

**HBL**

**HABIB BANK**

**حیب بینک**



**Celebrating the Past, Embracing the Future.**

Quarterly Report - September 30, 2017

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# Corporate Information

## Board of Directors

**Mr. Sultan Ali Allana**  
Chairman

**Mr. Shaffiq Dharamshi**  
Director

**Mr. Moez Ahamed Jamal**  
Director

**Mr. Salim Raza**  
Director

**Dr. Najeem 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](http://www.hbl.com)

**Internet Banking**  
[www.hblbank.com.pk](http://www.hblbank.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  
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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)  
Fax: (92-21) 34326053  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)



Condensed  
Interim  
Consolidated  
Financial  
Information

## Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial information for the nine months ended September 30, 2017.

### Domestic Economy

Pakistan's economic performance has remained largely positive during 2017 as the macroeconomic environment has remained conducive to growth. Industrial activity has been on a steadily improving trend as indicated by the Large Scale Manufacturing (LSM) index which increased by 5.7% for FY17. Early reads for FY18 are positive as the LSM index rose by 13% in July, its highest growth in the last 4 years. The growth has not impacted inflation which remained contained, although CPI for the month of September 2017 increased to 3.8%, seasonally driven by higher food prices. Average headline inflation during July – September 2017 reduced to 3.4% compared to 3.9% in the corresponding period of last year, well within SBP's target of 4.5% - 5.5% for FY18.

The current account deficit for 2M FY18 widened significantly over the corresponding period of FY17, to USD 2.6 billion. Exports have picked up in 2M FY18, growing by 18%, but these have been offset by a steep increase in imports, which rose by 28% mainly due to higher imports of machinery, metal and petroleum products. Consequently, the trade deficit widened by 37%. Inflows from remittances provided some relief, improving by 13% during this period, mainly supported by higher flows during Eid. However, remittance flows have since normalized, with 1Q FY18 levels staying essentially flat to last year, as contributions from the Middle East remain depressed.

Foreign direct investment doubled over 2M FY17 and, coupled with external borrowings, resulted in a USD 1 billion inflow from the financial account. While this has partially alleviated the current account deficit, the pressure on the external account remains. Foreign exchange reserves have already declined by 8% since the beginning of FY18 to USD 19.7 billion in September; however, the Rupee continues its run of stability.

As anticipated, the fiscal deficit for FY17 rose from 4.6% of GDP in FY16 to 5.8% in FY17, significantly above the revised target of 4.1%. Revenue collection failed to cover the growth in development spending, while provincial shortfalls further exacerbated the deficit. FY18 appears to have started with a positive surprise as the fiscal deficit for 1Q is reported to be 0.9%, a 10-year low, on the back of a greatly improved performance in tax collection.

An extended period of political uncertainty, concerns over Rupee devaluation and a net outflow of Foreign Portfolio Investment have battered the Pakistan equity markets. The bull run up to the MSCI upgrade – during which the index crossed 52,000 – has snapped and gains made during that period have been more than erased with the PSX Index having lost 11% of its value upto September 2017. The index has recently fallen below the 40,000 mark for the first time since October 2016 and a mixed downward trend is expected to persist till some clarity on the political front is achieved.

The SBP maintained its policy rate at 5.75% in September, citing concerns on external account weakness, especially in a period of positive economic activity. Low interest rates, increasing demand for consumer goods and pickup in construction activity have spurred the demand for private sector credit which has grown by 6.6% during CY17. Banking sector advances have increased by 11% since the beginning of the year, while deposits rose by 7%. Industry spreads during January-August have compressed by 20bps over the corresponding period of last year and are expected to remain under pressure in the near term.

### Performance

During the quarter, HBL has signed a Consent Order with the New York State Department of Financial Services (NYSDDFS). Under the Consent Order, HBL has made a settlement payment of USD 225 million. HBL has also decided to close down its New York branch. The impact of the settlement, which is a one-off payment, has materially impacted HBL's financial results for the nine months ended 2017. Consequently, the reported consolidated profit before tax for this period is Rs 18.8 billion and the profit after tax is Rs 1.6 billion, with earnings per share of Rs 0.87.

Excluding the impact of the settlement payment, HBL's consolidated profit after tax for the first nine months of 2017 is Rs 25.3 billion, 2% lower than for the same period of 2016, translating to earnings per share for 9M 17 of Rs 17.04 compared to Rs 17.47 in 9M 16. On the same basis, pre-tax profit for the first nine months of 2017 is Rs 42.5 billion, 2% lower than the Rs 43.5 billion recorded for the same period in 2016.

HBL's deposits have continued to grow, reaching Rs 2.03 trillion, and the Bank's market share increased to 14.4%. The growth in deposits has come entirely through increases in CASA. Domestic current accounts crossed Rs 600 billion, and the current account ratio as at September 2017 was 35.0% compared to 34.8% in December 2016. Domestic CASA improved from 85.5% to 87.4% over the same period. While the market exhibited its normal seasonal decline in advances, HBL stepped up its lending activities, with net domestic advances increasing by 14% over December 2016 and total net advances reaching Rs 847 billion.

Average domestic loans for 9M 17 increased by 28% over 9M 16, with all lending businesses demonstrating strong growth. Average domestic current accounts for the first nine months of 2017 rose by 16% over the same period of 2016. This improvement in the Balance Sheet mix, along with a 11% growth, partially alleviated the spread compression caused by falling investment yields and competitive loan pricing. Consequently, net interest income for the nine months ended September 30, 2017 reduced marginally, to Rs 62.0 billion.

Non mark-up income of Rs 26.3 billion for 9M 17 was 18% higher than for the first nine months of 2016. This was driven by a 13% increase in fees and commissions, which rose to Rs 15.5 billion. The main contributors to the fee growth were home remittances, card related and consumer financing fees and asset management. Treasury related income increased by 43%; although capital gains contributed the majority of this growth, all segments demonstrated strong performances.

Administrative expenses rose by 12% over 9M 16. This growth includes the full impact of consolidation of the First MicroFinanceBank and higher spend related to remediation efforts in New York. Excluding these, expense growth was contained to under 7%. Total non-performing loans were Rs 0.1 billion lower than December 2016 levels and, with growth in the loan book, the Asset Quality ratio improved to 8.2% as at September 30, 2017. Total provisions for the first nine months of 2017 were 22% higher than for 9M 16, as a result of impairment on listed shares. The coverage ratio as at September 30, 2017 was 91.4% compared to 91.2% in December 2016.

#### Movement of Reserves

Rupees in million

Unappropriated profit brought forward	106,142
Profit after taxation attributable to equity holders of the Bank	1,271
Other comprehensive income – net	(3)
Transferred from surplus on revaluation of assets – net of tax	32
Exchange translation realized on transfer of overseas branch to subsidiary	371
	1,671
Appropriations	
Transferred to statutory reserves	(157)
Capital contribution from statutory funds of associates	23
Cash dividend – Final 2016	(5,134)
Cash dividend – 1st Interim 2017	(5,134)
Cash dividend – 2nd Interim 2017	(5,134)
	(15,536)
Unappropriated profit carried forward	92,277
Earnings per share (Rs)	0.87

#### Capital Ratios and Dividend

The settlement payment has had an impact of 204 bps on the Capital Adequacy Ratio (CAR). Internal capital generation as well as prudent management of risk assets has improved this somewhat and the consolidated Tier 1 CAR as at September 30, 2017 is 10.6%. The total CAR is 13.6%. The Bank will be taking all measures necessary to restore its capital ratios to their previous levels as early as practically possible. Consequently, the Board of Directors, in its meeting held on October 20, 2017 has not declared an interim cash dividend for the quarter ended September 30, 2017. HBL had already declared and paid interim cash dividends of Rs 7.00 per share (70%) for the first two quarters of 2017.

## Credit Ratings

In light of the New York matter, the Bank's credit ratings were re-assessed by local and international Rating Agencies. JCR-VIS has re-affirmed HBL's ratings at AAA/A-1+ for long term and short term respectively, given the bank's strong domestic operations and franchise and the expectation that capitalization indicators will recover over the rating horizon. The Outlook on the rating has been changed to Negative, given the weakening in the Bank's capital ratios, and the rating of its subordinated debt is now at AA+, one notch below the entity rating. Moody's has re-affirmed HBL's local and foreign currency deposit ratings with a Stable Outlook, while reducing the Bank's Baseline Credit Assessment by one notch.

## Future Outlook

A positive industrial outlook, underpinned by the China Pakistan Economic Corridor (CPEC) projects, rising consumer confidence and promising agriculture forecasts are expected to support the growth trajectory. Surplus liquidity will also support private sector credit increases and GDP growth is likely to reach its 6% target in FY18. Favorable global conditions, a steadily improving domestic energy situation and export incentives should result in a revitalization of exports. In the absence of supply side pressures, inflation is expected to remain benign.

Despite an abundance of positive indicators, Pakistan's economy remains fragile on many fronts. The country's historical problems with the twin deficits have re-surfaced and are unlikely to be addressed in the short-term. The budgeted fiscal deficit of 4.1% appears ambitious, especially in an election year as tax collection targets are stretched, expenditure is likely to be generous and expectations of receipts from the Coalition Support Fund seem optimistic. While export growth at the start of FY18 has been encouraging, a consistent, sustainable performance will require continued focus and structural reforms, while the import bill will continue to increase in an accelerating growth scenario. With remittances unlikely to provide much relief in the medium term, the current account deficit and the external account will remain under pressure. The low interest rate environment of the last several years is unlikely to reverse in the current fiscal year, posing challenges for the banking sector with continued spread compression.

## 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 their guidance and support, and for developing and strengthening the banking and financial services sector through continuous improvement in the regulatory and governance framework.

HBL's Board and management have taken serious note of the control and compliance issues that have surfaced in its New York branch. The Board and the Bank are committed to pursuing the highest standards of governance and have taken steps of structural changes and necessary remediation measures to ensure that HBL moves swiftly to bring these to a closure. The Board reiterates its objective of promoting a "zero tolerance" compliance culture and will take steps to ensure that this permeates through all levels of the organization.

On behalf of the Board and the management, we take this opportunity to express our gratitude to our customers for entrusting us with their business and to our shareholders for their support and confidence. This has been particularly appreciated and valued during the challenging time that the Bank is passing through. We also acknowledge the efforts demonstrated by our employees towards the growth of HBL and thank them for their commitment and dedication.

On behalf of the Board

**Nauman K. Dar**

President & Chief Executive Officer

October 20, 2017

## ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے میں انتہائی مسرت سے 30 ستمبر 2017 کو اختتام پذیر ہونے والے 9 ماہ کے مختصر عبوری مجموعی مالیاتی اعداد و شمار پیش کرتا ہوں۔

### ملکی معیشت

سال 2017 کے دوران پاکستان کی معاشی کارکردگی بدستور مثبت رہی جبکہ مجموعی طور پر ملکی معاشی ماحول ترقی کی راہ پر گامزن ہے۔ صنعتی شعبے کی سرگرمی میں مستحکم ترقی کارخانوں کا رجحان رہا جس کا اشارہ لارج اسکیل مینوفیکچرنگ (ایل ایس ایم) انڈیکس سے بھی ملتا ہے جو مالی سال 2017 کے دوران 5.7 فیصد بڑھا۔ مالی سال 2018 کے ابتدائی اشارے مثبت ہیں اور جولائی میں ایل ایس ایم انڈیکس میں 13 فیصد اضافہ ہوا جو گزشتہ چار سالوں میں سب سے زیادہ ہے۔ اس ترقی سے افراط زر پر فرقی نہیں پڑا جو بدستور محدود ہے، اگرچہ کزن پومر پرائس انڈیکس (سی بی آئی) ماہ ستمبر 2017 میں 3.8 فیصد بڑھا جس کی وجہ کھانے پینے کی اشیاء کی قیمتوں میں اضافہ تھا۔ رواں سال جولائی سے ستمبر کے دوران مجموعی افراط زر گزشتہ سال اسی عرصے میں 3.9 فیصد کے مقابلے میں کم ہو کر 3.4 فیصد ہو گیا جو اسٹیٹ بینک کی جانب سے مالی سال 2018 کی متعین 4.5 فیصد سے 5.5 فیصد کی حد سے کافی نیچے ہے۔

مالی سال 2018 کے ابتدائی دو ماہ کے دوران کرنٹ اکاؤنٹ خسارہ مالی سال 2017 کے اسی عرصے کے مقابلے میں نمایاں طور پر بڑھ کر 2.6 ارب امریکی ڈالر ہو گیا۔ مالی سال 2018 کے ابتدائی دو ماہ کے دوران برآمدات میں 18 فیصد اضافہ ہوا تاہم درآمدات میں تیز رفتار اضافے کے باعث اسکے اثرات منہا ہو گئے اور مشینری، دھاتی اور پٹرولیم مصنوعات کی بھرپور آمد سے درآمدات میں 28 فیصد اضافہ ہوا۔ اسکے نتیجے میں تجارتی خسارہ 37 فیصد بڑھ گیا۔ ترسیلات زر سے آنے والی رقومات سے معیشت کو کچھ مدد ملی اور اس عرصے میں 13 فیصد اضافہ ہوا جس کی بڑی وجہ عید کے موقع پر بھاری رقومات کی آمد تھی۔ تاہم اس کے بعد سے ترسیلات زر معمول پر آگئیں اور مالی سال 2018 کی پہلی سہ ماہی کی سطح گزشتہ سال کے مقابلے میں بنیادی طور پر جوں کی توں رہی کیونکہ مشرق وسطیٰ سے آنے والی ترسیلات زر بدستور بڑاؤ کا شکار ہیں۔

مالی سال 2017 کے ابتدائی دو ماہ کے مقابلے میں غیر ملکی سرمایہ کاری دو گنا ہوئی جس کے ساتھ بیرونی قرضے بڑھ گئے اور اسکے نتیجے میں مالیاتی اکاؤنٹ میں ایک ارب ڈالر آئے۔ اس سے کرنٹ اکاؤنٹ خسارے میں جزوی کمی آئی لیکن بیرونی اکاؤنٹ پر دوبارہ بدستور برقرار ہے۔ مالی سال 2018 کے آغاز سے غیر ملکی زرمبادلہ کے ذخائر 8 فیصد کی 19.7 ارب امریکی ڈالر ہو گئے تاہم روپیہ بدستور مستحکم ہے۔

توقع کے مطابق مالی سال 2016 کا تجارتی خسارہ 4.6 فیصد مجموعی قومی پیداوار کے مقابلے میں مالی سال 2017 میں بڑھ کر 5.8 فیصد ہو گیا جو 4.1 فیصد کے دوبارہ طے شدہ ہدف سے کافی زیادہ تھا۔ ترقیاتی شعبے کے اخراجات کے لئے ریونیو جمع کرنے میں ناکامی رہی جبکہ صوبائی سطح پر محدود آمدن سے خسارے میں مزید اضافہ ہوا۔ مالی سال 2018 میں بظاہر تھران کن مثبت نتائج سے آغاز ہوا اور پہلی سہ ماہی کے دوران ٹیکس وصولی میں انتہائی بہتری کے باعث تجارتی خسارہ 0.9 فیصد پر بجا گزشتہ سال 10 فیصد میں سب سے کم ہے۔

سیاسی غیر یقینی کا دورانیہ بڑھنے، روپیے کی قدر میں کمی کی تشویش اور غیر ملکی پورٹ فولیوس سرمایہ کاری سے رقومات کی بیرون ملک منتقلی کے باعث پاکستانی اسٹاک مارکیٹ کو شدید نقصان پہنچا ہے۔ اسٹاک مارکیٹ ایم ایس سی آئی اپ گریڈ کے دوران 52 ہزار پونٹس سے تجاوز کر گئی تھی، تاہم پھر سست روی کا شکار ہوئی اور اسی عرصے کے دوران منافع ختم ہو گیا اور بی ایس ایکس انڈیکس کی ویلیو میں ستمبر 2017 تک 11 فیصد کمی آئی۔ انڈیکس اکتوبر 2016 کے بعد پہلی بار حال ہی میں 40 ہزار پونٹس سے نیچے چلا گیا۔ سیاسی میدان میں استحکام آنے تک اسی طرح کا ملاملا رجحان رہنے کی توقع ہے۔

اسٹیٹ بینک نے خصوصی طور پر اس عرصے میں مثبت معاشی سرگرمی اور بیرونی اکاؤنٹ میں کمزوری کا اظہار کرتے ہوئے ستمبر میں اپنا پالیسی ریٹ 5.75 فیصد پر برقرار رکھا ہے۔ شرح سود میں کمی، حصار فن کی مصنوعات کی بڑھتی ہوئی طلب اور تعمیراتی سرگرمی میں اضافے سے نجی شعبوں کے قرضوں کی طلب بڑھ گئی اور

رہا۔ کوریج ریشو 30 ستمبر 2017 کو 91.4 فیصد رہا جو دسمبر 2016 میں 91.2 فیصد تھا۔

## ریزرو کی تفصیلات

ملین (روپے)

106,142

1,271

(3)

32

371

1,671

افتتاحی غیر تخصیص شدہ منافع

بینک کے حصص یافتہ گان سے قابل منسوب منافع

دیگر مجموعی ذرائع سے حاصل خالص آمدن

پائیدار اثاثوں کے ازسر نو تخمینے پر اضافی آمدن۔ محصول کے بعد

بیرون ملک برانچ کی ذیلی طور پر منتقلی سے زرمبادلہ کی موجودگی

مختلف مدوں میں رکھی گئی رقوم

غیر منقولہ ریزرو کی منتقلی

ایسوی ایٹس کے غیر منقولہ فنڈز سے سرمائے کا تعاون

کیش ڈیویڈنڈ۔ فائنل 2016۔

کیش ڈیویڈنڈ۔ 2017 کی پہلی عبوری سہ ماہی

کیش ڈیویڈنڈ۔ 2017 کی دوسری عبوری سہ ماہی

(157)

23

(5,134)

(5,134)

(5,134)

(15,536)

92,277

0.87

اختتامی غیر تخصیص شدہ منافع

فی حصص آمدن (روپے)

## کیمپنل ریشوز اور ڈیویڈنڈ

تصفیہ ادائیگی سے کیمپنل ایڈویسری ریشو CAR پر 204 بی پی ایٹس کا اثر پڑا ہے۔ اندرونی طور پر سرمایہ پیدا کرنے کے ساتھ اثاثوں میں خطرات کے محتاط طریقے سے انتظام کے باعث بہتری آئی ہے اور 30 ستمبر 2017 کو 10.6 فیصد غیر مجموعی Tier 1 CAR رہا جبکہ 13.6 فیصد مکمل CAR ہے۔ بینک جلد از جلد عملاً تمام ضروری اقدامات کر کے سرمائے کی شرح کو کھینچی پوزیشن پر بحال کرے گا۔ اس کے نتیجے میں بورڈ آف ڈائریکٹرز نے اپنے 120 اکتوبر 2017 کے اجلاس میں 30 ستمبر 2017 کو اختتام پذیر ہونے والی سہ ماہی کے عبوری کیش ڈیویڈنڈ کا اعلان نہیں کیا ہے۔ ایچ بی ایل نے سال 2017 کی پہلی دو سہ ماہیوں کے پہلے سے اعلان شدہ 7 روپے فی شیئر (70 فیصد) عبوری کیش ڈیویڈنڈ ادا کر دیا ہے۔

## کریڈٹ ریٹنگز

نیویارک والے معاملے کی روشنی میں مقامی اور بین الاقوامی ریٹنگ ایجنسیز نے بینک کی کریڈٹ ریٹنگز کا دوبارہ جائزہ لیا۔ JCR-VIS نے ایچ بی ایل کی طویل المیعاد اور مختصر مدت کے لئے ہائز تیب AAA/A-1+ ریٹنگ کی توثیق کی ہے جس کے باعث توقع ہے کہ بینک کے مضبوط ملکی آپریشنز اور فرچائز کے ساتھ سرمائے کے اشاریے ریٹنگ کی صورت حال کو بحال کر دیں گے۔ بینک کی ریٹنگ کی صورت حال تبدیل ہو کر منفی ہو چکی ہے بینک کے کیمپنل ریشو میں کمی اور اسکے ذیلی قرضے کی ریٹنگ اب AA+ ہے جو ادارے کی جانب سے دی گئی ریٹنگ سے ایک سطح کم ہے۔ Moody's نے ایچ بی ایل کی مقامی اور غیر ملکی

سال 2017 کے دوران اس میں 6.6 فیصد اضافہ ہوا۔ بینکنگ سیکٹر کی جانب سے سال کے آغاز سے قرضوں کی فراہمی میں 11 فیصد اضافہ ہوا جبکہ ڈیپازٹس بھی 7 فیصد بڑھ گئے۔ جنوری سے اگست کے دوران بینکنگ انڈسٹری کے اسپرڈ کو گزشتہ سال اسی عرصے کے مقابلے میں 20 بی پی ایلس گراؤٹ کا سامنا ہے اور اگلے کچھ عرصے تک اسکے دباؤ میں رہنے کی توقع ہے۔

