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Corporate Information

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Shaffiq Dharamshi
Director

Mr. Moez Ahamed Jamal
Director

Dr. Najeeb Samie
Director

Mr. Agha Sher Shah
Director

Mr. Sajid Zahid
Director

Mr. Nauman K. Dar
President & CEO

Chief Financial Officer
Mr. Rayomond Kotwal

Company Secretary
Ms. Nausheen Ahmad

Auditors
A. F. Ferguson & Co.
Chartered Accountants

Head Office

Habib Bank Limited
Habib Bank Plaza
I. I. Chundrigar Road,
Karachi - 75650, Pakistan.
Phone : (92-21) 32418000 [50 lines]

Websites

Corporate Website
www.hbl.com

Internet Banking
www.hblibank.com.pk

Registered Office

Habib Bank Limited
9th Floor, Habib Bank Tower,
Jinnah Avenue, Blue Area,
Islamabad, Pakistan.
Phone : (92-51) 2872203, (92-51) 2821183
Fax : (92-51) 2872205

Registrars

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shahrah-e-Faisal,
Karachi - 74400, Pakistan.
Tel: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
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Website: www.cdcpakistan.com



Condensed
Interim
Consolidated
Financial
Information

HBL

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial information for the half-year ended June 30, 2016.

Domestic Economy

Pakistan's economic performance continued to improve during the first half of 2016, helped by a benign inflationary environment, a stable external account and improvement in the industrial sector. Headline inflation was 3.2% in June, averaging only 2.8% for FY16, well within even the revised SBP target of 3%-4%. GDP growth finally broke out from its range bound levels to reach 4.7% for FY16, as the manufacturing and services sectors exhibited improved performance.

The trade deficit for FY16 increased by 7.4% over FY15 despite the relief provided by low oil prices. Exports declined by 8.6% mainly due to slowdown in the textile sector, while imports reduced by only 2.0% as non-oil imports, led by machinery, mostly offset lower petroleum imports. Remittance growth continued, albeit at a slower pace of 6.4% and, coupled with inflows from multilateral agencies, continued to support the external account surplus. Foreign exchange reserves strengthened to historic levels of USD 23 billion, resulting in a stable Rupee through 2016.

The IMF concluded the 12th and final review of the Extended Fund Facility (EFF) and expressed satisfaction on the progress that the economy has made over the course of the program. The IMF board is expected to approve the disbursement of the last tranche of USD 102 million under the EFF. This will represent a significant milestone as this will be the country's first ever completion of a medium term IMF program. For the first time in several years, the government has met its revenue collection target of Rs 3.1 trillion for FY16. This helped to reduce the fiscal deficit from 5.3% of GDP in FY15 to 4.5% of GDP in FY16.

The much awaited MSCI decision to reclassify Pakistan from its Frontier to its Emerging Markets index from May 2017 lifted investor sentiment, triggering a strong rally on the stock exchange. Despite subsequent selling pressure post the Brexit vote, the PSX 100 Index increased by 15% from December 2015 to June 2016, and continues to touch new highs.

The SBP has maintained its policy rate at 5.75% citing concerns over a rising inflationary trend on the back of increased economic activity. Banking sector advances have grown by 8% since the beginning of the year and market deposits also increased by 8%, crossing the Rs 10 trillion mark in June. Industry spreads have compressed further, reducing by a further 43bps during the first half of 2016.

Performance

HBL has delivered a consolidated profit after tax of Rs 16.0 billion for the first half of 2016, 1% higher than the Rs 15.7 billion achieved for the corresponding period in 2015. Earnings per share for H1 '16 increased to Rs 10.86 from Rs 10.72 in H1 '15. Pre-tax profit for the first six months of 2016 is Rs 28.3 billion, compared to Rs 30.7 billion in H1 '15, which included exceptional capital gains, mainly due to re-profiling of the PIB portfolio. Excluding the impact of capital gains, pre-tax profit is 4% higher than in H1 '15, while profit after tax is 20% greater than for the same period.

HBL's balance sheet has grown by 6% over December 2015 to reach Rs 2.4 trillion. Domestic deposits increased by 9% enabling the Bank to return market share to 14.3%. The domestic deposit mix continued to improve, with the ratio of current accounts rising from 34.4% in December 2015 to 34.7% in June 2016. Average current accounts for H1 '16 increased by 21% over the same period of 2015, enabling HBL to reduce its cost of domestic deposits by 129 bps, to 2.8%. Average loans grew across all domestic business segments and, along with a 62% increase in average PIB volumes helped to contain the decline in asset yields. The Bank was thus able to restrict the decline in its net interest margin to just 29 bps despite the average interest rate in H1 '16 being 165 bps lower than in H1 '15. With a 14% growth in the average balance sheet over the first half of 2015, net interest income increased by 6% to Rs 41.4 billion for the half-year ended June 30, 2016.

Non mark-up income, excluding capital gains, increased by 4% over the first half of 2015. Fees and Commissions continued their strong growth, rising by 15% to Rs 9.3 billion for H1 '16. Bancassurance, trade, investment banking and general banking related fees remained the main contributors.

Growth in administrative expenses was restricted to 10% over H1 '15, despite the full impact of increase in the branch network and certain 1-off costs. With lower capital gains resulting in lower total revenue than in H1 '15, the cost/income ratio for the first six months of 2016 increased to 45.5%. The Bank was able to reduce provisions by 19% over the first half of 2015, despite additional provisioning based on a conservative view on certain borrowers. The coverage ratio improved by 70 bps over the previous quarter to reach 89.2% as at June 30, 2016.

Movement of Reserves

Rupees in million

Unappropriated profit brought forward	96,495
Profit attributable to equity holders of the Bank	15,924
Transferred from surplus on revaluation of fixed assets – net of tax	19
	15,943
Appropriations	
Transferred to statutory reserves	(1,552)
Capital contribution to statutory funds of associates	(11)
Cash dividend – Final 2015	(5,134)
Cash dividend – 1st Interim 2016	(5,134)
	(11,831)
Unappropriated profit carried forward	100,607
Earnings per share (Rs)	10.86

Capital Ratios

The consolidated Capital Adequacy Ratio (CAR) as at June 30, 2016 was 16.8% with the Tier 1 CAR at 12.8%. The capital ratios remain strong and well above required levels.

Dividend

The Board of Directors, in its meeting held on August 18, 2016 has declared an interim cash dividend of Rs 3.50 per share (35%) for the quarter ended June 30, 2016.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively. The ratings are supported by HBL's healthy capitalization ratios and sound liquidity profile and reflect the systemic importance of the Bank.

Future Outlook

The economy is expected to continue on a steady growth trajectory as strengthening of the law and order situation, along with improved energy availability should drive increased investment in the China Pakistan Economic Corridor (CPEC) and a much needed pickup in private sector credit offtake. The Federal Budget announced in June has several promising initiatives and challenging but achievable targets of 5.7% GDP growth for FY17, ambitious public sector development and a reduction in the fiscal deficit to 3.8%.

However, choppy waters ahead will have to be navigated carefully to accelerate medium term growth to at least the level of other countries in the region. Full realization of CPEC's potential will require good governance with timely and effective implementation. The external account has been strengthening for an extended period but falling exports and a significant slowdown in remittances could jeopardize reserves and currency stability. Although the government continues to pressure non-filers, these efforts remain incremental with far wider and deeper structural reforms required in both tax policy and administration to significantly improve the tax/GDP ratio.

HBL has continued to deliver strong results. With adequate reserves of both liquidity and capital, the Bank is well positioned to leverage growth opportunities and play its role in the development of Pakistan as its largest commercial bank. HBL is committed to delivering new and innovative products and continuously raising its service levels to keep improving the experience and convenience of its customers.

Appreciation and Acknowledgement

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

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

On behalf of the Board

Nauman K. Dar

President & Chief Executive Officer
August 18, 2016

کو 5.75 فیصد پر برقرار رکھا ہے۔ سال کے آغاز سے اب تک بینکاری صنعت کے قرضہ جات اور کھتیداروں کی رقوم میں 8 فیصد اضافہ ہوا۔ کھاتے داروں کی رقوم نے جون میں 10 کھرب کے ہدف کو عبور کر لیا۔ بینکاری منافع میں مزید سست رومی واقع ہوئی ہے اور سال 2016 کی ششماہی میں مزید bps 43 کی کمی آئی۔

کارکردگی

ایچ بی ایل کو سال 2016 کی پہلی ششماہی میں مجموعی طور پر 16 ارب کا بعد از محصول منافع ہوا ہے۔ یہ منافع سال 2015 میں اسی مدت کے دوران ہونے والے 15.7 ارب روپے کے منافع سے ایک فیصد زیادہ ہے۔ سال 2016 کی پہلی ششماہی میں فی حصص آمدن 10.86 روپے رہی جبکہ سال 2015 میں اسی مدت کے دوران فی حصص آمدن 10.72 روپے تھی۔ سال 2016 کے ابتدائی چھ مہینوں میں قبل از محصول منافع 28.3 ارب روپے رہا جبکہ سال 2015 کی پہلی ششماہی میں PIB پورٹ فولیو کی دوبارہ پروفائٹنگ کے باعث بہت زیادہ کیپیٹل گین حاصل کی بدولت یہ منافع 30.7 ارب روپے رہا تھا۔ کیپیٹل گین کے اثر کو منہا کرنے سے قبل از محصول منافع میں سال 2015 کی پہلی ششماہی کے مقابلے میں 4 فیصد اضافہ ہوا جبکہ بعد از محصول منافع سال 2015 کی اسی مدت کے مقابلے میں 20 فیصد زیادہ رہا۔

ایچ بی ایل کی بیلنس شیٹ دسمبر 2015 کے بعد 6 فیصد اضافے سے 2.4 کھرب روپے تک پہنچ گئی ہے۔ ملکی ڈپازٹس میں 9 فیصد اضافہ ہوا جس کے باعث بینک 14.3 فیصد مارکیٹ شیئر واپس حاصل کرنے کے قابل ہوا۔ مقامی ڈپازٹس کے مجموعے میں بہتری کا سلسلہ جاری رہنے کے ساتھ کرنٹ اکاؤنٹ کی شرح میں بھی اضافہ ہوا ہے جو دسمبر 2015 میں 34.4 فیصد سے بڑھ کر جون 2016 میں 34.7 فیصد ہو گیا۔ سال 2016 کی پہلی ششماہی میں اوسط کرنٹ اکاؤنٹس میں سال 2015 کی اسی مدت کے مقابلے میں 21 فیصد اضافہ ہوا، جس کی بدولت ایچ بی ایل ملکی ڈپازٹ پر ہونے والے اخراجات میں 129 bps کی کمی کر کے ان کو 2.8 فیصد پر لے آیا۔ تمام مقامی کاروباری شعبوں میں قرضوں کی اوسط میں اضافہ ہوا ہے اور PIB کے اوسط حجم میں 62 فیصد اضافے کے ساتھ اثاثہ جات سے حاصل ہونے والی آمدن میں کمی کو روکنے میں مدد ملی۔ ان عوامل کے باعث بینک خالص مارک اپ آمدنی میں ہونے والی کمی کو 29 bps تک محدود کرنے میں کامیاب رہا ہے حالانکہ سال 2016 کے پہلے حصے میں مارک اپ کی اوسط شرح سال 2015 کی اسی مدت کے مقابلے میں 165 bps کم تھی۔ سال 2015 کی پہلی ششماہی کے مقابلے میں سال 2016 کی پہلی ششماہی میں بیلنس شیٹ میں اوسطاً 14 فیصد اضافہ ہوا جبکہ 30 جون، 2016 کو مکمل ہونے والے سال کی پہلی ششماہی میں خالص مارک اپ آمدن 6 فیصد کے اضافے سے 41.4 ارب روپے رہی۔

غیر مارک اپ آمدن میں کیپیٹل گینئر کو منہا کر کے سال 2015 کی پہلی ششماہی کے مقابلے میں 4 فیصد اضافہ ہوا۔ فیس اور کمیشن میں برق رفتار اضافہ جاری رہا جو سال 2016 کی پہلی ششماہی میں 15 فیصد اضافے کی بدولت 9.3 ارب روپے رہا۔ بینک اشورنس، تجارت، انویسٹمنٹ بینکاری اور عمومی بینکاری سے متعلقہ فیسیوں نے اس اضافے میں نمایاں کردار نبھایا۔

سال 2015 کی پہلی ششماہی کے مقابلے میں برانچ نیٹ ورک میں اضافے کے مکمل اثر پڑنے اور صرف اس ششماہی میں وقوع پذیر ہونے والے اخراجات کے باوجود انتظامی اخراجات 10 فیصد تک محدود رہے۔ کیپیٹل گینئر میں کمی کے باعث سال 2015 کی پہلی ششماہی کے مقابلے میں کلی آمدنی میں کمی آئی اور سال 2016 کی پہلی ششماہی میں لاگت آمدن کی شرح میں 45.5 فیصد اضافہ ہوا۔ 2015 کی پہلی ششماہی کے مقابلے میں بینک نے پرویزن کی فراہمی میں 19 فیصد کمی کی، حالانکہ کچھ قرض دہندہ گان کے بارے میں محتاط رائے سے اضافی پرویزن رکھی

ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے میں انتہائی مسرت سے 30 جون 2016 کو اختتام پذیر ہونے والے ششماہی دورانے کے مختصر عبوری مجموعی مالیاتی اعداد و شمار پیش کرتا ہوں۔

مقامی معیشت

سال 2016 کی پہلی ششماہی میں پاکستان کی معاشی کارکردگی میں بہتری جاری رہی جس میں افراط زر کا بہتر ماحول، مستحکم بیرونی اکاؤنٹ اور صنعتی شعبے میں بہتری نے اہم کردار ادا کیا۔ جون میں مجموعی افراط زر کی شرح 3.2 فیصد رہی جبکہ مالی سال 2016 کے لئے اوسط 2.8 فیصد رہی جو اسٹیٹ بینک کی جانب سے نظر ثانی شدہ ہدف 3-4 فیصد سے بھی زیادہ بہتر ہے۔ مالی سال 2016 کے لئے مجموعی ملکی پیداوار اپنی سطح سے بڑھ کر 4.7 فیصد ہو گئی جس کی وجہ سے مینوفیکچرنگ اور سروسز سیکٹرز میں بہتر کارکردگی رہی۔

تیل کی گرتی ہوئی قیمتوں سے ملنے والی سہولت کے باوجود مالی سال 2015 کے مقابلے میں مالی سال 2016 کے دوران تجارتی خسارے میں 7.4 فیصد اضافہ ہوا۔ برآمدات میں ٹیکسٹائل کے شعبے میں ہونے والی سست روی کے باعث 8.6 فیصد کمی آئی جبکہ درآمدات میں صرف 2.0 فیصد کمی واقع ہوئی کیونکہ تیل کے علاوہ دیگر درآمدات بالخصوص مشینری کی درآمدات نے تیل کی درآمدات میں کمی کو غیر موثر بنایا۔ ترسیل زر کی شرح میں 6.4 فیصد کاسٹ رفتار اضافہ ہوا اور مختلف ایجنسیوں کی آنے والی رقوم سے اضافی بیرونی اکاؤنٹ کو سہارا دینے کا سلسلہ جاری رہا۔ غیر ملکی زر مبادلہ کے ذخائر اسٹیٹ کام کے ساتھ 23 ارب امریکی ڈالر کی تاریخی سطح تک پہنچ گئے جس کے نتیجے میں سال 2016 میں روپے کی قدر مستحکم رہی۔

آئی ایم ایف نے توسیعی فنڈ سہولت (Extended Fund Facility) کے تحت بارہواں اور آٹری جائزہ مکمل کر لیا اور اس پروگرام کے دوران معاشی ترقی پر اطمینان کا اظہار کیا گیا۔ آئی ایم ایف کے بورڈ کی جانب سے اس پروگرام کے تحت 102 بلین ڈالر کی آٹری قسط کی فراہمی کی منظوری ملنے کی توقع ہے۔ یہ ایک اہم سنگ میل ہوگا کیونکہ یہ پہلا موقع ہوگا جب پاکستان کامیابی کے ساتھ آئی ایم ایف کا درمیانی مدت کا پروگرام مکمل کر لے گا۔ بہت سالوں کے بعد یہ پہلا موقع ہے کہ ملک نے مالی سال 2016 میں اپنی آمدن جمع کرنے کے 3.1 کھرب روپے کے ہدف کو حاصل کر لیا ہے۔ اس کی بدولت مالیاتی خسارے میں کمی واقع ہوئی ہے اور سال 2015 میں مالیاتی خسارہ مجموعی ملکی پیداوار کا 5.3 فیصد رہا جس کے مقابلے میں سال 2016 میں مالیاتی خسارہ مجموعی ملکی پیداوار کا 4.5 فیصد رہا۔

طویل انتظار کے بعد MSCI کی جانب سے مئی 2017 سے پاکستان کو فرٹ نیئر کی درجہ بندی سے نکال کر ایمر جنٹ مارکیٹ انڈیکس میں ڈالنے کے فیصلے نے سرمایہ کاروں کے اعتماد میں اضافہ کیا جس کی بدولت اسٹاک ایکسچینج میں بہت تیزی دیکھی گئی۔ برطانیہ کے یورپی انجمن سے باہر آنے کے فیصلے کے باعث پڑنے والے دباؤ کے باوجود پاکستان اسٹاک ایکسچینج 100 انڈیکس میں دسمبر 2015 سے جون 2016 کے درمیان 15 فیصد اضافہ ہوا اور پاکستان اسٹاک ایکسچینج کامیابی کی نئی منزلوں کو چھو رہا ہے۔

اسٹیٹ بینک آف پاکستان نے معاشی سرگرمی میں اضافے کی بنیاد پر بڑھتے ہوئے افراط زر کی شرح پر تحفظات کا اظہار کرتے ہوئے پالیسی ریٹ

