

HBL



More than Just a Bank

Half Yearly Report - June 30, 2018

Table of Contents

| | |
|--|----|
| Corporate Information | 2 |
| Condensed Interim Consolidated Financial Statements | 3 |
| Directors' Review - English | 4 |
| Directors' Review - Urdu | 7 |
| Condensed Interim Consolidated Statement of Financial Position | 11 |
| Condensed Interim Consolidated Profit & Loss Account | 12 |
| Condensed Interim Consolidated Statement of Comprehensive Income | 13 |
| Condensed Interim Consolidated Statement of Changes in Equity | 14 |
| Condensed Interim Consolidated Cash Flow Statement | 15 |
| Notes to the Condensed Interim Consolidated Financial Statements | 16 |
| Condensed Interim Unconsolidated Financial Statements | 33 |
| Directors' Review - English | 34 |
| Directors' Review - Urdu | 37 |
| Auditors' Review Report | 41 |
| Condensed Interim Unconsolidated Statement of Financial Position | 42 |
| Condensed Interim Unconsolidated Profit & Loss Account | 43 |
| Condensed Interim Unconsolidated Statement of Comprehensive Income | 44 |
| Condensed Interim Unconsolidated Statement of Changes in Equity | 45 |
| Condensed Interim Unconsolidated Cash Flow Statement | 46 |
| Notes to the Condensed Interim Unconsolidated Financial Statements | 47 |

Corporate Information

Board of Directors

Mr. Sultan Ali Allana
Chairman

Mr. Shaffiq Dharamshi
Director

Mr. Moez Ahamed Jamal
Director

Ms. Sadia Khan
Director

Mr. Salim Raza
Director

Dr. Najeeb Samie
Director

Mr. Agha Sher Shah
Director

Mr. Muhammad Aurangzeb
President & CEO

Chief Financial Officer

Mr. Rayomond Kotwal

Company Secretary

Ms. Neelofar Hameed

Legal Advisors

Mandviwalla and Zafar
Legal Consultants and Advocates

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Share Registrar

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

HBL Corporate Secretariat

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

Head Office

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

Registered Office

Habib Bank Limited
9th Floor, Habib Bank Tower,
Jinnah Avenue, Blue Area,
Islamabad, Pakistan.
Phone:(92-51) 2270856, (92-51) 2821183
Fax: (92-51) 2872205

Websites:

Corporate Website:
www.hbl.com

Internet Banking:
www.hblbank.com.pk



Condensed Interim Consolidated Financial Statements

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim consolidated financial statements for the half year ended June 30, 2018.

Domestic Economy

Pakistan's growth trajectory continued in FY18 with a thirteen-year high GDP growth of 5.8%. Real economic activity maintained its momentum from the previous year; the agriculture, industry and services sectors all delivered an improved performance with LSM growth of 6% during 1H FY18. Average inflation remained contained, and well below targeted levels at 3.9%; however, the trend is changing rapidly as headline inflation for June 2018 reached 5.2% and positive developments on the growth front remain tempered by a sharp deterioration in the twin deficits, intensifying the economic challenges.

After declining in FY17, a strong export recovery of 13% has been more than offset by the sheer size of the import bill which, driven by rising oil prices and a strong demand for productive imports, grew by 15%. Consequently, the trade deficit widened by 16% to over USD 31 billion. Although the declining trend in remittances was arrested, growth remained elusive with remittances not even recovering to their FY16 levels. The current account deficit increased by 43% to USD 18 billion which, at 5.7% of GDP, is an all-time high. With limited financial account inflows, FX reserves continued to decline, falling by 23% during the fiscal year to USD 16.4 billion. The Rupee has been under severe pressure with four devaluations since December 2017 eroding its value by 15%.

The fiscal deficit, which was budgeted to reduce to 4.1% of GDP, has instead increased further, and is estimated at 6.8% compared to 5.8% in FY17. Despite provisional estimates of an 11% increase in tax collection over the previous year, shortfalls to revenue targets remain. The response from the tax amnesty scheme has been below expectations, although there is some expectation that the resultant widening of the tax base would result in higher future tax revenue.

The precarious external account has led international rating agencies to take a more critical view on Pakistan. While affirming the country's B3 ratings, Moody's downgraded its Outlook from Stable to Negative citing dwindling foreign reserves, the burgeoning current account deficit and declining access to external financing. Fitch maintained its Outlook at Negative, highlighting largely similar concerns.

The uncertainty created by the political situation in the run up to the elections had led to the stock market being bearish for an extended period, with a net outflow of over USD 100 million in foreign portfolio investment in 2018. Equities have recovered somewhat post the elections, with the PSX rallying by 3.3% to post a gain of 5% since the start of the year.

In its July monetary policy statement, the SBP increased the policy rate by 100 bps to 7.5%, the first increase of this magnitude since 2008. The reversal of the interest rate cycle is now in full swing with three hikes in 2018. The SBP cited pressure on the external account and highlighted risks to macroeconomic stability from the substantial fiscal deficit, higher oil imports and rising inflationary pressures. Private sector credit offtake increased by over Rs 800 billion (18%) in FY18, a significant improvement over the Rs 697 billion growth in FY17. Banking sector advances have increased by 14% over December 2017, while deposits rose by 6%. Average banking spreads compressed by 17 bps compared to the same period last year as the rate increases during the first half of the year will only have a lagged effect on asset yields.

Performance

HBL's domestic business continued its growth momentum, with deposits increasing by 8% over December 2017 to nearly Rs 1.9 trillion, and market share rising to 14.4%. In this period, the Bank added Rs 119 billion in domestic CASA deposits, further improving the CASA ratio to 86.6% as at June 30, 2018. The growth momentum in current deposits delivered a 9.8% growth in just six months. Current accounts reached nearly Rs 690 billion and their share in the deposit mix improved by 70 bps to 36.3% in June 2018. With a renewed focus on quality lending growth, HBL's domestic loan book increased by 13% over December 2017 with corporate loans, Islamic financing and consumer lending making key contributions.

HBL's reported financial performance remains impacted by the revision in pension costs, the impact of the multiple currency devaluations on overseas borrowings and the remediation, legal and regulatory costs related to the Bank's New York branch. In addition, the accelerated shrinkage in the international balance sheet has resulted in significantly reduced revenues and while the cost profile has improved, further reductions will be gradual. As a result, HBL's profit before tax for the first six months of 2018 is Rs 14.1 billion. Profit after tax for the same period is Rs 8.1 billion, with earnings per share for H1'18 at Rs 5.42.

Average domestic loans for H1'18 grew by 28% over H1'17, with all businesses registering significant increases, and average domestic current accounts for the first six months of 2018 increased by 15% over H1'17. This improvement in the Balance Sheet composition more than alleviated the lower spread which declined by 30 bps YoY, as a result of lower investment yields. Domestic net interest income for H1'18 is thus 1% higher than for the first six months of 2017. However, with international revenues under pressure, HBL's total net interest income reduced by 3% YoY to Rs 40.3 billion.

Core FX income improved by 10% as Trading revenues delivered a strong performance. Domestic fee income rose by 8% over H1'17, excluding the impact of the expected drop in revenue from home remittances, as volumes have fallen by over 70%. Account operations, consumer finance and card related fees were key contributors to the growth in fees and commissions. The strong core domestic performance was impacted by a Rs 1.0 billion reduction in fees and commissions from the international business and by the drop in the Rupee which resulted in a loss of Rs 2.5 billion on revaluation of overseas borrowings. Total non mark-up income is therefore reported at Rs 10.7 billion, Rs 5.7 billion lower than in H1'17.