## کارکردگی

اس سہ ماہی کے دوران ایچ بی ایل نے نیویارک اسٹیٹ ڈیپازٹس آف فنانشل سروس کے ساتھ راضی نامہ پر دستخط کئے ہیں۔ اس راضی نامے کے تحت ایچ بی ایل نے 225 ملین امریکی ڈالر کی ادائیگی کا تصفیہ کیا ہے۔ ایچ بی ایل نے اپنی نیویارک برانچ بند کرنے کا بھی فیصلہ کیا ہے۔ ایچ بی ایل کے اختتام پذیر ہونے والے سال 2017 کے 9 ماہ کے مالیاتی اعداد و شمار پر اس تصفیہ کی ادائیگی، جو ایک مخصوص ادائیگی ہے، گہرے اثرات مرتب ہوئے ہیں۔ اسکے نتیجے میں مجموعی منافع قبل از ٹیکس 18.8 ارب روپے ہوا اور منافع بعد از ٹیکس 1.6 ارب روپے رہا جس کے ساتھ فی شیئر آمدن 0.87 روپے رہی۔

اس تصفیہ ادائیگی کے اثر کو الگ کرنے کے بعد ایچ بی ایل کا سال 2017 کے ابتدائی 9 ماہ کا مجموعی منافع بعد از ٹیکس 25.3 ارب روپے رہا جو سال 2016 کی اسی مدت کے مقابلے میں 2 فیصد کم ہے۔ اس کے نتیجے میں سال 2017 کے ابتدائی 9 ماہ کے لئے فی شیئر آمدن 17.04 روپے بنتی ہے جو سال 2016 کے ابتدائی 9 ماہ میں 17.47 روپے تھی۔ انہی بنیادوں پر سال 2017 کے ابتدائی 9 ماہ کا قبل از ٹیکس منافع 2 فیصد کم کے ساتھ 42.5 ارب روپے رہا جو سال 2016 میں اسی عرصے کے مقابلے میں 43.5 ارب روپے تھا۔

ایچ بی ایل کے ڈیپازٹس میں بہتری جاری رہی ہے اور یہ 2.03 کھرب روپے تک پہنچ گئے۔ بینک کا مارکیٹ شیئر بڑھ کر 14.4 فیصد ہو گیا۔ ڈیپازٹس میں بہتری مکمل طور پر کرنٹ اکاؤنٹس اور سٹیٹمنٹ اکاؤنٹ (CASA) میں اضافے کے ذریعے ہوئی۔ ملکی کرنٹ اکاؤنٹس 600 ارب روپے سے تجاوز کر گئے اور کرنٹ اکاؤنٹ کی شرح ستمبر 2017 میں 35 فیصد ہو گئی جو دسمبر 2016 میں 34.8 فیصد تھی۔ ملکی CASA اسی مدت کے دوران 85.5 فیصد سے بڑھ کر 87.4 فیصد ہو گیا۔ مارکیٹ میں قرضوں کی روایتی طور پر فراہمی میں کمی کے باوجود ایچ بی ایل نے قرضوں کی فراہمی کے لئے اقدامات بڑھائے اور دسمبر 2016 کے مقابلے میں ملکی سطح پر قرضوں کی فراہمی میں 14 فیصد اضافہ ہوا اور مجموعی طور پر قرضوں کی فراہمی 847 ارب روپے ہو گئی ہے۔

سال 2017 کے ابتدائی 9 ماہ میں اوسط ملکی قرضے سال 2016 کے 9 ماہ کے مقابلے میں 28 فیصد بڑھ گئے جس سے قرضوں کی فراہمی کے تمام کاروبار میں مستحکم ترقی نظر آئی۔ سال 2017 کے ابتدائی 9 ماہ میں اوسط ملکی کرنٹ اکاؤنٹ میں سال 2016 کے اسی دورانیے کے مقابلے میں 16 فیصد اضافہ ہوا۔ 11 فیصد ترقی کے ساتھ بیلنس شیٹ کس میں بہتری کے باعث جزوی طور پر اسپرڈ کم ہو گیا جس کی وجہ سے مسافرتی لون پرائٹنگ اور سرمایہ کاری کے منافع میں کمی آئی ہے۔ اسکے نتیجے میں 30 ستمبر 2017 کو اختتام پذیر ہونے والے 9 ماہ کے دوران خالص مارک اپ آمدن معمولی کمی سے 62 ارب روپے ہو گئی۔

ٹان مارک اپ آمدن سال 2017 کے 9 ماہ کے دوران 26.3 ارب روپے رہی جو سال 2016 کے ابتدائی 9 ماہ کے مقابلے میں 18 فیصد زائد ہے۔ اس میں 13 فیصد اضافہ فیوس اور کمیشنوں سے حاصل آمدن ہے جو بڑھ کر 15.5 ارب روپے ہو گئی ہے۔ فیوس سے حاصل آمدن میں اضافے کی بڑی وجوہات میں ترسیلات زر، کارڈ سے متعلق اور کزن یومرفنانسنگ فیس اور اینڈ منیجمنٹ شامل ہیں۔ ٹریڈری سے متعلق آمدن میں 43 فیصد اضافہ ہوا۔ اگرچہ سرمائے سے حاصل منافع اسکی بڑی وجہ ہے اور تمام شعبہ جات نے مستحکم کارکردگی کا مظاہرہ کیا۔

انتظامی اخراجات سال 2016 کے ابتدائی 9 ماہ کے دوران 12 فیصد بڑھ گئے۔ اس اضافے میں مانیجر فنانس بینک کے اخراجات اور نیویارک کی مصلحت سے متعلق ہماری اخراجات شامل ہیں۔ اس اثرات کو منہا کر کے اخراجات میں اضافے کو 7 فیصد سے نیچے تک محدود رکھا گیا۔ غیر فعال قرضے دسمبر 2016 کی سطح سے 0.1 ارب روپے کم ہیں اور 30 ستمبر 2017 کو قرضوں کی مجموعی مالیت میں اضافے کے ساتھ اثاثہ جات کے معیار کی شرح میں 8.2 فیصد بہتری آئی۔ اسٹاک امپیزمنٹ کے نتیجے میں سال 2017 کے ابتدائی 9 ماہ میں مجموعی پروڈن سال 2016 کے ابتدائی 9 ماہ کے مقابلے میں 22 فیصد زائد

ڈیپازٹس ریٹیلنگ کی استحکام کے ساتھ توثیق کی ہے اور بینک کی بیس لائن کنٹریڈ اسٹسمٹ میں ایک سطح کی آگئی ہے۔

## مستقبل کے امکانات

چین پاکستان اکنامک کوریڈور (سی پیک) پریکٹس کے تعاون سے صنعتی امکانات مثبت نظر آتے ہیں جس سے صارف کا اعتماد بڑھ رہا ہے اور زراعت میں بہتری کے آثار سے معیشت میں بہتری کی توقع ہے۔ زیادہ لیکویڈٹی کی وجہ سے نئے شعبے میں ترسے بڑھنے میں مدد ملے گی اور مالی سال 2018 میں مجموعی قومی پیداوار 6 فیصد کے ہدف پر پہنچنے کی توقع ہے۔ عالمی سطح پر سازگار معاشی حالات، ملکی سطح پر توانائی کی تیزی سے مستحکم ہوتی صورتحال اور برآمد کے لئے ترغیب کا نتیجہ لازمی برآمدات کی بحالی کی صورت میں نکلتے گا۔

بہت سارے مثبت اشاریوں کے باوجود پاکستانی معیشت مختلف محاذوں پر بدستور نازک ہے۔ ملک کے تاریخی مسائل کے ساتھ ڈبل خسارہ دوبارہ بڑھ چکا ہے اور مختصر مدت میں اس پر قابو پانے کا امکان نہیں ہے۔ 4.1 فیصد مالیاتی تجارتی خسارہ بظاہر مشکل ہے بالخصوص الیکشن والے سال میں جب ٹیکس وصولی کے اہداف پھیل جاتے ہیں، اخراجات بڑھنے کا امکان ہوتا ہے تاہم کونیشن سپورٹ کی متوقع وصولی سے کچھ بہتری نظر آتی ہے۔

مالی سال 2018 کے آغاز پر برآمد میں اضافہ حوصلہ افزاء رہا لیکن مستقل اور پائیدار کارکردگی کے ذریعے مسلسل توجہ اور بنیادی اصلاحات لانے کی ضرورت ہوگی۔ درآمدی بل میں غیر معمولی ترقی کی رفتار کے ساتھ اضافہ جاری رہے گا۔ درمیانی مدت کے لئے ترسیلات زر میں بہتری آنے کی توقع ہے اور کرنٹ اکاؤنٹ خسارہ اور بیرونی ڈاکوئنٹ کو بدستور دباؤ کا سامنا رہے گا۔ موجودہ مالی سال کے دوران گزشتہ کئی سال سے جاری انٹرسٹ ریٹ میں کمی کا ماحول بدلنے کا امکان نہیں ہے جس سے بینکنگ سیکٹر کو مسلسل دباؤ کے ساتھ چیلنج کا سامنا ہے۔

## اعتراف و ستائش

ہم یہ بات ریکارڈ کرنا 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، رہنمائی اور تعاون کو سراہتے ہیں۔

انجینی ایل کے بورڈ اور انتظامیہ نے کنٹرول اور تعمیل سے متعلق مسائل کا سنجیدگی سے نوٹس لیا ہے جو اسکی نیویارک برانچ میں سامنے آئے۔ بورڈ اور بینک گورننس کے اعلیٰ ترین معیارات کی پاسداری کے لئے پرعزم ہے جس نے بنیادی تبدیلیوں اور ضروری اصلاح پر مبنی اقدامات اٹھائے ہیں تاکہ اس بات کو یقینی بنایا جائے کہ انجینی ایل اس کام کو تیزی سے پایہ تکمیل تک پہنچائے۔ بورڈ کلچر سے مکمل مطابقت کو فروغ دینے کے اپنے مقصد کی یاد دہانی کراتا ہے اور ادارے میں ہر سطح پر سہمیت کرنے کے ساتھ اقدامات اٹھائے گا۔

بورڈ اور منجمنٹ کی جانب سے ہم اس موقع پر اپنے کسٹمرز کا شکریہ ادا کرنا چاہیں گے جنہوں نے ہمارے بزنس پر اعتماد کیا اور اور اپنے شیئر ہولڈرز کے تعاون اور اعتماد کے سبب مشکور ہیں۔ اس ضمن میں صارفین کو خصوصی طور پر سراہا گیا جنہوں نے اس مشکل وقت میں بینک کو اہمیت دی ہے جب بینک کو پریشانی کا سامنا ہے۔ ہم انجینی ایل کی ترقی میں اپنے ملازمین کی کاوشوں کا بھی اعتراف کرتے ہیں اور ان کے عزم و اخلاص کو مشکور ہیں۔

منجانب بورڈ

## نعمان کے ڈار

پریڈیڈنٹ اینڈ چیف ایگزیکٹو آفیسر

20 اکتوبر، 2017

# Condensed Interim Consolidated Statement of Financial Position

As at September 30, 2017

	Note	(Unaudited) September 30, 2017	(Audited) December 31, 2016
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		230,647,573	238,438,283
Balances with other banks		44,637,034	45,959,095
Lendings to financial institutions		14,155,444	34,047,931
Investments	6	1,399,594,081	1,344,404,771
Advances	7	846,637,122	748,466,297
Operating fixed assets	8	49,946,287	36,087,509
Deferred tax asset		-	-
Other assets		61,890,678	59,778,445
		<u>2,647,508,219</u>	<u>2,507,182,331</u>
<b>LIABILITIES</b>			
Bills payable		30,590,005	31,195,900
Borrowings	9	349,755,140	332,822,846
Deposits and other accounts	10	2,025,385,278	1,885,959,026
Subordinated loan		9,994,000	9,998,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		2,074,188	6,090,983
Other liabilities		54,903,583	44,846,706
		<u>2,472,702,194</u>	<u>2,310,913,461</u>
<b>NET ASSETS</b>		<u>174,806,025</u>	<u>196,268,870</u>
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		14,668,525	14,668,525
Reserves		48,965,480	47,958,414
Unappropriated profit		<u>92,277,357</u>	<u>106,142,374</u>
Total equity attributable to the equity holders of the Bank		155,911,362	168,769,313
Non-controlling interest		3,365,526	3,435,710
Surplus on revaluation of assets - net of deferred tax	11	15,529,137	24,063,847
		<u>174,806,025</u>	<u>196,268,870</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

The annexed notes 1 to 23 form an integral part of this condensed interim consolidated financial information.

Nauman K. Dar  
President and  
Chief Executive Officer

Rayomond Kotwal  
Chief Financial Officer

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

Moez Ahamed Jamal  
Director

## Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the nine months ended September 30, 2017

Note	January 01 to September 30, 2017	January 01 to September 30, 2016	July 01 to September 30, 2017	July 01 to September 30, 2016	
----- (Rupees in '000) -----					
Mark-up / return / profit / interest earned	13	109,389,601	106,846,877	37,086,853	36,137,264
Mark-up / return / profit / interest expensed	14	47,413,889	44,617,371	16,512,571	15,331,122
Net mark-up / return / profit / interest income		61,975,712	62,229,506	20,574,282	20,806,142
Provision / (reversal) against advances	7.2	312,818	883,915	(251,241)	(325,836)
(Reversal) / provision against off-balance sheet obligations		(8,992)	(15,519)	41,241	4,691
Provision / (reversal) for diminution in the value of investments	6.2	774,384	272,511	126,862	(11,524)
Bad debts written off directly		-	-	-	-
		1,078,210	1,140,907	(83,138)	(332,669)
Net mark-up / return / profit / interest income after provisions		60,897,502	61,088,599	20,657,420	21,138,811
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		15,520,466	13,790,880	5,319,304	4,465,246
Dividend income		959,337	905,034	273,585	274,525
Share of profit of associates and joint venture		2,277,455	2,495,740	374,629	1,020,856
Income from dealing in foreign currencies		1,932,472	1,065,864	616,737	329,085
Gain on sale of securities - net		5,041,126	3,521,915	3,136,254	1,685,529
Unrealized loss on held-for-trading securities		(99,000)	(19,699)	(75,359)	(43,814)
Other income		662,899	579,018	215,877	201,932
Total non mark-up / interest income		26,294,755	22,338,752	9,861,027	7,933,359
		87,192,257	83,427,351	30,518,447	29,072,170
<b>Non mark-up / interest expense</b>					
Administrative expenses		43,494,750	38,997,808	15,141,213	13,555,081
Other provisions / write offs - net		403,742	77,478	337,443	19,353
Other charges		2,499	817	1,992	330
Workers' Welfare Fund		816,850	857,577	280,559	301,886
Total non mark-up / interest expense		44,717,841	39,933,680	15,761,207	13,876,650
<b>Profit before extra ordinary / unusual item and taxation</b>		42,474,416	43,493,671	14,757,240	15,195,520
Extra ordinary / unusual item	15	23,717,115	-	23,717,115	-
<b>Profit / (Loss) before taxation</b>		18,757,301	43,493,671	(8,959,875)	15,195,520
<b>Taxation</b>					
- Current	16	15,380,611	14,818,234	5,137,985	5,027,371
- Prior years		2,072,385	2,318,915	-	-
- Deferred		(250,123)	601,817	24,832	384,764
		17,202,873	17,738,966	5,162,817	5,412,135
<b>Profit / (loss) after taxation</b>		1,554,428	25,754,705	(14,122,692)	9,783,385
<b>Attributable to:</b>					
Equity holders of the Bank		1,270,820	25,622,102	(14,223,780)	9,698,086
Non-controlling interest		283,608	132,603	101,088	85,299
		1,554,428	25,754,705	(14,122,692)	9,783,385
----- (Rupees) -----					
Basic and diluted earnings / (loss) per share		0.87	17.47	(9.70)	6.61

The annexed notes 1 to 23 form an integral part of this condensed interim consolidated financial information.

**Nauman K. Dar**  
President and  
Chief Executive Officer

**Raymond Kotwal**  
Chief Financial Officer

**Agha Sher Shah**  
Director

**Shaffiq Dharamshi**  
Director

**Moez Ahamed Jamal**  
Director

# Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2017

	January 01 to September 30, 2017	January 01 to September 30, 2016	July 01 to September 30, 2017	July 01 to September 30, 2016
	------(Rupees in '000)-----			
<b>Profit / (loss) after taxation for the period attributable to:</b>				
Equity holders of the Bank	1,270,820	25,622,102	(14,223,780)	9,698,086
Non-controlling interest	283,608	132,603	101,088	85,299
	1,554,428	25,754,705	(14,122,692)	9,783,385
<b>Other comprehensive income / (loss)</b>				
<b>Items that may be reclassified to the profit and loss account in subsequent periods</b>				
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates attributable to:				
Equity holders of the Bank	1,220,754	(1,134,951)	619,678	(549,252)
Non-controlling interest	88,141	(150,837)	33,973	(44,962)
	1,308,895	(1,285,788)	653,651	(594,214)
<b>Items that are not to be reclassified to the profit and loss account in subsequent periods</b>				
Share of rereasurement loss on defined benefit obligations of associates - net	(2,544)	-	-	-
<b>Comprehensive income transferred to equity</b>	2,860,779	24,468,917	(13,469,041)	9,189,171
<b>Components of comprehensive income / (loss) not reflected in equity</b>				
<b>Items that may be reclassified to the profit and loss account in subsequent periods</b>				
Movement in surplus / (deficit) on revaluation of investments - net of tax attributable to:				
Equity holders of the Bank	(8,169,209)	3,470,759	(5,840,612)	(2,322,877)
Non-controlling interest	(6,953)	17,850	9,499	(2,246)
	(8,176,162)	3,488,609	(5,831,113)	(2,325,123)
<b>Items that are not to be reclassified to the profit and loss account in subsequent periods</b>				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	-	1,772	-	1,772
Movement in surplus on revaluation of assets of associates - net of tax	132,953	(224)	132,953	-
Transferred from surplus on revaluation of non-banking assets - net of tax	10,079	262,797	-	-
	143,032	264,345	132,953	1,772
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(459,676)	499,580	(576,769)	-
Transferred to surplus on revaluation of operating fixed assets - net of tax	(10,079)	(262,797)	-	-
	(469,755)	236,783	(576,769)	-
<b>Total comprehensive income / (loss)</b>	<b>(5,642,106)</b>	<b>28,458,654</b>	<b>(19,743,970)</b>	<b>6,865,820</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	(6,006,902)	28,459,038	(19,888,530)	6,827,729
Non-controlling interest	364,796	(384)	144,560	38,091
	<b>(5,642,106)</b>	<b>28,458,654</b>	<b>(19,743,970)</b>	<b>6,865,820</b>

The annexed notes 1 to 23 form an integral part of this condensed interim consolidated financial information.