مستقبل کے متوقع حالات

مقامی معیشت تسلسل کے ساتھ ترقی کی راہ پر گامزن رہنے کی امید ہے کیونکہ امن وامان کی بہتر ہوتی صورت حال کے ساتھ توانائی کا بحران بھی حل کی جانب گامزن ہے اور یہ عوامل پاکستان - چین اقتصادی راہداری (CPEC) منصوبے میں اضافی سرمایہ کاری کا باعث بنیں گے اور نئی شعبہ زیادہ قرض لینے کی جانب متوجہ ہوگا۔ جون میں پیش کئے گئے وفاقی بجٹ میں بہت سے امید افزا اقدامات ہیں جبکہ مالی سال 2017 کے لئے مجموعی ملکی پیداوار میں اضافے کا مشکل لیکن قابل حصول ہدف 5.7 فیصد رکھا گیا ہے جس میں عوامی شعبے میں ترقی اور مالیاتی خسارے میں 3.8 فیصد کمی رکھی گئی ہے۔

لیکن مستقبل میں آنے والی مشکلات سے محتاط طریقے سے نمٹنا ہوگا اور درمیانی مدتی شرح ترقی میں اضافہ لاکر اس کو کم از کم خطے میں موجود دیگر ممالک کی سطح کے برابر لایا جاسکتا ہے۔ پاکستان - چین اقتصادی راہداری (CPEC) منصوبے سے مکمل طور پر استفادہ کرنے کے لئے بہتر انتظامی امور کے ساتھ بروقت اور موثر عمل درآمد کی ضرورت ہوگی۔ بیرونی اکاؤنٹ ایک طویل عرصے سے مستحکم ہو رہے ہیں لیکن گرتی ہوئی برآمدات اور ترسیل زر کی آمد میں نمایاں کمی سے مالی ذخائر اور کرنسی کا استحکام خطرے میں پڑ سکتا ہے۔ اگرچہ حکومت کی جانب سے آمدن پر محصول کے گوشوارے جمع نہ کروانے والوں پر دباؤ بڑھانے کا سلسلہ جاری ہے اور ان کی کوششیں بڑے پیمانے پر جاری ہیں تاہم محصولات / مجموعی ملکی پیداوار کی شرح میں نمایاں اضافہ بڑھانے کیلئے محصولات کی پالیسی اور وسیع پیمانے پر نظام میں درکار بنیادی اصلاحات کرنی ہوں گی۔

انجینی ایل تسلسل کے ساتھ مستحکم نتائج دے رہا ہے۔ لیکو پڈیٹ اور سرمائے کے مناسب ذخائر کے ساتھ بینک ترقی کے مواقعوں سے فائدہ اٹھانے کیلئے بہتر مقام پر موجود ہے اور پاکستان کی ترقی میں سب سے بڑے تجارتی بینک کی حیثیت سے اپنا متحرک کردار ادا کرنے کیلئے تیار ہے۔ انجینی ایل نئی اور جدید مصنوعات پیش کرنے کیلئے کوشاں ہے اور مستقل اپنی خدمت کے دائرہ کار کو بڑھا رہا ہے تاکہ صارفین کا تجربہ بہتر ہو اور انہیں بہترین سہولیات دستیاب ہوں۔

اعتراف و ستائش

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

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

منجانب بورڈ

نعمان کے ڈار

پریذیڈنٹ اور چیف ایگزیکٹو آفیسر

18 اگست، 2016

ہوئی ہے۔ کوریج کی شرح گزشتہ سہ ماہی کے مقابلے میں 70 bps بہتری کے ساتھ 30 جون 2016 کو 89.2 فیصد تک پہنچ گئی۔

ریزروز کی تفصیلات

ملین (روپے)

96,495
15,924
19
15,943

افتتاحی غیر تخصیص شدہ منافع
بینک کے حصص یافتہ گان سے قابل منسوب منافع
پائیدار اثاثوں کے از سر نو تخمینے پر اضافی آمدن۔ محصول کے بعد

(1,552)
(11)
(5,134)
(5,134)
(11,831)
<u>100,607</u>
<u>10.86</u>

مختلف مدوں میں رکھی گئی رقوم
غیر منقولہ ریزروز کی منتقلی
ایسوسی ایٹس کے غیر منقولہ فنڈز سے سرمائے کا تعاون
کیش ڈیویڈنڈ۔ فائنل 2015
کیش ڈیویڈنڈ۔ پہلا عبوری 2016

اختتامی غیر تخصیص شدہ منافع
فی حصص آمدن

کیپٹل ریشوز

مجموعی کیپٹل ایڈوکیسی ریشو (CAR) 30 جون 2016 کو 16.8 فیصد رہا جس کے ساتھ ٹیڑون کیپٹل ایڈوکیسی ریشو (Tier1CAR) 12.8 فیصد رہا۔ کیپٹل ریشو بدستور مستحکم اور مطلوبہ سطح سے کافی بلند ہیں۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 18 اگست 2016 کو منعقد ہونے والے اجلاس میں 30 جون 2016 کو ختم ہونے والی سہ ماہی کے لئے 3.5 روپے فی حصص (35 فیصد) عبوری کیش ڈیویڈنڈ کا اعلان کیا۔

کریڈٹ ریٹنگ

JCR-VIS نے بینک کی طویل مدت اور قلیل مدت کریڈٹ ریٹنگ کی دوبارہ توثیق کی ہے جو بالترتیب AAA/A-1+ ہے۔ ان ریٹنگ کو ایچ بی ایل کے مستحکم کپٹالزیشن ریشو اور بہترین لیکویڈنٹی پروفاٹل کی معاونت حاصل ہے اور یہ ایچ بی ایل کی منظم اہمیت کی عکاسی کرتی ہے۔



Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2016

Note	(Unaudited) June 30, 2016	(Audited) December 31, 2015 (Rupees in '000)
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ASSETS

Cash and balances with treasury banks	153,121,095	167,250,988
Balances with other banks	50,512,415	40,469,761
Lendings to financial institutions	14,647,851	18,381,633
Investments	1,385,689,987	1,270,823,786
Advances	659,099,145	637,383,858
Operating fixed assets	35,414,377	31,341,509
Deferred tax asset	-	-
Other assets	59,405,720	52,771,250
	2,357,890,590	2,218,422,785

LIABILITIES

Bills payable	37,011,893	28,081,548
Borrowings	293,027,452	314,319,099
Deposits and other accounts	1,770,613,580	1,634,944,470
Subordinated loans	10,000,000	10,000,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	8,756,871	5,671,128
Other liabilities	42,917,009	42,786,489
	2,162,326,805	2,035,802,734

NET ASSETS

195,563,785	182,620,051
-------------	-------------

REPRESENTED BY:

Shareholders' equity

Share capital	14,668,525	14,668,525
Reserves	47,990,996	47,188,150
Unappropriated profit	100,606,928	96,495,448

Total equity attributable to the equity holders of the Bank	163,266,449	158,352,123
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Non-controlling interest	3,447,415	1,692,344
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Surplus on revaluation of assets - net of deferred tax	28,849,921	22,575,584
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195,563,785	182,620,051
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CONTINGENCIES AND COMMITMENTS

12

The annexed notes 1 to 24 form an integral part of this condensed interim consolidated financial information.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Sajid Zahid
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the three and six months ended June 30, 2016

	Note	January 01 to June 30, 2016	January 01 to June 30, 2015	April 01 to June 30, 2016	April 01 to June 30, 2015
----- (Rupees in '000) -----					
			(Restated)	(Restated)	
Mark-up / return / profit / interest earned	13	70,709,613	71,602,974	35,531,501	35,471,022
Mark-up / return / profit / interest expensed	14	29,286,249	32,679,504	14,292,361	15,627,035
Net mark-up / profit / interest income		41,423,364	38,923,470	21,239,140	19,843,987
Provision against advances	7.3	1,209,751	1,481,963	733,456	1,024,931
(Reversal) / provision against off-balance sheet obligations		(20,210)	43,830	(23,485)	71,422
Provision / (reversal) for diminution in the value of investments	6.2	264,664	108,673	276,180	(7,314)
Bad debts written off directly		-	-	-	-
		1,454,205	1,634,466	986,151	1,089,039
Net mark-up / profit / interest income after provisions		39,969,159	37,289,004	20,252,989	18,754,948
Non mark-up / interest income					
Fee, commission and brokerage income		9,271,095	8,079,817	4,926,325	4,647,054
Dividend income	15	630,509	914,986	240,112	524,984
Share of profit of associates and joint venture		1,474,884	1,529,155	738,466	716,662
Income from dealing in foreign currencies		736,779	1,195,511	348,015	490,052
Gain on sale of securities - net	16	1,817,015	5,347,190	1,456,234	3,110,459
Unrealized gain / (loss) on held-for-trading securities		30,359	(2,358)	26,953	1,395
Other income	17	370,842	325,360	63,235	141,595
Total non mark-up / interest income		14,331,483	17,389,661	7,799,340	9,632,201
		54,300,642	54,678,665	28,052,329	28,387,149
Non mark-up / interest expense					
Administrative expenses		25,388,188	23,056,773	13,282,338	12,571,828
Other provisions / write offs - net		58,125	236,175	39,633	20,071
Other charges		487	30,445	487	27,966
Workers' Welfare Fund		555,691	607,875	285,052	302,326
Total non mark-up / interest expenses		26,002,491	23,931,268	13,607,510	12,922,191
Profit before taxation		28,298,151	30,747,397	14,444,819	15,464,958
Taxation					
- Current		9,790,863	10,121,271	5,159,649	4,718,680
- Prior		2,318,915	2,010,000	2,318,915	1,873,653
- Deferred		217,053	2,878,789	29,482	3,070,227
		12,326,831	15,010,060	7,508,046	9,662,560
Profit after taxation		15,971,320	15,737,337	6,936,773	5,802,398
Attributable to:					
Equity holders of the Bank		15,924,016	15,723,969	6,901,578	5,791,804
Non-controlling interest		47,304	13,368	35,195	10,594
		15,971,320	15,737,337	6,936,773	5,802,398
----- (Rupees) -----					
Basic and diluted earnings per share		10.86	10.72	4.71	3.95

The annexed notes 1 to 24 form an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the three and six months ended June 30, 2016

	January 01 to June 30, 2016	January 01 to June 30, 2015	April 01 to June 30, 2016	April 01 to June 30, 2015
	(Rupees in '000)			
	(Restated)			(Restated)
Profit after taxation for the period	15,971,320	15,737,337	6,936,773	5,802,398
Other comprehensive income / (loss)				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates attributable to:				
Equity holders of the Bank	(585,699)	(250,073)	(400,893)	163,170
Non-controlling interest	(105,875)	18,240	(66,057)	48,551
	(691,574)	(231,833)	(466,950)	211,721
<i>Items that are not to be reclassified to profit and loss account in subsequent periods:</i>				
Remeasurement gain on defined benefit obligations- net	-	21,686	-	21,686
Capital contribution to statutory funds of associates	(11,212)	-	(665)	-
Comprehensive income transferred to equity	15,268,534	15,527,190	6,469,158	6,035,805
Components of comprehensive income / (loss) not reflected in equity				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus / (deficit) on revaluation of investments - net of tax attributable to:				
Equity holders of the Bank	5,793,412	4,170,149	2,133,700	(893,038)
Non-controlling interest	20,096	10,070	6,509	11,028
	5,813,508	4,180,219	2,140,209	(882,010)
<i>Items that are not to be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	-	-	-	-
Transferred from surplus on revaluation of non-banking assets	262,797	-	262,797	-
	262,797	-	262,797	-
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	499,580	-	(3,660)	-
Transferred to surplus on revaluation of operating fixed assets	(262,797)	-	(262,797)	-
	236,783	-	(266,457)	-
	21,581,622	19,707,409	8,605,707	5,153,795
Total comprehensive income / (loss) attributable to:				
Equity holders of the Bank	21,620,340	19,665,731	8,630,182	5,083,622
Non-controlling interest	(38,718)	41,678	(24,475)	70,173
	21,581,622	19,707,409	8,605,707	5,153,795

The annexed notes 1 to 24 form an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2016

	Attributable to Equity holders of the Bank							Subtotal	Non-controlling interest	Total
	Share capital	Exchange translation reserve	Reserves				Revenue			
			Capital		Non-distributable capital reserve	Capital reserve on acquisition of common control entity				
			Statutory reserves	Bank						
Associates and joint venture	Bank									
(Rupees in '000)										
Balance as at December 31, 2014	14,668,525	13,704,392	428,968	23,343,016	-	6,073,812	88,715,056	146,933,769	1,185,257	148,119,026
Comprehensive income for the period	-	-	-	-	-	-	15,723,969	15,723,969	13,368	15,737,337
Profit after taxation for the six months ended June 30, 2015	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss)	-	(250,073)	-	-	-	-	-	(250,073)	18,240	(231,833)
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(250,073)	-	-	-	-	-	-	18,240	(231,833)
- Remeasurement gain on defined benefit obligations- net	-	-	-	-	-	-	21,686	21,686	-	21,686
Transactions with owners, recorded directly in equity	-	(250,073)	-	-	-	-	15,745,655	15,495,582	31,608	15,527,190
Final cash dividend declared at Rs. 5.5 per share subsequent to the year ended December 31, 2014	-	-	-	-	-	-	(8,067,689)	(8,067,689)	-	(8,067,689)
1st interim cash dividend declared at Rs. 3.5 per share	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
Gain on bargain purchase on acquisition of Barclays PLC	-	-	-	547,115	-	-	-	547,115	-	547,115
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	-	29,254	29,254	-	29,254
Transferred to statutory reserves	-	-	25,889	1,691,352	-	-	(1,717,241)	-	-	-
Minority share of surplus on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	10,070	10,070
Balance as at June 30, 2015	14,668,525	13,454,319	454,857	25,034,368	547,115	-	6,073,812	89,571,051	1,226,935	151,030,982
Comprehensive income for the period	-	-	-	-	-	-	19,384,690	19,384,690	(20,436)	19,364,254
Profit after taxation for the six months ended December 31, 2015	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss)	-	(252,872)	-	-	-	-	-	(252,872)	(29,210)	(282,082)
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(252,872)	-	-	-	-	-	-	(29,210)	(282,082)
- Remeasurement gain on defined benefit obligations- net	-	-	-	-	-	-	(303,246)	(303,246)	-	(303,246)
Transactions with owners, recorded directly in equity	-	(252,872)	-	-	-	-	19,081,444	18,828,572	(49,646)	18,778,826
2nd interim cash dividend declared at Rs. 3.5 per share	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
3rd interim cash dividend declared at Rs. 3.5 per share	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	-	(10,267,968)	(10,267,968)	-	(10,267,968)
Transferred to statutory reserves	-	-	20,857	1,855,694	-	-	24,522	24,522	-	24,522
Capital contribution to statutory funds of associates	-	-	-	-	-	-	(1,876,551)	-	-	-
Increase in non-controlling interest in HAHL during the period	-	-	-	-	-	-	(37,050)	(37,050)	-	(37,050)
Movement in minority share of surplus / (deficit) on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	532,087	532,087
Movement in minority share of surplus / (deficit) on revaluation of operating fixed assets of subsidiaries	-	-	-	-	-	-	-	-	(20,431)	(20,431)
Balance as at December 31, 2015	14,668,525	13,201,447	475,714	26,890,062	547,115	-	6,073,812	96,495,448	1,583,523	160,044,467
Comprehensive income for the period	-	-	-	-	-	-	15,924,016	15,924,016	47,304	15,971,320
Profit after taxation for the six months ended June 30, 2016	-	-	-	-	-	-	-	-	-	-
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(585,699)	-	-	-	-	-	(585,699)	(105,873)	(691,574)
Transactions with owners, recorded directly in equity	-	(585,699)	-	-	-	-	15,924,016	15,338,317	(58,571)	15,279,746
Final cash dividend declared at Rs. 3.5 per share subsequent to the year ended December 31, 2015	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
1st interim cash dividend declared at Rs. 3.5 per share	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	-	(10,267,968)	(10,267,968)	-	(10,267,968)
Transferred to statutory reserves	-	-	38,920	1,513,334	-	-	18,898	18,898	-	18,898
Capital contribution to statutory funds of associates	-	-	-	-	-	-	(1,552,254)	-	-	-
Non-controlling interest recognised on acquisition of FMFB	-	-	-	-	-	-	(11,212)	(11,212)	-	(11,212)
Excess of consideration paid over net assets of FMFB	-	-	-	-	-	(163,709)	-	-	1,793,789	1,793,789
Movement in minority share of surplus / (deficit) on revaluation of securities of subsidiaries	-	-	-	-	-	-	-	-	(163,709)	(163,709)
Movement in minority share of surplus / (deficit) on revaluation of operating fixed assets of subsidiaries	-	-	-	-	-	-	-	-	20,096	20,096
Balance as at June 30, 2016	14,668,525	12,615,748	514,634	28,403,396	547,115	(163,709)	6,073,812	100,606,928	163,266,449	3,447,415

The annexed notes 1 to 24 form an integral part of this condensed interim consolidated financial information.



Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2016

	June 30, 2016	June 30, 2015 (Restated)
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	28,298,151	30,747,397
Dividend income	(630,509)	(914,986)
Share of profit of associates and joint venture	(1,474,884)	(1,529,155)
	<u>(2,105,393)</u>	<u>(2,444,141)</u>
	26,192,758	28,303,256
Adjustment for:		
Depreciation	1,458,509	1,161,088
Amortisation	215,716	261,230
Provision for diminution in the value of investments	264,664	108,673
Provision against advances	1,209,751	1,481,963
Unrealised (gain) / loss on held-for-trading securities	(30,359)	2,358
Exchange loss / (gain) on Goodwill	170,764	(42,312)
Gain on sale of operating fixed assets - net	(34,919)	(17,459)
Workers' Welfare Fund	555,691	607,875
(Reversal) / provision against off-balance sheet obligations	(20,210)	43,830
Other provisions / write offs - net	58,125	236,175
	<u>3,847,732</u>	<u>3,843,421</u>
	30,040,490	32,146,677
(Increase) / decrease in operating assets		
Lendings to financial institutions	3,733,782	18,171,099
Investments in held-for-trading securities	(32,349,313)	(15,963,971)
Advances	(19,655,813)	9,636,101
Other assets	(3,467,737)	5,842,983
	<u>(51,739,081)</u>	<u>17,686,212</u>
Increase / (decrease) in operating liabilities		
Bills payable	8,930,345	(31,463)
Borrowings	(21,291,647)	125,134,117
Deposits and other accounts	130,551,839	53,104,032
Other liabilities	1,600,808	(2,452,210)
	<u>119,791,345</u>	<u>175,753,476</u>
	98,092,754	225,586,365
	<u>(14,570,171)</u>	<u>(10,918,764)</u>
	83,522,583	214,667,601
Income tax paid		
Net cash inflows from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	14,379,234	(134,645,377)
Net investments in held-to-maturity securities	(82,797,388)	(55,238,625)
Investment in associates	(1,051,664)	(709,160)
Dividend income received	566,470	1,104,757
Net cash outflow on acquisition of PICIC AMC	(3,948,939)	-
Net cash outflow on acquisition of FMFB	(596,700)	-
Net cash inflow on acquisition of Barclays Bank Plc - Pakistan Branches	-	236,259
Fixed capital expenditure	(2,701,351)	(2,532,691)
Proceeds from sale of operating fixed assets	41,651	20,935
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	(585,699)	(250,073)
Net cash used in investing activities	<u>(76,694,386)</u>	<u>(192,013,975)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of translation of net investment by non-controlling interest in subsidiary	(105,875)	18,240
Dividends paid	(10,809,561)	(12,491,937)
Net cash used in financing activities	<u>(10,915,436)</u>	<u>(12,473,697)</u>
(Decrease) / increase in cash and cash equivalents during the period	(4,087,239)	10,179,929
Cash and cash equivalents at the beginning of the period	209,770,150	200,790,710
Effects of exchange rate changes on cash and cash equivalents	(2,049,401)	2,177,674
Cash and cash equivalents at the end of the period	<u>203,633,510</u>	<u>213,148,313</u>

The annexed notes 1 to 24 form an integral part of this condensed interim consolidated financial information.

Nauman K. Dar
President and Chief Executive Officer

Moez Ahamed Jamal
Director

Agha Sher Shah
Director

Sajid Zahid
Director

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2016

1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking and asset management related services in Pakistan and overseas. The Bank's Registered Office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its Principal Office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Group consists of the Bank, its subsidiaries and associates, as disclosed in Note 1 of the consolidated financial statements for the year ended December 31, 2015 except as disclosed in note 1.1.2 below. 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. The Bank operates 1,666 (2015: 1,663) branches inside Pakistan including 45 (2015: 44) Islamic Banking Branches and 53 (2015: 53) branches outside the country including in the Karachi Export Processing Zone (KEPZ).

1.1 Business Combinations

1.1.1 Acquisition of Barclays Bank PLC - Pakistan Branch Business (Barclays)

Last year, the Bank completed the acquisition of the Pakistan branch business of Barclays Bank PLC, a commercial bank. This has been accounted for as disclosed in note 1.4.1 of the consolidated financial statements for the year ended December 31, 2015. Subsequent to the acquisition, the Bank, under the scheme of amalgamation, incorporated the balances relating to Barclays at their carrying values as appearing in the audited financial statements of Barclays as at the close of business on June 14, 2015.

International Financial Reporting Standard 3, (IFRS 3) Business Combinations, requires that all identified assets and liabilities acquired in a business combination should be carried at their fair values in the acquirer's balance sheet and allows the acquirer a period of one year from the date of acquisition for this determination. The Bank has carried out an assessment and concluded that the fair values of the acquired assets and liabilities were not different from their carrying values at the time of acquisition and therefore no fair value adjustment is required.

1.1.2 Acquisition of The First MicroFinanceBank Limited (FMFB)

During the period, the Bank has purchased 50.51% of the shares in The First MicroFinanceBank Limited (FMFB), a related entity, under a Share Subscription Agreement for a consideration of Rs. 2 billion. The transaction was completed as at May 20, 2016.

The assets and liabilities of FMFB on the transaction date were as follows:

(Rupees in '000)

ASSETS

Cash and Balances with treasury banks	569,302
Balances with other banks	2,208,961
Investments	3,712,741
Advances - net of provisions	6,472,431
Operating fixed assets	412,320
Other assets	731,737
Deferred tax asset	47,686
TOTAL ASSETS	14,155,178

LIABILITIES

Deposits and other accounts	10,131,204
Other liabilities	388,474
TOTAL LIABILITIES	10,519,678

NET ASSETS

HBL's share in net assets (50.51%)	1,836,291
Purchase consideration	2,000,000
Recognised as capital reserve	(163,709)

Since FMFB is a group company under common control, the transaction has been accounted for as a common control transaction and predecessor accounting has been applied. Under predecessor accounting, the acquired net assets of FMFB are included in the consolidated financial information at the same carrying values as recorded in FMFB's own financial statements. The results and statement of financial position of FMFB are consolidated prospectively from the date of acquisition. The difference between the consideration transferred and the net assets acquired is recognised in equity as a capital reserve.

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

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

The proposal for the purchase of shares of PICIC AMC was approved by the Securities and Exchange Commission of Pakistan (SECP), through its letter dated February 8, 2016. Subsequent to the acquisition, the Group has incorporated the balances relating to PICIC AMC at their carrying values as appearing in the audited financial statements of PICIC AMC as at the close of business on March 2, 2016. These balances are detailed below:

	(Rupees in '000)
ASSETS	
Cash and bank balances	114,661
Investments	1,280,616
Deferred tax asset	12,273
Operating fixed assets	29,094
Other assets	37,268
TOTAL ASSETS	<u>1,473,912</u>
LIABILITIES	
Other liabilities	133,396
NET ASSETS	<u><u>1,340,516</u></u>

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

In accordance with IFRS 3, the Group has initially recognised Goodwill of Rs. 2.723 billion representing the excess of the consideration paid over the carrying values of the net identifiable assets acquired. The Group has identified Management Rights as a separate intangible asset, currently recorded as part of Goodwill. The valuation of the Management Rights intangible is currently in progress and will be completed within the period specified under IFRS - 3, subsequent to which it will be recognised separately from Goodwill.

	March 2, 2016 (Rupees in '000)
Consideration paid	4,063,600
Carrying value of net identifiable assets acquired	<u>(1,340,516)</u>
Goodwill	<u><u>2,723,084</u></u>

2 STATEMENT OF COMPLIANCE

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

3 CHANGE IN ACCOUNTING POLICY

The accounting policies adopted in the preparation of this condensed interim consolidated financial information are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2015 except as specified in note 3.1 below. In addition, The Group has adopted predecessor accounting for entities under common control as discussed in note 1.1.2 above.

- 3.1 In line with the requirements of the Debt Swap Regulations issued by SBP on January 1, 2016, the Group has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims. These were previously recorded at the lower of cost or market value. These are now initially recorded at cost and a subsequent increase in market value over the acquisition cost is recorded as surplus on revaluation. A decline in the market value is initially used to reduce the surplus account, if any, or if no surplus exists, is charged to the profit and loss account. All direct costs of acquiring title to the asset are charged immediately to the profit and loss account. Had there been no change in accounting policy, other assets, surplus on revaluation of assets and deferred tax liability would have been lower by Rs 241.819 million, Rs 236.783 million and Rs 5.036 million respectively.

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6. INVESTMENTS

	Note	June 30, 2016			December 31, 2015		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----							
Investments by type							
Held-for-trading							
<i>Federal Government Securities</i>							
- Market Treasury Bills		30,643,355	-	30,643,355	29,966,313	-	29,966,313
- Pakistan Investment Bonds		44,295,118	-	44,295,118	11,871,973	-	11,871,973
<i>Fully paid-up ordinary shares</i>							
- Listed companies		31,194	-	31,194	36,602	-	36,602
<i>Overseas Government Securities</i>							
		373,379	-	373,379	1,118,845	-	1,118,845
		75,343,046	-	75,343,046	42,993,733	-	42,993,733
Held-to-maturity							
<i>Federal Government Securities</i>							
- Market Treasury Bills		28,235,869	-	28,235,869	29,802,535	-	29,802,535
- Pakistan Investment Bonds		199,388,699	-	199,388,699	116,908,270	-	116,908,270
- Government of Pakistan US Dollar Bonds		604,615	-	604,615	597,663	-	597,663
- Government of Pakistan Guaranteed Bonds		1,570,612	-	1,570,612	1,713,412	-	1,713,412
- Other Federal Government Securities		25,936,778	-	25,936,778	25,936,778	-	25,936,778
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		21,870,150	-	21,870,150	24,773,658	-	24,773,658
- Unlisted securities		5,849,022	-	5,849,022	4,636,644	-	4,636,644
<i>Overseas Government securities</i>							
		24,944,896	-	24,944,896	21,234,293	-	21,234,293
		308,400,641	-	308,400,641	225,603,253	-	225,603,253
Available-for-sale							
<i>Federal Government Securities</i>							
- Market Treasury Bills		353,346,822	86,396,756	439,743,578	490,972,008	62,190,548	553,162,556
- Pakistan Investment Bonds		207,303,469	138,253,103	345,556,572	125,598,086	171,679,360	297,277,446
- Government of Pakistan US Dollar Bonds		22,045,912	-	22,045,912	24,145,198	-	24,145,198
- Sukuks		77,590,298	-	77,590,298	29,672,145	-	29,672,145
<i>Fully paid-up ordinary shares</i>							
- Listed companies		12,942,631	-	12,942,631	13,451,553	-	13,451,553
- Unlisted companies		1,994,529	-	1,994,529	545,483	-	545,483
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		36,235,517	-	36,235,517	31,472,988	-	31,472,988
- Unlisted securities		12,333,283	-	12,333,283	12,760,770	-	12,760,770
<i>Overseas Government Securities</i>							
<i>NIT Units</i>		5,366,180	-	5,366,180	2,960,904	-	2,960,904
<i>Preference shares</i>		11,113	-	11,113	11,113	-	11,113
		100,000	-	100,000	250,000	-	250,000
		729,269,754	224,649,859	953,919,613	731,840,248	233,869,908	965,710,156
Investment in associates and joint venture							
		22,249,269	-	22,249,269	19,135,914	-	19,135,914
		1,135,262,710	224,649,859	1,359,912,569	1,019,573,148	233,869,908	1,253,443,056
Provision for diminution in the value of investments							
		(882,200)	-	(882,200)	(617,536)	-	(617,536)
		1,134,380,510	224,649,859	1,359,030,369	1,018,955,612	233,869,908	1,252,825,520
Surplus on revaluation of held-for-trading securities							
		24,115	-	24,115	18,326	-	18,326
Surplus on revaluation of available-for-sale securities							
		25,420,692	778,022	26,198,714	15,790,209	2,263,289	18,053,498
Surplus / (deficit) on revaluation of investments of associates							
		436,789	-	436,789	(73,558)	-	(73,558)
Total investments (net of provision)							
		1,160,262,106	225,427,881	1,385,689,987	1,034,690,589	236,133,197	1,270,823,786

6.1 The market value of securities classified as held-to-maturity as at June 30, 2016 amounted to Rs. 317,128.360 million (December 31, 2015: Rs. 231,756.397 million).

	June 30, 2016	December 31, 2015
(Rupees in '000)		
Opening balance	617,536	953,764
Charge for the period / year	286,464	262,864
Reversal for the period / year	(2,429)	(577,378)
Reversal on disposal during the period / year	(19,371)	(67,879)
Total charge / (reversal) - net	264,664	(382,393)
Transfers in	-	46,165
Closing balance	882,200	617,536

- 6.3 Bai-muajjal transactions with the Government of Pakistan amounting to Rs. 25,936.778 million (December 31, 2015: Rs. 25,936.778 million) have been disclosed under investments in line with the requirements of BPRD Circular Letter no. 5 dated February 29, 2016 issued by the SBP. The comparative information related to Bai-muajjal has also been reclassified from lendings to financial institutions to investments.
- 6.4 This financial information includes the results of the following associates and joint venture for the periods listed:

	Based on the financial information as at
Diamond Trust Bank Kenya Limited	March 31, 2016
Himalayan Bank Limited, Nepal	April 12, 2016
Kyrgyz Investment and Credit Bank	March 31, 2016
Jubilee Life Insurance Company Limited	March 31, 2016
Jubilee General Insurance Company Limited	March 31, 2016
HBL Income Fund	June 30, 2016
HBL Stock Fund	June 30, 2016
HBL Multi Asset Fund	June 30, 2016
HBL Money Market Fund	June 30, 2016
HBL Islamic Stock Fund	June 30, 2016
HBL Islamic Money Market Fund	June 30, 2016
HBL Pension Fund - Equity Sub Fund	June 30, 2016
HBL Pension Fund - Debt Sub Fund	June 30, 2016
HBL Pension Fund - Money Market Sub Fund	June 30, 2016
HBL Islamic Pension Fund - Equity Sub Fund	June 30, 2016
HBL Islamic Pension Fund - Debt Sub Fund	June 30, 2016
HBL Islamic Pension Fund - Money Market Sub Fund	June 30, 2016
HBL Mustahekum Sarmaya Fund	June 30, 2016
HBL Islamic Asset Allocation Fund	June 30, 2016
PICIC Investment Fund	June 30, 2016
PICIC Cash Fund	June 30, 2016
PICIC Energy Fund	June 30, 2016
PICIC Income Fund	June 30, 2016
PICIC Islamic Income Fund	June 30, 2016
PICIC Islamic Stock Fund	June 30, 2016
PICIC Stock Fund	June 30, 2016

7	ADVANCES	Note	June 30, 2016	December 31, 2015
		(Rupees in '000)		
	Loans, cash credits, running finances, etc.			
	In Pakistan		497,416,188	478,285,479
	Outside Pakistan		123,121,238	130,921,332
			<u>620,537,426</u>	<u>609,206,811</u>
	Islamic financing and related assets	7.1	22,700,524	19,888,887
	Net investment in finance lease - in Pakistan		12,136,188	10,478,123
	Bills discounted and purchased (excluding Government treasury bills)			
	Payable in Pakistan		16,034,789	16,024,711
	Payable outside Pakistan		57,704,699	50,964,538
			73,739,488	66,989,249
	Provision against advances			
	Specific provision		(66,528,448)	(65,881,113)
	General provision	7.3	(3,486,033)	(3,298,099)
			<u>(70,014,481)</u>	<u>(69,179,212)</u>
	Advances - net of provision		<u>659,099,145</u>	<u>637,383,858</u>

- 7.1 As required under BPRD Circular Letter no. 5 dated February 29, 2016, this includes lendings under Islamic modes of financing, advances given in respect of such lendings and related inventories. The comparative amount of Rs. 4,001.235 million related to advances given against Islamic financing has also been reclassified from Other Assets to Advances.

7.2 Advances include Rs. 78,518.540 million (December 31, 2015: Rs. 76,792.159 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2016								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	915,002	37,919	952,921	-	-	-	915,002	37,919	952,921
Substandard	4,812,107	2,418,021	7,230,128	1,330,362	458,522	1,788,884	3,481,745	1,959,499	5,441,244
Doubtful	1,587,201	1,111,739	2,698,940	820,965	759,194	1,580,159	766,236	352,545	1,118,781
Loss*	46,830,631	20,805,920	67,636,551	45,649,332	17,510,073	63,159,405	1,181,299	3,295,847	4,477,146
	<u>54,144,941</u>	<u>24,373,599</u>	<u>78,518,540</u>	<u>47,800,659</u>	<u>18,727,789</u>	<u>66,528,448</u>	<u>6,344,282</u>	<u>5,645,810</u>	<u>11,990,092</u>

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

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

7.2.1 Exposure amounting to Rs. 1,971.887 million (December 31, 2015: Rs. 1,990.079 million) relating to Pakistan International Airlines Corporation, which is guaranteed by the Government of Pakistan, has not been classified as non-performing, in accordance with a relaxation given by the SBP. However, markup income has been suspended on this amount and is only recognised when received.

7.3 Particulars of provision against advances

	Note	June 30, 2016			December 31, 2015		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		65,881,113	3,298,099	69,179,212	63,506,795	2,674,082	66,180,877
Charge for the period / year		3,336,837	120,618	3,457,455	8,696,343	728,630	9,424,973
Reversals for the period / year		(2,229,989)	(17,715)	(2,247,704)	(4,410,567)	(160,851)	(4,571,418)
Net charge against advances		1,106,848	102,903	1,209,751	4,285,776	567,779	4,853,555
Written off during the period / year		(164,061)	-	(164,061)	(2,180,691)	-	(2,180,691)
Charged off during the period / year	7.6	(370,192)	-	(370,192)	(912,906)	-	(912,906)
Transfer in due to acquisition of FMFB		21,601	91,399	113,000	-	-	-
Transfer in due to acquisition of Barclays		-	-	-	746,503	3,287	749,790
Other movements		53,139	(6,368)	46,771	435,636	52,951	488,587
Closing balance		<u>66,528,448</u>	<u>3,486,033</u>	<u>70,014,481</u>	<u>65,881,113</u>	<u>3,298,099</u>	<u>69,179,212</u>

7.4 General provision represents provision amounting to Rs. 1,443.336 million (December 31, 2015: Rs. 1,335.602 million) against consumer finance portfolio, Rs. 97.232 million (December 31, 2015: Rs 101.684 million) against advances to small enterprises and Rs. 95.510 million (December 31, 2015: Nil) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs. 1,849.955 million (December 31, 2015: Rs. 1,860.813 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.