The Bank has embarked on a global business and compliance transformation project through which it intends to raise its operations and customer service to world-class levels. HBL will continue to invest in this area, in state of the art technology, and in building on its market leading brand presence. Excluding the impact of pensions, and the ongoing costs of New York and business transformation, the growth in administrative expenses was contained at single digits. A positive recovery stream has led to a Rs 2.7 billion reduction in domestic non-performing loans, while overseas NPLs have increased as a result of the currency devaluation. Consequently, loan provisions have recorded a reversal of Rs 240 million, compared to a provision of Rs 564 million in H1'17. With stable NPLs, the coverage ratio strengthened to 91.7% and the infection ratio, down to 7.6%, is at its lowest level since the privatization of the Bank.

Movement of Reserves

| | Rs million |
|--|----------------|
| Unappropriated profit brought forward - restated | 96,974 |
| Profit attributable to equity holders of the Bank | 7,943 |
| Re-measurement gain on defined benefit obligations – net | 287 |
| Share of re-measurement loss on defined benefit obligations of associate - net | (4) |
| Transferred from surplus on revaluation of assets – net of tax | 30 |
| | 8,256 |
| Profit available for appropriations | 105,230 |
| Appropriations | |
| Transferred to statutory reserves | (869) |
| Cash Dividend – Final 2017 | (1,467) |
| Cash Dividend – 1st Interim 2018 | (1,467) |
| Capital contribution to statutory funds of associates | (0) |
| | (3,803) |
| Unappropriated profit carried forward | 101,427 |
| Earnings per share (Rupees) | 5.42 |

Capital Ratios

In June 2018, HBL was designated as a Domestic Systemically Important Bank (D-SIB) and is the only bank in the highest category "C", which requires the Bank to reserve an additional Tier 1 capital of 2% of Risk Weighted Assets. With this in mind, HBL continues to follow a conservative dividend policy and optimize its Risk Assets. As a result, the Capital Adequacy Ratios continued to improve – the Tier 1 CAR rose by 79 bps from December 2017 to reach 12.8% and the total CAR crossed the 17% mark, increasing by 115 bps to 17.1%.

Dividend

The Board of Directors, in its meeting held on August 2, 2018 has declared an interim cash dividend of Rs 1.00 per share (10%) for the quarter ended June 30, 2018. This is in addition to the interim cash dividend of Rs 1.00 per share (10%) already declared and paid for the first quarter ended March 31, 2018.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively with the rating of its subordinated debt also at AA+. The ratings are supported by HBL's strong momentum in its domestic business, improving asset quality, healthy capitalization ratios and strong liquidity profile and reflect the systemic importance of the Bank.

Future Outlook

The twin deficits that have plagued Pakistan's economy had been managed down but have returned in full force. The increasing headwinds on the economic front pose major risks with even the most optimistic reports indicating a slowdown in GDP growth. A sustained economic recovery will be heavily dependent on real structural reforms, diversifying the export base to buildup foreign reserves and a significant widening of the tax net while exercising fiscal discipline. Average headline inflation is projected at 6-7% in FY19; nevertheless, the SBP expects healthy growth in private sector credit to continue, driven by higher working capital requirements on the back of increasing exports.

Some of the downsides that have affected the half yearly reported results are expected to persist for the medium term. However, HBL's domestic business remains on its growth trajectory and the Bank's capital is now at its highest in several years. This will enable it to pursue its objectives of playing a leading role in financing Pakistan's development, furthering financial inclusion of the country's population and expanding the digital retail payments infrastructure.

Appreciation and Acknowledgement

We would like to place on record, our appreciation for 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.

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. We assure them that we remain committed to maintaining the highest standards and a strong culture of good corporate governance and compliance in all our endeavors. We 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

Muhammad Aurangzeb
President & Chief Executive Officer
August 2, 2018

ڈائریکٹر جائزہ

محضے بورڈ آف ڈائریکٹر زکی جانب سے 30 جون 2018ء کو ختم ہونے والی پہلی ششماہی کے مختصر عوری جامع مالیاتی گوشوارے پیش کرتے ہوئے مرت ہو رہی ہے۔

مکمل معیشت

پاکستانی معیشت کے اضافہ کا سفر مالی سال 2018ء میں بھی جی ڈی پی میں اضافہ کی تیرہ سالہ بلند شرح 5.8 فیصد کے ساتھ جاری رہا۔ گزشتہ برس سے جاری حقیقی معاشی سرگرمی کی رفتار برقرار رہی اور روزگار، صنعت اور خدمات سمیت تمام شعبوں نے بہتر کارکردگی کا مظاہرہ کیا جبکہ لارج اسکیل مینی پیچنگ میں مالی سال 2018ء کے گلزارہ ماہ میں اضافہ کی شرح 6 فیصد رہی۔ افراطی اور خواک کی قیتوں میں رہی جو 3.9 فیصد کے طشدہ ہدف سے خاصی کمتر رہی تاہم اس رجحان میں تبدیلی ہو رہی ہے کیونکہ تو انائی اور خوارک کی قیتوں میں اضافہ کی شرح جون 2018ء میں 5.2 فیصد تک پہنچ گئی جبکہ اضافہ کے محاذ پر ثابت سرگرمیوں میں جزو اخساروں میں تیز خرابی کے باعث معاملات میں فرق آیا جس کی وجہ سے معاشی چیلنجز کی شدت میں اضافہ ہوا۔

2017ء میں زوال کے بعد برآمدات میں 13 فیصد کے حساب سے مضمبوط اضافہ ہوا تاہم اس اضافہ کے ثبت اثرات کو درآمدی بل میں ہونے والے 15 فیصد اضافہ نے دھن دادیا جس میں پڑول کی بڑھتی ہوئی قیتوں اور پیداواری درآمدات کی شدت شامل ہیں۔ نتیجتاً تجارتی خسارہ 16 فیصد اضافہ کے ساتھ بڑھ کر 31 ارب امریکی ڈالر سے زائد ہو گیا۔ اگرچہ تجارتی خسارے میں اضافہ کے رجحان کو تریلاتِ زر کے باعث کچھ فرق پڑا تاہم تریلاتِ زر میں 2016ء کی سطح تک بحالی نہ ہونے کے باعث یہ فرق بھم ہی رہا۔ کرنٹ اکاؤنٹ کا خسارہ 43 فیصد اضافہ کے ساتھ بڑھ کر 18 ارب امریکی ڈالر ہو گیا جو جی ڈی پی کے 5.7 فیصد کی شرح سے کسی بھی وقت کا بلند ترین اضافہ ہے۔ مالی کھاتے میں فوری مگر حدود اندر ونی بہاؤ میں اضافہ ہوا تاہم زر مبادلہ کے ذخائر میں کمی کا رجحان جاری رہا جو مالی سال میں 23 فیصد گراوٹ کے ساتھ 16.4 ارب امریکی ڈالر ہو گیا۔ پاکستانی روپیہ اپنی قدر میں دسمبر 2017ء سے چار مرتبہ کی کے باعث شدید باؤ کاشکارہ جس سے اس کی قوت 15 فیصد کم ہو گئی۔