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Director

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Director

Moez Ahamed Jamal  
Director

## Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended September 30, 2017

	Attributable to shareholders of the Bank								Non-controlling interest	Total	
	Share capital	Exchange translation reserve	Reserves			Revenue		Subtotal			
			Statutory reserves	Capital	Non-distributable capital reserve	Capital reserve on acquisition of common control entity	General reserve				Unappropriated profit
		Associates, joint venture and subsidiary	Bank								
	(Rupees in '000)										
<b>Balance as at December 31, 2015</b>	14,668,525	13,201,447	475,714	26,890,062	547,115	-	6,073,812	96,495,448	158,352,123	1,698,442	160,050,565
<b>Comprehensive income for the period</b>	-	-	-	-	-	-	-	25,622,102	25,622,102	132,603	25,754,705
Profit after taxation for the nine months ended September 30, 2016	-	-	-	-	-	-	-	25,622,102	25,622,102	132,603	25,754,705
<b>Other comprehensive income / (loss)</b>	-	(1,134,951)	-	-	-	-	-	-	(1,134,951)	(150,837)	(1,285,788)
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(1,134,951)	-	-	-	-	-	-	(1,134,951)	(150,837)	(1,285,788)
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2015	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
2nd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	(15,401,952)	(15,401,952)	-	(15,401,952)
Transferred to statutory reserves	-	-	62,291	2,401,016	-	-	-	28,464	28,464	-	28,464
Non-controlling interest recognised on acquisition of FMBB	-	-	-	-	-	-	-	(2,463,307)	-	-	-
Excess of consideration paid over the net assets of FMBB	-	-	-	-	-	-	-	-	-	1,806,022	1,806,022
Capital contribution to statutory funds of associates	-	-	-	-	-	-	-	(156,706)	(156,706)	-	(156,706)
Balance as at September 30, 2016	14,668,525	12,066,496	538,005	29,291,078	547,115	(156,706)	6,073,812	104,269,543	167,297,868	3,486,230	170,784,098
<b>Comprehensive income for the period</b>	-	-	-	-	-	-	-	8,448,043	8,448,043	3,506	8,451,549
Profit after taxation for the three months ended December 31, 2016	-	-	-	-	-	-	-	8,448,043	8,448,043	3,506	8,451,549
<b>Other comprehensive income / (loss)</b>	-	(1,226,768)	-	-	-	-	-	-	(1,226,768)	(54,026)	(1,280,794)
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	(1,226,768)	-	-	-	-	-	-	(1,226,768)	(54,026)	(1,280,794)
- Remeasurement loss on defined benefit obligations - net	-	-	-	-	-	-	-	(624,497)	(624,497)	-	(624,497)
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-	-	-	7,823,546	6,596,778	(50,520)	6,546,258
3rd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
Transferred to statutory reserves	-	-	-	-	-	-	-	9,629	9,629	-	9,629
Capital contribution to statutory funds of associates	-	-	44,376	781,006	-	-	-	(825,382)	-	-	-
Balance as at December 31, 2016	14,668,525	10,839,728	582,381	30,072,084	547,115	(156,706)	6,073,812	106,142,374	168,769,313	3,435,710	172,205,023
<b>Comprehensive income for the period</b>	-	-	-	-	-	-	-	1,270,820	1,270,820	283,608	1,554,428
Profit after taxation for the nine months ended September 30, 2017	-	-	-	-	-	-	-	1,270,820	1,270,820	283,608	1,554,428
<b>Other comprehensive income / (loss)</b>	-	1,220,754	-	-	-	-	-	-	1,220,754	88,141	1,308,895
- Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	-	1,220,754	-	-	-	-	-	-	1,220,754	88,141	1,308,895
- Remeasurement loss on defined benefit obligations - net	-	-	-	-	-	-	-	(2,544)	(2,544)	-	(2,544)
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-	-	-	1,268,276	2,489,030	371,749	2,860,779
Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2016	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
2nd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	-	-	(5,133,984)	(5,133,984)	-	(5,133,984)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	(15,401,952)	(15,401,952)	-	(15,401,952)
Acquisition of additional interest in HABL from minority shareholder	-	-	-	-	-	-	-	31,825	31,825	-	31,825
Transferred to statutory reserves	-	-	136,559	20,775	-	-	-	-	-	(441,933)	(441,933)
Exchange translation realized on sale of Bank branch to Habibsons Bank	-	(371,022)	-	-	-	-	-	(157,334)	-	-	-
Capital contribution from statutory funds of associates	-	-	-	-	-	-	-	371,022	-	-	-
Balance as at September 30, 2017	14,668,525	11,889,460	718,940	30,092,859	547,115	(156,706)	6,073,812	92,277,357	155,911,362	3,365,526	159,276,888

The annexed notes 1 to 23 form an integral part of this condensed interim consolidated financial information.

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President and  
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Director

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**Moez Ahamed Jamal**  
Director

# Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the nine months ended September 30, 2017

	September 30, 2017	September 30, 2016
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	18,757,301	43,493,671
Dividend income	(959,337)	(905,034)
Share of profit of associates and joint venture	(2,277,455)	(2,495,740)
	(3,236,792)	(3,400,774)
	15,520,509	40,092,897
<b>Adjustment for:</b>		
Depreciation	2,466,872	2,374,763
Amortisation	393,595	215,716
Provision against advances	312,818	883,915
Reversal against off-balance sheet obligations	(8,992)	(15,519)
Provision for diminution in the value of investments	774,384	272,511
Other provisions / write offs - net	403,742	77,478
Unrealised loss on held-for-trading securities	99,000	19,699
Exchange (gain) / loss on Goodwill	(153,458)	242,101
Gain on sale of operating fixed assets - net	(19,098)	(50,839)
Workers' Welfare Fund	816,850	857,577
	5,085,713	4,877,402
	20,606,222	44,970,299
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	19,892,487	6,717,822
Net investments in held-for-trading securities	(152,703,987)	(30,382,308)
Advances	(98,483,643)	(31,255,721)
Other assets	(369,785)	(1,903,269)
	(231,664,928)	(56,823,476)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(605,895)	(2,161,150)
Borrowings	16,932,294	62,352,787
Deposits and other accounts	139,426,252	76,512,277
Other liabilities	7,214,218	4,476,326
	162,966,869	141,180,240
	(48,091,837)	129,327,063
	(19,983,718)	(17,977,330)
	(68,075,555)	111,349,733
Income tax paid		
<b>Net cash flows (used in) / from operating activities</b>	(19,983,718)	(17,977,330)
	(68,075,555)	111,349,733
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	87,071,177	2,222,614
Net investments in held-to-maturity securities	2,306,094	(55,848,637)
Net investments in associates	(2,501,073)	(2,255,341)
Dividend income received	865,983	688,996
Net cash outflow on acquisition of PICIC AMC	-	(3,948,939)
Net cash outflow on acquisition of FMBF	-	(591,370)
Fixed capital expenditure	(16,493,260)	(4,011,484)
Proceeds from sale of fixed assets	67,138	57,571
Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates	1,220,754	(1,134,951)
<b>Net cash flows used in investing activities</b>	72,536,813	(64,821,541)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Effect of translation of net investment by non-controlling interest in subsidiary	88,141	(150,837)
Repayment of subordinated loan	(4,000)	(2,000)
Dividend paid	(13,658,170)	(13,448,543)
<b>Net cash flows used in financing activities</b>	(13,574,029)	(13,601,380)
(Decrease) / increase in cash and cash equivalents during the period	(9,112,771)	32,926,812
Cash and cash equivalents at the beginning of the period	280,371,785	211,413,387
Effect of exchange rate changes on cash and cash equivalents	4,025,593	(3,692,638)
	284,397,378	207,720,749
Cash and cash equivalents at the end of the period	275,284,607	240,647,561

The annexed notes 1 to 23 form an integral part of this condensed interim consolidated financial information.

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Director

**Shaffiq Dharamshi**  
Director

**Moez Ahamed Jamal**  
Director

## Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the nine months ended September 30, 2017

### 1 THE GROUP AND ITS OPERATIONS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,689 (December 31, 2016: 1,677) branches inside Pakistan including 46 (December 31, 2016: 45) Islamic Banking Branches and 48 (December 31, 2016: 54) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Bank has decided to voluntarily close its New York branch and is taking steps for its closure in an orderly fashion. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 During the period, the Bank has purchased 678,750 ordinary shares of Habib Allied Holding Limited (HAHL) from a minority shareholder. Consequently, the shareholding of the Bank in HAHL has increased from 89.40% to 90.50%.
- 1.2 During the period, the Bank has sold its operations and business in Paris to Habibsons Bank, a subsidiary of HAHL.
- 1.3 The Bank transferred the business, assets and liabilities of its Kenya Branches to Diamond Trust Bank Kenya, Limited (DTBKL), an associated company, on July 31, 2017 after receiving the requisite regulatory approvals in Kenya and Pakistan. In consideration, the Bank has received 13,281,105 additional ordinary shares in DTBKL. Consequently, the Banks shareholding in DTBKL has increased from 11.97% to 16.15%.

### 1.4 Authorised Capital

During the period, the authorised capital of the Bank was reduced from Rs. 30 billion divided into 3 billion ordinary shares of Rs. 10 each to Rs. 29 billion divided into 2.9 billion ordinary shares of Rs. 10 each.

### 1.5 Business Combinations

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

In 2016, HBL Asset Management Limited (HBL AML), the Group's wholly owned subsidiary, had purchased 100% of the shares of PICIC AMC for a consideration of Rs. 4.063 billion. Subsequent to the acquisition, the Group incorporated the balances relating to PICIC AMC at their carrying values as at the close of business on March 2, 2016.

In accordance with the requirements of IFRS 3, Business Combinations, the Group had initially recognised Goodwill of Rs. 2.723 billion, representing the excess of the consideration paid over the carrying values of the net identifiable tangible assets acquired. Subsequently, the Group has conducted a valuation exercise and has identified Management Rights as an intangible asset separate from Goodwill. The Management Rights have been valued at Rs. 2.368 billion and the remaining amount of Rs. 355 million, representing the excess of consideration paid over the carrying values of the net identifiable assets acquired, has been recognised as Goodwill. The Group also concluded that the fair values of the remaining acquired assets and liabilities were not different from their carrying values at the time of acquisition and therefore no fair value adjustment is required to these assets.

### 2 STATEMENT OF COMPLIANCE

This condensed interim consolidated financial information has been prepared in accordance with the accounting framework as disclosed in the annual consolidated financial statements for the year ended December 31, 2016. 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. This condensed interim consolidated financial information does not include all the disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

The Companies Ordinance, 1984 has been repealed as a result of the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular no. 23 of 2017, dated October 04, 2017, this condensed interim consolidated financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

### 3 ACCOUNTING POLICIES

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, 2016.

### 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, 2016.

### 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, 2016.

## 6 INVESTMENTS

	September 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
(Rupees in '000)						
<b>Investments by type</b>						
<b>Held-for-trading (HFT)</b>						
<b>Federal Government securities</b>						
- Market Treasury Bills	185,668,322	22,228,854	207,897,176	32,635,003	-	32,635,003
- Pakistan Investment Bonds	5,610,481	-	5,610,481	8,174,573	-	8,174,573
- Sukuks	2,000,000	-	2,000,000	-	-	-
<b>Fully paid-up ordinary shares</b>						
- Listed companies	284,671	-	284,671	131,436	-	131,436
<b>Overseas Government securities</b>						
	272,086	-	272,086	376,504	-	376,504
	193,835,560	22,228,854	216,064,414	41,317,516	-	41,317,516
<b>Held-to-maturity (HTM)</b>						
<b>Federal Government securities</b>						
- Market Treasury Bills	-	-	-	29,295,870	-	29,295,870
- Pakistan Investment Bonds	200,913,866	-	200,913,866	173,180,878	-	173,180,878
- Government of Pakistan US Dollar Bonds	1,019,304	-	1,019,304	1,670,392	-	1,670,392
<b>Debentures and corporate debt instruments</b>						
- Listed	10,139,919	-	10,139,919	12,877,180	-	12,877,180
- Unlisted	19,446,255	-	19,446,255	12,449,379	-	12,449,379
<b>Overseas Government securities</b>						
	22,608,082	-	22,608,082	26,959,821	-	26,959,821
	254,127,426	-	254,127,426	256,433,520	-	256,433,520
<b>Available-for-sale (AFS)</b>						
<b>Federal Government securities</b>						
- Market Treasury Bills	151,150,574	19,489,699	346,041,273	261,883,530	180,967,213	442,850,743
- Pakistan Investment Bonds	365,419,554	6,117,730	371,537,284	326,030,937	58,708,656	384,739,593
- Government of Pakistan US Dollar Bonds	16,145,582	-	16,145,582	22,197,008	-	22,197,008
- Sukuks	83,202,214	-	83,202,214	77,911,455	-	77,911,455
<b>Fully paid-up ordinary shares</b>						
- Listed companies	19,693,814	-	19,693,814	16,876,992	-	16,876,992
- Unlisted companies	2,492,771	-	2,492,771	2,251,466	-	2,251,466
<b>Debentures and corporate debt instruments</b>						
- Listed	41,463,679	-	41,463,679	41,380,251	-	41,380,251
- Unlisted	10,707,540	-	10,707,540	12,747,798	-	12,747,798
<b>Overseas Government securities</b>						
	6,882,540	-	6,882,540	5,337,240	-	5,337,240
<b>National Investment Trust units</b>						
	11,113	-	11,113	11,113	-	11,113
<b>Real Estate Investment Trust units</b>						
	240,273	-	240,273	396,000	-	396,000
<b>Preference shares</b>						
	100,000	-	100,000	100,000	-	100,000
	697,509,656	201,008,429	898,518,085	767,123,790	239,675,869	1,006,799,659
<b>Investment in associates and joint venture</b>						
	26,230,672	-	26,230,672	22,606,655	-	22,606,655
	1,171,703,314	223,237,283	1,394,940,597	1,087,481,481	239,675,869	1,327,157,350
<b>Provision for diminution in the value of investments</b>						
	(1,468,013)	-	(1,468,013)	(866,152)	-	(866,152)
	1,170,235,301	223,237,283	1,393,472,584	1,086,615,329	239,675,869	1,326,291,198
<b>Deficit on revaluation of held-for-trading securities</b>						
	(92,016)	(6,984)	(99,000)	(12,057)	-	(12,057)
<b>Surplus on revaluation of available-for-sale securities</b>						
	6,211,359	(23,531)	6,187,828	12,633,945	4,412,998	17,046,943
<b>Surplus on revaluation of investments of associates</b>						
	32,669	-	32,669	1,078,687	-	1,078,687
<b>Total investments (net of provision)</b>	<u>1,176,387,313</u>	<u>223,206,768</u>	<u>1,399,594,081</u>	<u>1,100,315,904</u>	<u>244,088,867</u>	<u>1,344,404,771</u>

6.1 Securities classified as held-to-maturity had a market value of Rs. 257,358.827 million as at September 30, 2017 (December 31, 2016: Rs.261,991.234 million).

## 6.2 Particulars of provision held against diminution in the value of investments

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
(Rupees in '000)		
Opening balance	866,152	617,536
Charge for the period / year	952,964	289,986
Reversal for the period / year	(178,580)	(21,999)
Net charge for the period / year	774,384	267,987
Recoveries against write off	171,033	-
Reversal on disposal during the period / year	(343,556)	(19,371)
Closing balance	<u>1,468,013</u>	<u>866,152</u>



- 7.1 Advances include Rs. 75,343.694 million (December 31, 2016: Rs. 75,446.933 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2017 (Unaudited)								
	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	2,473,256	-	2,473,256	-	-	-	2,473,256	-	2,473,256
Substandard	2,610,125	633,675	3,243,800	1,088,333	127,249	1,215,582	1,521,792	506,426	2,028,218
Doubtful	1,482,648	1,989,759	3,472,407	739,316	1,020,186	1,759,502	743,332	969,573	1,712,905
Loss	46,050,594	20,103,637	66,154,231	44,913,932	17,337,001	62,250,933	1,136,662	2,766,636	3,903,298
	<u>52,616,623</u>	<u>22,727,071</u>	<u>75,343,694</u>	<u>46,741,581</u>	<u>18,484,436</u>	<u>65,226,017</u>	<u>5,875,042</u>	<u>4,242,635</u>	<u>10,117,677</u>
Category of classification	December 31, 2016 (Audited)								
	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	832,359	121,924	954,283	-	-	-	832,359	121,924	954,283
Substandard	3,727,408	2,144,077	5,871,485	1,167,771	525,154	1,692,925	2,559,637	1,618,923	4,178,560
Doubtful	1,188,100	1,816,104	3,004,204	593,638	899,833	1,493,471	594,462	916,271	1,510,733
Loss	46,751,300	18,865,661	65,616,961	45,614,113	16,359,688	61,973,801	1,137,187	2,505,973	3,643,160
	<u>52,499,167</u>	<u>22,947,766</u>	<u>75,446,933</u>	<u>47,375,522</u>	<u>17,784,675</u>	<u>65,160,197</u>	<u>5,123,645</u>	<u>5,163,091</u>	<u>10,286,736</u>

- 7.1.1 Exposure amounting to Rs. 8,847.914 million relating to Power Holding (Private) Limited, 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 recognized when received.

## 7.2 Particulars of provision against advances

	Note	September 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		65,160,197	3,623,544	68,783,741	65,881,113	3,298,099	69,179,212
Exchange Adjustment		415,513	40,947	456,460	(815,785)	(38,618)	(854,403)
Charge for the period / year		3,478,959	497,884	3,976,843	5,039,092	449,178	5,488,270
Reversal for the period / year		(3,213,783)	(450,242)	(3,664,025)	(4,829,119)	(167,996)	(4,997,115)
Net charge against advances for the period / year		265,176	47,642	312,818	209,973	281,182	491,155
Charged off during the period / year	7.4	(264,277)	-	(264,277)	(526,238)	-	(526,238)
Written off during the period / year		(190,309)	-	(190,309)	(262,906)	-	(262,906)
Transfer in on acquisition of FMFB		-	-	-	21,601	91,399	113,000
Transfer from / (to) other liabilities		-	-	-	173,486	(8,518)	164,968
Transfer out on sale of Kenya business		(607,972)	(21,002)	(628,974)	-	-	-
Recoveries against write off		344,035	-	344,035	457,833	-	457,833
Other movements		103,654	(16,569)	87,085	21,120	-	21,120
Closing balance		<u>65,226,017</u>	<u>3,674,562</u>	<u>68,900,579</u>	<u>65,160,197</u>	<u>3,623,544</u>	<u>68,783,741</u>

- 7.3 General provision represents provision amounting to Rs. 1,409.471 million (December 31, 2016: Rs. 1,655.911 million) against consumer finance portfolio, Rs. 117.574 million (December 31, 2016: Rs. 126.699 million) against advances to small enterprises and Rs. 108.762 million (December 31, 2016: Rs. 75.186 million) against advances to microenterprises. General provision also includes Rs. 2,038.755 million (December 31, 2016: Rs. 1,765.748 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.

- 7.4 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 SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

## 7.5 Particulars of advances to directors, associated companies, etc.

	September 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	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)	2,928,540	3,323,810	527,820	2,876,769	2,881,595	651,410
- in respect of Key Management Personnel	152,040	157,812	134,815	29,887	64,326	-
Debts due by companies or firms in which the Directors of the Group are interested as directors, partners, advisors or, in the case of private companies, as members	14,713,756	16,352,769	5,409,618	11,252,430	12,151,641	6,678,160

\* These represent staff 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 / year.

	Note	(Unaudited) September 30, 2017 (Rupees in '000)	(Audited) December 31, 2016 (Rupees in '000)
<b>8 OPERATING FIXED ASSETS</b>			
Capital work-in-progress		15,875,987	1,591,940
Tangible fixed assets		28,620,598	29,171,973
Intangible assets			
- Computer software		986,319	1,013,671
- Management Rights		2,367,577	-
- Goodwill	8.1	2,095,806	4,309,925
		<u>49,946,287</u>	<u>36,087,509</u>
<b>8.1 Goodwill arising on acquisition of</b>			
- Habibsons Bank Limited		1,740,299	1,586,841
- PICIC Asset Management Company Limited	8.1.1	355,507	2,723,084
		<u>2,095,806</u>	<u>4,309,925</u>

8.1.1 As more fully described in note 1.5 of this condensed interim consolidated financial information, during the period an amount of Rs. 2.368 billion has been separately recognised as Management Rights out of the total amount of Rs. 2.723 billion initially recognised as Goodwill on acquisition of PICIC AMC.

## 8.2 Additions to operating fixed assets

(Unaudited)  
For the nine months ended  
September 30, September 30,  
2017 2016  
(Rupees in '000)

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

	8.2.1	14,284,047	162,210
<b>Capital work-in-progress</b>			
<b>Tangible fixed assets</b>			
Land		-	1,302,883
Building		298,003	234,190
Machinery		2,951	22,490
Furniture, fixtures and office equipment		1,469,277	1,485,499
Leasehold Improvements		172,955	347,183
Vehicles		51,447	30,410
		<u>1,994,633</u>	<u>3,422,655</u>
<b>Intangible assets</b>			
Computer software		363,315	602,448
Management Rights		2,367,577	-
Goodwill		(2,367,577)	2,723,084
		<u>363,315</u>	<u>3,325,532</u>
		<u>16,641,995</u>	<u>6,910,397</u>

8.2.1 This includes Rs. 13,472.406 million on account of acquisition of a new office building in Karachi.

## 8.3 Disposal of operating fixed assets

The cost of operating fixed assets disposed off during the period is as follows:

<b>Tangible fixed assets</b>			
Furniture, fixtures and office equipment		226,990	447,150
Leasehold Improvements		19,210	72,950
Vehicles		50,793	33,432
		<u>296,993</u>	<u>553,532</u>

## 9 BORROWINGS Secured

(Unaudited) (Audited)  
September 30, December 31,  
2017 2016

Borrowings from the SBP under			
- Export refinance scheme		20,037,649	21,592,306
- Long term financing facility		8,349,910	5,250,535
- Refinance facility for modernization of SMEs		12,000	13,500
		<u>28,399,559</u>	<u>26,856,341</u>
Repurchase agreement borrowings		223,214,260	243,753,648
		<u>251,613,819</u>	<u>270,609,989</u>
<b>Unsecured</b>			
- Call money borrowings		20,841,873	19,172,398
- Overdrawn nostro accounts		3,548,702	7,463,769
- Borrowings of overseas branches and subsidiaries		36,857,456	19,886,915
- Other long-term borrowings	9.1	36,893,290	15,689,775
		<u>98,141,321</u>	<u>62,212,857</u>
		<u>349,755,140</u>	<u>332,822,846</u>

9.1 This includes a loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2016: 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 from June 2015.

This also includes a loan from the China Development Bank amounting to US\$ 200 million. The principal amount is payable in six installments from December 2017 to June 2020. Interest at LIBOR + 2.45% is payable semi annually, commencing from June 15, 2017.

