34 RELATED PARTY TRANSACTIONS

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

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

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

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

	As at June 30, 2019 (Unaudited)						
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Statement of financial position	(Rupees in '000)						
Balances with other banks							
In current accounts	-	-	291,052	386,437	-	74	-
Investments							
Opening balance	-	-	-	18,111,059	11,523,187	135,665	4,004,502
Investment made during the period	-	-	-	-	-	-	644,118
Investment redeemed / disposed off during the period	-	-	-	-	(1,560,612)	-	(77,106)
Exchange translation impact	-	-	-	635,706	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	790,351
Closing balance	-	-	-	18,746,765	9,962,575	135,665	5,361,865
Provision for diminution in value of investments	-	-	-	-	-	-	(60,611)
Advances							
Opening balance	-	234,012	3,536,393	40,806	1,500,000	-	13,376,499
Addition during the period	-	40,940	7,452,002	144,375	-	-	60,396,755
Repaid during the period	-	(28,415)	(7,469,682)	(118,734)	-	-	(59,139,104)
Closing balance	-	246,537	3,518,713	66,447	1,500,000	-	14,634,150
Provision held against advances	-	-	-	-	-	-	(1,726,437)
Other Assets							
Interest / mark-up accrued	-	510	30,190	35,391	48,338	-	344,597
Receivable from staff retirement fund	-	-	-	-	-	-	37,315
Other receivable	-	-	-	60,989	303,656	-	11,298
	-	510	30,190	96,380	351,994	-	393,210
Borrowings							
Opening balance	-	-	2,290,315	-	2,499,514	1,388,619	-
Borrowings during the period	-	-	3,860,210	2,629,363	960,313	3,220,229	-
Settled during the period	-	-	(3,008,328)	(1,103,478)	(2,499,514)	(3,008,327)	-
Closing balance	-	-	3,142,197	1,525,885	960,313	1,600,521	-
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	310,566	805,661	143,169,973	102,713,830	150,760,167	-	68,155,477
Withdrawn during the period	(298,382)	(682,649)	(143,106,311)	(102,865,162)	(150,404,933)	-	(68,456,329)
Closing balance	84,635	137,200	7,245,616	1,215,480	4,854,793	-	478,067
Other liabilities							
Interest / mark-up payable	4	1,570	64,754	5,339	29,512	7,522	3,005
Payable to staff retirement fund	-	-	-	-	-	-	896,836
Other payables	-	-	-	21,040	10,343	-	39,798
	4	1,570	64,754	26,379	39,855	7,522	939,639
Contingencies and Commitments							
Letter of credit	-	-	1,372,617	-	-	-	7,696,250
Letter of guarantee	-	-	109,034	8,045	-	-	1,429,077
Forward purchase of Government securities	-	-	43,055	-	-	-	8,622,908
Interest rate swaps	-	-	1,301,515	-	1,500,000	-	-
	-	-	2,826,221	8,045	1,500,000	-	17,748,235
Others							
Securities held as custodians	-	8,400	17,676,880	364,647	13,096,250	-	22,939,385