مالی خسارہ جسے کم کر کے بجٹ میں جی ڈی پی کے 4.1 فیصد پر رکھا گیا تھا تاہم اس کے برعکس اس میں اضافہ ہی ہوا جس کا تخمینہ مالی سال 2017ء کے 5.8 فیصد کے مقابل 6.8 فیصد کیا جا رہا ہے۔ محصولات کی وصولیوں میں گزشتہ برس کے مقابلے میں 11 فیصد کے عبوری اضافے کا تخمینہ ہے تاہم وصولیوں کے اہداف میں کمی پائی جاتی ہے۔ ٹکس ایمنٹی اسکیم میں ریپانس توقعات سے کم رہا ہے اگرچہ اس امر کی کچھ توقع کی جا رہی ہے کہ ٹکس کی بنیاد میں ہونے والا اضافہ مستقبل میں محصولات میں اضافے کا باعث ہو گا۔

بیرونی کھاتے میں موجود بے یقینی کے باعث میں الاقوامی رینگ کے اداروں نے پاکستان کا مزید تنقیدی جائزہ لیا ہے۔ Moody's نے اگرچہ ملک کی B3 رینگ کی تقدیم کی ہے تاہم اس نے مستقبل کے آٹھ لکھ میں مشتمل منقی کر دیا ہے جس کی وجوہات اس نے کم ہوتے ہوئے زر مبادلہ کے ذخائر تیزی کے ساتھ بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے اور بیرونی مالیات تک کم ہوتی رسائی کو قرار دیا ہے۔ Fitch نے آٹھ لکھ منقی برقرار رکھا ہے جبکہ ایسی ہی تشویش کو نمایاں کیا ہے۔

ایکشن سے قبل پیدا ہونے والی غیر یقینی سیاسی فضاء کے باعث اسٹاک مارکیٹ میں عرصہ دراز تک گراوٹ کا رجحان رہا جس کے نتیجے میں 2018ء میں بیرونی پورٹ فلیوسر مایکاری میں 100 ملین امریکی ڈالر سے زائد خالص بہاؤ ریکارڈ کیا گیا۔ تاہم حصہ بازار میں ایکشن کے بعد قدرے بحالی دیکھنے میں آئی اور پاکستان اسٹاک ایچنچ میں 3.3 فیصد اضافہ کی تیزی کے باعث گزشتہ برس سے 5 فیصد کا نفع ریکارڈ کیا گیا۔

اسٹیٹ بینک نے اپنے جو لوائی کے مالیاتی پالیسی بیان میں پالیسی ریٹ میں 100 bps کا اضافہ کر دیا جو 7.5 فیصد ہو گیا اور اس جم کا 2008ء کے بعد سے یہ سب سے بڑا اضافہ ہے۔ انٹرست ریٹ سائیکل میں ریورسل اب پورے زور میں ہے جس سے 2018ء میں تین مرتبہ اضافہ ہو چکا ہے۔ اسٹیٹ بینک نے بیرونی کھاتے پر دباؤ کو اس کا سب قرار دیتے ہوئے ایک بڑے مالیاتی خسارے سے میکرو اکنامک استحکام کو لاحق ہونے والے خطرات کو نمایاں کیا ہے جن

کے پروویژن میں 240 ملین کاریورسل ریکارڈ کیا گیا جبکہ 2017ء کی پہلی ششماہی میں پروویژن 564 ملین تھے۔ محتکم غیر متحرک قرضہ جات کے ساتھ کورٹ نے ریشومنضبوط ہو کر 91.7 فیصد ہو گیا جبکہ انسپکشن ریشومنضبوط ہو کر 7.6 فیصد ہو گیا جو کہ بینک کی نجکاری سے لے کر آج تک کم کم ترین سطح ہے۔

ریزروز کی تفصیلات

ملین روپے

| |
|----------------|
| 96,974 |
| 7,943 |
| 287 |
| (4) |
| 30 |
| 8,256 |
| 105,230 |

مناسب کارروائی کے لیے دستیاب منافع

افتتاحی غیر تخصیص شدہ منافع۔ تبدیل شدہ
بینک ایکوئی کے حامل افراد کے لیے قبل ادا یگی منافع
وضاحت شدہ منفعت کی ذمہ داریوں پر نفع کی دوبارہ پیمائش۔ خالص
ایسوی ایمس کےوضاحت شدہ منفعت کی ذمہ داریوں پر لفظان کی دوبارہ پیمائش کا حصہ۔ خالص
اثاثہ جات کی دوبارہ تشخیص پر سرپلس سے منتقل شدہ محصول کا خالص

| |
|----------------|
| (869) |
| (1,467) |
| (1,467) |
| (0) |
| (3,803) |

| |
|----------------|
| 101,427 |
| 5.42 |

اختتامی غیر تخصیص شدہ منافع

نی حصص (شیر) آمدنی (روپے)

کمپیلر ریشیوز

جون 2018ء میں ایچ بی ایل کو ایک ملکی انتظامی طور پر اہم بینک (Domestic Systematically Important Bank) تجویز کیا گیا ہے اور یہ بالاترین کیمپیلری "C" میں واحد بینک ہے جس کے باعث بینک کو ایک اضافی Tier 1 کے طور پر رسک و یئنڈ اٹھاٹ کا 2 فیصد سرمایہ رکھنا ہے۔ اس امر کو زہن میں رکھتے ہوئے جیبی بینک کو ایک کنزرویٹو ڈویڈنڈ پالیسی پر عمل اور رسک اٹھاؤں کو بالاترین رکھنا ہوتا ہے۔ نتیجے کے طور پر کمپیلر ایکیسی ریشومنضبوط (CAR) کی طرف گامزن ہیں۔ Tier 1 میں دس برس سے 12.8 Bps اضافے سے 115 bps (CAR) اضافے سے 17 فیصد کی سطح کو عبور کرتے ہوئے 17.1 فیصد ہو گیا۔

منافع منقسمہ

بوروڈ آف ڈائریکٹری نے 2 اگست 2018ء کو منعقد ہونے والے اپنے اجلاس میں 30 جون 2018ء کو ختم ہونے والی سہہ ماہی کے لئے 1 روپے فی شیر (10 فیصد) کے حساب سے عبوری نقد منافع (Dividend) کا اعلان کیا ہے۔ یہ عبوری نقد منافع، جو 1 روپے فی شیر (10 فیصد) کے حساب سے 31 مارچ 2018ء کو ختم ہونے والی اول سہہ ماہی کے لئے پہلے ہی اعلان اور ادا کیا جا چکا ہے کے علاوہ ہے۔

میں پڑوں کی بڑھتی ہوئی درآمدات اور بڑھتے ہوئے افراط زرکار دباو شامل ہیں۔ نجی شعبہ کا آف میک مالی سال 2018ء میں 800 ارب یعنی 18 فیصد تک بڑھ گیا جو 2017ء کے مالی سال کے 697 ارب روپے کے مقابل ایک بہت اچھی بہتری ہے۔ بیننگ سیکٹر کے قرضہ جات دسمبر 2017ء کے مقابل 14 فیصد بڑھ گئے جبکہ ڈپاٹس میں 6 فیصد اضافہ ہوا۔ اوسط بینکاری کی شرح منافع پچھلے سال سے 17 bps کم رہی چونکہ بڑھتی ہوئی شرح سود کے اثرات آئندہ مرتب ہوئے۔