7.5 As per regulation R-8 of the Prudential Regulations for Corporate / Commercial Banking, the Bank has availed the benefit of Forced Sale value (FSV) against non-performing advances (excluding consumer housing finance portfolio). Had the benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at June 30, 2016 would have been higher by Rs. 52.861 million (December 31, 2015: Rs. 78.211 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

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

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

	June 30, 2016			December 31, 2015		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
----- (Rupees in '000) -----						
Debts due by Directors or executives of the Group or any of them either severally or jointly with any other persons:						
- in respect of Directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	2,752,000	2,752,000	254,980	2,651,500	2,651,500	1,285,536
- in respect of key management personnel / Companies in which key management personnel or their close family members are interested	42,600	59,100	-	61,400	69,800	32,151
Debts due by companies or firms in which the Directors of the Group / Parent are interested as directors, partners, advisors or in the case of private companies as members						
	7,358,345	7,501,612	-	7,490,551	7,490,551	6,249,551

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

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

** This is the maximum amount outstanding at any month end during the period.

	Note	June 30, 2016	December 31, 2015
(Rupees in '000)			
8 OPERATING FIXED ASSETS			
Capital work-in-progress		1,780,272	1,486,307
Intangible assets			
- Goodwill	8.1	4,468,639	1,916,319
- Computer software		660,098	576,427
Tangible fixed assets		<u>28,505,368</u>	<u>27,362,456</u>
		<u>35,414,377</u>	<u>31,341,509</u>
8.1 Goodwill			
Arising on acquisition of:			
- Habibsons Bank Limited		1,745,555	1,916,319
- PICIC AMC		2,723,084	-
		<u>4,468,639</u>	<u>1,916,319</u>
For the six months ended			
		June 30, 2016	June 30, 2015
(Rupees in '000)			
8.2 Additions to operating fixed assets			
The following additions have been made to operating fixed assets during the period:			
Capital work-in-progress		293,965	1,682,941
Intangible assets			
Goodwill		2,723,084	-
Computer software		303,669	101,672
Tangible fixed assets			
Land		802,125	230,304
Building		118,205	156,967
Machinery		13,434	40,173
Furniture, fixtures and office equipment		1,047,352	848,180
Leasehold Improvements		266,236	249,226
Vehicles		23,885	66,919
		<u>5,591,955</u>	<u>3,376,382</u>

	Note	June 30, 2016	December 31, 2015
		(Rupees in '000)	
11 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of:			
- operating fixed assets	11.1	11,143,583	10,899,441
- investments	11.2	17,469,555	11,676,143
- non-banking assets	11.3	236,783	-
Surplus on revaluation of assets - net of deferred tax		<u>28,849,921</u>	<u>22,575,584</u>
11.1 Surplus on revaluation of operating fixed assets			
Surplus on revaluation of operating fixed assets as at the beginning of the period / year		11,474,665	10,286,364
Recognised during the period / year		-	1,271,056
Transferred from surplus on revaluation of non-banking assets		262,797	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(18,898)	(53,776)
Related deferred tax liability on incremental depreciation charged during the period / year		(10,176)	(28,979)
Surplus on revaluation of operating fixed assets as at the end of the period / year		<u>11,708,388</u>	<u>11,474,665</u>
Less: related deferred tax liability on:			
- revaluation as at the beginning of the period / year		571,774	859,563
- revaluation recognised during the period / year		-	(258,810)
- incremental depreciation charged during the period / year		(10,176)	(28,979)
		<u>561,598</u>	<u>571,774</u>
Less: share of surplus of non-controlling interest - net of deferred tax		<u>11,146,790</u>	<u>10,902,891</u>
		<u>3,207</u>	<u>3,450</u>
		<u>11,143,583</u>	<u>10,899,441</u>
11.2 Surplus / (deficit) on revaluation of investments			
Market Treasury Bills		304,029	490,263
Pakistan Investment Bonds		22,530,435	16,666,315
Government of Pakistan US Dollar Bonds		1,104,620	(188,793)
Sukuks		725,887	306,153
Listed securities		1,424,491	1,006,484
NIT units		31,469	31,442
Overseas Government securities		65,118	(273,448)
Other investments		12,665	8,984
		<u>26,198,714</u>	<u>18,047,400</u>
Related deferred tax liability		(9,166,968)	(6,318,694)
		<u>17,031,746</u>	<u>11,728,706</u>
Surplus / (deficit) on revaluation of investments of associates - net of deferred tax		<u>448,357</u>	<u>(62,111)</u>
		<u>17,480,103</u>	<u>11,666,595</u>
Less: share of surplus / (deficit) of non-controlling interest - net of deferred tax		<u>10,548</u>	<u>(9,548)</u>
		<u>17,469,555</u>	<u>11,676,143</u>
11.3 Surplus on revaluation of non-banking assets			
Surplus on revaluation of non-banking assets as at the beginning of the period / year		-	-
Recognised during the period / year		504,616	-
Transferred to surplus on revaluation of operating fixed assets		(262,797)	-
Surplus on revaluation of non-banking assets as at the end of the period / year		<u>241,819</u>	<u>-</u>
Less: related deferred tax liability on:			
- revaluation as at the beginning of the period / year		-	-
- revaluation recognised during the period / year		5,036	-
		<u>5,036</u>	<u>-</u>
		<u>236,783</u>	<u>-</u>
12 CONTINGENCIES AND COMMITMENTS			
12.1 Direct credit substitutes - financial guarantees			
Guarantees in favour of:			
- Government		269,170	261,261
- Financial institutions		296,350	295,000
- Others		31,448,967	31,684,274
		<u>32,014,487</u>	<u>32,240,535</u>

	June 30, 2016	December 31, 2015
	(Rupees in '000)	
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	561,224	718,148
- Financial institutions	1,629,061	1,253,518
- Others	<u>101,999,533</u>	<u>93,410,699</u>
	<u>104,189,818</u>	<u>95,382,365</u>
12.3 Trade-related contingent liabilities		
Letters of credit in favour of:		
- Government	62,975,952	45,023,666
- Financial institutions	564,932	20,924
- Others	<u>106,119,554</u>	<u>103,587,432</u>
	<u>169,660,438</u>	<u>148,632,022</u>
12.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>30,848,855</u>	<u>28,888,202</u>
<p>These mainly represent counter claims filed by borrowers for restricting the Bank from disposal of assets (such as mortgaged / pledged assets kept as security). Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and accordingly no provision has been made in this condensed interim consolidated financial information.</p>		
12.5 Commitments in respect of forward lending		
<p>The Group makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.</p>		
	June 30, 2016	December 31, 2015
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	153,524,034	155,889,749
Sale	155,584,996	156,605,356
12.7 Commitments in respect of forward Government Securities transactions		
Purchase	3,680,262	19,181,362
Sale	6,741,103	1,858,663
12.8 Commitments in respect of derivatives		
Cross currency swaps		
Purchase	1,042,800	1,918,607
Sale	1,048,344	1,909,263
Interest rate swaps		
Purchase	69,890	104,741
Sale	5,669,890	5,604,741
Foreign currency options		
Purchase	289,294	-
Sale	289,294	-
12.9 Commitments for capital expenditure	1,049,085	1,054,027

12.10 Taxation

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

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

	Note	For the six months ended	
		June 30, 2016	June 30, 2015
		(Rupees in '000)	
		(Restated)	
13 MARK-UP / RETURN / PROFIT / INTEREST EARNED			
<i>On loans and advances to:</i>			
- Customers		23,449,093	24,204,429
- Financial institutions		716	7,368
<i>On investments in:</i>			
- Held-for-trading securities		1,492,004	1,790,937
- Held-to-maturity securities		9,546,290	5,960,499
- Available-for-sale securities			
- Sukuks		634,750	30,962
- Others		34,193,059	37,138,226
		34,827,809	37,169,188
On deposits with financial institutions		362,340	1,262,068
On lendings to financial institutions	14.1	1,031,361	1,208,485
		<u>70,709,613</u>	<u>71,602,974</u>
14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED			
<i>On:</i>			
Deposits		19,440,361	25,972,855
Securities sold under repurchase agreement borrowings		8,064,411	5,505,062
Other short term borrowings	14.1	918,041	815,538
Long term borrowings		863,436	386,049
		<u>29,286,249</u>	<u>32,679,504</u>
14.1	Intersegment mark-up earned / expensed amounting to Rs. 1,616.534 million has been eliminated in the comparative period.		
15 DIVIDEND INCOME			
The Hub Power Company Limited		130,464	51,000
Kot Addu Power Company Limited		82,850	69,218
Fauji Fertilizer Company Limited		48,502	46,752
National Bank of Pakistan Limited		43,913	16,893
United Bank Limited		40,382	45,198
Pakistan Telecommunication Company Limited		33,037	25,216
Engro Fertilizers Limited		24,887	1,124
Fauji Fertilizer Bin Qasim Limited		22,561	691
National Investment Trust Limited		21,780	31,680
Saif Power Limited		20,826	95,305
Nishat Chunian Power Limited		17,528	42,011
Allied Bank of Pakistan Limited		17,403	18,319
Bank Alfalah Limited		16,539	44,430
Engro Corporation Limited		14,713	14,947
MCB Bank Limited		13,613	-
Lalpir Power Limited		12,855	9,612
Balance carried forward		<u>561,853</u>	<u>512,396</u>

	For the six months ended	
	June 30, 2016	June 30, 2015
	(Rupees in '000)	
	(Restated)	
Balance brought forward	561,853	512,396
Bank Al-Habib Limited	9,882	20,151
Habib Metropolitan Bank Limited	9,774	16,250
Pakgen Power Limited	8,966	5,367
Pakistan State Oil Limited	7,867	15,938
Attock Petroleum Limited	7,508	6,474
Electronic Network For Financial Transactions Limited	5,188	-
Masood Textile Mills Limited	4,232	5,767
Speed Private Limited	4,152	-
Adamjee Insurance Company Limited	3,618	11,366
National Investment Unit Trust (NIUT)	3,031	288,551
Dawood Hercules Corporation Limited	1,559	298
Pak Suzuki Motor Company Limited	900	-
Nishat Power Limited	849	2,838
Oil and Gas Development Company Limited	617	1,763
Fauji Cement Company Limited	198	1,926
Cherat Cement Limited	150	-
Avanceon Limited	100	-
Lanka Clear Private Limited	65	-
Fatima Fertilizer Company Limited	-	13,937
Pioneer Cement Limited	-	5,164
National Institutional Facilitation Technologies Private Limited	-	6,800
	<u>630,509</u>	<u>914,986</u>

16 GAIN ON SALE OF SECURITIES

These include gain of Rs. 133.529 million (2015: 12.152 million) earned on sale of investments as per arrangements permissible under Shariah.

	For the six months ended	
	June 30, 2016	June 30, 2015
	(Rupees in '000)	
17 OTHER INCOME		
Incidental charges	174,261	207,623
Gain on sale of operating fixed assets - net	34,918	17,459
Rent on property	55,819	50,545
Derivative income	105,844	49,733
	<u>370,842</u>	<u>325,360</u>

18 RELATED PARTY TRANSACTIONS

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

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

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

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

	June 30, 2016 (Unaudited)			
	Parent Group Entities	Associates	Joint venture	Other related parties
	Rs. in 000			
Statement of financial position				
Deposits	4,812,846	5,868,443	215,156	561,684
Maximum deposits during the period	9,593,529	6,378,540	217,386	561,684
Borrowings	1,386,922	-	2,254,178	-
Investments	-	20,901,228	1,784,830	-
Mark-up receivable	14,028	2,419	-	-
Other receivable	-	133,037	-	-
Mark-up payable	9,893	1,557	5,495	12
Other payable	-	-	-	191,872
Nostro balances	137,878	-	-	-
Others				
Other contingencies	453,975	20,009	-	-
Securities held as custodian	45,673,095	105,129,450	-	13,366,395

	For the six months ended June 30, 2016 (Unaudited)			
	Parent Group Entities	Associates	Joint venture	Other related parties
	Rs. in 000			
Profit and Loss Account				
Mark-up income	22,883	4,153	-	-
Share of profit	-	1,195,744	279,140	-
Fee and commission income	-	1,211,707	-	-
Mark-up expense	27,207	43,916	7,630	2,348
Other expense	-	349,466	-	394,782

	December 31, 2015 (Audited)			
	Parent Group Entities	Associates	Joint venture	Other related parties
	Rs. in 000			
Statement of financial position				
Deposits	5,018,930	3,262,854	193,692	92,926
Maximum deposits during the period	5,018,930	5,003,911	193,692	250,352
Borrowings	-	-	-	-
Investments	-	17,453,484	1,608,874	-
Mark-up receivable	15,899	2,331	-	-
Other receivable	-	128,252	-	-
Mark-up payable	12,434	3,259	-	11
Other payable	-	-	-	1,026,380
Lendings to financial institutions	350,000	-	-	-
Nostro balances	128,540	-	-	-
Others				
Other contingencies	472,408	5,275	-	-
Securities held as custodian	13,679,505	33,261,760	-	4,513,760

	For the six months ended June 30, 2015 (Unaudited)			
	Parent Group Entities	Associates	Joint venture	Other related parties
	Rs. in 000			
Profit and Loss Account				
Mark-up income	22,530	-	-	-
Share of profit	-	1,344,233	184,922	-
Fee and commission income	-	1,258,512	-	-
Mark-up expense	43,453	93,141	152	748
Other expense	-	298,989	-	398,656

18.1 Key Management Personnel

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

	For the six months ended	
	June 30, 2016	June 30, 2015
	(Rupees in '000)	
Managerial remuneration (including allowances)	408,919	401,775
Contribution to provident and benevolent fund	8,434	7,852
Medical	12,618	11,192
	<u>429,971</u>	<u>420,819</u>
Number of persons	<u>24</u>	<u>27</u>
18.2 Non-executive directors' fees	<u>18,000</u>	<u>11,800</u>

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities which are recognised at fair value in the financial statements:

	As at June 30, 2016 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial Assets & Liabilities				
- Fully paid up ordinary shares	13,937,894	-	-	13,937,894
- NIT units	-	42,582	-	42,582
- Federal Government securities	-	984,572,453	-	984,572,453
- Overseas Government securities	-	5,741,685	-	5,741,685
- Debentures and corporate debt instruments	-	37,860,194	-	37,860,194
- Unrealised gain on forward foreign exchange contracts / derivative instruments	-	1,567,664	-	1,567,664
- Unrealised loss on forward foreign exchange contracts / derivative instruments	-	1,935,963	-	1,935,963
Non-Financial Assets				
Non Banking Assets acquired in satisfaction of claims	-	2,469,053	-	2,469,053
	<u>13,937,894</u>	<u>1,034,189,594</u>	<u>-</u>	<u>1,048,127,488</u>
	As at December 31, 2015 (Audited)			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial Assets & Liabilities				
- Fully paid up Ordinary Shares	14,524,283	-	-	14,524,283
- NIT Units	-	42,555	-	42,555
- Federal Government Securities	-	963,389,692	-	963,389,692
- Overseas Government Securities	-	4,045,632	-	4,045,632
- Debentures and corporate debt instruments	-	33,455,817	-	33,455,817
- Unrealised gain on forward foreign exchange contracts / derivative instruments	-	606,745	-	606,745
- Unrealised loss on forward foreign exchange contracts / derivative instruments	-	929,999	-	929,999
Non-Financial Assets				
Non Banking Assets acquired in satisfaction of claims	-	-	-	-
	<u>14,524,283</u>	<u>1,002,470,440</u>	<u>-</u>	<u>1,016,994,723</u>

All assets and liabilities for which fair value is recognised in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Valuation techniques used in determination of fair values within level 2

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Debentures and corporate debt instruments	Investment in debt securities denominated in PKR (comprising term finance certificates and sukuk certificates) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in debt securities in other currencies are revalued 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 published at the close of each business day.
Overseas Government securities	The fair values of overseas Government securities are determined on the basis of rates taken from Reuters / Bloomberg.
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.
Non-banking assets acquired in satisfaction of claims	These assets are revalued on a periodic basis by professional valuers. The valuation is based on their assessment of the market values of the properties.

20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2016 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International	Head Office / others	Total
	----- (Rupees in million) -----					
Net mark-up income - external	(4,397)	8,364	32,634	4,781	42	41,424
Intersegment revenue / (expense) - net	25,379	(5,558)	(23,564)	-	3,743	-
Non-funded income	5,742	1,609	2,021	3,389	1,570	14,331
Total income	26,724	4,415	11,091	8,170	5,355	55,755
Total expenses including provision	11,838	(174)	449	6,867	8,477	27,457
Intersegment administrative cost	5,690	813	156	597	(7,256)	-
Total expenses including provision	17,528	639	605	7,464	1,221	27,457
Profit before tax	9,196	3,776	10,486	706	4,134	28,298
Segment return on asset %	0.84%	3.24%	3.71%	0.24%	1.98%	-
Segment cost of funds %	2.98%	4.58%	5.60%	1.05%	0.01%	-
	As at June 30, 2016 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International	Head Office / others	Total
	----- (Rupees in million) -----					
Segment assets (gross of provision)	369,867	377,836	1,191,681	403,514	86,331	2,429,229
Segment non-performing advances	8,324	45,606	-	24,374	215	78,519
Segment provision held including general provision	6,244	43,599	285	20,599	611	71,338
Intersegment assets / (liabilities)	999,504	(142,877)	(927,089)	9,526	60,936	-
Segment liabilities and equity	1,363,126	190,270	264,306	393,531	146,658	2,357,891
	For the six months ended June 30, 2015 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International	Head Office / others	Total
	----- (Rupees in million) -----					
Net mark-up income - external	(10,840)	9,579	35,781	4,181	222	38,923
Intersegment revenue / (expense) - net	32,397	(7,120)	(29,334)	-	4,057	-
Non-funded income	5,054	1,543	5,773	3,271	1,749	17,390
Total income	26,611	4,002	12,220	7,452	6,028	56,313
Total expenses including provision	10,745	1,390	221	5,010	8,199	25,565
Intersegment administrative cost	5,466	781	150	574	(6,971)	-
Total expenses including provision	16,211	2,171	371	5,584	1,228	25,565
Profit before tax	10,400	1,831	11,849	1,868	4,800	30,748
Segment return on asset %	1.08%	1.06%	5.49%	0.57%	1.58%	-
Segment cost of funds %	5.11%	5.51%	7.32%	1.38%	0.00%	-
	As at December 31, 2015 (Audited)					
	Branch banking	Corporate banking	Treasury	International	Head Office / others	Total
	----- (Rupees in million) -----					
Segment assets (gross of provision)	305,318	362,136	1,139,132	412,480	69,613	2,288,679
Segment non-performing advances	8,290	46,462	-	21,935	105	76,792
Segment provision held including general provision	6,587	44,259	72	18,874	464	70,256
Intersegment assets / (liabilities)	979,320	(148,415)	(845,715)	(9,457)	24,267	-
Segment liabilities and equity	1,278,051	169,463	293,344	320,415	157,150	2,218,423

21 **ISLAMIC BANKING BUSINESS**

The Statement of Financial Position and Profit and Loss Account of the Islamic Banking Business is disclosed in note 21 to the condensed interim unconsolidated financial information for the six months ended June 30, 2016.