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

For the six months ended June 30, 2019 (Unaudited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Profit and loss account							
Income							
Mark-up / return / profit / interest earned	-	10,946	155,283	148,814	122,281	-	636,685
Fee and commission income	-	-	2,573	22,331	1,376,651	158	2,267
Dividend income	-	-	-	-	486,592	-	69,821
Foreign exchange loss	-	-	-	(85,632)	-	-	-
Loss from derivatives	-	-	(17,541)	-	(11,348)	-	-
Gain on sale of securities - net	-	-	-	-	1,034,656	-	-
Rent on properties	-	-	-	18,454	-	-	-
Other income	-	-	-	3,922	-	-	-
Expense							
Mark-up / return / profit / interest expensed	1,033	1,657	208,941	32,020	107,998	26,032	17,125
Operating expenses							
Salaries and allowances	-	523,565	-	-	-	-	-
Contribution to provident and benevolent funds	-	9,067	-	-	-	-	-
Non-Executive Directors' fees	25,200	-	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	444,903
Insurance premium expense	-	-	-	-	575,906	-	-
Advertisement and publicity	-	-	12,116	-	-	-	724,067
Travelling	-	-	17,687	20	-	-	-
Subscription	-	-	-	-	-	-	25,091
Donation	-	-	-	-	-	-	39,798
Brokerage and commission	-	-	-	-	-	-	77,390
Other expenses	-	-	-	2,306	-	-	-
Provision for diminution in value of investments	-	-	-	-	-	-	(70,881)
Others							
Purchase of Government securities	-	16,175	79,753,336	-	6,436,859	-	46,062,951
Sale of Government securities	-	16,160	108,961,092	-	14,607,433	-	61,492,626
Purchase of foreign currencies	15,863	-	995,844	3,772,232	5,527	-	4,148
Sale of foreign currencies	-	-	2,149,652	1,604,949	40,050	-	5,615,588
Insurance claims settled	-	-	-	-	139,019	-	-
As at December 31, 2018 (Audited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Statement of financial position							
Balances with other banks							
In current accounts	-	-	178,527	841,351	-	22,762	-
Investments							
Opening balance	-	-	-	17,259,428	12,186,523	135,665	5,291,967
Investment made during the year	-	-	-	-	1,446,121	-	2,248,288
Investment redeemed / disposed off during the year	-	-	-	-	(2,109,457)	-	(1,266,953)
Exchange translation impact	-	-	-	851,631	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	(2,268,800)
Closing balance	-	-	-	18,111,059	11,523,187	135,665	4,004,502
Provision for diminution in value of investments	-	-	-	-	-	-	(131,491)
Advances							
Opening balance	-	142,108	3,147,907	605,113	2,851,690	-	16,536,672
Addition during the year	-	200,111	10,215,143	2,254,567	-	-	183,779,040
Repaid during the year	-	(39,612)	(9,826,657)	(2,818,874)	(1,351,690)	-	(177,108,006)
Transfer in / (out) - net	-	(68,595)	-	-	-	-	(9,831,207)
Closing balance	-	234,012	3,536,393	40,806	1,500,000	-	13,376,499
Provision held against advances	-	-	-	-	-	-	(1,726,437)
Other Assets							
Interest / mark-up accrued	-	430	30,552	42,563	34,696	-	226,952
Receivable from staff retirement fund	-	-	-	-	-	-	35,293
Other receivable	-	-	1,500	57,409	991,956	-	51,693
	-	430	32,052	99,972	1,026,652	-	313,938
Borrowings							
Opening balance	-	-	479,694	1,247,874	3,312,516	1,104,172	-
Borrowings during the year	-	-	7,365,097	-	10,275,781	5,838,923	-
Settled during the year	-	-	(5,554,476)	(1,247,874)	(11,088,783)	(5,554,476)	-
Closing balance	-	-	2,290,315	-	2,499,514	1,388,619	-

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For the six months ended June 30, 2019