	Note	(Unaudited) September 30, 2017	(Audited) December 31, 2016
(Rupees in '000)			
<b>10 DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Current accounts - non-remunerative		722,397,723	680,376,925
Savings accounts		897,447,652	826,514,767
Fixed deposits		322,460,831	330,430,571
		<u>1,942,306,206</u>	<u>1,837,322,263</u>
<b>Financial institutions</b>			
Current accounts - non-remunerative		21,088,905	17,204,132
Savings accounts		60,860,167	28,502,631
Fixed deposits		1,130,000	2,930,000
		<u>83,079,072</u>	<u>48,636,763</u>
		<u>2,025,385,278</u>	<u>1,885,959,026</u>
<b>11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax</b>			
Surplus arising on revaluation of assets - net of deferred tax, on			
- Operating fixed assets, attributable to			
- Equity holders		11,269,145	11,157,219
- Non-controlling interest		2,331	2,965
	11.1	<u>11,271,476</u>	<u>11,160,184</u>
- Investments, attributable to			
- Equity holders		4,040,100	12,209,309
- Non-controlling interest		3,223	10,176
	11.2	<u>4,043,323</u>	<u>12,219,485</u>
- Non-banking assets acquired in satisfaction of claims			
	11.3	<u>214,338</u>	<u>684,178</u>
		<u>15,529,137</u>	<u>24,063,847</u>
<b>11.1 Surplus on revaluation of operating fixed assets</b>			
Surplus as at the beginning of the period / year			
		11,680,869	11,474,665
Surplus recognized during the period / year			
		-	1,772
Transferred from surplus on revaluation of non-banking assets			
		15,504	262,797
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax			
		(31,740)	(37,937)
Related deferred tax liability on incremental depreciation charged during the period / year			
		<u>(17,091)</u>	<u>(20,428)</u>
		<u>11,647,542</u>	<u>11,680,869</u>
Less: related deferred tax liability on			
- Revaluation as at the beginning of the period / year		551,346	571,774
- Amount transferred from surplus on revaluation of non-banking assets		5,425	-
- Incremental depreciation charged during the period / year		<u>(17,091)</u>	<u>(20,428)</u>
		539,680	551,346
Surplus on revaluation of operating fixed assets of associates - net of tax			
		<u>163,614</u>	<u>30,661</u>
		<u>11,271,476</u>	<u>11,160,184</u>
<b>11.2 Surplus / (deficit) on revaluation of investments</b>			
Market Treasury Bills			
		(96,520)	(79,920)
Pakistan Investment Bonds			
		5,291,573	11,777,817
Government of Pakistan US Dollar Bonds			
		1,097,913	1,089,485
Government of Pakistan Sukus			
		427,757	1,691,234
Listed equity securities			
		(664,931)	2,471,333
National Investment Trust units			
		40,117	47,715
Real Estate Investment Trust units			
		(1,529)	(4,680)
Overseas Government securities			
		39,571	(1,635)
Other debt instruments			
		53,877	55,594
		6,187,828	17,046,943
Related deferred tax liability			
		<u>(2,165,740)</u>	<u>(5,934,049)</u>
		4,022,088	11,112,894
Surplus on revaluation of investments of associates			
		<u>32,669</u>	<u>1,078,687</u>
Related deferred tax (liability) / asset			
		<u>(11,434)</u>	<u>27,904</u>
		21,235	1,106,591
		<u>4,043,323</u>	<u>12,219,485</u>

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
	(Rupees in '000)	
<b>11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>		
Surplus as at the beginning of the period / year	690,381	-
Surplus (reversed) / recognised during the period / year	(460,338)	953,418
Transferred to surplus on revaluation of operating fixed assets	(15,504)	(262,797)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(85)	(156)
Related deferred tax liability on incremental depreciation charged during the period / year	(45)	(84)
	<u>214,409</u>	<u>690,381</u>
Less: related deferred tax liability on		
- Revaluation as at the beginning of the period / year	6,203	-
- Revaluation recognised during the period / year	(662)	6,287
- Amount transferred to surplus on revaluation of operating fixed assets	(5,425)	-
- Incremental depreciation charged during the period / year	(45)	(84)
	<u>71</u>	<u>6,203</u>
	<u>214,338</u>	<u>684,178</u>
<b>12 CONTINGENCIES AND COMMITMENTS</b>		
<b>12.1 Direct credit substitutes - financial guarantees</b>		
Guarantees in favour of		
- Government	269,243	275,473
- Financial institutions	295,000	295,000
- Others	40,371,683	38,031,430
	<u>40,935,926</u>	<u>38,601,903</u>
<b>12.2 Transaction-related contingent liabilities</b>		
Guarantees in favour of		
- Government	256,569	683,908
- Financial institutions	2,080,477	1,604,150
- Others	121,076,403	105,514,189
	<u>123,413,449</u>	<u>107,802,247</u>
<b>12.3 Trade-related contingent liabilities</b>		
Letters of credit in favour of		
- Government	58,328,173	62,799,738
- Financial institutions	353	2,734,895
- Others	94,813,569	90,281,441
	<u>153,142,095</u>	<u>155,816,074</u>
<b>12.4 Other contingencies</b>		
<b>12.4.1 Claims against the Group not acknowledged as debts</b>	<u>30,849,540</u>	<u>32,775,298</u>
These mainly represent claims filed by former employees of the Group, counter claims by borrowers for damages and other relief and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Group's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in this condensed interim consolidated financial information.		
<b>12.4.2 The matter related to regulatory actions at HBL New York branch has been disclosed in note 15. Pursuant to the Consent Order, the HBL New York branch continues to be examined by US Regulators.</b>		
<b>12.5 Commitments to extend credit</b>		
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.		
	(Unaudited) September 30, 2017	(Audited) December 31, 2016
	(Rupees in '000)	
<b>12.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	182,910,715	163,676,454
Sale	181,882,905	165,257,735

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
	(Rupees in '000)	
<b>12.7 Commitments in respect of forward Government Securities transactions</b>		
Purchase	58,047,503	18,815,026
Sale	18,225,112	9,067,465
<b>12.8 Commitments in respect of derivatives</b>		
<b>Foreign currency options</b>		
Purchase	-	216,840
Sale	-	216,840
<b>Cross currency swaps</b>		
Purchase	12,308,387	1,084,128
Sale	11,950,664	1,096,192
<b>Interest rate swaps</b>		
Purchase	-	34,866
Sale	9,605,043	5,218,200
<b>12.9 Commitments for capital expenditure</b>	5,407,694	824,776
<b>12.10 Taxation</b>		
The income tax return of the Bank has been submitted up to the accounting year 2015 and the audit has also been concluded by the tax authorities under section 122(5A) of the Income Tax Ordinance, 2001.		
As per Rule 8(A) of the Seventh Schedule, any amounts which have been provided for doubtful debts in the Tax Year 2008 (financial year 2007) and earlier, 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.		
<b>13 MARK-UP / RETURN / PROFIT / INTEREST EARNED</b>		
	(Unaudited) For the nine months ended	
	September 30, 2017	September 30, 2016
	(Rupees in '000)	
<b>On advances to</b>		
- Customers	42,623,105	36,771,726
- Financial institutions	996	4,475
	42,624,101	36,776,201
<b>On investments in</b>		
- Held-for-trading securities	4,422,803	2,259,584
- Held-to-maturity securities	11,592,005	14,658,690
- Available-for-sale securities	49,275,269	51,349,744
	65,290,077	68,268,018
On deposits with financial institutions	771,650	531,287
On lendings to financial institutions	703,773	1,271,371
	<u>109,389,601</u>	<u>106,846,877</u>
<b>14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED</b>		
On deposits	33,516,819	30,083,019
On securities sold under repurchase agreement borrowings	10,822,465	11,951,537
On other short term borrowings	1,447,995	1,249,344
On long term borrowings	1,626,610	1,333,471
	<u>47,413,889</u>	<u>44,617,371</u>

## 15 EXTRA ORDINARY / UNUSUAL ITEM

This represents Rs 23,717.115 million in the current period relating to the Settlement Payment as described below.

HBL operates a branch in New York, which is licensed by the New York State Department of Financial Services (NYSDFS) and which is subject to oversight and supervision by the Federal Reserve Bank of New York (FRBNY). NYSDFS had sought to impose a civil monetary penalty of US \$630 million under a Statement of Charges issued on August 24, 2017 in respect of non-satisfactory compliance of New York Banking Laws.

On September 7, 2017, NYSDFS, the Bank and its branch agreed to enter into a Consent Order under which the Bank made a Settlement Payment of US \$225 million. In terms of the Consent Order, NYSDFS, the Bank and its branch reached a resolution without any proceedings and all charges mentioned in the Statement of Charges dated August 24, 2017 against the Bank and its branch were dismissed / dropped as part of such resolution.

## 16 TAXATION - CURRENT

While making provision for current tax, the Settlement Payment described in note 15 to this condensed interim consolidated financial information has not been considered as tax deductible.

Notwithstanding the above, the Bank in consultation with its tax and legal advisors is of the view that the Settlement Payment would be tax deductible in Pakistan, under Pakistan taxation law.

## 17 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its associated undertakings, joint venture company, Group entities, employee benefit schemes of the Group, members of the Key Management Personnel of the Group and its Directors.

Transactions with related parties, other than those under terms of employment, are executed on an arm's length basis i.e. do not involve more than normal risk and are substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. Advances to related parties are disclosed in note 7.5 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 and balances with related parties as at the period / year end, other than those disclosed elsewhere in this condensed interim consolidated financial information, are as follows:

	As at September 30, 2017 (Unaudited)			
	Group Entities	Associates	Joint venture	Other related parties
	----- Rs. in 000 -----			
<b>Statement of financial position</b>				
Deposits	8,676,664	4,651,552	22,419	361,576
Maximum deposits during the period	8,889,976	5,401,319	63,856	467,984
Borrowings	737,007	2,319,007	2,740,644	-
Investments	-	23,779,491	2,483,847	-
Nostro balances	173,370	210,551	-	-
Mark-up receivable	29,821	65,010	-	-
Other receivable	2,036	36,738	-	1,322
Mark-up payable	63,212	27,957	10,127	1,352
Other payable	16,335	309,510	-	324,181
<b>Others</b>				
Other contingencies	2,536,486	2,180,194	-	-
Securities held as custodian	18,715,880	25,634,395	-	6,276,550
	For the nine months ended September 30, 2017 (Unaudited)			
	Group Entities	Associates	Joint venture	Other related parties
	----- Rs. in 000 -----			
<b>Profit and Loss Account</b>				
Mark-up income	209,451	136,017	-	12,720
Share of profit	-	1,926,969	350,486	-
Fee and commission income	-	1,928,194	-	-
Mark-up expense	172,867	155,506	10,220	9,831
Other expense	3,332	948,642	-	727,815

## Statement of financial position

Deposits  
Maximum deposits during the year

Borrowings  
Investments  
Nostro balances  
Advances  
Mark-up receivable  
Other receivable  
Mark-up payable  
Other payable

## Others

Other contingencies  
Securities held as custodian

As at December 31, 2016 (Audited)			
Group Entities	Associates	Joint venture	Other related parties
----- Rs. in 000 -----			
6,922,983	5,801,458	48,893	426,558
9,593,529	6,378,540	217,386	591,097
1,114,878	-	1,202,883	-
-	21,768,890	1,916,452	-
115,914	365,426	-	-
-	-	-	1,251,229
15,947	2,269	-	20,289
-	207,923	128,468	-
10,697	2,297	5,837	13
-	217,937	-	497,066
277,530	989,112	-	-
15,537,400	34,717,265	-	4,398,055

## Profit and Loss Account

Mark-up income  
Share of profit  
Fee and commission income  
Mark-up expense  
Other expense

For the nine months ended September 30, 2016 (Unaudited)			
Group Entities	Associates	Joint venture	Other related parties
----- Rs. in 000 -----			
39,284	4,650	-	-
-	2,048,501	447,238	-
-	1,724,976	-	-
45,065	71,526	7,630	7,572
-	349,466	-	609,549

## 17.1 Key Management Personnel

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

	(Unaudited)	
	September 30, 2017	September 30, 2016
----- (Rupees in '000) -----		
Managerial remuneration (including allowances)	676,406	591,550
Contribution to provident and benevolent fund	12,813	12,032
Medical	18,022	18,122
	<u>707,241</u>	<u>621,704</u>
Number of persons	<u>27</u>	<u>24</u>
17.2 Non-Executive Directors' fees	<u>37,600</u>	<u>22,800</u>

## 18 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, other than investments in associates and joint ventures, are estimated using the break-up value of the investee company.

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

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

## Fair Value Measurement

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

	As at September 30, 2017 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Items carried at Fair Value</b>				
<b>Financial assets and liabilities</b>				
- Fully paid-up ordinary shares	18,275,722	-	-	18,275,722
- Real Estate Investment Trust units	238,744	-	-	238,744
- NIT units	-	51,230	-	51,230
- Federal Government securities	-	1,039,078,298	-	1,039,078,298
- Overseas Government securities	-	7,190,800	-	7,190,800
- Debentures and corporate debt instruments	-	45,425,418	-	45,425,418
- Unrealised gain on forward foreign exchange contracts	-	1,305,312	-	1,305,312
- Unrealised gain on derivative instruments	-	162,973	-	162,973
- Unrealised loss on forward foreign exchange contracts	-	574,416	-	574,416
- Unrealised loss on derivative instruments	-	5,587	-	5,587
<b>Non-financial assets</b>				
- Operating fixed assets	-	-	21,936,981	21,936,981
- Non-banking assets acquired in satisfaction of claims	-	-	1,777,334	1,777,334
<b>Items for which Fair Value is disclosed</b>				
- Federal Government securities	-	205,006,643	-	205,006,643
- Overseas Government securities	-	22,917,262	-	22,917,262
- Debentures and corporate debt instruments	-	29,434,923	-	29,434,923
	<b>18,514,466</b>	<b>1,351,152,862</b>	<b>23,714,315</b>	<b>1,393,381,643</b>
	As at December 31, 2016 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Items carried at Fair Value</b>				
<b>Financial assets and liabilities</b>				
- Fully paid-up ordinary shares	19,023,342	-	-	19,023,342
- Real Estate Investment Trust units	391,320	-	-	391,320
- NIT units	-	58,828	-	58,828
- Federal Government securities	-	982,983,784	-	982,983,784
- Overseas Government securities	-	5,699,113	-	5,699,113
- Debentures and corporate debt instruments	-	45,493,189	-	45,493,189
- Unrealised gain on forward foreign exchange contracts	-	268,141	-	268,141
- Unrealised gain on derivative instruments	-	115,903	-	115,903
- Unrealised loss on forward foreign exchange contracts	-	1,302,366	-	1,302,366
- Unrealised loss on derivative instruments	-	10,804	-	10,804
<b>Non-financial assets</b>				
- Operating fixed assets	-	-	22,027,981	22,027,981
- Non-banking assets acquired in satisfaction of claims	-	-	2,383,392	2,383,392
<b>Items for which Fair Value is disclosed</b>				
- Federal Government securities	-	208,244,009	-	208,244,009
- Overseas Government securities	-	27,082,536	-	27,082,536
- Debentures and corporate debt instruments	-	26,664,689	-	26,664,689
	<b>19,414,662</b>	<b>1,297,923,362</b>	<b>24,411,373</b>	<b>1,341,749,397</b>

All assets and liabilities for which fair value is measured or disclosed in this condensed interim consolidated financial information are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 - 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 the determination of fair values within Level 2 and level 3

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Debentures and corporate debt instruments	Investment in debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in debt securities in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Units of mutual funds	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
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.
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly a qualitative disclosure of sensitivity has not been presented in this condensed consolidated interim financial information.

### 19 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2017 (Unaudited)						Total
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	
----- (Rupees in million) -----							
Net mark-up income - external	(6,267)	13,563	46,779	6,732	(155)	1,324	61,976
Inter-segment revenue / (expense) - net	42,300	(9,333)	(35,685)	-	-	2,718	-
Non-funded income	9,438	2,236	5,906	3,808	644	4,262	26,294
Total income	45,471	6,466	17,000	10,540	489	8,304	88,270
Total expenses including provision	19,285	(683)	1,335	10,905	311	14,643	45,796
Inter-segment administrative cost	9,074	1,325	257	950	-	(11,606)	-
Total expenses including provision	28,359	642	1,592	11,855	311	3,037	45,796
Extra ordinary / unusual item	-	-	-	-	-	23,717	23,717
Profit before tax	17,112	5,824	15,408	(1,315)	178	(18,450)	18,757
Segment return on assets %	0.92%	1.12%	0.99%	-0.25%	3.58%	-10.65%	-
Segment cost of funds %	2.67%	4.90%	5.05%	1.11%	4.95%	0.82%	-

As at September 30, 2017 (Unaudited)							
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	Total
----- (Rupees in million) -----							
Segment assets (gross of provision)	440,233	485,405	1,265,025	415,233	3,604	109,093	2,718,593
Segment non-performing advances	9,329	42,991	-	22,727	-	297	75,344
Segment provision held including general provision	7,368	41,329	832	20,747	-	809	71,085
Inter-segment assets / (liabilities)	1,073,636	(138,787)	(1,022,732)	16,385	(2,564)	74,062	-
Segment liabilities and equity	1,506,501	305,289	241,461	410,871	1,040	182,346	2,647,508

For the nine months ended September 30, 2016 (Unaudited)							
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	Total
Net mark-up income - external	(6,865)	13,269	48,534	7,129	(186)	349	62,230
Inter-segment revenue / (expense) - net	38,646	(8,510)	(33,444)	-	-	3,308	-
Non-funded income	8,227	2,233	3,740	3,713	696	3,730	22,339
Total income	40,008	6,992	18,830	10,842	510	7,387	84,569
Total expenses including provision	17,865	106	598	9,033	320	13,152	41,074
Inter-segment administrative cost	8,756	1,283	249	917	-	(11,205)	-
Total expenses including provision	26,621	1,389	847	9,950	320	1,947	41,074
Profit before tax	13,387	5,603	17,983	892	190	5,440	43,495
Segment return on assets %	0.81%	1.37%	1.18%	0.18%	2.12%	1.82%	-
Segment cost of funds %	2.86%	5.20%	5.16%	0.92%	4.77%	0.78%	-

As at December 31, 2016 (Audited)							
	Branch banking	Corporate banking	Treasury	International banking	Asset Management	Head Office / Others	Total
----- (Rupees in million) -----							
Segment assets (gross of provision)	400,558	417,371	1,237,983	437,408	4,412	79,638	2,577,370
Segment non-performing advances	7,363	44,923	-	22,948	-	213	75,447
Segment provision held including general provision	7,224	42,272	285	19,805	-	602	70,188
Inter-segment assets / (liabilities)	1,028,724	(145,871)	(931,818)	(14,794)	(2,564)	66,323	-
Segment liabilities and equity	1,422,058	229,228	305,880	402,809	1,848	145,359	2,507,182

20	ISLAMIC BANKING BUSINESS	Note	(Unaudited) September 30, 2017	(Audited) December 31, 2016
(Rupees in '000)				
20.1	Statement of financial position			
<b>ASSETS</b>				
	Cash and balances with treasury banks		10,989,026	6,183,359
	Due from financial institutions		2,114,839	7,458,102
	Investments		104,418,829	96,574,596
	Islamic financing and related assets	20.1.1	52,616,918	31,972,463
	Due from Head Office		4,472,886	-
	Other assets		1,078,553	499,088
			<u>175,691,051</u>	<u>142,687,608</u>
<b>LIABILITIES</b>				
	Bills payable		7,039	4,575
	Due to financial institutions		16,625,000	5,754,000
	Deposits and other accounts	20.1.2	148,858,088	124,292,123
	Due to Head Office		-	3,815,481
	Deferred tax liability		149,715	546,132
	Other liabilities		1,445,782	969,169
			<u>167,085,624</u>	<u>135,381,480</u>
<b>NET ASSETS</b>				
			<u>8,605,427</u>	<u>7,306,128</u>
<b>REPRESENTED BY</b>				
	Islamic Banking Fund		250,000	250,000
	Unappropriated profit		8,077,385	6,041,883
			<u>8,327,385</u>	<u>6,291,883</u>
	Surplus on revaluation of investments - net of deferred tax		278,042	1,014,245
			<u>8,605,427</u>	<u>7,306,128</u>
<p>Commitments in respect of guarantees and letters of credit of the Islamic Banking Business amounted to Rs. 246.854 million (December 31, 2016: Rs. 281.916 million) and Rs. 3,898.647 million (December 31, 2016: Rs.382.059 million) respectively. Commitments in respect of forward purchase and sale transactions amounted to Rs. 3,506.191 million (December 31, 2016: Rs. 3,227.835 million) and Rs. 3,521.315 million (December 31, 2016:Rs. 860.338 million) respectively.</p>				
20.1.1	Islamic financing and related assets - net		(Unaudited) September 30, 2017	(Audited) December 31, 2016
(Rupees in '000)				
	Ijarah		1,557,817	852,607
	Murabaha		1,030,492	187,072
	Diminishing Musharaka		25,446,144	21,211,872
	Wakala		10,000,000	-
	Istisnah		-	439,155
	Advance for Ijarah		576,186	172,049
	Advance for Murabaha		3,242,768	3,714,525
	Advance for Diminishing Musharaka		561,000	98,006
	Advance for Istisnah		9,086,094	3,949,781
	Assets / Inventories		1,226,090	1,452,153
	Islamic financing and related assets - gross		<u>52,726,591</u>	<u>32,077,220</u>
	Provision against Islamic financing and related assets		(109,673)	(104,757)
	Islamic financing and related assets - net		<u>52,616,918</u>	<u>31,972,463</u>
20.1.2	Deposits and other accounts			
	Current accounts		38,390,877	34,805,992
	Savings accounts		82,849,845	67,581,654
	Term deposits		14,455,881	16,307,798
	Deposits from financial institutions - remunerative		3,053,195	5,530,268
	Deposits from financial institutions - non - remunerative		10,108,290	66,411
			<u>148,858,088</u>	<u>124,292,123</u>

	(Unaudited)	
	For the nine months ended	
	September 30, 2017	September 30, 2016
	(Rupees in '000)	
<b>20.2 Profit and Loss account</b>		
Profit earned	6,769,435	5,700,594
Profit expensed	<u>3,099,548</u>	<u>3,080,804</u>
Net profit earned	3,669,887	2,619,790
Depreciation on assets given on ijarah	157,520	144,085
Provision against financings	<u>4,915</u>	-
	<u>162,435</u>	144,085
Net profit after depreciation and provisions	3,507,452	2,475,705
<b>Other income</b>		
Fee, commission and brokerage income	137,553	87,818
Loss from dealing in foreign currencies	<u>(32,798)</u>	<u>(38,146)</u>
Gain on sale of securities	9,849	-
Others	<u>574</u>	<u>519</u>
Total other income	115,178	50,191
Administrative expenses	<u>3,622,630</u>	<u>2,525,896</u>
<b>Net profit for the period</b>	<u><u>3,131,542</u></u>	<u><u>2,045,222</u></u>

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

The Board of Directors in its meeting held on October 20, 2017 has declared a cash dividend in respect of the quarter ended September 30, 2017 of Rs. NIL per share (September 30, 2016: 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.