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

The Board of Directors in its meeting held on August 18, 2016 has declared a cash dividend in respect of the quarter ended June 30, 2016 of Rs. 3.50 per share (2015: Rs. 3.50 per share). This condensed interim consolidated financial information does not include the effect of these appropriations which will be accounted for subsequent to the period end.

23 **GENERAL**

Comparative figures have been re-arranged and reclassified for comparison purposes. There are no material reclassifications to report other than as disclosed in this condensed interim consolidated financial information.

24 **DATE OF AUTHORISATION FOR ISSUE**

This condensed interim consolidated financial information was authorised for issue in the Board of Directors meeting held on August 18, 2016.

HBL





Condensed
Interim
Unconsolidated
Financial
Information

HBL

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial information for the half-year ended June 30, 2016.

Domestic Economy

Pakistan's economic performance continued to improve during the first half of 2016, helped by a benign inflationary environment, a stable external account and improvement in the industrial sector. Headline inflation was 3.2% in June, averaging only 2.8% for FY16, well within even the revised SBP target of 3%-4%. GDP growth finally broke out from its range bound levels to reach 4.7% for FY16, as the manufacturing and services sectors exhibited improved performance.

The trade deficit for FY16 increased by 7.4% over FY15 despite the relief provided by low oil prices. Exports declined by 8.6% mainly due to slowdown in the textile sector, while imports reduced by only 2.0% as non-oil imports, led by machinery, mostly offset lower petroleum imports. Remittance growth continued, albeit at a slower pace of 6.4% and, coupled with inflows from multilateral agencies, continued to support the external account surplus. Foreign exchange reserves strengthened to historic levels of USD 23 billion, resulting in a stable Rupee through 2016.

The IMF concluded the 12th and final review of the Extended Fund Facility (EFF) and expressed satisfaction on the progress that the economy has made over the course of the program. The IMF board is expected to approve the disbursement of the last tranche of USD 102 million under the EFF. This will represent a significant milestone as this will be the country's first ever completion of a medium term IMF program. For the first time in several years, the government has met its revenue collection target of Rs 3.1 trillion for FY16. This helped to reduce the fiscal deficit from 5.3% of GDP in FY15 to 4.5% of GDP in FY16.

The much awaited MSCI decision to reclassify Pakistan from its Frontier to its Emerging Markets index from May 2017 lifted investor sentiment, triggering a strong rally on the stock exchange. Despite subsequent selling pressure post the Brexit vote, the PSX 100 Index increased by 15% from December 2015 to June 2016, and continues to touch new highs.

The SBP has maintained its policy rate at 5.75% citing concerns over a rising inflationary trend on the back of increased economic activity. Banking sector advances have grown by 8% since the beginning of the year and market deposits also increased by 8%, crossing the Rs 10 trillion mark in June. Industry spreads have compressed further, reducing by a further 43bps during the first half of 2016.

Performance

HBL has delivered an unconsolidated profit after tax of Rs 15.1 billion for the first half of 2016 translating into Earnings per share of Rs 10.32. Pre-tax profit for the first six months of 2016 is Rs 26.9 billion, compared to Rs 29.5 billion in H1 '15, which included exceptional capital gains, mainly due to re-profiling of the PIB portfolio. Excluding the impact of capital gains, pre and post-tax profits are 4% higher than in H1 '15.

HBL's balance sheet has grown by 6% over December 2015 to reach Rs 2.3 trillion. Domestic deposits increased by 9% enabling the Bank to return market share to 14.3%. The domestic deposit mix continued to improve, with the ratio of current accounts rising from 34.4% in December 2015 to 34.7% in June 2016. Average current accounts for H1 '16 increased by 21% over the same period of 2015, enabling HBL to reduce its cost of domestic deposits by 129 bps, to 2.8%. Average loans grew across all domestic business segments and, along with a 62% increase in average PIB volumes helped to contain the decline in asset yields. The Bank was thus able to restrict the decline in its net interest margin to just 30 bps despite the average interest rate in H1 '16 being 165 bps lower than in H1 '15. With a 14% growth in the average balance sheet over the first half of 2015, net interest income increased by 6% to Rs 40.5 billion for the half-year ended June 30, 2016.

Non mark-up income, excluding capital gains, increased by 1% over the first half of 2015. Fees and Commissions continued their strong growth, rising by 12% to Rs 8.6 billion for H1 '16. Bancassurance, trade, investment banking and general banking related fees remained the main contributors.

Growth in administrative expenses was restricted to 9% over H1 '15, despite the full impact of increase in the branch network and certain 1-off costs. With lower capital gains resulting in lower total revenue than in H1 '15, the cost/income ratio for the first six months of 2016 increased to 45%. The Bank was able to reduce provisions by 19% over the first half of 2015, despite additional provisioning based on a conservative view on certain borrowers. The coverage ratio improved by 45 bps over the previous quarter to reach 91.3% as at June 30, 2016.

Movement of Reserves

Rupees in million

Unappropriated profit brought forward	89,934
Profit attributable to equity holders of the Bank	15,133
Transferred from surplus on revaluation of fixed assets – net of tax	17
	15,150
Appropriations	
Transferred to statutory reserves	(1,513)
Cash dividend – Final 2015	(5,134)
Cash dividend – 1st Interim 2016	(5,134)
	(11,781)
	93,303
Unappropriated profit carried forward	
Earnings per share (Rs)	10.32

Capital Ratios

The unconsolidated Capital Adequacy Ratio (CAR) as at June 30, 2016 was 15.9% with the Tier 1 CAR at 12.6%. The capital ratios remain strong and well above required levels.

Dividend

The Board of Directors, in its meeting held on August 18, 2016 has declared an interim cash dividend of Rs 3.50 per share (35%) for the quarter ended June 30, 2016.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively. The ratings are supported by HBL's healthy capitalization ratios and sound liquidity profile and reflect the systemic importance of the Bank.

Future Outlook

The economy is expected to continue on a steady growth trajectory as strengthening of the law and order situation, along with improved energy availability should drive increased investment in the China Pakistan Economic Corridor (CPEC) and a much needed pickup in private sector credit offtake. The Federal Budget announced in June has several promising initiatives and challenging but achievable targets of 5.7% GDP growth for FY17, ambitious public sector development and a reduction in the fiscal deficit to 3.8%.

However, choppy waters ahead will have to be navigated carefully to accelerate medium term growth to at least the level of other countries in the region. Full realization of CPEC's potential will require good governance with timely and effective implementation. The external account has been strengthening for an extended period but falling exports and a significant slowdown in remittances could jeopardize reserves and currency stability. Although the government continues to pressure non-filers, these efforts remain incremental with far wider and deeper structural reforms required in both tax policy and administration to significantly improve the tax/GDP ratio.

HBL has continued to deliver strong results. With adequate reserves of both liquidity and capital, the Bank is well positioned to leverage growth opportunities and play its role in the development of Pakistan as its largest commercial bank. HBL is committed to delivering new and innovative products and continuously raising its service levels to keep improving the experience and convenience of its customers.

Appreciation and Acknowledgement

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

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

On behalf of the Board

Nauman K. Dar

President & Chief Executive Officer
August 18, 2016

اسٹیٹ بینک آف پاکستان نے معاشی سرگرمی میں اضافے کی بنیاد پر بڑھتے ہوئے افراط زر کی شرح پر تحفظات کا اظہار کرتے ہوئے پالیسی ریٹ کو 5.75 فیصد پر برقرار رکھا ہے۔ سال کے آغاز سے اب تک بینکاری صنعت کے قرضہ جات اور کھاتیداروں کی رقوم میں 8 فیصد اضافہ ہوا۔ کھاتے داروں کی رقوم نے جون میں 10 کھرب کے ہدف کو عبور کر لیا۔ بینکاری منافع میں مزید سست روی واقع ہوئی ہے اور سال 2016 کی ششماہی میں مزید bps 43 کی کمی آئی۔

کارکردگی

ایچ بی ایل کو سال 2016 کی پہلی ششماہی میں غیر مجموعی طور پر 15.1 ارب کا بعد از محصول منافع ہوا ہے۔ جس کے نتیجے میں فی حصص آمدن 10.32 روپے رہی۔ سال 2016 کے ابتدائی چھ مہینوں میں قبل از محصول منافع 26.9 ارب روپے رہا جبکہ سال 2015 کی پہلی ششماہی میں PIB پورٹ فولیو کی دوبارہ پروفائلنگ کے باعث بہت زیادہ کیپیٹل گین کے حصول کی بدولت یہ منافع 29.5 ارب روپے رہا تھا۔ کیپیٹل گین کے اثر کو منہا کرنے سے قبل و بعد از محصول منافع سال 2015 کی پہلی ششماہی کے مقابلے میں 4 فیصد زیادہ رہا۔

ایچ بی ایل کی بیلنس شیٹ دسمبر 2015 کے بعد 6 فیصد اضافے سے 2.3 کھرب روپے تک پہنچ گئی ہے۔ مقامی ڈپازٹس میں 9 فیصد اضافہ ہوا جس کے باعث بینک 14.3 فیصد مارکیٹ شیئر واپس حاصل کرنے کے قابل ہوا۔ مقامی ڈپازٹس کے مجموعے میں بہتری کا سلسلہ جاری رہنے کے ساتھ اور کرنٹ اکاؤنٹ کی شرح میں بھی اضافہ ہوا ہے جو دسمبر 2015 میں 34.4 فیصد سے بڑھ کر جون 2016 میں 34.7 فیصد ہو گیا۔ سال 2016 کی پہلی ششماہی میں اوسط کرنٹ اکاؤنٹس میں سال 2015 کی اسی مدت کے مقابلے میں 21 فیصد اضافہ ہوا، جس کی بدولت ایچ بی ایل مقامی ڈپازٹ پر ہونے والے اخراجات میں 129 bps کی کمی کر کے ان کو 2.8 فیصد پر لے آیا۔ تمام ملکی کاروباری شعبوں میں قرضوں کی اوسط میں اضافہ ہوا ہے اور پی آئی بی کے اوسط حجم میں 62 فیصد اضافے کے ساتھ اثاثہ جات سے حاصل ہونے والی آمدن میں کمی کو روکنے میں مدد ملی۔ ان عوامل کے باعث بینک خالص مارک اپ آمدنی میں ہونے والی کمی کو 30 bps تک محدود کرنے میں کامیاب رہا ہے حالانکہ سال 2016 کے پہلے حصے میں مارک اپ کی اوسط شرح سال 2015 کی اسی مدت کے مقابلے میں 165 bps کم تھی۔ سال 2015 کی پہلی ششماہی کے مقابلے میں سال 2016 کی پہلی ششماہی میں بیلنس شیٹ میں اوسطاً 14 فیصد اضافہ ہوا جبکہ 30 جون، 2016 کو مکمل ہونے والے سال کی پہلی ششماہی میں خالص مارک اپ آمدن 6 فیصد کے اضافے سے 40.5 ارب روپے رہی۔

غیر مارک اپ آمدن میں کیپیٹل گینٹر کو منہا کر کے سال 2015 کی پہلی ششماہی کے مقابلے میں 1 فیصد اضافہ ہوا۔ فیس اور کمیشن میں برقی رفتار اضافہ جاری رہا جو سال 2016 کی پہلی ششماہی میں 12 فیصد اضافے کی بدولت 8.6 ارب روپے رہا۔ بینک انشورنس، تجارت، انویسٹمنٹ بینکاری اور عمومی بینکاری سے متعلقہ فیسوں نے اس اضافے میں نمایاں کردار نبھایا۔

سال 2015 کی پہلی ششماہی کے مقابلے میں، برانچ نیٹ ورک میں اضافے کے مکمل اثر پر نے اور صرف اس ششماہی میں وقوع پذیر اخراجات کے باوجود انتظامی اخراجات 9 فیصد تک محدود رہے۔ کیپیٹل گینٹر میں کمی کے باعث سال 2015 کی پہلی ششماہی کے مقابلے میں ملی آمدنی میں کمی آئی اور سال 2016 کی پہلی ششماہی میں لاگت آمدن کی شرح میں 45 فیصد اضافہ ہوا۔ 2015 کی پہلی ششماہی کے مقابلے میں بینک نے پروڈن کی فراہمی میں 19 فیصد کمی کی، حالانکہ کچھ قرض دہندہ گان کے بارے میں محتاط رائے رکھنے کی وجہ سے اضافی پروڈن رکھی ہوئی ہے۔ کوریج کی شرح گزشتہ سہ ماہی کے مقابلے میں 45 bps بہتری کے ساتھ 30 جون 2016 کو 91.3 فیصد تک پہنچ گئی۔

ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے میں انتہائی مسرت سے 30 جون 2016 کو اختتام پذیر ہونے والے ششماہی دورانے کے مختصر عبوری غیر مجموعی مالیاتی اعداد و شمار پیش کرتا ہوں۔

مقامی معیشت

سال 2016 کی پہلی ششماہی میں پاکستان کی معاشی کارکردگی میں بہتری جاری رہی جس میں افراط زر کا بہتر ماحول، مستحکم بیرونی اکاؤنٹ اور صنعتی شعبے میں بہتری نے اہم کردار ادا کیا۔ جون میں مجموعی افراط زر کی شرح 3.2 فیصد رہی جبکہ مالی سال 2016 کے لئے اوسط 2.8 فیصد رہی جو اسٹیٹ بینک کی جانب سے نظر ثانی شدہ ہدف 3-4 فیصد سے بھی زیادہ بہتر ہے۔ مالی سال 2016 کے لئے مجموعی ملکی پیداوار اپنی سطح سے بڑھ کر 4.7 فیصد ہو گئی جس کی وجہ مینوفیکچرنگ اور سروسز سیکٹرز میں بہتر کارکردگی رہی۔

تیل کی گرتی ہوئی قیمتوں سے ملنے والی سہولت کے باوجود مالی سال 2015 کے مقابلے میں مالی سال 2016 کے دوران تجارتی خسارے میں 7.4 فیصد اضافہ ہوا۔ برآمدات میں ٹیکسٹائل کے شعبے میں ہونے والی سست روی کے باعث 8.6 فیصد کمی آئی جبکہ غیر پیٹرولیم درآمدات میں صرف 2.0 فیصد کمی واقع ہوئی کیونکہ تیل کے علاوہ دیگر درآمدات بالخصوص مشینری کی درآمدات نے تیل کی درآمدات میں کمی کو غیر موثر بنایا۔ ترسیل زر کی شرح میں 6.4 فیصد کاسٹ رفاہر اضافہ ہوا اور مختلف ایجنسیوں کی آنے والی رقوم سے اضافی بیرونی اکاؤنٹ کو سہارا دینے کا سلسلہ جاری رہا۔ غیر ملکی زرمبادلہ کے ذخائر استحکام کے ساتھ 23 ارب امریکی ڈالر کی تاریخی سطح تک پہنچ گئے جس کے نتیجے میں سال 2016 میں روپے کی قدر مستحکم رہی۔

آئی ایم ایف نے توسیعی فنڈ سہولت (Extended Fund Facility) کے تحت بارہواں اور آخری جائزہ مکمل کر لیا اور اس پروگرام کے دوران معاشی ترقی پر اطمینان کا اظہار کیا گیا۔ آئی ایم ایف کے بورڈ کی جانب سے اس پروگرام کے تحت 102 ملین ڈالر کی آخری قسط کی فراہمی کی منظوری ملنے کی توقع ہے۔ یہ ایک اہم سنگ میل ہوگا کیونکہ یہ پہلا موقع ہوگا جب پاکستان کامیابی کے ساتھ آئی ایم ایف کا درمیانی مدت کا پروگرام مکمل کر لے گا۔ بہت سالوں کے بعد یہ پہلا موقع ہے کہ ملک نے مالی سال 2016 میں اپنی آمدن جمع کرنے کے 3.1 کھرب روپے کے ہدف کو حاصل کر لیا ہے۔ اس کی بدولت مالیاتی خسارے میں کمی واقع ہوئی ہے اور سال 2015 میں مالیاتی خسارہ مجموعی ملکی پیداوار کا 5.3 فیصد رہا جس کے مقابلے میں سال 2016 میں مالیاتی خسارہ مجموعی ملکی پیداوار کا 4.5 فیصد رہا۔

طویل انتظار کے بعد MSCI کی جانب سے مئی 2017 سے پاکستان کو فرٹنیرٹی کی درجہ بندی سے نکال کر ایمرجنگ مارکیٹ انڈیکس میں ڈالنے کے فیصلے نے سرمایہ کاروں کے اعتماد میں اضافہ کیا جس کی بدولت اسٹاک ایکسچینج میں بہت تیزی دیکھی گئی۔ برطانیہ کے یورپی انجمن سے باہر آنے کے فیصلے کے باعث پڑنے والے دباؤ کے باوجود پاکستان اسٹاک ایکسچینج 100 انڈیکس میں دسمبر 2015 سے جون 2016 کے درمیان 15 فیصد اضافہ ہوا اور پاکستان اسٹاک ایکسچینج کامیابی کی نئی منزلوں کو چھو رہا ہے۔