As at December 31, 2018 (Audited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Deposits and other accounts							
Opening balance	127,426	33,952	8,412,090	1,030,077	9,219,513	22,702	1,501,398
Received during the year	1,310,083	262,419	429,705,396	194,454,461	393,074,879	-	98,984,289
Withdrawn during the year	(1,342,166)	(262,047)	(430,935,532)	(194,117,726)	(397,794,833)	(22,702)	(99,412,868)
Transfer in / (out) - net	(22,892)	(20,136)	-	-	-	-	(293,900)
Closing balance	72,451	14,188	7,181,954	1,366,812	4,499,559	-	778,919
Other liabilities							
Interest / mark-up payable	254	276	100,072	2,343	68,722	5,811	2,426
Payable to staff retirement fund	-	-	-	-	-	-	970,439
Other payables	-	-	103,824	35,352	425,474	-	125,812
	254	276	203,896	37,695	494,196	5,811	1,098,677
Contingencies and Commitments							
Letter of credit	-	-	580,316	-	-	-	8,847,142
Letter of guarantee	-	-	155,828	53,458	-	-	634,705
Forward purchase of Government securities	-	-	411,707	-	-	-	9,913,419
Forward sale of Government securities	-	-	-	-	-	-	809,625
Interest rate swaps	-	-	1,448,856	-	1,500,000	-	-
	-	-	2,596,707	53,458	1,500,000	-	20,204,891
Others							
Securities held as custodians	-	8,000	17,841,345	456,397	10,462,950	-	20,053,730
	-	8,000	17,841,345	456,397	10,462,950	-	20,053,730
For the six months ended June 30, 2018 (Unaudited)							
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	(Rupees in '000)						
Profit and loss account							
Income							
Mark-up / return / profit / interest earned	-	7,686	147,959	120,887	118,479	-	678,936
Fee and commission income	-	-	104	2,176	1,287,852	-	11,541
Dividend income	-	-	-	-	513,089	-	36,162
Loss from derivatives	-	-	(7,137)	-	(1,996)	-	-
Net gain on sale of securities	-	-	-	-	255,787	-	-
Rent on properties	-	-	-	16,936	-	-	-
Other income	-	-	-	601	-	-	-
Expense							
Mark-up / return / profit / interest expensed	3,275	154	176,146	157,024	190,569	12,778	24,313
Operating expenses							
Salaries and allowances	-	612,348	-	-	-	-	-
Contribution to provident and benevolent funds	-	7,339	-	-	-	-	-
Non-Executive Directors' fees	28,800	-	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	2,237,482
Insurance premium expense	-	-	-	-	597,712	-	-
Advertisement and publicity	-	-	18,665	-	-	-	305,679
Travelling	-	-	2,391	-	-	-	-
Subscription	-	-	-	-	-	-	19,680
Utilities cost	-	-	-	-	-	-	1,510
Donation	-	-	-	-	-	-	82,086
Other expenses	-	-	-	-	1	-	-
Reversal of provision for diminution in value of investments	-	-	-	-	-	-	70,943
Others							
Purchase of Government securities	-	8,297	83,917,802	-	-	-	35,776,008
Sale of Government securities	-	16,487	90,624,221	1,244,262	26,082,649	-	39,337,012
Purchase of foreign currencies	-	-	735,931	3,961,995	-	-	-
Sale of foreign currencies	-	-	962,254	2,874,531	87,000	-	9,429,025
Insurance claims settled	-	-	-	-	36,436	-	-

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

35	CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	Note	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018 (Rupees in '000)
	Minimum Capital Requirement (MCR):			
	Paid-up capital (net of losses)		14,668,525	14,668,525
	Capital Adequacy Ratio (CAR):			
	Eligible Common Equity Tier 1 (CET 1) Capital	35.1	135,259,588	134,409,556
	Eligible Additional Tier 1 Capital		8,353,815	-
	Total Eligible Tier 1 Capital		143,613,403	134,409,556
	Eligible Tier 2 Capital		38,607,544	42,393,281
	Total Eligible Capital (Tier 1 + Tier 2)		182,220,947	176,802,837
	Risk Weighted Assets (RWAs):			
	Credit Risk		840,874,761	806,562,433
	Market Risk		87,600,111	108,783,786
	Operational Risk		163,870,862	163,870,862
	Total		1,092,345,734	1,079,217,081
	Common Equity Tier 1 Capital Adequacy ratio		12.38%	12.45%
	Tier 1 Capital Adequacy Ratio		13.15%	12.45%
	Total Capital Adequacy Ratio		16.68%	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	35.2	2.00%	-
	CET1 available to meet buffers (as a percentage of risk weighted assets)		2.48%	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		143,613,403	134,409,556
	Total Exposures		3,336,942,519	3,552,227,144
	Leverage Ratio (%)		4.30%	3.78%
	Minimum Requirement (%)		3.00%	3.00%
	Liquidity Coverage Ratio (LCR)			
	Total High Quality Liquid Assets		811,548,784	987,612,556
	Total Net Cash Outflow		628,243,850	571,294,024
	Liquidity Coverage Ratio (%)		129.18%	172.87%
	Minimum Requirement (%)		100.00%	100.00%
	Net Stable Funding Ratio (NSFR)			
	Total Available Stable Funding		2,214,790,127	2,102,952,345
	Total Required Stable Funding		1,667,786,788	1,490,821,433
	Net Stable Funding Ratio (%)		132.80%	141.06%
	Minimum Requirement (%)		100.00%	100.00%
35.1	The SBP, vide its letter dated July 19, 2019, has allowed the Bank to include subscriptions received against TFCs to be issued as described in Note 17.2 as part of Additional Tier 1 capital.			
35.2	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 six months ended June 30, 2019