کارکردگی

اتجہبی ایل کے ملکی کاروبار نے اپنے اضافے کی رفتار کو برقرار رکھتے ہوئے دسمبر 2017ء کے مقابل ڈپاٹس میں 8 فیصد زائد اضافہ کیا جو تقریباً 1.9 کھرب روپے ہو گئے اور مارکیٹ شیر بڑھ کر 4.4 فیصد ہو گیا۔ اس عرصے میں بینک نے ملکی CASA ڈپاٹس میں 119 ارب روپے اضافہ کیا جس سے CASA ریشو 30 جون 2018ء کو مزید بہتر ہو کر 86.6 فیصد ہو گیا۔ اضافے کی رفتار و رجحان کرنٹ اکاؤنٹس میں بھی بہتر رہی جس سے صرف 6 ماہ میں 9.8 فیصد اضافہ ہو گیا۔ کرنٹ اکاؤنٹس 90 ارب روپے کے قریب پہنچ گئے اور ان کا شیر ڈپاٹس مرکب میں 70 bps اضافے سے جون 2018ء میں 36.3 فیصد ہو گیا۔ معیاری قرضہ جات کی ترقی کی توجہ کو مرکوز رکھتے ہوئے اتجہبی ایل کے مقامی قرضہ جات میں دسمبر 2017ء کے مقابل 13 فیصد کا اضافہ ہوا جبکہ کارپوریٹ قرضہ جات، اسلامک فائناںنگ اور کنزیومر قرضہ جات کلیدی شراکت دار ہیں۔

اتجہبی ایل کی رپورٹ کی گئی کارکردگی میں پیشنا لگت میں نظر ثانی، متعدد مرتبہ کرنٹ ڈی ولیوایشن کے سمندر پار سے لئے گئے قرضہ جات پر اثرات اور ریکیڈی ایشن، بینک کی نیویارک براجی کے قانونی اور یوگی طریقے کے زیر اثر رہی۔ مزید برآں بین الاقوامی بینس شیٹ میں بر قرقارگراوٹ کے نتیجے میں آمدنی میں معنی خیز کی ہوئی ہے جبکہ کاست پروفائل بہتر ہو گئی ہے لیکن اس میں مزید کمی بتدریج ہو گی۔ نتیجتاً اتجہبی ایل اکسل ایکس منافع 2018ء کی پہلی ششماہی میں 14.1 ارب روپے ہے۔ بعد از ایکس منافع اسی مدت میں 8.1 ارب روپے کے ساتھ 2018ء کی اول ششماہی کے لئے فی شیر آمدنی 5.42 روپے ہے۔

اوسط ملکی قرضہ 2018ء کی اول ششماہی میں 2017ء کی اول ششماہی کے مقابل 28 فیصد بڑھ گئے جس میں تمام کاروبار میں معنی خیز اضافہ ریکارڈ کیا گیا اور اوسط ملکی کرنٹ اکاؤنٹ 2018ء کے پہلے 6 ماہ کے لئے 2017ء کی پہلی ششماہی کے مقابل 15 فیصد بڑھ گئے۔ بینس شیٹ کمپوزیشن میں اس بہتری نے کمتر اسپریڈ کے اثرات کو گھٹادیا جو سال برسال 30 گھٹ گیا جو کہ سرمایہ کاری میں کمتر آمدن کا نتیجہ ہے۔ پس 2017ء کے اول 6 ماہ کے عرصہ کے مقابل ملکی خالص انٹرست اکم 2018ء کی اول ششماہی میں 1 فیصد زیادہ ہے۔ تاہم بین الاقوامی آمدنی زیر دباؤ رہنے کی وجہ سے اتجہبی ایل کی کل خالص انٹرست آمدن سال برسال 3 فیصد کم ہو کر 40.3 ارب روپے ہو گئی۔

بنیادی زر مبالغہ آمدنی میں 10 فیصد بہتری رہی کیونکہ تجارتی آمدنی نے ایک مضبوط کارکردگی کا مظاہرہ کیا۔ ملکی فیس کی آمدن 2017ء کی پہلی ششماہی کے مقابل 8 فیصد بڑھ گئی جس میں گھروں کو بھی جانے والی ترسیلات میں متوقع کی کے اثرات شامل نہیں ہیں کیونکہ ان کے جم میں 70 فیصد سے زائد کی واقع ہو گئی ہے۔ فیس اور کمیشن میں اضافہ کی اہم وجہات میں اکاؤنٹ آپریشن، کنزیومر فائناںنگ اور کارڈ سے متعلق فیس میں اضافہ شامل ہیں۔ مضبوط بنیادی ملکی کارکردگی پر بین الاقوامی کاروبار میں فیس اور کمیشن میں 1 ارب روپے کی کمی اثر انداز ہوئی جبکہ روپے کی قدر میں کمی کے اثرات کی وجہ سے تاتھ سمندر پر قرضہ جات کی از سرفونقدرتی کرنے کے باعث 2.5 ارب نقصان ہوا۔ لہذا ان مارک اپ آمدن 10.7 ارب روپے رپورٹ کی گئی ہے جو 2017ء کی اول ششماہی سے 5.7 ارب روپے کم ہے۔

بینک نے گلوبن بنس اور کمپلائنس ٹرانسفارمیشن کے پروجیکٹ پر کام کا آغاز کر دیا ہے جس کے ذریعے اس کا ارادہ اپنے آپریشن اور گاہوں کی خدمات کے معیار کو عالمی سطح تک لے جانا ہے۔ اتجہبی ایل اس میدان میں سرمایہ کاری جاری رکھے گا جس کے تحت اسٹیٹ آف دی آرٹ ٹینکنالوجی حاصل کی جا رہی ہے اور مارکیٹ میں قائدانہ برائٹ کی حیثیت موجودگی کی برقراری پر کام جاری رہے گا۔ پیشہ کے اثرات اور نیویارک براجی کی جاری لاغت اور بنس ٹرانسفارمیشن کے مساوی انتظامی اخراجات میں اضافہ کو واحد ہندسے تک محدود رکھا گیا ہے۔ ایک ثابت بحالی کے مستقل عمل سے ملکی غیر متحرک قرضہ جات میں 12 ارب روپے کی کمی ہے جبکہ سمندر پار غیر متحرک قرضہ جات میں کرنٹ کی قدر میں کمی کے باعث اضافہ ہوا ہے۔ ان تمام عوامل کے نتیجے میں قرضوں

کریڈٹ ریٹنگ

بینک کی کریڈٹ ریٹنگ کی JCR-VIS AAA/A+ AA+ AR کمی ہے۔ ان ریٹنگ کو ایچ بی ایل کے ملکی کاروبار میں مستخدم رفتار کا کردگی، انشاد جات کی کواٹی میں بہتری، سخت مند کپیٹائزیشن کے ریشوز اور مضبوط لکیوڈ یٹی پروفائل سے مدد ملی ہے اور یہ بینک کی باقاعدہ نظام کے تحت بہتری کی عکاس ہے۔