**22 GENERAL**

Comparative figures have been re-arranged and reclassified for comparison purposes.

**23 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim consolidated financial information was authorised for issue in the Board of Directors meeting held on October 20, 2017.

**Nauman K. Dar**  
President and  
Chief Executive Officer

**Rayomond Kotwal**  
Chief Financial Officer

**Agha Sher Shah**  
Director

**Shaffiq Dharamshi**  
Director

**Moez Ahamed Jamal**  
Director





Condensed  
Interim  
Unconsolidated  
Financial  
Information

## Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial information for the nine months ended September 30, 2017.

### Domestic Economy

Pakistan's economic performance has remained largely positive during 2017 as the macroeconomic environment has remained conducive to growth. Industrial activity has been on a steadily improving trend as indicated by the Large Scale Manufacturing (LSM) index which increased by 5.7% for FY17. Early reads for FY18 are positive as the LSM index rose by 13% in July, its highest growth in the last 4 years. The growth has not impacted inflation which remained contained, although CPI for the month of September 2017 increased to 3.8%, seasonally driven by higher food prices. Average headline inflation during July – September 2017 reduced to 3.4% compared to 3.9% in the corresponding period of last year, well within SBP's target of 4.5% - 5.5% for FY18.

The current account deficit for 2M FY18 widened significantly over the corresponding period of FY17, to USD 2.6 billion. Exports have picked up in 2M FY18, growing by 18%, but these have been offset by a steep increase in imports, which rose by 28% mainly due to higher imports of machinery, metal and petroleum products. Consequently, the trade deficit widened by 37%. Inflows from remittances provided some relief, improving by 13% during this period, mainly supported by higher flows during Eid. However, remittance flows have since normalized, with 1Q FY18 levels staying essentially flat to last year, as contributions from the Middle East remain depressed.

Foreign direct investment doubled over 2M FY17 and, coupled with external borrowings, resulted in a USD 1 billion inflow from the financial account. While this has partially alleviated the current account deficit, the pressure on the external account remains. Foreign exchange reserves have already declined by 8% since the beginning of FY18 to USD 19.7 billion in September; however, the Rupee continues its run of stability.

As anticipated, the fiscal deficit for FY17 rose from 4.6% of GDP in FY16 to 5.8% in FY17, significantly above the revised target of 4.1%. Revenue collection failed to cover the growth in development spending, while provincial shortfalls further exacerbated the deficit. FY18 appears to have started with a positive surprise as the fiscal deficit for 1Q is reported to be 0.9%, a 10-year low, on the back of a greatly improved performance in tax collection.

An extended period of political uncertainty, concerns over Rupee devaluation and a net outflow of Foreign Portfolio Investment have battered the Pakistan equity markets. The bull run up to the MSCI upgrade – during which the index crossed 52,000 – has snapped and gains made during that period have been more than erased with the PSX Index having lost 11% of its value upto September 2017. The index has recently fallen below the 40,000 mark for the first time since October 2016 and a mixed downward trend is expected to persist till some clarity on the political front is achieved.

The SBP maintained its policy rate at 5.75% in September, citing concerns on external account weakness, especially in a period of positive economic activity. Low interest rates, increasing demand for consumer goods and pickup in construction activity have spurred the demand for private sector credit which has grown by 6.6% during CY17. Banking sector advances have increased by 11% since the beginning of the year, while deposits rose by 7%. Industry spreads during January-August have compressed by 20bps over the corresponding period of last year and are expected to remain under pressure in the near term.

### Performance

During the quarter, HBL has signed a Consent Order with the New York State Department of Financial Services (NYSDFS). Under the Consent Order, HBL has made a settlement payment of USD 225 million. HBL has also decided to close down its New York branch. The impact of the settlement, which is a one-off payment, has materially impacted HBL's financial results for the nine months ended 2017. Consequently, the reported unconsolidated profit before tax for this period is Rs 16.3 billion and the profit after tax is Rs 0.2 billion, with earnings per share of Rs 0.14.

Excluding the impact of the settlement payment, HBL's unconsolidated profit after tax for the first nine months of 2017 is Rs 23.9 billion, slightly lower than the Rs 24.0 billion for the same period of 2016, translating to earnings per share for 9M 17 of Rs 16.31 compared to Rs 16.37 in 9M 16. On the same basis, pre-tax profit for the first nine months of 2017 is Rs 40.1 billion, 1% lower than the Rs 40.7 billion recorded for the same period in 2016.

HBL's deposits have continued to grow, reaching Rs 1.93 trillion, and the Bank's market share increased to 14.4%. The growth in deposits has come entirely through increases in CASA. Domestic current accounts crossed Rs 600 billion, and the current account ratio as at September 2017 was 35.0% compared to 34.8% in December 2016. Domestic CASA improved from 85.5% to 87.4% over the same period. While the market exhibited its normal seasonal decline in advances, HBL stepped up its lending activities, with net domestic advances increasing by 14% over December 2016 and total net advances reaching Rs 801 billion.

Average domestic loans for 9M 17 increased by 28% over 9M 16, with all lending businesses demonstrating strong growth. Average domestic current accounts for the first nine months of 2017 rose by 16% over the same period of 2016. This improvement in the Balance Sheet mix, along with a 10% growth, partially alleviated the spread compression caused by falling investment yields and competitive loan pricing. Consequently, net interest income for the nine months ended September 30, 2017 reduced by 3% over 9M 16 to Rs 58.9 billion.

Non mark-up income of Rs 23.3 billion for 9M 17 was 25% higher than for the first nine months of 2016. This was driven by a 10% increase in fees and commissions, which rose to Rs 14.0 billion. The main contributors to the fee growth were home remittances, card related and consumer financing fees. Treasury related income increased by 56%; although capital gains contributed the majority of this growth, all segments demonstrated strong performances.

Administrative expenses rose by 10% over 9M 16. This growth includes the higher spend related to remediation efforts in New York. Excluding this, expense growth was contained to single digits. Total non-performing loans were Rs 0.8 billion lower than December 2016 levels and, with growth in the loan book, the Asset Quality ratio improved to 7.8% as at September 30, 2017. Total provisions for the first nine months of 2017 were 13% higher than for 9M 16, as a result of impairment on listed shares. The coverage ratio as at September 30, 2017 was 93.5% compared to 93.0% in December 2016.

#### Movement of Reserves

Rupees in million

Unappropriated profit brought forward	97,446
Profit after taxation	208
Transferred from surplus on revaluation of assets – net of tax	28
	236
Appropriations	
Transferred to statutory reserves	(21)
Cash dividend – Final 2016	(5,134)
Cash dividend – 1st Interim 2017	(5,134)
Cash dividend – 2nd Interim 2017	(5,134)
	(15,423)
Unappropriated profit carried forward	82,260
Earnings per share (Rs)	0.14

#### Capital Ratios and Dividend

The settlement payment has had an impact of 203 bps on the Capital Adequacy Ratio (CAR). Internal capital generation as well as prudent management of risk assets has improved this somewhat and the unconsolidated Tier 1 CAR as at September 30, 2017 is 10.4%. The total CAR is 13.0%. The Bank will be taking all measures necessary to restore its capital ratios to their previous levels as early as practically possible. Consequently, the Board of Directors, in its meeting held on October 20, 2017 has not declared an interim cash dividend for the quarter ended September 30, 2017. HBL had already declared and paid interim cash dividends of Rs 7.00 per share (70%) for the first two quarters of 2017.

#### Credit Ratings

In light of the New York matter, the Bank's credit ratings were re-assessed by local and international Rating Agencies. JCR-VIS has re-affirmed HBL's ratings at AAA/A-1+ for long term and short term respectively, given the bank's strong domestic operations and franchise and the expectation that capitalization indicators will recover over the rating horizon. The Outlook on the rating has been changed to Negative, given the weakening in the Bank's capital ratios, and the rating of its subordinated debt is now at AA+, one notch below the entity rating. Moody's has re-affirmed HBL's local and foreign currency deposit ratings with a Stable Outlook, while reducing the Bank's Baseline Credit Assessment by one notch.

## Future Outlook

A positive industrial outlook, underpinned by the China Pakistan Economic Corridor (CPEC) projects, rising consumer confidence and promising agriculture forecasts are expected to support the growth trajectory. Surplus liquidity will also support private sector credit increases and GDP growth is likely to reach its 6% target in FY18. Favorable global conditions, a steadily improving domestic energy situation and export incentives should result in a revitalization of exports. In the absence of supply side pressures, inflation is expected to remain benign.

Despite an abundance of positive indicators, Pakistan's economy remains fragile on many fronts. The country's historical problems with the twin deficits have re-surfaced and are unlikely to be addressed in the short-term. The budgeted fiscal deficit of 4.1% appears ambitious, especially in an election year as tax collection targets are stretched, expenditure is likely to be generous and expectations of receipts from the Coalition Support Fund seem optimistic. While export growth at the start of FY18 has been encouraging, a consistent, sustainable performance will require continued focus and structural reforms, while the import bill will continue to increase in an accelerating growth scenario. With remittances unlikely to provide much relief in the medium term, the current account deficit and the external account will remain under pressure. The low interest rate environment of the last several years is unlikely to reverse in the current fiscal year, posing challenges for the banking sector with continued spread compression.

## 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 their guidance and support, and for developing and strengthening the banking and financial services sector through continuous improvement in the regulatory and governance framework.

HBL's Board and management have taken serious note of the control and compliance issues that have surfaced in its New York branch. The Board and the Bank are committed to pursuing the highest standards of governance and have taken steps of structural changes and necessary remediation measures to ensure that HBL moves swiftly to bring these to a closure. The Board reiterates its objective of promoting a "zero tolerance" compliance culture and will take steps to ensure that this permeates through all levels of the organization.

On behalf of the Board and the management, we take this opportunity to express our gratitude to our customers for entrusting us with their business and to our shareholders for their support and confidence. This has been particularly appreciated and valued during the challenging time that the Bank is passing through. We also acknowledge the efforts demonstrated by our employees towards the growth of HBL and thank them for their commitment and dedication.

On behalf of the Board

### Nauman K. Dar

President & Chief Executive Officer  
October 20, 2017

## ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے میں انتہائی مسرت سے 30 ستمبر 2017 کو اختتام پذیر ہونے والے 9 ماہ کے مختصر عبوری غیر مجموعی مالیاتی اعداد و شمار پیش کرتا ہوں۔

### ملکی معیشت

سال 2017 کے دوران پاکستان کی معاشی کارکردگی بدستور مثبت رہی جبکہ مجموعی طور پر ملکی معاشی ماحول ترقی کی راہ پر گامزن ہے۔ صنعتی شعبے کی سرگرمی میں مستحکم ترقی کارخانوں، رجسٹرڈ کارپوریشنوں اور لارج اسکیل مینوفیکچرنگ (ایل ایس ایم) انڈیکس سے بھی ملتا ہے جو مالی سال 2017 کے دوران 5.7 فیصد بڑھا۔ مالی سال 2018 کے ابتدائی اشارے مثبت ہیں اور جولائی میں ایل ایس ایم انڈیکس میں 13 فیصد اضافہ ہوا جو گزشتہ چار سالوں میں سب سے زیادہ ہے۔ اس ترقی سے افراط زر پر فرق نہیں پڑا جو بدستور محدود ہے، اگرچہ کنزیومر پرائس انڈیکس (سی پی آئی) ماہ ستمبر 2017 میں 3.8 فیصد بڑھا جس کی وجہ سے پینے کی اشیاء کی قیمتوں میں اضافہ تھا۔ رواں سال جولائی سے ستمبر کے دوران مجموعی افراط زر گزشتہ سال اسی عرصے میں 3.9 فیصد کے مقابلے میں کم ہو کر 3.4 فیصد ہو گیا جو اسٹیٹ بینک کی جانب سے مالی سال 2018 کی متعین 4.5 فیصد سے 5.5 فیصد کی حد سے کافی نیچے ہے۔

مالی سال 2018 کے ابتدائی دو ماہ کے دوران کرنٹ اکاؤنٹ خسارہ مالی سال 2017 کے اسی عرصے کے مقابلے میں نمایاں طور پر بڑھ کر 2.6 ارب امریکی ڈالر ہو گیا۔ مالی سال 2018 کے ابتدائی دو ماہ کے دوران برآمدات میں 18 فیصد اضافہ ہوا تاہم درآمدات میں تیز رفتار اضافے کے باعث اسکے اثرات منہا ہو گئے اور شیئری، دھاتی اور پٹرولیم مصنوعات کی بھرپور آمد سے درآمدات میں 28 فیصد اضافہ ہوا۔ اسکے نتیجے میں تجارتی خسارہ 37 فیصد بڑھ گیا۔ ترسیلات زر سے آنے والی رقمات سے معیشت کو کچھ مدد ملی اور اس عرصے میں 13 فیصد اضافہ ہوا جس کی بڑی وجہ عید کے موقع پر بھاری رقمات کی آمد تھی۔ تاہم اس کے بعد سے ترسیلات زر معمول پر آگئیں اور مالی سال 2018 کی پہلی سہ ماہی کی سطح گزشتہ سال کے مقابلے میں بنیادی طور پر جوں کی توں رہی کیونکہ مشرق وسطیٰ سے آنے والی ترسیلات زر بدستور دباؤ کا شکار ہیں۔

مالی سال 2017 کے ابتدائی دو ماہ کے مقابلے میں غیر ملکی سرمایہ کاری دو گنا ہوئی جس کے ساتھ بیرونی قرضے بڑھ گئے اور اسکے نتیجے میں مالیاتی اکاؤنٹ میں ایک ارب ڈالر آئے۔ اس سے کرنٹ اکاؤنٹ خسارے میں جزوی کمی آئی لیکن بیرونی اکاؤنٹ پر دباؤ بدستور برقرار ہے۔ مالی سال 2018 کے آغاز سے غیر ملکی زرمبادلہ کے ذخائر 8 فیصد یعنی 19.7 ارب امریکی ڈالر ہو گئے تاہم روپیہ بدستور مستحکم ہے۔

توقع کے مطابق مالی سال 2016 کا تجارتی خسارہ 4.6 فیصد مجموعی قومی پیداوار کے مقابلے میں مالی سال 2017 میں بڑھ کر 5.8 فیصد ہو گیا جو 4.1 فیصد کے دوبارہ طے شدہ ہدف سے کافی زیادہ تھا۔ ترقیاتی شعبے کے اخراجات کے لئے ریونیو جمع کرنے میں ناکامی رہی جبکہ صوبائی سطح پر محدود آمدن سے خسارے میں مزید اضافہ ہوا۔ مالی سال 2018 میں بظاہر تھران کن مثبت نتائج سے آغاز ہوا اور پہلی سہ ماہی کے دوران ٹیکس وصولی میں انتہائی بہتری کے باعث تجارتی خسارہ 0.9 فیصد پر باج گزشتہ 10 سال میں سب سے کم ہے۔

سیاسی غیر یقینی کا دورانیہ بڑھنے، روپیے کی قدر میں کمی کی تشویش اور غیر ملکی پورٹ فولیو سرمایہ کاری سے رقمات کی بیرون ملک منتقلی کے باعث پاکستانی اسٹاک مارکیٹ کو شدید نقصان پہنچا ہے۔ اسٹاک مارکیٹ ایم ایس سی آئی اپ گریڈ کے دوران 52 ہزار پوائنٹس سے تجاوز کر گئی تھی، تاہم پھر سست روی کا شکار ہوئی اور اس عرصے کے دوران منافع ختم ہو گیا اور بی ایس ایکس انڈیکس کی ویلیو میں ستمبر 2017 تک 11 فیصد کمی آئی۔ انڈیکس اکتوبر 2016 کے بعد پہلی بار حال ہی میں 40 ہزار پوائنٹس سے نیچے چلا گیا۔ سیاسی میدان میں استحکام آنے تک اسی طرح کا ملاملا رجحان رہنے کی توقع ہے۔

اسٹیٹ بینک نے خصوصی طور پر اس عرصے میں مثبت معاشی سرگرمی اور بیرونی اکاؤنٹ میں کمزوری کا اظہار کرتے ہوئے ستمبر میں اپنا پالیسی ریٹ 5.75 فیصد پر برقرار رکھا ہے۔ شرح سود میں کمی، صارفین کی مصنوعات کی بددستی ہوئی طلب اور تعمیراتی سرگرمی میں اضافے سے نجی شعبوں کے قرضوں کی طلب بڑھ گئی اور

میں سال 2017 کے ابتدائی 9 ماہ میں مجموعی پرویشن سال 2016 کے ابتدائی 9 ماہ کے مقابلے میں 13 فیصد زائد رہا۔ کوآرڈینیٹنگ ریشو 30 ستمبر 2017 کو 93.5 فیصد رہا جو دسمبر 2016 میں 93 فیصد تھا۔

## ریزرو کی تفصیلات

ملین (روپے)
97,446
208
28
236

افتتاحی غیر تخصیص شدہ منافع  
بعد از ٹیکس منافع  
پائیدار اثاثوں کے از سر نو تخمینے پر اضافی آمدن۔ محصول کے بعد

(21)
(5,134)
(5,134)
(5,134)
(15,423)

مختلف مدوں میں رکھی گئی رقم  
غیر منقولہ ریزرو کی منتقلی  
کیش ڈیویڈنڈ۔ فائنل 2016  
کیش ڈیویڈنڈ۔ 2017 کی پہلی عبوری سہ ماہی  
کیش ڈیویڈنڈ۔ 2017 کی دوسری عبوری سہ ماہی

82,260
0.14

اختتامی غیر تخصیص شدہ منافع

فی حصص آمدن (روپے)

## کیپٹل ریشوز اور ڈیویڈنڈ

تصفیہ ادائیگی سے کیپٹل ایڈوائسری ریشو CAR پر 203 بی پی ایس کا اثر پڑا ہے۔ اندرونی طور پر سرمایہ پیدا کرنے کے ساتھ اثاثوں میں خطرات کے محتاط طریقے سے انتظام کے باعث بہتری آئی ہے اور 30 ستمبر 2017 کو 10.4 فیصد غیر مجموعی CAR Tier 1 رہا جبکہ 13 فیصد مکمل CAR ہے۔ بینک جلد از جلد عملہ تمام ضروری اقدامات کر کے سرمائے کی شرح کو کچھلی پوزیشن پر بحال کرے گا۔ اس کے نتیجے میں بورڈ آف ڈائریکٹرز نے اپنے 20 اکتوبر 2017 کے اجلاس میں 30 ستمبر 2017 کو اختتام پذیر ہونے والی سہ ماہی کے عبوری کیش ڈیویڈنڈ کا اعلان نہیں کیا ہے۔ ایچ بی ایل نے سال 2017 کی پہلی دو سہ ماہیوں کے پہلے سے اعلان شدہ 7 روپے فی شیئر (70 فیصد) عبوری کیش ڈیویڈنڈ ادا کر دیا ہے۔