36

ISLAMIC BANKING BUSINESS

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

STATEMENT OF FINANCIAL POSITION

ASSETS

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

Note	(Unaudited) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
	20,672,045	19,365,889
	-	-
36.1	24,089,184	13,031,526
36.2	35,447,717	75,296,758
36.3	135,387,752	103,483,404
	655,399	187,491
	-	-
	13,029,846	4,932,141
	77,408	59,787
	5,066,187	3,718,796
	234,425,538	220,075,792

LIABILITIES

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

	12,917	8,543
36.4	7,559,249	1,551,617
36.5	205,699,844	203,247,709
	-	-
	-	-
	-	-
	7,784,455	3,917,646
	221,056,465	208,725,515
	13,369,073	11,350,277

NET ASSETS

REPRESENTED BY

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

	250,000	250,000
	-	-
	(121,075)	(111,034)
36.6	13,240,148	11,211,311
	13,369,073	11,350,277

CONTINGENCIES AND COMMITMENTS

36.7

PROFIT AND LOSS ACCOUNT

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

	(Unaudited) For the six months ended June 30, 2019	(Audited) June 30, 2018
	(Rupees in '000)	
	(Restated)	
36.8	8,084,079	5,667,177
36.9	4,041,927	3,151,357
	4,042,152	2,515,820

Other income

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

337,002	316,940
-	-
11,907	45,444
-	-
(9,767)	(21,762)
3,949	3,631
343,091	344,253

Total income

4,385,243 2,860,073

Other expenses

Operating expenses
Workers' Welfare Fund
Other charges
Total other expenses

950,592	724,483
67,877	42,677
-	-
1,018,469	767,160

Profit before provisions

Provisions and write offs - net

3,366,774 2,092,913
40,812 1,715

Profit before taxation

Taxation

3,325,962 2,091,198
1,297,125 731,919

Profit after taxation

2,028,837 1,359,279

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
36.1 Due from Financial Institutions		
Unsecured	3,600,000	8,700,000
Bai Muajjal Receivable from State Bank of Pakistan	20,489,184	-
Bai Muajjal Receivable from other financial institutions	-	4,331,526
	24,089,184	13,031,526

36.2 Investments by segments

	June 30, 2019 (Unaudited)				December 31, 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government securities								
- Ijarah Sukuks	5,090,453	-	(198,483)	4,891,970	53,682,791	-	(170,822)	53,511,969
- Other Federal Government securities	10,794,000	-	-	10,794,000	-	-	-	-
	15,884,453	-	(198,483)	15,685,970	53,682,791	-	(170,822)	53,511,969
Non-Government debt securities								
- Listed	4,298,025	-	-	4,298,025	5,030,877	-	-	5,030,877
- Unlisted	15,463,722	-	-	15,463,722	16,753,912	-	-	16,753,912
	19,761,747	-	-	19,761,747	21,784,789	-	-	21,784,789
Total Investments	35,646,200	-	(198,483)	35,447,717	75,467,580	-	(170,822)	75,296,758