مستقبل کی صورتحال

جزوال خسارے جنہوں نے پاکستانی معیشت کو متاثر کیا ہوا ہے ان میں کسی حد تک انتظامی کوششوں سے کمی ہو گئی تھی تاہم وہ اب پوری قوت سے پلت آئے ہیں۔ معاشی محاذ پر باہمی اختلاف بڑے خدشات لئے ہوئے ہے حتیٰ کہ خوش گمان ترین رپورٹس بھی جی ڈی پی میں اضافے کو مزید سست رفارہ جانے کی نشاندہی کر رہی ہیں۔ ایک پائیدار معاشی بحالی کا زیادہ تر انحصار حقیقی اسٹرپکرل اصلاحات پر ہی ہو گا جس کے مطابق زریں مبادله کے ذخیرے میں اضافے کے لئے برآمدات کی بنیادوں کو مختلف النوع بنانا ہو گا اور یہیں نیٹ میں معنی خیز وسعت پیدا کرنا ہو گی جس کے ساتھ ساتھ مالی نظم و ضبط بھی قائم رکھنا ہو گا۔ اوسط خوارک و تونانی پرمنی افراط از 2019ء کے لئے 6-7 فیصد تک رہنے کا تخمینہ ہے اس کے باوجود اسٹیٹ بینک کوئی شعبہ کے کریڈٹ کے تسلسل کی توقع ہے جس کی بنیاد بڑھتی ہوئی برآمدات کی وجہ سے جنم لینے والی بلند تر عامل سرمایہ کی ضروریات ہیں۔

غیر افادی امور جنہوں نے ششماہی نتائج پر منفی اثرات مرتب کئے ہیں ان کی درمیانی مدت میں مسلسل رہنے کی توقع ہے۔ تاہم ایچ بی ایل کا ملکی کاروبار بدستور اضافے کی راہ پر گامزن ہے اور بینک کا سرمایہ اس وقت متعدد برسوں کی بلند ترین سطح پر ہے۔ ان امور کے باعث بینک اس حیثیت میں ہے کہ وہ پاکستان کی مالیاتی ترقی کے ضمن میں اپنے قائدانہ کردار کو برقرار رکھنے کے مقاصد اور ملک کی آبادی کو مالی طور پر شریک عمل رکھے اور خودہ قیمتیوں کی ڈیجیٹل ادائیگی کے انفراسٹرکچر کو توسعہ دیتا رہے۔

تشکر و امتنان

ہم اپنے ریگولیٹری اور حکومت پاکستان کی کاوشوں کی ستائش ریکارڈ پر رکھنا چاہتے ہیں باخصوص وزارتِ مالیات، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایچیجن کمیشن آف پاکستان کی جانب سے رہنمائی و حمایت اور بیننگ اور مالیاتی خدمات کے شعبہ میں ریگولیٹری اور انتظامی فریم ورک میں مسلسل بہتری کے ذریعے ترقی و استحکام کے لئے کی گئی کوششوں کو سراہتے ہیں۔

بورڈ اور انتظامیہ کی جانب سے ہم اس موقع پر اپنے کمیٹر کے کاروباری اعتماد اور اپنے حصص یافتگان کی حمایت اور اعتماد کیلئے اظہار تشکر کرتے ہیں۔ ہم انہیں یقین دلاتے ہیں کہ ہم اپنی تمام کاوشوں میں اعلیٰ ترین معیارات اور اچھے کارپوریٹ انتظام اور اصول و قواعد کی مطابقت کے لئے کچھ کے استمار کے لئے عزم صمیم پر قائم ہیں۔ ہم اپنے ملازمین کی ایچ بی ایل کی ترقی کے ضمن میں کی گئی تمام کاوشوں کا بھی اعتراف کرتے ہیں اور ان کے عزم و وابستگی کا شکریہ ادا کرتے ہیں۔

منجانب بورڈ

محمد اورنگزیب
صدر اور چیف ایگزیکیوٹیو فیسر
2 اگست 2018ء

Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2018

| | Note | (Unaudited) June 30, 2018 (Rupees in '000) | (Audited) December 31, 2017 (Restated) |
|---|------|---|---|
| ASSETS | | | |
| Cash and balances with treasury banks | | 242,017,177 | 246,043,030 |
| Balances with other banks | | 37,752,236 | 40,804,269 |
| Lendings to financial institutions | | 51,797,014 | 33,900,345 |
| Investments | 6 | 1,355,163,121 | 1,374,807,643 |
| Advances | 7 | 934,613,810 | 851,502,420 |
| Operating fixed assets | 8 | 66,253,503 | 62,792,843 |
| Deferred tax asset | | 291,354 | - |
| Other assets | | 77,083,684 | 74,251,149 |
| | | 2,764,971,899 | 2,684,101,699 |
| LIABILITIES | | | |
| Bills payable | | 36,563,340 | 33,752,219 |
| Borrowings | 9 | 333,499,265 | 397,802,667 |
| Deposits and other accounts | 10 | 2,117,500,540 | 1,998,935,057 |
| Subordinated loan | | 9,992,000 | 9,994,000 |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liability | | - | 971,368 |
| Other liabilities | | 71,364,969 | 53,830,894 |
| | | 2,568,920,114 | 2,495,286,205 |
| NET ASSETS | | | |
| | | 196,051,785 | 188,815,494 |
| REPRESENTED BY: | | | |
| Shareholders' equity | | | |
| Share capital | | 14,668,525 | 14,668,525 |
| Reserves | | 57,775,747 | 52,266,420 |
| Unappropriated profit | | 101,426,904 | 96,974,143 |
| Total equity attributable to the equity holders of the Bank | | 173,871,176 | 163,909,088 |
| Non-controlling interest | | 3,747,509 | 3,487,281 |
| Surplus on revaluation of assets - net of tax | 11 | 18,433,100 | 21,419,125 |
| | | 196,051,785 | 188,815,494 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 12 | | |