مستقبل کے متوقع حالات

مقامی معیشت تسلسل کے ساتھ ترقی کی راہ پر گامزن رہنے کی امید ہے کیونکہ امن وامان کی بہتر ہوتی ہوئی صورتحال کے ساتھ توانائی کا بحران بھی حل کی جانب گامزن ہے اور یہ عوامل پاکستان - چین اقتصادی راہداری (CPEC) منصوبے میں اضافی سرمایہ کاری کا باعث بنیں گے اور نئی شعبہ زیادہ قرض لینے کی جانب متوجہ ہوگا۔ جون میں پیش کئے گئے وفاقی بجٹ میں بہت سے امید افزاء اقدامات ہیں جبکہ مالی سال 2017 کے لئے مجموعی ملکی پیداوار میں اضافے کا مشکل لیکن قابل حصول ہدف 5.7 فیصد رکھا گیا ہے جس میں عوامی شعبے میں ترقی اور مالیاتی خسارے میں 3.8 فیصد کمی رکھی گئی ہے۔

لیکن مستقبل میں آنے والی مشکلات سے محتاط طریقے سے نمٹنا ہوگا اور درمیانی مدتی شرح ترقی میں اضافہ لاکر اس کو کم از کم خطے میں موجود دیگر ممالک کی سطح کے برابر لایا جاسکتا ہے۔ پاکستان - چین اقتصادی راہداری (CPEC) منصوبے سے مکمل طور پر استفادہ کرنے کے لئے بہتر انتظامی امور کے ساتھ بروقت اور موثر عمل درآمد کی ضرورت ہوگی۔ بیرونی کاؤنٹ ایکٹ طویل عرصے سے مستحکم ہو رہے ہیں لیکن گرتی ہوئی برآمدات اور تیل زر کی آمد میں نمایاں کمی سے مالی ذخائر اور کرنسی کا استحکام خطرے میں پڑ سکتا ہے۔ اگرچہ حکومت کی جانب سے آمدن پر محصول کے گوشوارے جمع نہ کروانے والوں پر دباؤ بڑھانے کا سلسلہ جاری ہے اور ان کی کوششیں بڑے پیمانے پر جاری ہیں تاہم محصولات / مجموعی ملکی پیداوار کی شرح میں نمایاں اضافہ بڑھانے کیلئے محصولات کی پالیسی اور وسیع پیمانے پر نظام میں درکار بنیادی اصلاحات کرنی ہوں گی۔

ایچ بی ایل تسلسل کے ساتھ مستحکم نتائج دے رہا ہے۔ لیکویڈیٹی اور سرمائے کے مناسب ذخائر کے ساتھ بینک ترقی کے مواقعوں سے فائدہ اٹھانے کیلئے بہتر مقام پر موجود ہے اور پاکستان کی ترقی میں سب سے بڑے تجارتی بینک کی حیثیت سے اپنا متحرک کردار ادا کرنے کیلئے تیار ہے۔ ایچ بی ایل نئی اور جدید مصنوعات پیش کرنے کیلئے کوشاں ہے اور مستقل اپنی خدمت کے دائرہ کار کو بڑھا رہا ہے تاکہ صارفین کا تجربہ بہتر ہو اور انہیں بہترین سہولیات دستیاب ہوں۔

اعتراف و ستائش

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

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

منجانب یورڈ

نعمان کے ڈار

پریذیڈنٹ اور چیف ایگزیکٹو آفیسر

18 اگست، 2016

ریزروز کی تفصیلات

ملین (روپے)

89,934
15,133
17
15,150
(1,513)
(5,134)
(5,134)
(11,781)
<u>93,303</u>
<u>10.32</u>

اقتتاحی غیر تخصیص شدہ منافع
بینک کے حصص یافتہ گان سے قابل منسوب منافع
پائیدار اثاثوں کے از سر نو تخمینے پر اضافی آمدن۔ محصول کے بعد

مختلف مدوں میں رکھی گئی رقوم

غیر منقولہ ریزروز کی منتقلی

یکیش ڈیویڈنڈ۔ فائنل 2015

یکیش ڈیویڈنڈ۔ پہلا عبوری 2016

اختتامی غیر تخصیص شدہ منافع

فی حصص آمدن

کیپٹل ریشوز

غیر مجموعی کیپٹل ایڈوکیسی ریشو (CAR) 30 جون 2016 کو 15.9 فیصد رہا جس کے ساتھ ٹیسٹ 1 کیپٹل ایڈوکیسی ریشو (Tier 1 CAR) 12.6 فیصد رہا۔ کیپٹل ریشوز بدستور مستحکم اور مطلوبہ سطح سے کافی بلند ہیں۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 18 اگست 2016 کو منعقد ہونے والے اجلاس میں 30 جون 2016 کو ختم ہونے والی سہ ماہی کے لئے 3.5 روپے فی حصص (35 فیصد) عبوری یکیش ڈیویڈنڈ کا اعلان کیا۔

کریڈٹ ریٹنگ

JCR-VIS نے بینک کی طویل مدت اور قلیل مدت کریڈٹ ریٹنگ کی دوبارہ توثیق کی ہے جو بالترتیب +1 AAA/A- ہے۔ ان ریٹنگ کو ایچ بی ایل کے مستحکم کپٹل ریشوز اور بہترین لیکوئڈٹی پروفائل کی معاونت حاصل ہے اور یہ ایچ بی ایل کی منظم اہمیت کی عکاسی کرتی ہے۔

Auditors' Report to the Members on Review of Condensed Interim Unconsolidated Financial Information

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Habib Bank Limited ("the Bank") as at June 30, 2016 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, condensed interim unconsolidated cash flow statement and notes to the accounts for the six-month period then ended (here-in-after referred to as the "condensed interim unconsolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim unconsolidated financial information based on our review. The figures for the quarters ended June 30, 2016 and June 30, 2015 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The financial statements of the Bank for the half year ended June 30, 2015 and for the year ended December 31, 2015 were reviewed and audited by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants who had expressed an unqualified conclusion and opinion thereon vide their reports dated August 21, 2015 and February 23, 2016, respectively.

A. F. Ferguson & Co.

Chartered Accountants

Engagement Partner: Salman Hussain

Dated: August 18, 2016

Karachi

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2016

Note	(Unaudited) June 30, 2016	(Audited) December 31, 2015
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(Rupees in '000)

ASSETS

Cash and balances with treasury banks	145,122,348	154,303,383
Balances with other banks	36,562,611	29,428,453
Lendings to financial institutions	15,297,824	18,381,633
Investments	6 1,342,978,834	1,236,415,887
Advances	7 624,069,339	605,636,271
Operating fixed assets	8 30,031,818	28,938,259
Deferred tax asset	-	-
Other assets	57,957,584	51,795,622
	2,252,020,358	2,124,899,508

LIABILITIES

Bills payable	36,921,861	27,942,101
Borrowings	9 290,555,131	314,485,132
Deposits and other accounts	10 1,688,875,416	1,558,310,675
Subordinated loans	10,000,000	10,000,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	5,076,746	2,214,422
Other liabilities	37,986,940	40,095,528
	2,069,416,094	1,953,047,858

NET ASSETS

182,604,264	171,851,650
-------------	-------------

REPRESENTED BY:

Shareholders' equity

Share capital	14,668,525	14,668,525
Reserves	46,332,083	44,553,993
Unappropriated profit	93,302,535	89,933,889

154,303,143	149,156,407
-------------	-------------

Surplus on revaluation of assets - net of deferred tax	11 28,301,121	22,695,243
	182,604,264	171,851,650

CONTINGENCIES AND COMMITMENTS

12

The annexed notes 1 to 24 form an integral part of this condensed interim unconsolidated financial information.

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three and six months ended June 30, 2016

	Note	January 01 to June 30, 2016	January 01 to June 30, 2015	April 01 to June 30, 2016	April 01 to June 30, 2015
----- (Rupees in '000) -----					
Mark-up / return / profit / interest earned	13	69,513,501	70,764,818	34,796,581	35,051,754
Mark-up / return / profit / interest expensed	14	29,057,330	32,567,645	14,157,171	15,613,860
Net mark-up / profit / interest income		40,456,171	38,197,173	20,639,410	19,437,894
Provision against advances	7.3	1,205,303	1,481,963	729,008	1,029,789
(Reversal) / provision against off-balance sheet obligations		(20,210)	43,830	(23,485)	71,422
Provision / (reversal) for diminution in the value of investments	6.2	264,664	108,673	276,180	(7,314)
Bad debts written off directly		-	-	-	-
		1,449,757	1,634,466	981,703	1,093,897
Net mark-up / profit / interest income after provisions		39,006,414	36,562,707	19,657,707	18,343,997
Non mark-up / interest income					
Fee, commission and brokerage income		8,606,737	7,710,489	4,538,835	4,433,249
Dividend income	15	943,513	1,291,105	415,699	804,445
Income from dealing in foreign currencies		527,367	1,003,077	241,281	397,057
Gain on sale of securities - net	16	1,748,208	5,328,029	1,422,461	3,103,541
Unrealized gain / (loss) on held for trading securities		30,359	(2,358)	26,953	1,395
Other income	17	356,374	313,085	100,964	144,719
Total non mark-up / interest income		12,212,558	15,643,427	6,746,193	8,884,406
		51,218,972	52,206,134	26,403,900	27,228,403
Non mark-up / interest expense					
Administrative expenses		23,744,486	21,866,788	12,341,740	11,984,251
Other provisions / write offs - net		58,125	236,175	39,633	20,071
Other charges		487	30,445	487	27,966
Workers' Welfare Fund		551,544	605,093	282,327	305,687
Total non mark-up / interest expenses		24,354,642	22,738,501	12,664,187	12,337,975
Profit before taxation		26,864,330	29,467,633	13,739,713	14,890,428
Taxation					
- Current		9,308,644	9,722,893	4,908,915	4,526,069
- Prior		2,318,915	2,010,000	2,318,915	1,873,653
- Deferred		103,430	821,225	(102,604)	1,017,090
		11,730,989	12,554,118	7,125,226	7,416,812
Profit after taxation		15,133,341	16,913,515	6,614,487	7,473,616
----- (Rupees) -----					
Basic and diluted earnings per share		10.32	11.53	4.51	5.09

The annexed notes 1 to 24 form an integral part of this condensed interim unconsolidated financial information.

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the three and six months ended June 30, 2016

	January 01 to June 30, 2016	January 01 to June 30, 2015	April 01 to June 30, 2016	April 01 to June 30, 2015
----- (Rupees in '000) -----				
Profit after taxation for the period	15,133,341	16,913,515	6,614,487	7,473,616
Other comprehensive income / (loss)				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
Effect of translation of net investment in foreign branches	264,756	(394,066)	46,441	(171,507)
<i>Items that are not to be reclassified to profit and loss account in subsequent periods:</i>				
Remeasurement gain on defined benefit obligations- net	-	21,686	-	21,686
Comprehensive income transferred to equity	15,398,097	16,541,135	6,660,928	7,323,795
Components of comprehensive income / (loss) not reflected in equity				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus / (deficit) on revaluation of investments - net of tax	5,122,905	3,836,951	1,637,481	(1,332,772)
<i>Items that are not to be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	-	-	-	-
Transferred from surplus on revaluation of non-banking assets	262,797	-	262,797	-
	262,797	-	262,797	-
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	499,580	-	(3,660)	-
Transferred to surplus on revaluation of operating fixed assets	(262,797)	-	(262,797)	-
	236,783	-	(266,457)	-
	<u>21,020,582</u>	<u>20,378,086</u>	<u>8,294,749</u>	<u>5,991,023</u>

The annexed notes 1 to 24 form an integral part of this condensed interim unconsolidated financial information.

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2016

Share capital	Exchange translation reserve	Reserves				Total	
		Capital		Revenue			
		Statutory reserve	Non-distributable capital reserve	General reserve	Unappropriated profit		
(Rupees in '000)							
Balance as at December 31, 2014	14,668,525	11,288,105	23,343,016	-	6,073,812	81,707,742	137,081,200
Comprehensive income for the period							
Profit after taxation for the six months ended June 30, 2015	-	-	-	-	-	16,913,515	16,913,515
Other comprehensive income / (loss)							
- Effect of translation of net investment in foreign branches	-	(394,066)	-	-	-	-	(394,066)
- Remeasurement gain on defined benefit obligations- net	-	-	-	-	-	21,686	21,686
	-	(394,066)	-	-	-	16,935,201	16,541,135
Transactions with owners, recorded directly in equity							
Final cash dividend declared at Rs. 5.5 per share subsequent to the year ended December 31, 2014	-	-	-	-	-	(8,067,689)	(8,067,689)
1st Interim cash dividend declared at Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(13,201,673)	(13,201,673)
Gain on bargain purchase arising on acquisition of Barclays Bank PLC - Pakistan branches	-	-	-	547,115	-	-	547,115
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	29,573	29,573
Transferred to statutory reserve	-	-	1,691,352	-	-	(1,691,352)	-
Balance as at June 30, 2015	14,668,525	10,894,039	25,034,368	547,115	6,073,812	83,779,491	140,997,350
Comprehensive income for the period							
Profit after taxation for the six months ended December 31, 2015	-	-	-	-	-	18,556,943	18,556,943
Other comprehensive income / (loss)							
- Effect of translation of net investment in foreign branches	-	148,965	-	-	-	-	148,965
- Remeasurement gain on defined benefit obligations- net	-	-	-	-	-	(303,246)	(303,246)
	-	148,965	-	-	-	18,253,697	18,402,662
Transactions with owners, recorded directly in equity							
2nd interim cash dividend declared at Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
3rd interim cash dividend declared at Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(10,267,968)	(10,267,968)
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	24,363	24,363
Transferred to statutory reserve	-	-	1,855,694	-	-	(1,855,694)	-
Balance as at December 31, 2015	14,668,525	11,043,004	26,890,062	547,115	6,073,812	89,933,889	149,156,407
Comprehensive income for the period							
Profit after taxation for the six months ended June 30, 2016	-	-	-	-	-	15,133,341	15,133,341
Other comprehensive income							
- Effect of translation of net investment in foreign branches	-	264,756	-	-	-	-	264,756
	-	264,756	-	-	-	15,133,341	15,398,097
Transactions with owners, recorded directly in equity							
Final cash dividend declared at Rs. 3.5 per share subsequent to the year ended December 31, 2015	-	-	-	-	-	(5,133,984)	(5,133,984)
1st interim cash dividend declared at Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(10,267,968)	(10,267,968)
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	16,607	16,607
Transferred to statutory reserve	-	-	1,513,334	-	-	(1,513,334)	-
Balance as at June 30, 2016	14,668,525	11,307,760	28,403,396	547,115	6,073,812	93,302,535	154,303,143

The annexed notes 1 to 24 form an integral part of this condensed interim unconsolidated financial information.

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2016

	2016	2015
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	26,864,330	29,467,633
Dividend income	(943,513)	(1,291,105)
	<u>25,920,817</u>	<u>28,176,528</u>
Adjustment for:		
Depreciation	1,406,732	1,124,528
Amortisation	213,145	260,825
Provision for diminution in the value of investments	264,664	108,673
Provision against advances	1,205,303	1,481,963
Unrealised (gain) / loss on held-for-trading securities	(30,359)	2,358
Gain on sale of operating fixed assets - net	(34,518)	(17,459)
Workers' Welfare Fund	551,544	605,093
(Reversal) / provision against off-balance sheet obligations	(20,210)	43,830
Other provisions / write offs - net	58,125	236,175
	<u>3,614,426</u>	<u>3,845,986</u>
	29,535,243	32,022,514
Decrease / (increase) in operating assets		
Lendings to financial institutions	3,083,809	18,171,099
Investments in held-for-trading securities	(32,349,313)	(15,963,971)
Advances	(19,638,371)	1,334,221
Other assets	(3,528,007)	5,796,310
	<u>(52,431,882)</u>	<u>9,337,659</u>
Increase / (decrease) in operating liabilities		
Bills payable	8,979,760	(95,562)
Borrowings	(23,930,001)	126,088,183
Deposits and other accounts	130,564,741	50,152,991
Other liabilities	(2,098,329)	(734,978)
	<u>113,516,171</u>	<u>175,410,634</u>
	90,619,532	216,770,807
Income tax paid	(14,013,782)	(10,543,469)
Net cash inflows from operating activities	<u>76,605,750</u>	<u>206,227,338</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	18,957,777	(130,421,942)
Net investments in held-to-maturity securities	(82,614,377)	(49,300,022)
Investment in subsidiaries	(2,000,000)	(5,521,240)
Investment in associates	(914,575)	(500,000)
Dividend income received	879,474	1,294,424
Net cash inflow on acquisition of Barclays Bank Plc - Pakistan Branches	-	236,259
Fixed capital expenditure	(2,456,645)	(2,510,071)
Proceeds from sale of operating fixed assets	40,524	20,935
Exchange difference on translation of balances in foreign branches	264,756	(394,066)
Net cash used in investing activities	<u>(67,843,066)</u>	<u>(187,095,723)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(10,809,561)	(12,491,937)
Net cash used in financing activities	<u>(10,809,561)</u>	<u>(12,491,937)</u>
(Decrease) / increase in cash and cash equivalents during the period	<u>(2,046,877)</u>	<u>6,639,678</u>
Cash and cash equivalents at the beginning of the period	183,568,830	174,260,522
Effects of exchange rate changes on cash and cash equivalents	163,006	1,036,538
Cash and cash equivalents at the end of the period	<u>181,684,959</u>	<u>181,936,738</u>

The annexed notes 1 to 24 form an integral part of this condensed interim unconsolidated financial information.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2016

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking in Pakistan and overseas. The Bank's Registered Office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its Principal Office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland. The Bank operates 1,666 (2015: 1,663) branches inside Pakistan including 45 (2015: 44) Islamic Banking Branches and 53 (2015: 53) branches outside the country including in the Karachi Export Processing Zone (KEPZ).