	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
36.3 Islamic financing and related assets - net		
Ijarah	2,021,857	2,078,449
Murabaha	1,117,211	672,907
Diminishing Musharakah	82,557,585	66,095,505
Wakalah	10,000,000	10,000,000
Islamic Home Financing	487,974	128,820
Running Musharakah	7,963,153	4,871,319
Advance for Ijarah	361,997	192,485
Advance for Murabaha	3,979,130	4,324,684
Advance for Diminishing Musharakah	2,639,277	995,819
Advance for Istisna	21,193,277	9,920,835
Inventories against Tijarah	277,485	17,578
Inventories against Murabaha	185,565	2,416,470
Inventories against Istisna	2,260,751	1,885,231
Inventories against Salam	500,000	-
Islamic financing and related assets - gross	135,545,262	103,600,102
Provision against Islamic financing and related assets		
- Specific	(142,190)	(106,212)
- General	(15,320)	(10,486)
	(157,510)	(116,698)
Islamic financing and related assets - net of provision	135,387,752	103,483,404

36.4 Due to financial institutions

Unsecured acceptance of funds	3,000,000	-
Acceptances from the SBP under Islamic Export Refinance Scheme	3,699,520	1,551,617
Acceptances from the SBP under Islamic Long Term Financing Facility	859,729	-
	7,559,249	1,551,617

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

			(Unaudited) June 30, 2019	(Audited) December 31, 2018
	Note		(Rupees in '000)	
36.5		Deposits and other accounts		
		Customers		
		Current deposits	56,471,876	44,756,909
		Savings deposits	95,272,175	90,221,909
		Term deposits	22,314,950	39,646,562
			174,059,001	174,625,380
		Financial Institutions		
		Current deposits	239,597	156,967
		Savings deposits	31,218,200	26,478,723
		Term deposits	183,046	1,986,639
			31,640,843	28,622,329
			205,699,844	203,247,709
36.6		Islamic Banking business unappropriated profit		
		Opening Balance	11,211,311	8,569,480
		Add: Islamic Banking profit for the period / year	3,325,962	4,332,623
		Less: Taxation	(1,297,125)	(1,690,792)
		Closing Balance	13,240,148	11,211,311
36.7		Contingencies and commitments		
		- Guarantees	242,275	219,570
		- Commitments	8,379,845	20,811,516
			8,622,120	21,031,086
36.7.1		Guarantees		
		Performance guarantees	237,954	214,177
		Other guarantees	4,321	5,393
			242,275	219,570
36.7.2		Commitments		
		Trade-related contingent liabilities	1,560,796	1,613,153
		Commitments in respect of forward foreign exchange contracts	6,819,049	19,198,363
			8,379,845	20,811,516
36.7.2.1		Commitments in respect of forward foreign exchange contracts		
		Purchase	6,450,744	18,922,353
		Sale	368,305	276,010
			6,819,049	19,198,363
36.8		Profit / return earned		
		On:		
		Financing	5,092,120	2,675,291
		Investments	2,126,057	2,950,212
		Due from financial institutions	865,902	41,674
			8,084,079	5,667,177

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2019

		(Unaudited)	
		For the six months ended	
		June 30,	June 30,
		2019	2018
		(Rupees in '000)	
		(Restated)	
36.9	Profit / return expensed		
	On:		
	Deposits and other accounts	3,081,447	1,921,709
	Due to financial institutions	821,622	1,207,348
	Cost against foreign currency deposits for Wa'ad based transactions	108,550	22,300
	Lease liability against right-of-use assets	30,308	-
		4,041,927	3,151,357

37 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 37.1 The Board of Directors in its meeting held on July 24, 2019 has declared a cash dividend of Rs 1.25 per share in respect of the quarter ended June 30, 2019 (June 30, 2018: Rs 1 per share). These condensed interim unconsolidated financial statements do not include the effect of this appropriation which will be accounted for subsequent to the period end.

38 DATE OF AUTHORISATION FOR ISSUE

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

Dr. Najeeb Samie
Director

Salim Raza
Director

Moez Ahamed Jamal
Director