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

Muhammad Aurangzeb
**President &
Chief Executive Officer**

Raymond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2018

| | Note | January 01 to June 30, 2018 | January 01 to June 30, 2017 | April 01 to June 30, 2018 | April 01 to June 30, 2017 |
|--|------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| | | ----- (Rupees in '000) ----- | | | |
| Mark-up / return / profit / interest earned | 13 | 75,529,214 | 72,302,748 | 38,506,163 | 37,370,623 |
| Mark-up / return / profit / interest expensed | 14 | 35,246,628 | 30,901,318 | 18,187,080 | 16,095,204 |
| Net mark-up / return / profit / interest income | | 40,282,586 | 41,401,430 | 20,319,083 | 21,275,419 |
| (Reversal) / provision against advances | 7.2 | (243,186) | 564,059 | (87,004) | 420,749 |
| Provision / (reversal) against off-balance sheet obligations | | 2,671 | (50,233) | 37,962 | (8,251) |
| Provision for diminution in the value of investments | 6.2 | 261,808 | 647,522 | 275,426 | 427,348 |
| Bad debts written off directly | | - | - | - | - |
| | | 21,293 | 1,161,348 | 226,384 | 839,846 |
| Net mark-up / return / profit / interest income after provisions | | 40,261,293 | 40,240,082 | 20,092,699 | 20,435,573 |
| Non mark-up / interest income | | | | | |
| Fee, commission and brokerage income | | 9,217,467 | 10,201,162 | 4,708,584 | 5,407,682 |
| Dividend income | | 495,686 | 685,752 | 326,010 | 507,785 |
| Share of profit of associates and joint venture | | 1,658,780 | 1,902,826 | 594,242 | 644,083 |
| (Loss) / income from dealing in foreign currencies | | (1,041,947) | 1,315,735 | (384,782) | 646,101 |
| Gain on sale of securities - net | | 329,735 | 1,904,872 | 229,507 | 629,459 |
| Unrealized (loss) / gain on held-for-trading securities | | (53,594) | (23,641) | (8,006) | 20,460 |
| Other income | | 136,544 | 447,022 | 112,591 | 264,785 |
| Total non mark-up / interest income | | 10,742,671 | 16,433,728 | 5,578,146 | 8,120,355 |
| | | 51,003,964 | 56,673,810 | 25,670,845 | 28,555,928 |
| Non mark-up / interest expense | | | | | |
| Administrative expenses | 15 | 36,190,457 | 28,353,537 | 18,466,411 | 14,589,868 |
| Other provisions / write offs - net | | 107,823 | 66,299 | 14,222 | 28,774 |
| Other charges | | 309,220 | 507 | 303,116 | 406 |
| Workers' Welfare Fund | | 267,883 | 536,291 | 128,174 | 272,290 |
| Total non mark-up / interest expenses | | 36,875,383 | 28,956,634 | 18,911,923 | 14,891,338 |
| Profit before taxation | | 14,128,581 | 27,717,176 | 6,758,922 | 13,664,590 |
| Taxation | | | | | |
| - Current | | 5,969,396 | 10,242,626 | 3,490,541 | 5,330,377 |
| - Prior years | | - | 2,072,385 | - | 2,072,385 |
| - Deferred | | 31,110 | (274,955) | (172,050) | (335,571) |
| | | 6,000,506 | 12,040,056 | 3,318,491 | 7,067,191 |
| Profit after taxation | | 8,128,075 | 15,677,120 | 3,440,431 | 6,597,399 |
| Attributable to: | | | | | |
| Equity holders of the Bank | | 7,943,396 | 15,494,600 | 3,360,223 | 6,462,233 |
| Non-controlling interest | | 184,679 | 182,520 | 80,208 | 135,166 |
| | | 8,128,075 | 15,677,120 | 3,440,431 | 6,597,399 |
| Basic and diluted earnings per share | | 5.42 | 10.56 | 2.29 | 4.41 |

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2018

| | January 01 to June 30, 2018 | January 01 to June 30, 2017 | April 01 to June 30, 2018 | April 01 to June 30, 2017 |
|---|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| | ----- (Rupees in '000) ----- | | | |
| Profit after taxation for the period attributable to: | | | | |
| Equity holders of the Bank | 7,943,396 | 15,494,600 | 3,360,223 | 6,462,233 |
| Non-controlling interest | 184,679 | 182,520 | 80,208 | 135,166 |
| | 8,128,075 | 15,677,120 | 3,440,431 | 6,597,399 |
| Other comprehensive income / (loss) | | | | |
| <i>Items that may be reclassified to the profit and loss account in subsequent periods</i> | | | | |
| Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net, attributable to: | | | | |
| Equity holders of the Bank | 4,659,857 | 550,828 | 1,326,368 | 334,908 |
| Non-controlling interest | 75,549 | 54,168 | (17,210) | 40,970 |
| | 4,735,406 | 604,996 | 1,309,158 | 375,878 |
| Share of exchange translation reserve of associates | (19,674) | 50,246 | (84,985) | 67,243 |
| <i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i> | | | | |
| Remeasurement gain on defined benefit obligations - net | 287,013 | - | 287,013 | - |
| Share of remeasurement loss on defined benefit obligations of associate - net | (4,205) | (2,542) | - | - |
| Comprehensive income transferred to equity | 13,126,615 | 16,329,820 | 4,951,617 | 7,040,520 |
| Components of comprehensive income / (loss) not reflected in equity | | | | |
| <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, attributable to: | | | | |
| Equity holders of the Bank | (2,997,928) | (1,642,884) | (1,850,892) | (680,795) |
| Non-controlling interest | (38,290) | (16,452) | (15,344) | (20,303) |
| | (3,036,218) | (1,659,336) | (1,866,236) | (701,098) |
| Share of surplus on revaluation of investments of associates - net of tax | 67,544 | (790,888) | (190,086) | (247,815) |
| <i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i> | | | | |
| Transferred from surplus on revaluation of non-banking assets - net of tax | 2,461 | 10,079 | (107) | 10,079 |
| Movement in surplus on revaluation of operating fixed assets of associates - net of tax | 1,215 | 105,175 | - | - |
| | 3,676 | 115,254 | (107) | 10,079 |
| Movement in surplus / deficit on revaluation of non-banking assets - net of tax | 11,202 | 117,093 | 1,202 | 117,093 |
| Transferred to surplus on revaluation of operating fixed assets - net of tax | (2,461) | (10,079) | 107 | (10,079) |
| | 8,741 | 107,014 | 1,309 | 107,014 |
| Total comprehensive income | 10,170,358 | 14,101,864 | 2,896,497 | 6,208,700 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Bank | 9,948,420 | 13,881,628 | 2,848,843 | 6,052,867 |
| Non-controlling interest | 221,938 | 220,236 | 47,654 | 155,833 |
| | 10,170,358 | 14,101,864 | 2,896,497 | 6,208,700 |

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

Muhammad Aurangzeb
**President &
Chief Executive Officer**

Raymond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Statement of Changes In Equity (Unaudited)