1.1 Acquisition of The First MicroFinanceBank Limited (FMFB)

During the period, the Bank acquired 50.51% controlling interest in The First MicroFinanceBank Limited (FMFB), a related entity (being entity under common control), under a Share Subscription Agreement for a consideration of Rs. 2 billion. The transaction was completed as at May 20, 2016.

1.2 Acquisition of Barclays Bank PLC - Pakistan Branch Business (Barclays)

Last year, the Bank completed the acquisition of Pakistan branch business of Barclays Bank PLC, a commercial bank. This has been accounted for as disclosed in note 1.2.1 of the unconsolidated financial statements for the year ended December 31, 2015. Subsequent to acquisition the Bank, under the scheme of amalgamation, incorporated the balances relating to Barclays at their carrying values as appearing in the audited financial statements of Barclays as at the close of business on June 14, 2015.

International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at their fair values in the acquirer's balance sheet and allows the acquirer a period of one year from the date of acquisition for this determination.

In the financial statements for the year ended December 31, 2015, the bank had recorded the assets and liabilities of Barclays on provisional values which have been finalised in the current period. The Bank has carried out an assessment and concluded that the fair values of the acquired assets and liabilities were not different from the carrying value at the time of acquisition and therefore no fair value adjustment is required.

2 STATEMENT OF COMPLIANCE

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

3 CHANGE IN ACCOUNTING POLICY

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

- 3.1 In line with the requirements of the Debt Swap Regulations issued by SBP on January 1, 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims. These were previously recorded at the lower of cost or market value. These are now initially recorded at cost and a subsequent increase in market value over the acquisition cost is recorded as surplus on revaluation. A decline in the market value is initially used to reduce the surplus account, if any, or if no surplus exists, is charged to the profit and loss account. All direct costs of acquiring title to the asset are charged immediately to the profit and loss account. Had there been no change in accounting policy, other assets, surplus on revaluation of assets and deferred tax liability would have been lower by Rs 241.819 million, Rs 236.783 million and Rs 5.036 million respectively.

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6. INVESTMENTS

Investments by type	Note	June 30, 2016			December 31, 2015		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in '000)							
Held-for-trading							
<i>Federal Government Securities</i>							
- Market Treasury Bills		30,643,355	-	30,643,355	29,966,313	-	29,966,313
- Pakistan Investment Bonds		44,295,118	-	44,295,118	11,871,973	-	11,871,973
<i>Fully paid-up ordinary shares</i>							
- Listed companies		31,194	-	31,194	36,602	-	36,602
<i>Overseas Government Securities</i>							
		373,379	-	373,379	1,118,845	-	1,118,845
		75,343,046	-	75,343,046	42,993,733	-	42,993,733
Held-to-maturity	6.1						
<i>Federal Government Securities</i>							
- Market Treasury Bills		28,046,886	-	28,046,886	29,802,535	-	29,802,535
- Pakistan Investment Bonds		198,628,359	-	198,628,359	116,808,351	-	116,808,351
- Government of Pakistan US Dollar Bonds		604,615	-	604,615	597,663	-	597,663
- Government of Pakistan Guaranteed Bonds		1,570,612	-	1,570,612	1,713,412	-	1,713,412
- Other Federal Government Securities	6.3	25,936,778	-	25,936,778	25,936,778	-	25,936,778
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		8,266,260	-	8,266,260	7,859,935	-	7,859,935
- Unlisted securities		3,062,020	-	3,062,020	4,636,644	-	4,636,644
<i>Overseas Government securities</i>							
		22,257,789	-	22,257,789	18,403,624	-	18,403,624
		288,373,319	-	288,373,319	205,758,942	-	205,758,942
Available-for-sale							
<i>Federal Government Securities</i>							
- Market Treasury Bills		353,150,678	86,396,756	439,547,434	490,972,008	62,190,548	553,162,556
- Pakistan Investment Bonds		206,732,269	138,253,103	344,985,372	125,598,086	171,679,360	297,277,446
- Government of Pakistan US Dollar Bonds		19,865,688	-	19,865,688	22,415,613	-	22,415,613
- Sukuks		77,590,298	-	77,590,298	29,672,145	-	29,672,145
<i>Fully paid-up ordinary shares</i>							
- Listed companies		12,942,631	-	12,942,631	13,451,551	-	13,451,551
- Unlisted companies		1,994,529	-	1,994,529	545,483	-	545,483
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		14,937,370	-	14,937,370	13,551,267	-	13,551,267
- Unlisted securities		15,479,026	-	15,479,026	19,360,513	-	19,360,513
<i>Overseas Government Securities</i>							
		3,985,928	-	3,985,928	674,909	-	674,909
<i>NIT Units</i>							
		11,113	-	11,113	11,113	-	11,113
<i>Preference shares</i>							
		100,000	-	100,000	250,000	-	250,000
		706,789,530	224,649,859	931,439,389	716,502,688	233,869,908	950,372,596
Investment in subsidiary companies		13,503,269	-	13,503,269	11,503,269	-	11,503,269
Investment in associates and joint venture		9,109,022	-	9,109,022	8,194,447	-	8,194,447
		1,093,118,186	224,649,859	1,317,768,045	984,953,079	233,869,908	1,218,822,987
Provision for diminution in the value of investments	6.2	(882,200)	-	(882,200)	(617,536)	-	(617,536)
		1,092,235,986	224,649,859	1,316,885,845	984,335,543	233,869,908	1,218,205,451
Surplus on revaluation of held-for-trading securities		24,115	-	24,115	18,326	-	18,326
Surplus on revaluation of available-for-sale securities	11.2	25,290,852	778,022	26,068,874	15,928,821	2,263,289	18,192,110
Total investments (net of provision)		1,117,550,953	225,427,881	1,342,978,834	1,000,282,690	236,133,197	1,236,415,887

6.1 The market value of securities classified as held-to-maturity as at June 30, 2016 amounted to Rs. 297,100.715 million (December 31, 2015: Rs. 212,012.003 million).

	June 30, 2016	December 31, 2015
	(Rupees in '000)	
6.2 Movement in provision for diminution in the value of investments		
Opening balance	617,536	953,764
Charge for the period / year	286,464	262,864
Reversal for the period / year	(2,429)	(577,378)
Reversal on disposal during the period / year	(19,371)	(67,879)
Total charge / (reversal) - net	264,664	(382,393)
Transfers in	-	46,165
Closing balance	<u>882,200</u>	<u>617,536</u>
6.3 Bai-muajjal transactions with the Government of Pakistan amounting to Rs. 25,936.778 million (December 31, 2015: Rs. 25,936.778 million) have been disclosed under investments in line with the requirements of BPRD Circular Letter no. 5 dated February 29, 2016 issued by the SBP. The comparative information related to Bai-muajjal has also been reclassified from lendings to financial institutions to investments.		

	Note	June 30, 2016	December 31, 2015
		(Rupees in '000)	
7 ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		494,399,947	478,285,479
Outside Pakistan		<u>103,925,101</u>	<u>107,729,766</u>
		598,325,048	586,015,245
Islamic financing and related assets	7.1	22,700,524	19,888,887
Net investment in finance lease - in Pakistan		12,136,188	10,478,123
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		16,034,789	16,024,711
Payable outside Pakistan		<u>39,609,934</u>	<u>36,889,914</u>
		55,644,723	52,914,625
Provision against advances			
Specific provision	7.3	(61,696,280)	(60,735,843)
General provision		<u>(3,040,864)</u>	<u>(2,924,766)</u>
		(64,737,144)	(63,660,609)
Advances - net of provision		<u>624,069,339</u>	<u>605,636,271</u>
7.1 As required under BPRD Circular Letter no. 5 dated February 29, 2016, this includes lendings under Islamic modes of financing, advances given in respect of such lendings and related inventories. The comparative amount of Rs. 4,001.235 million related to advances given against Islamic financing has also been reclassified from Other Assets to Advances.			

7.2 Advances include Rs. 70,893.058 million (December 31, 2015: Rs. 68,949.121 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2016								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	896,148	37,919	934,067	-	-	-	896,148	37,919	934,067
Substandard	4,803,435	2,418,021	7,221,456	1,328,380	458,522	1,786,902	3,475,055	1,959,499	5,434,554
Doubtful	1,568,286	1,111,739	2,680,025	811,875	759,194	1,571,069	756,411	352,545	1,108,956
Loss*	46,822,901	13,234,609	60,057,510	45,641,509	12,696,800	58,338,309	1,181,392	537,809	1,719,201
	<u>54,090,770</u>	<u>16,802,288</u>	<u>70,893,058</u>	<u>47,781,764</u>	<u>13,914,516</u>	<u>61,696,280</u>	<u>6,309,006</u>	<u>2,887,772</u>	<u>9,196,778</u>

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

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

7.2.1 Exposure amounting to Rs. 1,971.887 million (December 31, 2015: Rs. 1,990.079 million) relating to Pakistan International Airlines Corporation, which is guaranteed by the Government of Pakistan, has not been classified as non-performing, in accordance with a relaxation given by the SBP. However, markup income has been suspended on this amount and is only recognised when received.

7.3 Particulars of provision against advances

Note	June 30, 2016			December 31, 2015		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	60,735,843	2,924,766	63,660,609	58,444,083	2,406,203	60,850,286
Charge for the period / year	3,336,500	116,507	3,453,007	8,631,114	620,961	9,252,075
Reversals for the period / year	(2,229,989)	(17,715)	(2,247,704)	(4,410,567)	(160,851)	(4,571,418)
Net charge against advances	1,106,511	98,792	1,205,303	4,220,547	460,110	4,680,657
Written off during the period / year	(161,022)	-	(161,022)	(2,180,691)	-	(2,180,691)
Charged off during the period / year	(370,192)	-	(370,192)	(912,906)	-	(912,906)
Transfer in due to acquisition of Barclays	-	-	-	746,503	3,287	749,790
Other movements	385,140	17,306	402,446	418,307	55,166	473,473
Closing balance	<u>61,696,280</u>	<u>3,040,864</u>	<u>64,737,144</u>	<u>60,735,843</u>	<u>2,924,766</u>	<u>63,660,609</u>

7.4 General provision represents provision amounting to Rs. 1,443.336 million (December 31, 2015: Rs. 1,335.602 million) against consumer finance portfolio and Rs. 97.232 million (December 31, 2015: Rs 101.684 million) against advances to small enterprises as required by the Prudential Regulations. General provision also includes Rs. 1,500.296 million (December 31, 2015: Rs. 1,487.480 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

7.5 As per regulation R-8 of the Prudential Regulations for Corporate / Commercial Banking, the Bank has availed the benefit of Forced Sale value (FSV) against non-performing advances (excluding consumer housing finance portfolio). Had the benefit of FSV not been taken by the Bank, the specific provision against non-performing advances as at June 30, 2016 would have been higher by Rs. 52.861 million (December 31, 2015: Rs. 78.211 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

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

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

	June 30, 2016			December 31, 2015		
	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the period	Balance outstanding	Maximum total amount of advances including temporary advances outstanding **	Limit sanctioned during the year
------(Rupees in '000)-----						
Debts due by Directors or executives of the Bank or any of them either severally or jointly with any other persons:						
- in respect of Directors	-	-	-	-	-	-
- in respect of executives * (Other than key management personnel)	2,752,000	2,752,000	254,980	2,651,500	2,651,500	1,285,536
- in respect of key management personnel / Companies in which key management personnel or their close family members are interested	42,600	59,100	-	61,400	69,800	32,151
Debts due by companies or firms in which the Directors of the Bank / Parent are interested as directors, partners, advisors or in the case of private companies as members	7,358,345	7,501,612	-	7,490,551	7,490,551	6,249,551
Debts due by Subsidiary company	4,133,331	4,165,747	4,063,600	107,532	107,532	-

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

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

** This is the maximum amount outstanding at any month end during the period.

	June 30, 2016	December 31, 2015
(Rupees in '000)		
8 OPERATING FIXED ASSETS		
Capital work-in-progress	1,740,485	1,486,307
Intangible assets	553,435	575,128
Tangible fixed assets	<u>27,737,898</u>	<u>26,876,824</u>
	<u>30,031,818</u>	<u>28,938,259</u>

	June 30, 2016	June 30, 2015
(Rupees in '000)		
8.1 Additions to operating fixed assets		
The following additions have been made to operating fixed assets during the period:		
Capital work-in-progress	254,178	1,682,941
Intangible assets	203,729	101,390
Tangible fixed assets		
Land	802,125	230,304
Building	118,205	156,947
Machinery	13,434	40,173
Furniture, fixtures and office equipment	1,024,414	840,553
Leasehold Improvements	266,236	249,226
Vehicles	<u>22,589</u>	<u>66,919</u>
	<u>2,704,910</u>	<u>3,368,453</u>

	June 30, 2016	June 30, 2015
(Rupees in '000)		
8.2 Disposal of operating fixed assets		
The cost of disposals made during the period is as follows:		
Tangible fixed assets		
Furniture, fixtures and office equipment	374,294	185,850
Leasehold Improvements	47,126	145,996
Vehicles	<u>19,581</u>	<u>13,453</u>
	<u>441,001</u>	<u>345,299</u>

9	BORROWINGS	Note	June 30, 2016	December 31, 2015
			(Rupees in '000)	
	Secured			
	Borrowings from the SBP under:			
	Export refinance scheme		18,028,538	19,545,290
	Long term financing facility - locally manufactured and imported plant & machinery		2,270,591	3,434,406
	Long term finance - export oriented projects		-	7,024
	Refinance facility for modernization of SMEs		4,500	5,500
			<u>20,303,629</u>	<u>22,992,220</u>
	Repurchase agreement borrowings		225,168,196	234,669,563
			<u>245,471,825</u>	<u>257,661,783</u>
	Unsecured			
	In Pakistan:			
	Interbank call money borrowings		2,548,344	10,609,263
	Overdrawn nostro accounts		4,856,677	2,292,262
			7,405,021	12,901,525
	Outside Pakistan:			
	Overdrawn nostro accounts		574,775	81,445
	Borrowings of overseas branches	9.1	37,103,510	43,840,379
			37,678,285	43,921,824
			45,083,306	56,823,349
			<u>290,555,131</u>	<u>314,485,132</u>

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

10	DEPOSITS AND OTHER ACCOUNTS	June 30, 2016	December 31, 2015
		(Rupees in '000)	
	Customers		
	Current accounts - non-remunerative	596,833,060	548,633,021
	Savings accounts	783,630,508	736,526,538
	Fixed deposits	276,448,740	245,129,674
		<u>1,656,912,308</u>	<u>1,530,289,233</u>
	Financial institutions		
	Current accounts - non-remunerative	17,053,179	12,625,064
	Savings accounts	7,031,121	3,835,432
	Fixed deposits	7,878,808	11,560,946
		<u>31,963,108</u>	<u>28,021,442</u>
		<u>1,688,875,416</u>	<u>1,558,310,675</u>

	Note	June 30, 2016	December 31, 2015
11 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of:			
- operating fixed assets	11.1	11,116,532	10,870,342
- investments	11.2	16,947,806	11,824,901
- non-banking assets	11.3	236,783	-
Surplus on revaluation of assets - net of deferred tax		<u>28,301,121</u>	<u>22,695,243</u>
11.1 Surplus on revaluation of operating fixed assets			
Surplus on revaluation of operating fixed assets as at the beginning of the period / year		11,424,672	10,289,072
Recognised during the period / year		-	1,218,578
Transferred from surplus on revaluation of non-banking assets		262,797	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(16,607)	(53,936)
Related deferred tax liability on incremental depreciation charged during the period / year		(8,942)	(29,042)
Surplus on revaluation of operating fixed assets as at the end of the period / year		<u>11,661,920</u>	<u>11,424,672</u>
Less: related deferred tax liability on:			
- revaluation as at the beginning of the period / year		554,330	860,550
- revaluation recognised during the period / year		-	(277,178)
- incremental depreciation charged during the period / year		(8,942)	(29,042)
		<u>545,388</u>	<u>554,330</u>
		<u>11,116,532</u>	<u>10,870,342</u>
11.2 Surplus / (deficit) on revaluation of investments			
Market Treasury Bills		303,935	490,263
Pakistan Investment Bonds		22,522,113	16,666,315
Government of Pakistan US Dollar Bonds		1,062,570	(183,828)
Sukuks		725,887	306,153
Listed securities		1,424,491	1,006,484
NIT units		31,469	31,442
Overseas Government securities		(13,555)	(133,703)
Other investments		11,964	8,984
		<u>26,068,874</u>	<u>18,192,110</u>
Related deferred tax liability		(9,121,068)	(6,367,209)
		<u>16,947,806</u>	<u>11,824,901</u>
11.3 Surplus on revaluation of non-banking assets			
Surplus on revaluation of non-banking assets as at the beginning of the period / year		-	-
Recognised during the period / year		504,616	-
Transferred to surplus on revaluation of operating fixed assets		(262,797)	-
Surplus on revaluation of non-banking assets as at the end of the period / year		<u>241,819</u>	<u>-</u>
Less: related deferred tax liability on:			
- revaluation as at the beginning of the period / year		-	-
- revaluation recognised during the period / year		5,036	-
		<u>5,036</u>	<u>-</u>
		<u>236,783</u>	<u>-</u>
12 CONTINGENCIES AND COMMITMENTS			
12.1 Direct credit substitutes - financial guarantees			
Guarantees in favour of:			
- Government		269,170	261,261
- Financial institutions		296,350	295,000
- Others		31,502,792	31,770,952
		<u>32,068,312</u>	<u>32,327,213</u>