## کریڈٹ ریٹنگز

نیویارک والے معاملے کی روشنی میں مقامی اور بین الاقوامی ریٹنگ ایجنسیز نے بینک کی کریڈٹ ریٹنگز کا دوبارہ جائزہ لیا۔ JCR-VIS نے ایچ بی ایل کی طویل المدت اور مختصر مدت کے لئے بالترتیب +1/AAA/AA- ریٹنگز کی توثیق کی ہے جس کے باعث توقع ہے کہ بینک کے مضبوط ملکی آپریشنز اور فرنیچائز کے ساتھ سرمائے کے اشاریے ریٹنگ کی صورت حال کو بحال کر دیں گے۔ بینک کی ریٹنگ کی صورت حال تبدیل ہو کر منفی ہو چکی ہے بینک کے کیپٹل ریشو میں کمی اور اسکے ذیلی قرضے کی ریٹنگ اب AA+ ہے جو ادارے کی جانب سے دی گئی ریٹنگ سے ایک سطح کم ہے۔ Moody's نے ایچ بی ایل کی مقامی اور غیر ملکی ڈیپازٹ ریٹنگز کی استحکام کے ساتھ توثیق کی ہے اور بینک کی بیس لائن کریڈٹ اسسمنٹ میں ایک سطح کمی آگئی ہے۔

سال 2017 کے دوران اس میں 6.6 فیصد اضافہ ہوا۔ بینکنگ سیکٹور کی جانب سے سال کے آغاز سے قرضوں کی فراہمی میں 11 فیصد اضافہ ہوا جبکہ ڈیپازٹس بھی 7 فیصد بڑھ گئے۔ جنوری سے اگست کے دوران بینکنگ انڈسٹری کے اسپرڈ کو گزشتہ سال اسی عرصے کے مقابلے میں 20 پی پی ایلس گراؤٹ کا سامنا ہے اور اگلے کچھ عرصے تک اسکے دباؤ میں رہنے کی توقع ہے۔

## کارکردگی

اس سہ ماہی کے دوران ایچ بی ایل نے نیویارک اسٹیٹ ڈیپازٹمنٹ آف فنانشل سروس کے ساتھ راضی نامہ پر دستخط کئے ہیں۔ اس راضی نامے کے تحت ایچ بی ایل نے 225 ملین امریکی ڈالر کی ادائیگی کا تصفیہ کیا ہے۔ ایچ بی ایل نے اپنی نیویارک برانچ بند کرنے کا بھی فیصلہ کیا ہے۔ ایچ بی ایل کے اختتام پذیر ہونے والے سال 2017 کے 9 ماہ کے مالیاتی اعداد و شمار پر اس تصفیہ کی ادائیگی، جو ایک مخصوص ادائیگی ہے، گہرے اثرات مرتب ہوئے ہیں۔ اسکے نتیجے میں غیر مجموعی منافع قبل از ٹیکس 16.3 ارب روپے رہا اور منافع بعد از ٹیکس 0.2 ارب روپے رہا جس کے ساتھ فی شیئر آمدن 0.14 روپے رہی۔

اس تصفیہ ادائیگی کے اثر کو لاگ کرنے کے بعد ایچ بی ایل کا سال 2017 کے ابتدائی 9 ماہ کا غیر مجموعی منافع بعد از ٹیکس 23.9 ارب روپے رہا جو سال 2016 کی اسی مدت میں 24 ارب روپے تھا۔ اس سے سال 2017 کے ابتدائی 9 ماہ کے لئے فی شیئر آمدن 16.31 روپے بنتی ہے جو سال 2016 کے ابتدائی 9 ماہ میں 16.37 روپے تھی۔ انہی بنیادوں پر سال 2017 کے ابتدائی 9 ماہ کا قبل از ٹیکس منافع 1 فیصد کمی کے ساتھ 40.1 ارب روپے رہا جو سال 2016 میں اسی عرصے کے مقابلے میں 40.7 ارب روپے تھا۔

ایچ بی ایل کے ڈیپازٹس میں بہتری جاری رہی ہے اور یہ 1.93 کھرب روپے تک پہنچ گئے۔ بینک کا مارکیٹ شیئر بڑھ کر 14.4 فیصد ہو گیا۔ ڈیپازٹس میں بہتری مکمل طور پر کرنٹ اکاؤنٹس کا وونٹ (CASA) میں اضافے کے ذریعے ہوئی۔ ملکی کرنٹ اکاؤنٹس 600 ارب روپے سے تجاوز کر گئے اور کرنٹ اکاؤنٹ کی شرح ستمبر 2017 میں 35 فیصد ہو گئی جو دسمبر 2016 میں 34.8 فیصد تھی۔ ملکی CASA اسی مدت کے دوران 85.5 فیصد سے بڑھ کر 87.4 فیصد ہو گیا۔ مارکیٹ میں قرضوں کی روایتی طور پر فراہمی میں کمی کے باوجود ایچ بی ایل نے قرضوں کی فراہمی کے لئے اقدامات بڑھائے اور دسمبر 2016 کے مقابلے میں ملکی سطح پر قرضوں کی فراہمی میں 14 فیصد اضافہ ہوا اور مجموعی طور پر قرضوں کی فراہمی 801 ارب روپے ہو گئی ہے۔

سال 2017 کے ابتدائی 9 ماہ میں اوسط ملکی قرضے سال 2016 کے 9 ماہ کے مقابلے میں 28 فیصد بڑھ گئے جس سے قرضوں کی فراہمی کے تمام کاروبار میں مستحکم ترقی نظر آتی ہے۔ سال 2017 کے ابتدائی 9 ماہ کے دوران اوسط ملکی کرنٹ اکاؤنٹ میں سال 2016 کے اسی دوران کے مقابلے میں 16 فیصد اضافہ ہوا۔ 10 فیصد ترقی کے ساتھ بیلنس شیٹ مکس میں بہتری کے باعث جزوی طور پر اسپرڈ کی کمی کم ہو گیا جس کی وجہ سے بائبلٹی لون پرائسنگ اور سرمایہ کاری کے منافع میں کمی آئی ہے۔ اسکے نتیجے میں 30 ستمبر 2017 کو اختتام پذیر ہونے والے 9 ماہ میں خالص مارک اپ آمدن سال 2016 کے ابتدائی 9 ماہ کے مقابلے میں 3 فیصد کمی کے ساتھ 58.9 ارب روپے ہو گئی۔

نان مارک اپ آمدن سال 2017 کے 9 ماہ کے دوران 23.3 ارب روپے رہی جو سال 2016 کے ابتدائی 9 ماہ کے مقابلے میں 25 فیصد زائد ہے۔ اس میں 10 فیصد اضافہ فیڈوں اور کمیشنوں سے حاصل آمدن ہے جو بڑھ کر 14 ارب روپے ہو گئی ہے۔ فیڈوں سے حاصل آمدن میں اضافے کی بڑی وجوہات میں ترسیلات زر، کارڈ سے متعلق اور کرنز یومرنٹنگ فیس شامل ہیں۔ ٹریڈری سے متعلق آمدن میں 56 فیصد اضافہ ہوا۔ اگرچہ سرمائے سے حاصل منافع آسکی بڑی وجہ ہے اور تمام شعبہ جات نے مستحکم کارکردگی کا مظاہرہ کیا۔

انتظامی اخراجات سال 2016 کے ابتدائی 9 ماہ کے دوران 10 فیصد بڑھ گئے۔ اس اضافے میں نیویارک کی مصالحت سے متعلقہ بھاری اخراجات شامل ہیں۔ اس اثر کو منہا کر کے اخراجات میں اضافے کو منگل ڈیجیٹل سٹیٹ تک محدود رکھا گیا۔ غیر فعال قرضے جو دسمبر 2016 کی سطح سے 0.8 ارب روپے کم ہیں اور 30 ستمبر 2017 کو قرضوں کی مجموعی مالیت میں اضافے کے ساتھ اثاثہ جات کے معیار کی شرح میں 7.8 فیصد بہتری آئی۔ اسٹاک ایمپیرمنٹ کے نتیجے

## مستقبل کے امکانات

چین پاکستان آکناکورڈ (سی پیک) پروجیکٹس کے تعاون سے صنعتی امکانات مثبت نظر آتے ہیں جس سے صارف کا اعتماد بڑھ رہا ہے اور زراعت میں بہتری کے آثار سے معیشت میں بہتری کی توقع ہے۔ زیادہ کیو بی ڈی کی وجہ سے نچے شعبے میں قرضے بڑھنے میں مدد ملے گی اور مالی سال 2018 میں مجموعی قومی پیداوار 6 فیصد کے ہدف پر پہنچنے کی توقع ہے۔ عالمی سطح پر سازگار معاشی حالات، ہلکی سطح پر توانائی کی تیزی سے مستحکم ہوتی صورتحال اور برآمد کے لئے ترغیب کا نتیجہ لازمی برآمدات کی بحالی کی صورت میں نکلے گا۔

بہت سارے مثبت اشاریوں کے باوجود پاکستانی معیشت مختلف محاذوں پر بدستور نازک ہے۔ ملک کے تاریخی مسائل کے ساتھ ڈبل خسارہ دوبارہ بڑھ چکا ہے اور مختصر مدت میں اس پر قابو پانے کا امکان نہیں ہے۔ 4.1 فیصد مالیاتی تجارتی خسارہ بظاہر مشکل ہے بالخصوص الیکشن والے سال میں جب ٹیکس وصولی کے اہداف تکمیل جاتے ہیں، اخراجات بڑھنے کا امکان ہوتا ہے تاہم کولیشن سپورٹ کی متوقع وصولی سے کچھ بہتری نظر آتی ہے۔

مالی سال 2018 کے آغاز پر برآمد میں اضافہ حوصلہ افزاء رہا لیکن مستقل اور پائیدار کارکردگی کے ذریعے مسلسل توجہ اور بنیادی اصلاحات لانے کی ضرورت ہوگی۔ درآمدی بل میں غیر معمولی ترقی کی رفتار کے ساتھ اضافہ جاری رہے گا۔ درمیانی مدت کے لئے ترسیلات زر میں بہتری آنے کی توقع ہے اور کرنٹ اکاؤنٹ خسارہ اور بیرونی اکاؤنٹ کو بدستور دباؤ کا سامنا رہے گا۔ موجودہ مالی سال کے دوران گزشتہ کئی سال سے جاری انٹرسٹ ریٹ میں کمی کا ماحول بدلنے کا امکان نہیں ہے جس سے بینکنگ سیکٹر کو مسلسل دباؤ کے ساتھ چیلنج کا سامنا ہے۔

## اعتراف و ستائش

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

انجینی ایل کے بورڈ اور انتظامیہ نے کنٹرول اور تعمیل سے متعلق مسائل کا سنجیدگی سے نوٹس لیا ہے جو اسکی نیویارک برانچ میں سامنے آئے۔ بورڈ اور بینک گورننس کے اعلیٰ ترین معیارات کی پاسداری کے لئے پرعزم ہے جس نے بنیادی تبدیلیوں اور ضروری اصلاح پر مبنی اقدامات اٹھائے ہیں تاکہ اس بات کو یقینی بنایا جائے کہ انجینی ایل اس کام کو تیزی سے پایہ تکمیل تک پہنچائے۔ بورڈ کچھ سے مکمل مطابقت کو فروغ دینے کے اپنے مقصد کی یاد دہانی کراتا ہے اور ادارے میں ہر سطح پر سہمیت کرنے کے ساتھ اقدامات اٹھائے گا۔

بورڈ اور منجمنٹ کی جانب سے ہم اس موقع پر اپنے کسٹمرز کا شکریہ ادا کرنا چاہیں گے جنہوں نے ہمارے بزنس پر اعتماد کیا اور اپنے شیئرز ہولڈرز کے تعاون اور اعتماد کے بھی مشکور ہیں۔ اس ضمن میں صارفین کو خصوصی طور پر سراہا گیا جنہوں نے اس مشکل وقت میں بینک کو اہمیت دی ہے جب بینک کو پریشانی کا سامنا ہے۔ ہم انجینی ایل کی ترقی میں اپنے ملازمین کی کاوشوں کا بھی اعتراف کرتے ہیں اور ان کے عزم و اخلاص کے مشکور ہیں۔

منجانب بورڈ

## نعمان کے ڈار

پریذیڈنٹ اینڈ چیف ایگزیکٹو آفیسر

20 اکتوبر، 2017

# Condensed Interim Unconsolidated Statement of Financial Position

As at September 30, 2017

	Note	(Unaudited) September 30, 2017	(Audited) December 31, 2016
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		213,949,752	219,788,876
Balances with other banks		28,151,884	32,742,891
Lendings to financial institutions		14,155,444	35,010,238
Investments	6	1,363,336,649	1,304,722,761
Advances	7	801,249,458	712,132,554
Operating fixed assets	8	44,298,111	30,792,535
Deferred tax asset		2,600,607	-
Other assets		60,176,345	58,593,524
		<u>2,527,918,250</u>	<u>2,393,783,379</u>
<b>LIABILITIES</b>			
Bills payable		30,456,499	31,108,762
Borrowings	9	350,573,830	335,083,298
Deposits and other accounts	10	1,925,197,766	1,793,370,392
Subordinated loan		9,994,000	9,998,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	1,856,554
Other liabilities		52,268,122	40,299,393
		<u>2,368,490,217</u>	<u>2,211,716,399</u>
<b>NET ASSETS</b>		<u>159,428,033</u>	<u>182,066,980</u>
<b>REPRESENTED BY:</b>			
<b>Shareholders' equity</b>			
Share capital		14,668,525	14,668,525
Reserves		47,213,427	47,146,362
Unappropriated profit		82,260,034	97,446,624
		<u>144,141,986</u>	<u>159,261,511</u>
Surplus on revaluation of assets - net of deferred tax	11	15,286,047	22,805,469
		<u>159,428,033</u>	<u>182,066,980</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

The annexed notes 1 to 23 form an integral part of this condensed interim unconsolidated financial information.

Nauman K. Dar  
President and  
Chief Executive Officer

Rayomond Kotwal  
Chief Financial Officer

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

Moez Ahamed Jamal  
Director

## Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the nine months ended September 30, 2017

Note	January 01 to September 30, 2017	January 01 to September 30, 2016	July 01 to September 30, 2017	July 01 to September 30, 2016	
------(Rupees in '000)-----					
Mark-up / return / profit / interest earned	13	105,402,577	104,595,448	35,563,927	35,081,947
Mark-up / return / profit / interest expensed	14	46,494,503	44,168,503	16,101,881	15,111,173
Net mark-up / return / profit / interest income		58,908,074	60,426,945	19,462,046	19,970,774
Provision / (reversal) against advances	7.2	229,436	899,387	(272,626)	(305,916)
(Reversal) / provision against off-balance sheet obligations		(8,992)	(15,519)	41,241	4,691
Provision / (reversal) for diminution in the value of investments	6.2	774,384	272,511	126,862	(11,524)
Bad debts written off directly		-	-	-	-
		994,828	1,156,379	(104,523)	(312,749)
Net mark-up / return / profit / interest income after provisions		57,913,246	59,270,566	19,566,569	20,283,523
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		14,018,548	12,727,794	4,796,661	4,066,518
Dividend income		1,890,497	1,325,385	383,347	381,872
Income from dealing in foreign currencies		1,516,658	738,134	441,055	210,767
Gain on sale of securities - net		4,988,761	3,280,042	3,170,332	1,512,463
Unrealised loss on held-for-trading securities		(99,000)	(19,699)	(75,359)	(43,814)
Other income		962,349	550,378	198,237	187,760
Total non mark-up / interest income		23,277,813	18,602,034	8,914,273	6,315,566
		81,191,059	77,872,600	28,480,842	26,599,089
<b>Non mark-up / interest expense</b>					
Administrative expenses		39,921,503	36,308,834	13,891,748	12,509,809
Other provisions / write offs - net		403,742	77,478	337,443	19,353
Other charges		2,499	817	1,992	330
Workers' Welfare Fund		810,590	832,172	278,416	280,628
Total non mark-up / interest expenses		41,138,334	37,219,301	14,509,599	12,810,120
<b>Profit before extra ordinary / unusual item and taxation</b>		40,052,725	40,653,299	13,971,243	13,788,969
Extra ordinary / unusual item	15	23,717,115	-	23,717,115	-
<b>Profit / (loss) before taxation</b>		16,335,610	40,653,299	(9,745,872)	13,788,969
<b>Taxation</b>					
- Current	16	14,725,933	14,085,419	5,105,660	4,776,775
- Prior years		2,072,385	2,318,915	-	-
- Deferred		(670,456)	238,802	(60,757)	135,372
		16,127,862	16,643,136	5,044,903	4,912,147
<b>Profit / (loss) after taxation</b>		207,748	24,010,163	(14,790,775)	8,876,822
------(Rupees)-----					
<b>Basic and diluted earnings / (loss) per share</b>		0.14	16.37	(10.08)	6.05

The annexed notes 1 to 23 form an integral part of this condensed interim unconsolidated financial information.

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Director

# Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the nine months ended September 30, 2017

	January 01 to September 30, 2017	January 01 to September 30, 2016	July 01 to September 30, 2017	July 01 to September 30, 2016
	------(Rupees in '000)-----			
<b>Profit / (loss) after taxation for the period</b>	207,748	24,010,163	(14,790,775)	8,876,822
<b>Other comprehensive income / (loss)</b>				
<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>				
Effect of translation of net investment in foreign branches	46,290	100,116	363,274	(164,640)
<b>Comprehensive income transferred to equity</b>	<u>254,038</u>	<u>24,110,279</u>	<u>(14,427,501)</u>	<u>8,712,182</u>
<b>Components of comprehensive income / (loss) not reflected in equity</b>				
<i>Items that may be reclassified to the profit and loss account in subsequent periods</i>				
Movement in surplus / (deficit) on revaluation of investments - net of tax	(7,031,356)	2,734,996	(5,531,818)	(2,387,909)
<i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i>				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	-	1,772	-	1,772
Transferred from surplus on revaluation of non-banking assets - net of tax	10,079	262,797	-	-
	<u>10,079</u>	<u>264,569</u>	<u>-</u>	<u>1,772</u>
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(459,677)	499,580	(576,770)	-
Transferred to surplus on revaluation of operating fixed assets - net of tax	(10,079)	(262,797)	-	-
	<u>(469,756)</u>	<u>236,783</u>	<u>(576,770)</u>	<u>-</u>
<b>Total comprehensive income / (loss)</b>	<u><u>(7,236,995)</u></u>	<u><u>27,346,627</u></u>	<u><u>(20,536,089)</u></u>	<u><u>6,326,045</u></u>

The annexed notes 1 to 23 form an integral part of this condensed interim unconsolidated financial information.

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Moez Ahamed Jamal  
Director

## Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the nine months ended September 30, 2017

	Reserves					Total	
	Share capital	Exchange translation reserve	Capital		Revenue		
			Statutory reserve	Non-distributable capital reserve	General reserve		Unappropriated profit
(Rupees in '000)							
<b>Balance as at December 31, 2015</b>	14,668,525	11,043,004	26,890,062	547,115	6,073,812	89,933,889	149,156,407
<b>Comprehensive income for the period</b>							
Profit after taxation for the nine months ended September 30, 2016	-	-	-	-	-	24,010,163	24,010,163
<b>Other comprehensive income / (loss)</b>							
- Effect of translation of net investment in foreign branches	-	100,116	-	-	-	-	100,116
	-	100,116	-	-	-	24,010,163	24,110,279
<b>Transactions with owners, recorded directly in equity</b>							
Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2015	-	-	-	-	-	(5,133,984)	(5,133,984)
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
2nd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	(15,401,952)	(15,401,952)
Transferred to statutory reserve	-	-	2,401,016	-	-	25,028	25,028
Balance as at September 30, 2016	14,668,525	11,143,120	29,291,078	547,115	6,073,812	96,166,112	157,889,762
<b>Comprehensive income for the period</b>							
Profit after taxation for the three months ended December 31, 2016	-	-	-	-	-	7,810,056	7,810,056
<b>Other comprehensive income / (loss)</b>							
- Effect of translation of net investment in foreign branches	-	(689,769)	-	-	-	-	(689,769)
- Remeasurement loss on defined benefit obligations- net	-	-	-	-	-	(623,036)	(623,036)
	-	(689,769)	-	-	-	7,187,018	6,497,249
<b>Transactions with owners, recorded directly in equity</b>							
3rd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	(5,133,984)	(5,133,984)
Transferred to statutory reserve	-	-	781,006	-	-	8,484	8,484
Balance as at December 31, 2016	14,668,525	10,453,351	30,072,084	547,115	6,073,812	97,446,624	159,261,511
<b>Comprehensive income for the period</b>							
Profit after taxation for the nine months ended September 30, 2017	-	-	-	-	-	207,748	207,748
<b>Other comprehensive income / (loss)</b>							
- Effect of translation of net investment in foreign branches	-	46,290	-	-	-	-	46,290
	-	46,290	-	-	-	207,748	254,038
<b>Transactions with owners, recorded directly in equity</b>							
Final cash dividend - Rs. 3.5 per share declared subsequent to the year ended December 31, 2016	-	-	-	-	-	(5,133,984)	(5,133,984)
1st interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
2nd interim cash dividend - Rs. 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	(15,401,952)	(15,401,952)
Transferred to statutory reserve	-	-	20,775	-	-	28,389	28,389
<b>Balance as at September 30, 2017</b>	<b>14,668,525</b>	<b>10,499,641</b>	<b>30,092,859</b>	<b>547,115</b>	<b>6,073,812</b>	<b>82,260,034</b>	<b>144,141,986</b>

The annexed notes 1 to 23 form an integral part of this condensed interim unconsolidated financial information.