For the six months ended June 30, 2018

| Share capital | Exchange translation reserve | Attributable to shareholders of the Bank | | | | | | | Subtotal | Non-controlling interest | Total | | | |
|---|------------------------------|--|--|---------|-----------------------------------|---|-----------------|----------------------------------|--------------|--------------------------|-----------|--------------|--|--|
| | | Reserves | | Capital | | | Revenue | | | | | | | |
| | | Statutory reserves | Associates, joint venture and subsidiary | Bank | Non-distributable capital reserve | Capital reserve on acquisition of common control entity | General reserve | Unappropriated profit (restated) | | | | | | |
| (Rupees In '000) | | | | | | | | | | | | | | |
| 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 | | |
| Effect of retrospective change in accounting policy | | - | - | - | - | - | - | - | (803,615) | (803,615) | - | (803,615) | | |
| Balance as at December 31, 2016 (restated) | | 14,668,525 | 10,839,728 | 582,381 | 30,072,084 | 547,115 | (156,706) | 6,073,812 | 105,338,759 | 167,965,698 | 3,435,710 | 171,401,408 | | |
| Comprehensive income for the period | | | | | | | | | | | | | | |
| Profit after taxation for the six months ended June 30, 2017 | | - | - | - | - | - | - | - | 15,494,600 | 15,494,600 | 182,520 | 15,677,120 | | |
| Other comprehensive income / (loss) | | | | | | | | | | | | | | |
| - Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net | | - | 550,828 | - | - | - | - | - | - | 550,828 | 54,168 | 604,996 | | |
| - Share of exchange translation reserve of associates | | - | 50,246 | - | - | - | - | - | - | 50,246 | - | 50,246 | | |
| - Share of remeasurement loss on defined benefit obligations of associate - net | | - | - | - | - | - | - | - | (2,542) | (2,542) | - | (2,542) | | |
| | | - | 601,074 | - | - | - | - | - | 15,492,058 | 16,093,132 | 236,688 | 16,329,820 | | |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | | | |
| 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) | | |
| Transferred from surplus on revaluation of assets - net of tax | | - | - | - | - | - | - | - | (10,267,968) | (10,267,968) | - | (10,267,968) | | |
| Acquisition of additional interest in HAHL from minority shareholder | | - | - | - | - | - | - | - | 22,009 | 22,009 | - | 22,009 | | |
| Transferred to statutory reserves | | - | - | 85,408 | 1,499,853 | - | - | - | (1,585,261) | - | - | (441,933) | | |
| Exchange translation realized on sale of Bank branch to Habibsons Bank | | - | (371,022) | - | - | - | - | - | 371,022 | - | - | - | | |
| Capital contribution from statutory funds of associates | | - | - | - | - | - | - | - | 3,072 | 3,072 | - | 3,072 | | |
| Balance as at June 30, 2017 (restated) | | 14,668,525 | 11,069,780 | 667,789 | 31,571,937 | 547,115 | (156,706) | 6,073,812 | 109,373,691 | 173,815,943 | 3,230,465 | 177,046,408 | | |
| Comprehensive income for the period | | | | | | | | | | | | | | |
| Loss after taxation for the six months ended December 31, 2017 (restated) | | - | - | - | - | - | - | - | (6,999,389) | (6,999,389) | 170,543 | (6,828,846) | | |
| Other comprehensive income / (loss) | | | | | | | | | | | | | | |
| - Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net | | - | 3,192,080 | - | - | - | - | - | 3,192,080 | 89,821 | 3,281,901 | | | |
| - Share of exchange translation reserve of associates | | - | (11,458) | - | - | - | - | - | (11,458) | - | (11,458) | | | |
| - Remeasurement loss on defined benefit obligations - net | | - | - | - | - | - | - | - | (1,010,912) | (1,010,912) | (3,548) | (1,014,460) | | |
| - Share of remeasurement loss on defined benefit obligations of associate - net | | - | - | - | - | - | - | - | (129) | (129) | - | (129) | | |
| | | - | 3,180,622 | - | - | - | - | - | (8,010,430) | (4,829,808) | 256,816 | (4,572,992) | | |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | | | |
| 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 | | - | - | - | - | - | - | - | 25,529 | 25,529 | - | 25,529 | | |
| Transferred to / (from) statutory reserves | | - | - | 90,918 | (793,413) | - | - | - | 702,495 | - | - | - | | |
| Exchange translation realised on sale of Bank branch to Habibsons Bank | | - | - | - | - | - | - | - | - | - | - | - | | |
| Exchange translation realised on sale of Bank branches | | - | 14,566 | - | - | - | - | - | - | 14,566 | - | 14,566 | | |
| Capital contribution from statutory funds of associates | | - | - | - | - | - | - | - | 16,842 | 16,842 | - | 16,842 | | |
| Balance as at December 31, 2017 (restated) | | 14,668,525 | 14,264,968 | 758,707 | 30,778,524 | 547,115 | (156,706) | 6,073,812 | 96,974,143 | 163,909,088 | 3,487,281 | 167,396,369 | | |
| Comprehensive income for the period | | | | | | | | | | | | | | |
| Profit after taxation for the six months ended June 30, 2018 | | - | - | - | - | - | - | - | 7,943,396 | 7,943,396 | 184,679 | 8,128,075 | | |
| Other comprehensive income / (loss) | | | | | | | | | | | | | | |
| - Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net | | - | 4,659,857 | - | - | - | - | - | 4,659,857 | 75,549 | 4,735,406 | | | |
| - Share of exchange translation reserve of associates | | - | (19,674) | - | - | - | - | - | (19,674) | - | (19,674) | | | |
| - Remeasurement gain on defined benefit obligations - net | | - | - | - | - | - | - | - | 287,013 | 287,013 | - | 287,013 | | |
| - Share of remeasurement loss on defined benefit obligations of associate - net | | - | - | - | - | - | - | - | (4,205) | (4,205) | - | (4,205) | | |
| | | - | 4,640,183 | - | - | - | - | - | 8,226,204 | 12,866,387 | 260,228 | 13,126,615 | | |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | | | |
| Final cash dividend - Rs 1.0 per share declared subsequent to the year ended December 31, 2017 | | - | - | - | - | - | - | - | (1,466,852) | (1,466,852) | - | (1,466,852) | | |
| 1st interim cash dividend - Rs 1.0 per share | | - | - | - | - | - | - | - | (1,466,852) | (1,466,852) | - | (1,466,852) | | |
| Transferred from surplus on revaluation of assets - net of tax | | - | - | - | - | - | - | - | (2,933,704) | (2,933,704) | - | (2,933,704) | | |
| Transferred to statutory reserves | | - | - | 112,139 | 757,005 | - | - | - | 29,768 | 29,768 | - | 29,768 | | |
| Capital contribution to statutory funds of associate | | - | - | - | - | - | - | - | (869,144) | - | - | - | | |
| | | - | - | - | - | - | - | - | (363) | (363) | - | (363) | | |
| Balance as at June 30, 2018 | | 14,668,525 | 18,905,151 | 870,846 | 31,535,529 | 547,115 | (156,706) | 6,073,812 | 101,426,904 | 173,871,176 | 3,747,509 | 177,618,685 | | |

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Raymond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2018

| | January 01 to June 30, 2018 | January 01 to June 30, 2017 |
|---|-----------------------------------|-----------------------------------|
| | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 14,128,581 | 27,717,176 |
| Dividend income | (495,686) | (685,752) |
| Share of profit of associates and joint venture | (1,658,780) | (1,902,826) |
| | <u>(2,154,466)</u> | <u>(2,588,578)</u> |
| | 11,974,115 | 25,128,598 |
| Adjustment for: | | |
| Depreciation | 1,765,310 | 1,659,196 |
| Amortisation | 337,810 | 268,661 |
| (Reversal) / provision against advances | (243,186) | 564,059 |
| Provision / (reversal) against off-balance sheet obligations | 2,671 | (50,233) |
| Provision for diminution in the value of investments | 261,808 | 647,522 |
| Other provisions / write offs - net | 107,823 | 66,299 |
| Unrealized loss on held-for-trading securities | 53,594 | 23,641 |
| Exchange gain on Goodwill | (133,737) | (94,592) |
| Gain on sale of operating fixed assets - net | (17,675) | (19,763) |
| Workers' Welfare Fund | 267,883 | 536,291 |
| | <u>2,402,301</u> | <u>3,601,081</u> |
| | 14,376,416 | 28,729,679 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | (17,896,669) | (16,589,182) |
| Net investments in held-for-trading securities | (128,165,655) | (77,177,659) |
| Advances | (82,868,204) | (83,104,955) |
| Other assets (excluding advance taxation) | 3,011,667 | (5,827,631) |
| | <u>(225,918,861)</u> | <u>(182,699,427)</u> |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | 2,811,121 | (1,505,949) |
| Borrowings | (64,303,402) | 55,179,560 |
| Deposits and other accounts | 118,565,483 | 116,612,997 |
| Other liabilities | 16,839,952 | 8,703,282 |
| | <u>73,913,154</u> | <u>178,989,890</u> |
| Income tax paid | (137,629,291) | (25,020,142) |
| Net cash flows (used in) / from operating activities | <u>(11,787,587)</u> | <u>(16,803,105)</u> |
| | (149,416,878) | 8,217,037 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net investments in available-for-sale securities | 97,821,374 | (13,092,997) |
| Net investments in held-to-maturity securities | 47,009,200 | 11,060,590 |
| Net investments in associates | (50,061) | (524,537) |
| Dividend income received | 344,778 | 706,192 |
| Fixed capital expenditure | (5,328,679) | (15,338,825) |
| Proceeds from sale of fixed assets | 51,770 | 45,014 |
| Effect of translation of net investment in foreign branches, subsidiaries, joint venture and associates - net | 4,640,183 | 601,076 |
| Net cash flows from / (used in) investing activities | <u>144,488,565</u> | <u>(16,543,487)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Effect of translation of net investment by non-controlling interest in subsidiary | 75,549 | 54,168 |
| Repayment of subordinated loan | (2,000) | (2,000) |
| Dividend paid | (2,223,122) | (6,809,851) |
| Net cash flows used in financing activities | <u>(2,149,573)</u> | <u>(6,757,683)</u> |
| Decrease in cash and cash equivalents during the period | (7,077,886) | (15,084,133) |
| Cash and cash equivalents at the beginning of the period | 277,494,750 | 282,040,075 |
| Effect of exchange rate changes on cash and cash equivalents | 9,352,549 | 2,357,303 |
| | <u>286,847,299</u> | <u>284,397,378</u> |
| Cash and cash equivalents at the end of the period | <u>279,769,413</u> | <u>269,313,245</u> |