	June 30, 2016	December 31, 2015
	(Rupees in '000)	
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	561,224	718,148
- Financial institutions	1,628,542	1,251,328
- Others	<u>101,999,533</u>	<u>93,410,699</u>
	<u>104,189,299</u>	<u>95,380,175</u>
12.3 Trade-related contingent liabilities		
Letter of credit in favour of:		
- Government	62,975,962	45,023,666
- Financial institutions	564,932	20,924
- Others	<u>105,511,741</u>	<u>103,290,533</u>
	<u>169,052,635</u>	<u>148,335,123</u>
12.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>30,846,829</u>	<u>28,886,188</u>
These mainly represent counter claims filed by borrowers for restricting the Bank from disposal of assets (such as mortgaged / pledged assets kept as security). Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and accordingly no provision has been made in this condensed interim unconsolidated financial information.		
12.5 Commitments in respect of forward lending		
The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	June 30, 2016	December 31, 2015
	(Rupees in '000)	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	145,572,061	145,474,954
Sale	147,313,291	146,192,286
12.7 Commitments in respect of forward Government Securities transactions		
Purchase	3,680,262	19,181,362
Sale	6,741,103	1,858,663
12.8 Commitments in respect of derivatives		
Cross currency swap		
Purchase	1,042,800	1,918,607
Sale	1,048,344	1,909,263
Interest rate swaps		
Purchase	69,890	104,741
Sale	5,669,890	5,604,741
Foreign currency options		
Purchase	289,294	-
Sale	289,294	-
12.9 Commitments for capital expenditure	1,049,085	1,054,027

12.10 Taxation

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

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

	Note	For the six months ended	
		June 30, 2016	June 30, 2015
(Rupees in '000)			
13 MARK-UP / RETURN / PROFIT / INTEREST EARNED			
<i>On loans and advances to:</i>			
- Customers		22,748,469	23,534,398
- Financial institutions		716	7,368
<i>On investments in:</i>			
- Held-for-trading securities		1,492,004	1,790,937
- Held-to-maturity securities		9,381,818	5,813,863
- Available-for-sale securities			
- Sukuks		634,750	30,962
- Others		33,978,795	37,311,141
		34,613,545	37,342,103
On deposits with financial institutions		245,588	1,067,664
On lendings to financial institutions	14.1	1,031,361	1,208,485
		<u>69,513,501</u>	<u>70,764,818</u>
14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED			
<i>On:</i>			
Deposits		19,271,648	25,879,402
Securities sold under repurchase agreement borrowings		8,064,411	5,505,062
Other short term borrowings	14.1	857,834	797,132
Long term borrowings		863,437	386,049
		<u>29,057,330</u>	<u>32,567,645</u>
14.1	Intersegment mark-up earned / expensed amounting to Rs. 1,616.534 million has been eliminated in the comparative period.		
15 DIVIDEND INCOME			
The Hub Power Company Limited		130,464	51,000
Kot Addu Power Company Limited		82,850	69,218
Fauji Fertilizer Company Limited		48,502	46,752
National Bank Of Pakistan Limited		43,913	16,893
United Bank Limited		40,382	45,198
Pakistan Telecommunication Company Limited		33,037	25,216
Engro Fertilizers Limited		24,887	1,124
Fauji Fertilizer Bin Qasim Limited		22,561	691
National Investment Trust Limited		21,780	31,680
Saif Power Limited		20,826	95,305
Nishat Chunian Power Limited		17,528	42,011
Allied Bank of Pakistan Limited		17,403	18,319
Bank Alfalah Limited		16,539	44,430
Engro Corporation Limited		14,713	14,947
MCB Bank Limited		13,613	-
Lalpir Power Limited		12,855	9,612
Bank Al-Habib Limited		9,882	20,151
Balance carried forward		<u>571,735</u>	<u>532,547</u>

	For the six months ended	
	June 30, 2016	June 30, 2015
	(Rupees in '000)	
Balance brought forward	571,735	532,547
Habib Metropolitan Bank Limited	9,774	16,250
Pakgen Power Limited	8,966	5,367
Pakistan State Oil Limited	7,867	15,938
Attock Petroleum Limited	7,508	6,474
Electronic Network For Financial Transactions Limited	5,188	-
Masood Textile Mills Limited	4,232	5,767
Speed Private Limited	4,152	-
Adamjee Insurance Company Limited	3,618	11,366
National Investment Unit Trust (NIUT)	3,031	288,551
Dawood Hercules Corporation Limited	1,559	298
Pak Suzuki Motor Company Limited	900	-
Nishat Power Limited	849	2,838
Oil and Gas Development Company Limited	617	1,763
Fauji Cement Company Limited	198	1,926
Cherat Cement Limited	150	-
Avanceon Limited	100	-
Lanka Clear Private Limited	65	-
Fatima Fertilizer Company Limited	-	13,937
Pioneer Cement Limited	-	5,164
National Institutional Facilitation Technologies Private Limited	-	6,800
Associates		
Jubilee Life Insurance Company Limited	137,413	90,602
Jubilee General Insurance Company Limited	84,076	111,984
Diamond Trust Bank Kenya	74,340	71,748
Kyrgyz Investment & Credit Bank	17,175	67,119
Himalayan Bank Nepal	-	34,666
	<u>943,513</u>	<u>1,291,105</u>

16 GAIN ON SALE OF SECURITIES

These include gain of Rs. 133.529 million (2015: 12.152 million) earned on sale of investments as per arrangements permissible under Shariah.

	For the six months ended	
	June 30, 2016	June 30, 2015
	(Rupees in '000)	
Incidental charges	160,193	195,348
Gain on sale of operating fixed assets - net	34,518	17,459
Rent on property	55,819	50,545
Derivative income	105,844	49,733
	<u>356,374</u>	<u>313,085</u>

18 RELATED PARTY TRANSACTIONS

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

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

Contributions to and accruals in respect of staff retirement and other benefit schemes are made in accordance with the actuarial valuations / terms of the schemes. Details of transactions with related parties and balances with them as at the period / year-end, other than those disclosed elsewhere in this condensed interim unconsolidated financial information, are as follows:

	June 30, 2016 (Unaudited)				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000				
Statement of financial position					
Deposits	4,812,846	722,299	5,868,443	215,156	561,684
Maximum deposits during the period	9,593,529	768,975	6,378,540	217,386	561,684
Borrowings	1,386,922	3,145,324	-	2,254,178	-
Investments	-	16,648,301	9,101,825	7,197	-
Mark-up receivable	14,028	135,878	2,419	-	-
Other receivable	-	-	133,037	-	-
Mark-up payable	9,893	6,618	1,557	5,495	12
Other payable	-	-	-	-	191,872
Placements	-	5,060,163	-	-	-
Nostro balances	137,878	805,110	-	-	-
Overdrawn nostro balances	-	574,775	-	-	-
Others					
Other contingencies	453,975	30,740	20,009	-	-
Securities held as custodian	45,673,095	-	105,129,450	-	13,366,395

	For the six months ended June 30, 2016 (Unaudited)				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000				
Profit and Loss Account					
Mark-up income	22,883	284,262	4,153	-	-
Fee and commission income	-	4,041	1,211,707	-	-
Mark-up expense	27,207	50,691	43,916	7,630	2,348
Other expense	-	-	349,466	-	394,782
Dividend income	-	-	313,004	-	-

	December 31, 2015 (Audited)				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000				
Statement of financial position					
Deposits	5,018,930	443,279	3,262,854	193,692	92,926
Maximum deposits during the period	5,018,930	1,413,889	5,003,911	193,692	250,352
Borrowings	-	2,106,440	-	-	-
Investments	-	18,103,011	8,187,250	7,197	-
Mark-up receivable	15,899	3,877	2,331	-	-
Other receivable	-	-	128,252	-	-
Mark-up payable	12,434	1,852	3,259	-	11
Other payable	-	-	-	-	1,026,380
Placements / lendings to financial institutions	350,000	2,552,079	-	-	-
Nostro balances	128,540	1,352,580	-	-	-
Others					
Other contingencies	472,408	86,678	5,275	-	-
Securities held as custodian	13,679,505	-	33,261,760	-	4,513,760

	For the six months ended June 30, 2015 (Unaudited)				
	Parent Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
	Rs. in 000				
Profit and Loss Account					
Mark-up income	22,530	326,209	-	-	-
Fee and commission income	-	-	1,258,512	-	-
Mark-up expense	43,453	8,420	93,141	152	748
Other expense	-	-	298,989	-	398,656
Dividend income	-	-	341,454	34,666	-

18.1 Key Management Personnel

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

	For the six months ended	
	June 30, 2016	June 30, 2015
	(Rupees in '000)	
Managerial remuneration (including allowances)	330,635	341,572
Contribution to provident and benevolent fund	8,079	7,444
Medical	11,249	10,581
	<u>349,963</u>	<u>359,597</u>
Number of persons	20	22
18.2 Non-executive directors' fees	18,000	11,800

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities which are recognised at fair value in the financial statements:

	As at June 30, 2016 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial Assets & Liabilities				
- Fully paid up ordinary shares	13,937,894	-	-	13,937,894
- NIT units	-	42,582	-	42,582
- Federal Government securities	-	981,574,419	-	981,574,419
- Overseas Government securities	-	4,355,727	-	4,355,727
- Debentures and corporate debt instruments	-	16,489,081	-	16,489,081
- Unrealised gain on forward foreign exchange contracts / derivative instruments	-	1,567,664	-	1,567,664
- Unrealised loss on forward foreign exchange contracts /derivative instruments	-	1,481,541	-	1,481,541
Non-Financial Assets				
Non Banking Assets acquired in satisfaction of claims	-	2,469,053	-	2,469,053
	<u>13,937,894</u>	<u>1,007,980,067</u>	<u>-</u>	<u>1,021,917,961</u>

	As at December 31, 2015 (Audited)			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial Assets & Liabilities				
- Fully paid up ordinary shares	14,524,283	-	-	14,524,283
- NIT units	-	42,555	-	42,555
- Federal Government securities	-	961,665,072	-	961,665,072
- Overseas Government securities	-	1,780,374	-	1,780,374
- Debentures and corporate debt instruments	-	15,647,007	-	15,647,007
- Unrealised gain on forward foreign exchange contracts / derivative instruments	-	606,745	-	606,745
- Unrealised loss on forward foreign exchange contracts /derivative instruments	-	929,999	-	929,999
Non-Financial Assets				
Non Banking Assets acquired in satisfaction of claims	-	-	-	-
	<u>14,524,283</u>	<u>980,671,752</u>	<u>-</u>	<u>995,196,035</u>

All assets and liabilities for which fair value is recognised in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Valuation techniques used in determination of fair values within level 2

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Debentures and Corporate Debt Instruments	Investment in debt securities denominated in PKR (comprising term finance certificates and sukuk certificates) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in debt securities in other currencies are revalued 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 published at the close of each business day.
Overseas Government securities	The fair values of overseas Government securities are determined on the basis of rates taken from Reuters / Bloomberg.
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.
Non-banking assets acquired in satisfaction of claims	These assets are revalued on a periodic basis by professional valuers. The valuation is based on their assessment of the market values of the properties.

20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the six months ended June 30, 2016 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International	Head Office / others	Total
	----- (Rupees in million) -----					
Net mark-up income - external	(4,397)	8,364	32,634	3,987	(131)	40,457
Intersegment revenue / (expense) - net	25,428	(5,607)	(23,597)	-	3,776	-
Non-funded income	5,758	1,609	2,021	2,110	714	12,212
Total Income	26,789	4,366	11,058	6,097	4,359	52,669
Total expenses including provision	11,838	(174)	449	5,617	8,075	25,805
Intersegment administrative cost	5,690	813	156	597	(7,256)	-
Total expenses including provision	17,528	639	605	6,214	819	25,805
Profit before tax	9,261	3,727	10,453	(117)	3,540	26,864
Segment return on asset %	0.85%	3.19%	3.69%	-0.04%	1.69%	-
Segment cost of funds %	2.98%	4.61%	5.71%	1.31%	0.01%	-
	As on June 30, 2016 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International	Head Office / others	Total
	----- (Rupees in million) -----					
Segment assets (gross of provision)	369,867	375,528	1,191,681	311,269	69,729	2,318,074
Segment non-performing advances	8,324	45,606	-	16,802	161	70,893
Segment provision held including general provision	6,244	44,689	285	14,344	492	66,054
Intersegment assets / (liabilities)	999,514	(140,569)	(927,089)	10,607	57,537	-
Segment liabilities and equity	1,363,137	190,270	264,306	307,532	126,775	2,252,020
	For the six months ended June 30, 2015 (Unaudited)					
	Branch banking	Corporate banking	Treasury	International	Head Office / others	Total
	----- (Rupees in million) -----					
Net mark-up income - external	(10,840)	9,579	35,781	3,390	287	38,197
Intersegment revenue / (expense) - net	32,397	(7,120)	(29,334)	-	4,057	-
Non-funded income	5,247	1,545	5,784	2,334	733	15,643
Total Income	26,804	4,004	12,231	5,724	5,077	53,840
Total expenses including provision	10,913	1,392	232	4,328	7,508	24,373
Intersegment administrative cost	5,466	781	150	576	(6,973)	-
Total expenses including provision	16,379	2,173	382	4,904	535	24,373
Profit before tax	10,425	1,831	11,849	820	4,542	29,467
Segment return on asset %	2.44%	2.38%	12.33%	0.56%	3.40%	-
Segment cost of funds %	5.11%	5.51%	7.32%	1.15%	0.00%	-
	As at December 31, 2015 (Audited)					
	Branch banking	Corporate banking	Treasury	International	Head Office / others	Total
	----- (Rupees in million) -----					
Segment assets (gross of provision)	305,318	362,136	1,139,132	314,548	68,496	2,189,630
Segment non-performing advances	8,290	46,462	-	14,092	105	68,949
Segment provision held including general provision	6,587	44,259	72	13,355	457	64,730
Intersegment assets / (liabilities)	979,320	(148,415)	(845,715)	(10,441)	25,251	-
Segment liabilities and equity	1,278,051	169,463	293,344	290,752	93,290	2,124,900

21 ISLAMIC BANKING BUSINESS

21.1 The Statement of Financial Position of the Islamic Banking business as at June 30, 2016 is as follows:

	Note	June 30, 2016	December 31, 2015
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		10,226,989	5,320,895
Due from financial institutions		4,000,000	36,799,034
Investments		111,717,184	66,410,646
Islamic financing and related assets	21.1.1	22,590,634	19,778,998
Due from Head Office		-	6,916,001
Other assets		1,900,851	1,099,553
		<u>150,435,658</u>	<u>136,325,127</u>
LIABILITIES			
Bills payable		3,832	3,657
Due to financial institutions		1,577,500	102,500
Deposits and other accounts			
- Current accounts		30,883,214	26,241,008
- Savings accounts		70,877,307	59,594,852
- Fixed deposits		18,079,429	29,357,389
- From financial institutions - remunerative		21,833,920	15,156,844
- From financial institutions - non - remunerative		79,684	289,950
Due to Head Office		1,012,021	-
Deferred tax liabilities		137,353	107,014
Other liabilities		672,934	1,168,029
		<u>145,157,194</u>	<u>132,021,243</u>
NET ASSETS		<u><u>5,278,464</u></u>	<u><u>4,303,884</u></u>
REPRESENTED BY:			
Islamic Banking Fund		250,000	250,000
Unappropriated profit		4,773,379	3,855,143
		<u>5,023,379</u>	<u>4,105,143</u>
Surplus on revaluation of assets - net of deferred tax		255,085	198,741
		<u><u>5,278,464</u></u>	<u><u>4,303,884</u></u>

Commitments of the Islamic Banking business in respect of guarantees and letters of credit amounted to Rs. 137.597 million (December 31, 2015: Rs. 78.476 million) and Rs. 109.599 million (December 31, 2015: Rs. 172.040 million) respectively. Commitments in respect of forward purchase and sale transactions amounted to Rs. 5,881.610 million and Rs. 5,884.400 million respectively.

21.1.1 Islamic financing and related assets

	June 30, 2016	December 31, 2015
(Rupees in '000)		
Murabaha	1,068,776	344,967
Ijarah	666,097	704,744
Diminishing Musharaka	16,642,615	14,831,762
Istisnah	-	6,180
Advance for Murabaha	1,206,876	250,954
Advance for Ijarah	55,780	28,801
Advance for Diminishing Musharaka	2,077,970	1,577,770
Advance for Istisnah	550,597	305,612
Assets / Inventories	431,812	1,838,097
Provision against financings	(109,889)	(109,889)
	<u><u>22,590,634</u></u>	<u><u>19,778,998</u></u>

21.2 The Profit and Loss account of the Islamic Banking business for the six months ended June 30, 2016 is as follows:

	June 30, 2016	June 30, 2015
	(Rupees in '000)	
Profit earned	3,716,321	4,368,512
Profit expensed	<u>1,941,004</u>	<u>3,100,724</u>
Net profit earned	<u>1,775,317</u>	<u>1,267,788</u>
Depreciation on assets given on ijarah	98,868	137,867
Net profit after depreciation and provisions	<u>1,676,449</u>	<u>1,129,921</u>
Other income		
Fee, commission and brokerage income	61,440	49,689
Income from dealing in foreign currencies	(2,130)	3,698
Dividend income	-	288,553
Gain on sale of securities	-	-
Others	336	419
Total other income	<u>59,646</u>	<u>342,359</u>
	<u>1,736,095</u>	<u>1,472,280</u>
Administrative expenses	323,425	285,227
Net profit for the period	<u><u>1,412,670</u></u>	<u><u>1,187,053</u></u>

22 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 18, 2016 has declared a cash dividend in respect of the quarter ended June 30, 2016 of Rs. 3.50 per share (2015: Rs. 3.50 per share). This condensed interim unconsolidated financial information does not include the effect of these appropriations which will be accounted for subsequent to the period end.

23. GENERAL

Comparative figures have been re-arranged and reclassified for comparison purposes. There are no material reclassifications to report other than as disclosed in this condensed interim unconsolidated financial information.

24. DATE OF AUTHORISATION FOR ISSUE

This condensed interim unconsolidated financial information was authorised for issue in the Board of Directors meeting held on August 18, 2016.