**Nauman K. Dar**  
President and  
Chief Executive Officer

**Rayomond Kotwal**  
Chief Financial Officer

**Agha Sher Shah**  
Director

**Shaffiq Dharamshi**  
Director

**Moez Ahamed Jamal**  
Director

# Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the nine months ended September 30, 2017

	September 30, 2017	September 30, 2016
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	16,335,610	40,653,299
Dividend income	<u>(1,890,497)</u>	<u>(1,325,385)</u>
	14,445,113	39,327,914
<b>Adjustment for:</b>		
Depreciation	2,332,051	2,148,101
Amortisation	379,408	339,297
Provision against advances	229,436	899,387
Reversal against off-balance sheet obligations	(8,992)	(15,519)
Provision for diminution in the value of investments	774,384	272,511
Other provisions / write offs - net	403,742	77,478
Unrealised loss on held-for-trading securities	99,000	19,699
Gain on sale of operating fixed assets - net	(9,749)	(50,195)
Workers' Welfare Fund	810,590	832,172
	<u>5,009,870</u>	<u>4,522,931</u>
	19,454,983	43,850,845
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	20,854,794	5,755,305
Net investments in held-for-trading securities	<u>(152,829,244)</u>	<u>(30,382,308)</u>
Advances	<u>(89,346,340)</u>	<u>(34,561,080)</u>
Other assets	290,434	(1,397,628)
	(221,030,356)	(60,585,711)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	<u>(652,263)</u>	<u>(2,118,341)</u>
Borrowings	15,490,532	59,828,083
Deposits and other accounts	131,827,374	73,881,010
Other liabilities	<u>9,423,349</u>	<u>3,073,748</u>
	156,088,992	134,664,500
	<u>(45,486,381)</u>	<u>117,929,634</u>
	<u>(19,425,451)</u>	<u>(17,097,135)</u>
	(64,911,832)	100,832,499
Income tax paid		
<b>Net cash flows (used in) / from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	85,099,006	7,291,219
Net investments in held-to-maturity securities	332,389	(58,307,601)
Net investment in subsidiaries	(441,933)	(2,000,000)
Net investments in associates	(2,464,889)	(999,057)
Dividend income received	1,659,726	1,109,347
Fixed capital expenditure	<u>(16,108,456)</u>	<u>(3,749,535)</u>
Proceeds from sale of operating fixed assets	21,738	61,820
Effect of translation of net investment in foreign branches	46,290	100,116
<b>Net cash flows used in investing activities</b>	68,143,871	(56,493,691)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of subordinated loan	<u>(4,000)</u>	<u>(2,000)</u>
Dividend paid	<u>(13,658,170)</u>	<u>(13,448,543)</u>
<b>Net cash flows used in financing activities</b>	(13,662,170)	(13,450,543)
(Decrease) / increase in cash and cash equivalents during the period	(10,430,131)	30,888,265
Cash and cash equivalents at the beginning of the period	251,694,015	183,795,543
Effects of exchange rate changes on cash and cash equivalents	<u>837,752</u>	<u>(63,707)</u>
	252,531,767	183,731,836
Cash and cash equivalents at the end of the period	<u>242,101,636</u>	<u>214,620,101</u>

The annexed notes 1 to 23 form an integral part of this condensed interim unconsolidated financial information.

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Agha Sher Shah  
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Shaffiq Dharamshi  
Director

Moez Ahamed Jamal  
Director

## Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months ended September 30, 2017

### 1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,689 (December 31, 2016: 1,677) branches inside Pakistan including 46 (December 31, 2016: 45) Islamic Banking Branches and 48 (December 31, 2016: 54) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Bank has decided to voluntarily close its New York branch and is taking steps for its closure in an orderly fashion. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

1.1 During the period, the Bank has purchased 678,750 ordinary shares of Habib Allied Holding Limited (HAHL) from a minority shareholder. Consequently, the shareholding of the Bank in HAHL has increased from 89.40% to 90.50%.

1.2 During the period, the Bank has sold its operations and business in Paris to Habisons Bank, a subsidiary of HAHL.

1.3 The Bank transferred the business, assets and liabilities of its Kenya Branches to Diamond Trust Bank Kenya, Limited (DTBKL), an associated company, on July 31, 2017 after receiving the requisite regulatory approvals in Kenya and Pakistan. In consideration, the Bank has received 13,281,105 additional ordinary shares in DTBKL. Consequently, the Banks shareholding in DTBKL has increased from 11.97% to 16.15%.

### 1.4 Authorised Capital

During the period, the authorised capital of the Bank was reduced from Rs. 30 billion divided into 3 billion ordinary shares of Rs. 10 each to Rs. 29 billion divided into 2.9 billion ordinary shares of Rs. 10 each.

### 2 STATEMENT OF COMPLIANCE

This condensed interim unconsolidated financial information has been prepared in accordance with the accounting framework as disclosed in the annual unconsolidated financial statements for the year ended December 31, 2016. 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. This condensed interim unconsolidated financial information does not include all the disclosures required for annual financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2016.

The Companies Ordinance, 1984 has been repealed as a result of the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular no. 23 of 2017, dated October 04, 2017, this condensed interim unconsolidated financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

### 3 ACCOUNTING POLICIES

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, 2016.

### 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, 2016.

### 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, 2016.

6 INVESTMENTS

Note	September 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in '000)						
<b>Investments by type</b>						
<b>Held-for-trading (HFT)</b>						
<b>Federal Government securities</b>						
- Market Treasury Bills	185,668,322	22,228,854	207,897,176	32,335,860	-	32,335,860
- Pakistan Investment Bonds	5,610,481	-	5,610,481	8,174,573	-	8,174,573
- Sukuk	2,000,000	-	2,000,000	-	-	-
<b>Fully paid-up ordinary shares</b>						
- Listed companies	284,671	-	284,671	131,436	-	131,436
<b>Overseas Government securities</b>						
	272,086	-	272,086	376,504	-	376,504
	193,835,560	22,228,854	216,064,414	41,018,373	-	41,018,373
<b>Held-to-maturity (HTM)</b>						
<b>Federal Government securities</b>						
- Market Treasury Bills	-	-	-	28,912,507	-	28,912,507
- Pakistan Investment Bonds	200,065,606	-	200,065,606	172,917,957	-	172,917,957
- Government of Pakistan US Dollar Bonds	1,019,304	-	1,019,304	1,670,392	-	1,670,392
<b>Debentures and corporate debt instruments</b>						
- Listed	7,167,554	-	7,167,554	8,084,970	-	8,084,970
- Unlisted	17,238,085	-	17,238,085	10,503,868	-	10,503,868
<b>Overseas Government securities</b>						
	20,058,714	-	20,058,714	23,791,958	-	23,791,958
	245,549,263	-	245,549,263	245,881,652	-	245,881,652
<b>Available-for-sale (AFS)</b>						
<b>Federal Government securities</b>						
- Market Treasury Bills	148,250,701	194,890,699	343,141,400	259,463,927	180,967,213	440,431,140
- Pakistan Investment Bonds	365,240,993	6,117,730	371,358,723	325,812,579	58,708,656	384,521,235
- Government of Pakistan US Dollar Bonds	14,355,796	-	14,355,796	20,671,573	-	20,671,573
- Sukus	83,202,214	-	83,202,214	77,911,455	-	77,911,455
<b>Fully paid-up ordinary shares</b>						
- Listed companies	19,693,814	-	19,693,814	16,876,992	-	16,876,992
- Unlisted companies	2,492,771	-	2,492,771	2,251,466	-	2,251,466
<b>Debentures and corporate debt instruments</b>						
- Listed	18,065,952	-	18,065,952	15,814,316	-	15,814,316
- Unlisted	13,869,821	-	13,869,821	15,885,761	-	15,885,761
<b>Overseas Government securities</b>						
	4,993,551	-	4,993,551	4,154,760	-	4,154,760
<b>National Investment Trust units</b>	11,113	-	11,113	11,113	-	11,113
<b>Real Estate Investment Trust units</b>	240,273	-	240,273	396,000	-	396,000
<b>Preference shares</b>	100,000	-	100,000	100,000	-	100,000
	670,516,999	201,008,429	871,525,428	739,349,942	239,675,869	979,025,811
<b>Investment in subsidiary companies</b>	1.1	13,945,202	-	13,945,202	-	13,503,269
<b>Investment in associates and joint venture</b>	6.1	11,683,385	-	11,683,385	9,218,496	9,218,496
		1,135,530,409	223,237,283	1,358,767,692	1,048,971,732	239,675,869
<b>Provision for diminution in the value of investments</b>	6.2	(1,468,013)	-	(1,468,013)	(866,152)	-
		1,134,062,396	223,237,283	1,357,299,679	1,048,105,580	239,675,869
<b>Deficit on revaluation of held-for-trading securities</b>		(92,016)	(6,984)	(99,000)	(12,057)	-
						(12,057)
<b>Surplus on revaluation of available-for-sale securities</b>	11.2	6,159,501	(23,531)	6,135,970	12,540,371	4,412,998
						16,953,369
<b>Total investments (net of provision)</b>		1,140,129,881	223,206,768	1,363,336,649	1,060,633,894	244,088,867
						1,304,722,761

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

	September 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Book value	Market value	Book value	Market value
(Rupees in '000)				
- Investment classified as held-to-maturity	245,549,263	249,163,315	245,881,652	250,109,970
- Investment in listed associates and joint venture	11,247,154	42,387,367	8,782,265	30,884,859

6.2	Particulars of provision held against diminution in the value of investments	Note	(Unaudited)	(Audited)
			September 30, 2017	December 31, 2016
(Rupees in '000)				
	Opening balance		866,152	617,536
	Charge for the period / year		952,964	289,986
	Reversal for the period / year		(178,580)	(21,999)
	Net charge for the period / year		774,384	267,987
	Recoveries against write off		171,033	-
	Reversal on disposal during the period / year		(343,556)	(19,371)
	Closing balance		<u>1,468,013</u>	<u>866,152</u>
7	<b>ADVANCES</b>			
	Loans, cash credits, running finances, etc.			
	- In Pakistan		615,848,678	557,878,935
	- Outside Pakistan		106,908,443	99,958,539
			<u>722,757,121</u>	<u>657,837,474</u>
	Net investment in finance lease - in Pakistan		17,498,638	16,571,941
	Islamic financing and related assets	20.1.1	52,726,591	32,077,220
	Bills discounted and purchased			
	- Payable in Pakistan		16,666,588	16,985,715
	- Payable outside Pakistan		55,045,051	52,501,861
			<u>71,711,639</u>	<u>69,487,576</u>
	Advances - gross		<u>864,693,989</u>	<u>775,974,211</u>
	Provision against advances			
	- Specific	7.2	(60,137,475)	(60,513,286)
	- General		(3,307,056)	(3,328,371)
			<u>(63,444,531)</u>	<u>(63,841,657)</u>
	Advances - net of provision		<u>801,249,458</u>	<u>712,132,554</u>

7.1 Advances include Rs. 67,847.921 million (December 31, 2016: Rs. 68,621.823 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2017 (Unaudited)								
	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	2,415,102	-	2,415,102	-	-	-	2,415,102	-	2,415,102
Substandard	2,589,265	633,675	3,222,940	1,083,719	127,249	1,210,968	1,505,546	506,426	2,011,972
Doubtful	1,455,052	1,989,759	3,444,811	727,526	1,020,185	1,747,711	727,526	969,574	1,697,100
Loss	46,042,811	12,722,257	58,765,068	44,907,009	12,271,787	57,178,796	1,135,802	450,470	1,586,272
	<u>52,502,230</u>	<u>15,345,691</u>	<u>67,847,921</u>	<u>46,718,254</u>	<u>13,419,221</u>	<u>60,137,475</u>	<u>5,783,976</u>	<u>1,926,470</u>	<u>7,710,446</u>
Category of classification	December 31, 2016 (Audited)								
	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	803,344	121,924	925,268	-	-	-	803,344	121,924	925,268
Substandard	3,716,751	2,144,077	5,860,828	1,165,290	525,154	1,690,444	2,551,461	1,618,923	4,170,384
Doubtful	1,173,937	1,816,104	2,990,041	586,969	899,833	1,486,802	586,968	916,271	1,503,239
Loss	46,746,262	12,099,424	58,845,686	45,609,211	11,726,829	57,336,040	1,137,051	372,595	1,509,646
	<u>52,440,294</u>	<u>16,181,529</u>	<u>68,621,823</u>	<u>47,361,470</u>	<u>13,151,816</u>	<u>60,513,286</u>	<u>5,078,824</u>	<u>3,029,713</u>	<u>8,108,537</u>

7.1.1 Exposure amounting to Rs. 8,847.914 million relating to Power Holding (Private) Limited, 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.

## 7.2 Particulars of provision against advances

Note	September 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	60,513,286	3,328,371	63,841,657	60,735,843	2,924,766	63,660,609
Exchange adjustment	79,477	18,801	98,278	(152,654)	7,060	(145,594)
Charge for the period / year	3,428,323	449,159	3,877,482	4,863,811	449,178	5,312,989
Reversal for the period / year	(3,197,804)	(450,242)	(3,648,046)	(4,829,119)	(44,115)	(4,873,234)
Net charge against advances for the period / year	230,519	(1,083)	229,436	34,692	405,063	439,755
Charged off during the period / year	7.4 (264,277)	-	(264,277)	(526,238)	-	(526,238)
Written off during the period / year	(157,258)	-	(157,258)	(230,796)	-	(230,796)
Transfer from / (to) other liabilities	-	-	-	173,486	(8,518)	164,968
Transfer out on sale of Kenya business	(607,972)	(21,002)	(628,974)	-	-	-
Recoveries against write off	328,056	-	328,056	457,833	-	457,833
Other movements	15,644	(18,031)	(2,387)	21,120	-	21,120
Closing balance	60,137,475	3,307,056	63,444,531	60,513,286	3,328,371	63,841,657

7.3 General provision represents provision amounting to Rs. 1,409.471 million (December 31, 2016: Rs. 1,655.911 million) against consumer finance portfolio and Rs. 117.574 million (December 31, 2016: Rs. 126.699 million) against advances to small enterprises. General provision also includes Rs. 1,780.011 million (December 31, 2016: Rs. 1,545.761 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

7.4 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 SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

## 7.5 Particulars of advances to directors, associated companies, etc.

	September 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	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)	2,928,540	3,323,810	527,820	2,876,769	2,881,595	651,410
- in respect of Key Management Personnel	152,040	157,812	134,815	29,887	64,326	-
Debts due by companies or firms in which the Directors of the Bank are interested as directors, partners, advisors or, in the case of private companies, as members	13,659,092	15,217,636	5,409,618	11,252,430	12,151,641	6,678,160
Debts due by Subsidiary company	2,613,349	2,649,873	-	2,685,681	4,165,014	-

\* These represent staff 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 / year.

		(Unaudited) September 30, 2017	(Audited) December 31, 2016
8	<b>OPERATING FIXED ASSETS</b>		(Rupees in '000)
	Capital work-in-progress	15,742,444	1,557,938
	Tangible fixed assets	27,746,506	28,327,904
	Intangible assets	809,161	906,693
		<u>44,298,111</u>	<u>30,792,535</u>
8.1	<b>Additions to operating fixed assets</b>		(Unaudited) For the nine months ended
	Note	September 30, 2017	September 30, 2016
		(Rupees in '000)	
	The following additions have been made to operating fixed assets during the period:		
	<b>Capital work-in-progress</b>	8.1.1 14,184,506	127,349
	<b>Tangible fixed assets</b>		
	Land	-	1,302,883
	Building	298,003	233,969
	Machinery	2,951	22,490
	Furniture, fixtures and office equipment	1,337,214	1,430,924
	Leasehold Improvements	172,955	347,183
	Vehicles	16,329	29,115
		1,827,452	3,366,564
	<b>Intangible assets</b>	278,520	500,676
		<u>16,290,478</u>	<u>3,994,589</u>
8.1.1	This includes Rs. 13,472.406 million on account of acquisition of a new office building in Karachi.		
8.2	<b>Disposal of operating fixed assets</b>		
	The cost of operating fixed assets disposed off during the period is as follows:		
	<b>Tangible fixed assets</b>		
	Furniture, fixtures and office equipment	190,283	435,454
	Leasehold Improvements	19,210	72,950
	Vehicles	3,866	32,515
		<u>213,359</u>	<u>540,919</u>
9	<b>BORROWINGS</b>		(Unaudited) September 30, 2017
			(Audited) December 31, 2016
		(Rupees in '000)	
	<b>Secured</b>		
	Borrowings from the SBP under		
	- Export refinance scheme	20,037,649	21,592,306
	- Long term financing facility	8,349,910	5,250,535
	- Refinance facility for modernization of SMEs	12,000	13,500
		28,399,559	26,856,341
	Repurchase agreement borrowings	223,214,260	243,753,648
		251,613,819	270,609,989
	<b>Unsecured</b>		
	- Call money borrowings	20,841,873	19,815,965
	- Overdrawn nostro accounts	3,620,663	7,877,216
	- Borrowings of overseas branches	37,604,185	21,090,353
	- Other long-term borrowings	36,893,290	15,689,775
		98,960,011	64,473,309
		<u>350,573,830</u>	<u>335,083,298</u>

9.1 This includes a loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2016: 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 from June 2015.

This also includes a loan from the China Development Bank amounting to US\$ 200 million. The principal amount is payable in six installments from December 2017 to June 2020. Interest at LIBOR+2.45% is payable semi annually commencing from June 15, 2017.

Note	(Unaudited) September 30, 2017	(Audited) December 31, 2016
(Rupees in '000)		
<b>10 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Current accounts - non-remunerative	673,546,052	638,928,970
Savings accounts	886,263,701	813,810,785
Fixed deposits	<u>287,340,548</u>	<u>297,557,281</u>
	<u>1,847,150,301</u>	<u>1,750,297,036</u>
<b>Financial institutions</b>		
Current accounts - non-remunerative	16,057,478	10,746,198
Savings accounts	60,859,987	29,397,158
Fixed deposits	<u>1,130,000</u>	<u>2,930,000</u>
	<u>78,047,465</u>	<u>43,073,356</u>
	<u>1,925,197,766</u>	<u>1,793,370,392</u>
<b>11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax</b>		
Surplus arising on revaluation of assets - net of deferred tax, on		
- Operating fixed assets	11.1 11,083,330	11,101,555
- Investments	11.2 3,988,380	11,019,736
- Non-banking assets acquired in satisfaction of claims	11.3 214,337	684,178
	<u>15,286,047</u>	<u>22,805,469</u>
<b>11.1 Surplus on revaluation of operating fixed assets</b>		
Surplus as at the beginning of the period / year	11,637,924	11,424,672
Surplus recognised during the period / year	-	1,772
Transferred from surplus on revaluation of non-banking assets	15,504	262,797
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(28,304)	(33,356)
Related deferred tax liability on incremental depreciation charged during the period / year	<u>(15,241)</u>	<u>(17,961)</u>
	<u>11,609,883</u>	<u>11,637,924</u>
Less: related deferred tax liability / asset on		
- Revaluation as at the beginning of the period / year	536,369	554,330
- Amount transferred from surplus on revaluation of non-banking assets	5,425	-
- incremental depreciation charged during the period / year	<u>(15,241)</u>	<u>(17,961)</u>
	<u>526,553</u>	<u>536,369</u>
	<u>11,083,330</u>	<u>11,101,555</u>

(Unaudited) September 30, 2017  
(Audited) December 31, 2016  
(Rupees in '000)

## 11.2 Surplus / (deficit) on revaluation of investments

Market Treasury Bills	(96,395)	(78,715)
Pakistan Investment Bonds	5,291,795	11,775,363
Government of Pakistan US Dollar Bonds	1,074,976	1,081,041
Government of Pakistan Sukuks	427,757	1,691,234
Listed equity securities	(664,931)	2,471,333
National Investment Trust units	40,117	47,715
Real Estate Investment Trust units	(1,529)	(4,680)
Overseas Government securities	26,125	(1,117)
Other debt instruments	38,055	(28,805)
Related deferred tax liability	6,135,970	16,953,369
	(2,147,590)	(5,933,633)
	<u>3,988,380</u>	<u>11,019,736</u>

## 11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus as at the beginning of the period / year	690,381	-
Surplus (reversed) / recognised during the period / year	(460,339)	953,418
Transferred to surplus on revaluation of operating fixed assets	(15,504)	(262,797)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(85)	(156)
Related deferred tax liability on incremental depreciation charged during the period / year	(45)	(84)
	214,408	690,381
Less: related deferred tax liability on		
- Revaluation as at the beginning of the period / year	6,203	-
- Revaluation (reversed) / recognised during the period / year	(662)	6,287
- Amount transferred to surplus on revaluation of operating fixed assets	(5,425)	-
- Incremental depreciation charged during the period / year	(45)	(84)
	71	6,203
	<u>214,337</u>	<u>684,178</u>

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Direct credit substitutes - financial guarantees

Guarantees in favour of		
- Government	269,243	275,473
- Financial institutions	295,000	295,000
- Others	40,371,683	38,160,335
	<u>40,935,926</u>	<u>38,730,808</u>

### 12.2 Transaction-related contingent liabilities

Guarantees in favour of		
- Government	256,569	683,908
- Financial institutions	2,080,477	1,604,150
- Others	117,386,619	103,998,282
	<u>119,723,665</u>	<u>106,286,340</u>

### 12.3 Trade-related contingent liabilities

Letter of credit in favour of		
- Government	58,328,173	62,799,738
- Financial institutions	353	2,734,895
- Others	92,527,673	89,687,410
	<u>150,856,199</u>	<u>155,222,043</u>

	(Unaudited) September 30, 2017 (Rupees in '000)	(Audited) December 31, 2016
<b>12.4 Other contingencies</b>		
12.4.1 Claims against the Bank not acknowledged as debts	<u>30,847,516</u>	<u>32,773,275</u>
<p>These mainly represent claims filed by former employees of the Bank, counter claims by borrowers for damages and other relief and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in this condensed interim unconsolidated financial information.</p>		
12.4.2 The matter related to regulatory actions at HBL New York branch has been disclosed in note 15. Pursuant to the Consent Order, the HBL New York branch continues to be examined by US Regulators.		
<b>12.5 Commitments to extend credit</b>		
<p>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.</p>		
	(Unaudited) September 30, 2017	(Audited) December 31, 2016
<b>12.6 Commitments in respect of forward foreign exchange contracts</b>	(Rupees in '000)	
Purchase	179,255,169	146,407,029
Sale	178,230,649	147,918,207
<b>12.7 Commitments in respect of forward Government Securities transactions</b>		
Purchase	58,047,503	18,815,026
Sale	18,225,112	9,067,465
<b>12.8 Commitments in respect of derivatives</b>		
<b>Foreign currency options</b>		
Purchase	-	216,840
Sale	-	216,840
<b>Cross currency swap</b>		
Purchase	1,760,075	1,084,128
Sale	1,761,391	1,096,192
<b>Interest rate swaps</b>		
Purchase	-	34,866
Sale	9,605,043	5,218,200
<b>12.9 Commitments for capital expenditure</b>	5,407,694	824,776
<b>12.10 Taxation</b>		

The income tax return of the Bank has been submitted up to the accounting year 2015 and the audit has also been concluded by the tax authorities under section 122(5A) of the Income Tax Ordinance, 2001.

As per Rule 8(A) of the Seventh Schedule, any amounts which have been provided for doubtful debts in the Tax Year 2008 (financial year 2007) and earlier, 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.

## 13 MARK-UP / RETURN / PROFIT / INTEREST EARNED

### On advances to

- Customers
- Financial institutions

### On investments in

- Held-for-trading securities
- Held-to-maturity securities
- Available-for-sale securities

On deposits with financial institutions

On lendings to financial institutions

(Unaudited)	
For the nine months ended	
September 30, 2017	September 30, 2016
(Rupees in '000)	
39,568,270	35,337,456
996	4,475
<u>39,569,266</u>	<u>35,341,931</u>
4,422,803	2,259,584
11,489,867	14,367,428
48,635,067	50,985,829
<u>64,547,737</u>	<u>67,612,841</u>
579,869	364,005
705,705	1,276,671
<u>105,402,577</u>	<u>104,595,448</u>

## 14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

- On deposits
- On securities sold under repurchase agreement borrowings
- On other short term borrowings
- On long term borrowings

(Unaudited)	
For the nine months ended	
September 30, 2017	September 30, 2016
(Rupees in '000)	
32,594,064	29,694,356
10,822,465	11,951,537
1,451,364	1,189,138
1,626,610	1,333,472
<u>46,494,503</u>	<u>44,168,503</u>

## 15 EXTRA ORDINARY / UNUSUAL ITEM

This represents Rs 23,717.115 million in the current period relating to the Settlement Payment as described below.

HBL operates a branch in New York, which is licensed by the New York State Department of Financial Services (NYSDFS) and which is subject to oversight and supervision by the Federal Reserve Bank of New York (FRBNY). NYSDFS had sought to impose a civil monetary penalty of US \$630 million under a Statement of Charges issued on August 24, 2017 in respect of non-satisfactory compliance of New York Banking Laws.

On September 7, 2017, NYSDFS, the Bank and its branch agreed to enter into a Consent Order under which the Bank made a Settlement Payment of US \$225 million. In terms of the Consent Order, NYSDFS, the Bank and its branch reached a resolution without any proceedings and all charges mentioned in the Statement of Charges dated August 24, 2017 against the Bank and its branch were dismissed / dropped as part of such resolution.

## 16 TAXATION - CURRENT

While making provision for current tax, the Settlement Payment described in note 15 to this condensed interim unconsolidated financial information has not been considered as tax deductible.

Notwithstanding the above, the Bank in consultation with its tax and legal advisors is of the view that the Settlement Payment would be tax deductible in Pakistan, under Pakistan taxation law.

17 **RELATED PARTY TRANSACTIONS**

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

Transactions with related parties, other than those under terms of employment, are executed on an arm's length basis i.e. do not involve more than normal risk and are substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. Advances to related parties are disclosed in note 7.5 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 and balances with related parties as at the period / year end, other than those disclosed elsewhere in this condensed interim unconsolidated financial information, are as follows:

	<b>As at September 30, 2017 (Unaudited)</b>				
	<b>Group Entities</b>	<b>Subsidiary companies</b>	<b>Associates</b>	<b>Joint venture</b>	<b>Other related parties</b>
	----- Rupees in 000 -----				
<b>Statement of financial position</b>					
Deposits	7,467,117	697,119	4,566,663	7,129	361,576
Maximum Deposits during the period	7,914,761	697,119	5,340,294	63,856	3,989,288
Borrowings	737,007	1,475,732	2,319,007	2,740,644	-
Investments	-	17,107,483	11,547,720	135,665	-
Nostro balances	173,370	3,292,664	-	-	-
Mark-up receivable	29,821	39,468	43,155	-	-
Other receivable	-	5,569	27,149	-	1,322
Mark-up payable	50,281	5,103	27,371	10,127	1,352
Other payable	9,806	-	309,510	-	324,181
<b>Others</b>					
Other contingencies	2,536,486	35,960	2,180,194	-	-
Securities held as custodian	18,715,880	-	25,634,395	-	6,276,550
	----- Rupees in 000 -----				
	<b>For the nine months ended September 30, 2017 (Unaudited)</b>				
	<b>Group Entities</b>	<b>Subsidiary companies</b>	<b>Associates</b>	<b>Joint venture</b>	<b>Other related parties</b>
	----- Rupees in 000 -----				
<b>Profit and loss account</b>					
Mark-up income	209,451	330,803	114,048	-	12,720
Fee and commission income	-	2,308	1,928,194	-	-
Other income	-	21,196	-	-	-
Mark-up expense	144,630	40,657	154,920	10,220	9,831
Other expense	1,419	15,238	925,757	-	727,815
Dividend income	-	-	932,561	-	-

As at December 31, 2016 (Audited)

	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Rupees in 000					
<b>Statement of financial position</b>					
Deposits	5,830,998	684,639	5,740,470	42,695	426,558
Maximum deposits during the year	9,593,529	768,975	6,378,540	217,386	591,097
Borrowings	1,114,878	4,187,454	-	1,202,883	-
Investments	-	16,641,232	9,211,299	7,197	-
Nostro balances	115,914	1,439,280	-	-	-
Overdrawn nostro balances	-	413,447	-	-	-
Advances	-	-	-	-	1,251,229
Lendings	-	962,306	-	-	-
Mark-up receivable	15,947	312,812	2,221	-	20,289
Other receivable	-	-	207,923	128,468	-
Mark-up payable	10,697	12,374	2,297	5,837	13
Other payable	-	-	217,937	-	497,066
<b>Others</b>					
Other contingencies	277,530	37,875	989,112	-	-
Securities held as custodian	15,537,400	-	34,717,265	-	4,398,055

For the nine months ended September 30, 2016 (Unaudited)

	Group Entities	Subsidiary companies	Associates	Joint venture	Other related parties
Rupees in 000					
<b>Profit and loss account</b>					
Mark-up income	39,284	459,222	4,650	-	-
Fee and commission income	-	7,198	1,724,976	-	-
Other income	-	21,195	-	-	-
Mark-up expense	45,065	52,572	71,526	7,630	7,572
Other expense	-	-	349,466	-	609,549
Dividend income	-	-	373,415	46,941	-

## 17.1 Key Management Personnel

Key Management Personnel includes the President / Chief Executive Officer and direct reports to the President.

	(Unaudited) For the nine months ended	
	September 30, 2017	September 30, 2016
	(Rupees in '000)	
Managerial remuneration (including allowances)	509,086	466,830
Contribution to provident and benevolent fund	10,881	11,499
Medical	14,872	16,059
	<b>534,839</b>	<b>494,388</b>
Number of persons	<b>20</b>	<b>19</b>
<b>17.2 Non-Executive Directors' fees</b>	<b>37,600</b>	<b>22,800</b>

## 18 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of traded investments are based on quoted market prices. The fair values of unquoted equity investments, other than investments in associates and joint ventures, are estimated using the break-up value of the investee company.

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

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

### Fair Value Measurement

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

	As at September 30, 2017 (Unaudited)			Total
	Level 1	Level 2	Level 3	
----- Rupees in 000 -----				
<b>Items carried at fair value</b>				
<b>Financial assets and liabilities</b>				
- Fully paid-up ordinary shares	18,275,722	-	-	18,275,722
- Real Estate Investment Trust units	238,744	-	-	238,744
- NIT units	-	51,230	-	51,230
- Federal Government securities	-	1,034,187,141	-	1,034,187,141
- Overseas Government securities	-	5,288,362	-	5,288,362
- Debentures and corporate debt instruments	-	22,011,884	-	22,011,884
- Unrealised gain on forward foreign exchange contracts	-	574,416	-	574,416
- Unrealised gain on derivative instruments	-	5,587	-	5,587
- Unrealised loss on forward foreign exchange contracts	-	942,310	-	942,310
- Unrealised loss on derivative instruments	-	162,973	-	162,973
<b>Non-financial assets</b>				
- Operating fixed assets	-	-	21,697,117	21,697,117
- Non-banking assets acquired in satisfaction of claims	-	-	1,777,334	1,777,334
<b>Items for which fair value is disclosed</b>				
- Federal Government securities	-	204,158,368	-	204,158,368
- Overseas Government securities	-	20,767,859	-	20,767,859
- Debentures and corporate debt instruments	-	24,237,088	-	24,237,088
- Associates and Joint venture	42,387,367	-	-	42,387,367
	<u>60,901,833</u>	<u>1,312,387,218</u>	<u>23,474,451</u>	<u>1,396,763,502</u>
----- Rupees in 000 -----				
	As at December 31, 2016 (Audited)			Total
	Level 1	Level 2	Level 3	
<b>Items carried at fair value</b>				
<b>Financial assets and liabilities</b>				
- Fully paid-up ordinary shares	19,023,342	-	-	19,023,342
- Real Estate Investment Trust units	391,320	-	-	391,320
- NIT units	-	58,828	-	58,828
- Federal Government securities	-	978,511,612	-	978,511,612
- Overseas Government securities	-	4,517,150	-	4,517,150
- Debentures and corporate debt instruments	-	19,842,795	-	19,842,795
- Unrealised gain on forward foreign exchange contracts	-	268,141	-	268,141
- Unrealised gain on derivative instruments	-	115,903	-	115,903
- Unrealised loss on forward foreign exchange contracts	-	1,232,680	-	1,232,680
- Unrealised loss on derivative instruments	-	10,804	-	10,804
<b>Non-financial assets</b>				
- Operating fixed assets	-	-	21,624,592	21,624,592
- Non-banking assets acquired in satisfaction of claims	-	-	2,383,392	2,383,392
<b>Items for which fair value is disclosed</b>				
- Federal Government securities	-	207,591,731	-	207,591,731
- Overseas Government securities	-	23,879,693	-	23,879,693
- Debentures and corporate debt instruments	-	18,638,546	-	18,638,546
- Associates and Joint venture	30,884,859	-	-	30,884,859
	<u>50,299,521</u>	<u>1,254,667,883</u>	<u>24,007,984</u>	<u>1,328,975,388</u>

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

Level 1 - 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 the determination of fair values within level 2 and level 3.

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Debentures and corporate debt instruments	Investment in debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in debt securities in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Units of mutual funds	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
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.
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly a qualitative disclosure of sensitivity has not been presented in this condensed unconsolidated financial information.

## 19 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the nine months ended September 30, 2017 (Unaudited)					Total
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	
	------(Rupees in million)-----					
Net mark-up income - external	(6,266)	13,563	46,779	5,552	(719)	58,909
Inter-segment revenue / (expense) - net	42,300	(9,333)	(35,685)	-	2,718	-
Non-funded income	9,438	2,236	5,906	2,832	2,865	23,277
Total Income	45,472	6,466	17,000	8,384	4,864	82,186
Total expenses including provision	19,285	(683)	1,335	9,135	13,061	42,133
Inter-segment administrative cost	9,074	1,325	257	950	(11,606)	-
Total expenses including provision	28,359	642	1,592	10,085	1,455	42,133
Extra ordinary / unusual item	-	-	-	-	23,717	23,717
Profit before tax	17,113	5,824	15,408	(1,701)	(20,308)	16,336
Segment return on assets %	0.92%	1.12%	0.99%	-0.44%	-12.09%	-
Segment cost of funds %	2.67%	4.90%	5.05%	1.33%	0.66%	-

As at September 30, 2017 (Unaudited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
------(Rupees in million)-----						
Segment assets (gross of provision)	440,233	485,405	1,265,025	308,320	94,464	2,593,447
Segment non-performing advances	9,329	42,991	-	15,346	182	67,848
Segment provision held including general provision	7,368	41,329	831	15,423	677	65,628
Inter-segment assets / (liabilities)	1,073,636	(138,787)	(1,022,732)	16,099	71,784	-
Segment liabilities and equity	1,506,501	305,289	241,462	308,996	165,571	2,527,819
For the nine months ended September 30, 2016 (Unaudited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
------(Rupees in million)-----						
Net mark-up income - external	(6,865)	13,269	48,534	5,832	(343)	60,427
Inter-segment revenue / (expense) - net	38,646	(8,510)	(33,444)	-	3,308	-
Non-funded income	8,227	2,233	3,740	2,796	1,606	18,602
Total Income	40,008	6,992	18,830	8,628	4,571	79,029
Total expenses including provision	17,865	106	598	7,254	12,553	38,376
Inter-segment administrative cost	8,756	1,283	249	917	(11,205)	-
Total expenses including provision	26,621	1,389	847	8,171	1,348	38,376
Profit before tax	13,387	5,603	17,983	457	3,223	40,653
Segment return on assets %	0.81%	1.37%	1.18%	0.11%	0.98%	-
Segment cost of funds %	2.86%	5.20%	5.16%	1.06%	0.70%	-
As at December 31, 2016 (Audited)						
	Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total
------(Rupees in million)-----						
Segment assets (gross of provision)	400,558	417,371	1,237,983	325,731	77,381	2,459,024
Segment non-performing advances	7,363	44,923	-	16,182	154	68,622
Segment provision held including general provision	7,224	42,272	285	14,948	512	65,241
Inter-segment assets / (liabilities)	1,028,724	(145,871)	(931,818)	(12,283)	61,248	-
Segment liabilities and equity	1,422,058	229,228	305,880	298,500	138,117	2,393,783
Segment gross earnings on liability / asset %	9.97%	10.10%	9.73%	3.67%	4.80%	-
Segment cost of funds %	5.20%	7.73%	8.83%	0.81%	1.26%	-

## 20 ISLAMIC BANKING BUSINESS

20.1	Statement of financial position	Note	(Unaudited) September 30, 2017	(Audited) December 31, 2016
(Rupees in '000)				
<b>ASSETS</b>				
	Cash and balances with treasury banks		10,989,026	6,183,359
	Due from financial institutions		2,114,839	7,458,102
	Investments		104,418,829	96,574,596
	Islamic financing and related assets	20.1.1	52,616,918	31,972,463
	Due from Head Office		4,472,886	-
	Other assets		1,078,553	499,088
			<u>175,691,051</u>	<u>142,687,608</u>
<b>LIABILITIES</b>				
	Bills payable		7,039	4,575
	Due to financial institutions		16,625,000	5,754,000
	Deposits and other accounts	20.1.2	148,858,088	124,292,123
	Due to Head Office		-	3,815,481
	Deferred tax liability		149,715	546,132
	Other liabilities		1,445,782	969,169
			<u>167,085,624</u>	<u>135,381,480</u>
<b>NET ASSETS</b>				
			<u>8,605,427</u>	<u>7,306,128</u>
<b>REPRESENTED BY</b>				
	Islamic Banking Fund		250,000	250,000
	Unappropriated profit		8,077,385	6,041,883
			<u>8,327,385</u>	<u>6,291,883</u>
	Surplus on revaluation of investments - net of deferred tax		278,042	1,014,245
			<u>8,605,427</u>	<u>7,306,128</u>

Commitments in respect of guarantees and letters of credit of the Islamic Banking Business amounted to Rs. 246.854 million (December 31, 2016: Rs. 281.916 million) and Rs. 3,898.647 million (December 31, 2016: Rs.382.059 million) respectively. Commitments in respect of forward purchase and sale transactions amounted to Rs. 3,506.191 million (December 31, 2016: Rs. 3,227.835 million) and Rs. 3,521.315 million (December 31, 2016:Rs. 860.338 million) respectively.

20.1.1	Islamic financing and related assets - net		(Unaudited) September 30, 2017	(Audited) December 31, 2016
(Rupees in '000)				
	Ijarah		1,557,817	852,607
	Murabaha		1,030,492	187,072
	Diminishing Musharaka		25,446,144	21,211,872
	Wakala		10,000,000	-
	Istisnah		-	439,155
	Advance for Ijarah		576,186	172,049
	Advance for Murabaha		3,242,768	3,714,525
	Advance for Diminishing Musharaka		561,000	98,006
	Advance for Istisnah		9,086,094	3,949,781
	Assets / Inventories		1,226,090	1,452,153
	Islamic financing and related assets - gross		<u>52,726,591</u>	<u>32,077,220</u>
	Provision against Islamic financing and related assets		(109,673)	(104,757)
	Islamic financing and related assets - net		<u>52,616,918</u>	<u>31,972,463</u>
20.1.2	<b>Deposits and other accounts</b>			
	Current accounts		38,390,877	34,805,992
	Savings accounts		82,849,845	67,581,654
	Term deposits		14,455,881	16,307,798
	Deposits from financial institutions - remunerative		3,053,195	5,530,268
	Deposits from financial institutions - non - remunerative		10,108,290	66,411
			<u>148,858,088</u>	<u>124,292,123</u>

20.2 Profit and Loss account	(Unaudited)	
	For the nine months ended	
	September 30, 2017	September 30, 2016
	(Rupees in '000)	
Profit earned	6,769,435	5,700,594
Profit expensed	<u>3,099,548</u>	<u>3,080,804</u>
Net profit earned	3,669,887	2,619,790
Depreciation on assets given on ijarah	<u>157,520</u>	<u>144,085</u>
Provision against financings	<u>4,915</u>	<u>-</u>
Net profit after depreciation and provisions	<u>162,435</u>	<u>144,085</u>
	<u>3,507,452</u>	<u>2,475,705</u>
<b>Other income</b>		
Fee, commission and brokerage income	<u>137,553</u>	<u>87,818</u>
Loss from dealing in foreign currencies	<u>(32,798)</u>	<u>(38,146)</u>
Gain on sale of securities	<u>9,849</u>	<u>-</u>
Others	<u>574</u>	<u>519</u>
Total other income	<u>115,178</u>	<u>50,191</u>
Administrative expenses	<u>3,622,630</u>	<u>2,525,896</u>
<b>Net profit for the period</b>	<u>491,088</u>	<u>480,674</u>
	<u>3,131,542</u>	<u>2,045,222</u>

## 21 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 20, 2017 has declared a cash dividend in respect of the quarter ended September 30, 2017 of Rs. NIL per share (September 30, 2016: 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.

## 22 GENERAL

Comparative figures have been re-arranged and reclassified for comparison purposes.

## 23 DATE OF AUTHORISATION FOR ISSUE

This condensed interim unconsolidated financial information was authorised for issue in the Board of Directors meeting held on October 20, 2017

Nauman K. Dar  
President and  
Chief Executive Officer

Rayomond Kotwal  
Chief Financial Officer

Agha Sher Shah  
Director

Shaffiq Dharamshi  
Director

Moez Ahamed Jamal  
Director



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