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

Muhammad Aurangzeb
**President &
Chief Executive Officer**

Raymond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

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 1,703 (December 31, 2017: 1,703) branches inside Pakistan including 47 (December 31, 2017: 47) Islamic Banking Branches and 48 (December 31, 2017: 48) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 Habib Finance International Limited, a wholly owned subsidiary of the Bank, has filed for voluntary liquidation and is in the process of completing the required formalities in this regard.

2 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34. These condensed interim consolidated financial statements do not include all the disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2017 except as disclosed in note 3.1.

3.1 Change in accounting policies

- 3.1.1 The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23 dated Oct 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in Note 4.5.1 of the annual consolidated financial statements for the year ended December 31, 2017), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular asset was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular asset is now to be accounted for in accordance with IFRS, which requires that such deficit can not be adjusted against surplus for any other asset, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

| Impact on Statement of Financial Position | As at June 30, 2018 | As at December 31, 2017 | As at December 31, 2016 |
|---|---------------------|-------------------------|-------------------------|
| | (Rupees in '000) | | |
| Decrease in unappropriated profit | (129,118) | (131,799) | (803,615) |
| Increase in surplus on revaluation of assets – net of tax | 129,118 | 131,799 | 803,615 |
| For the six months ended | | | |
| June 30, 2018 June 30, 2017 | | | |
| (Rupees in '000) | | | |

Impact on Profit and Loss account

Impact on Statement of Comprehensive Income

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

3.1.2 As per the accounting policy of the Bank (as described in Note 4.4 of the annual consolidated financial statements for the year ended December 31, 2017), the provision against advances of overseas branches is made as per the requirement of the respective regulatory regimes. During the current period, IFRS 9, Financial Instruments: Classification and Measurement, became applicable for certain overseas branches of the Bank. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9, while determining the provisioning requirements against advances. Under this standard, provision against loans and advances is determined under expected credit loss model. Previously, this was determined under the incurred loss model.

The adoption of this standard by certain overseas branches resulted in additional provisioning requirement of Rs 18.313 million as at June 30, 2018. This includes Rs 22.280 million in respect of prior year which has been incorporated in the current period and opening balance of retained earnings has not been adjusted as the amount involved is not considered material.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements are the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2017.

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, 2017.

6 INVESTMENTS

| Investments by type | Note | June 30, 2018 (Unaudited) | | | December 31, 2017 (Audited) | | |
|---|------|---------------------------|---------------------|----------------------|-----------------------------|---------------------|----------------------|
| | | Held by Group | Given as collateral | Total | Held by Group | Given as collateral | Total |
| | | (Rupees in '000) | | | | | |
| Held-for-trading (HFT) | | | | | | | |
| <i>Federal Government securities</i> | | | | | | | |
| - Market Treasury Bills | | 191,327,516 | 115,414 | 191,442,930 | 48,402,667 | - | 48,402,667 |
| - Pakistan Investment Bonds | | 5,206,539 | - | 5,206,539 | 17,918,321 | - | 17,918,321 |
| - Sukus | | - | - | - | 1,999,062 | - | 1,999,062 |
| <i>Fully paid-up ordinary shares</i> | | | | | | | |
| - Listed companies | | 176,874 | - | 176,874 | 274,651 | - | 274,651 |
| <i>Overseas Government securities</i> | | | | | | | |
| 125,385 | | - | - | 125,385 | 149,311 | - | 149,311 |
| | | 196,836,314 | 115,414 | 196,951,728 | 68,744,012 | - | 68,744,012 |
| Held-to-maturity (HTM) | | | | | | | |
| <i>Federal Government securities</i> | 6.1 | | | | | | |
| - Market Treasury Bills | | 112,402 | - | 112,402 | 90,938 | - | 90,938 |
| - Pakistan Investment Bonds | | 185,265,077 | - | 185,265,077 | 229,759,743 | - | 229,759,743 |
| - Government of Pakistan US Dollar Bonds | | 122,775 | - | 122,775 | 1,177,868 | - | 1,177,868 |
| <i>Debentures and corporate debt instruments</i> | | | | | | | |
| - Listed | | 11,449,007 | - | 11,449,007 | 9,551,953 | - | 9,551,953 |
| - Unlisted | | 22,659,178 | - | 22,659,178 | 21,326,345 | - | 21,326,345 |
| <i>Overseas Government securities</i> | | | | | | | |
| 12,112,619 | | - | - | 12,112,619 | 16,823,411 | - | 16,823,411 |
| | | 231,721,058 | - | 231,721,058 | 278,730,258 | - | 278,730,258 |
| Available-for-sale (AFS) | | | | | | | |
| <i>Federal Government securities</i> | | | | | | | |
| - Market Treasury Bills | | 398,368,399 | 80,923,530 | 479,291,929 | 331,139,959 | 131,244,262 | 462,384,221 |
| - Pakistan Investment Bonds | | 143,683,119 | 108,659,483 | 252,342,602 | 238,503,885 | 134,373,604 | 372,877,489 |
| - Government of Pakistan US Dollar Bonds | | 2,688,899 | - | 2,688,899 | 2,257,828 | - | 2,257,828 |
| - Sukus | | 78,748,380 | - | 78,748,380 | 83,205,706 | - | 83,205,706 |
| <i>Fully paid-up ordinary shares</i> | | | | | | | |
| - Listed | | 16,636,844 | - | 16,636,844 | 19,661,232 | - | 19,661,232 |
| - Unlisted | | 3,356,164 | - | 3,356,164 | 2,711,847 | - | 2,711,847 |
| <i>Debentures and corporate debt instruments</i> | 6.3 | | | | | | |
| - Listed | | 35,913,746 | 12,612,665 | 48,526,411 | 23,898,704 | 15,378,666 | 39,277,370 |
| - Unlisted | | 11,550,994 | - | 11,550,994 | 10,771,917 | - | 10,771,917 |
| <i>Overseas Government securities</i> | | | | | | | |
| 10,649,564 | | - | - | 10,649,564 | 8,891,515 | - | 8,891,515 |
| <i>National Investment Trust units</i> | | | | | | | |
| 11,113 | | - | - | 11,113 | 11,113 | - | 11,113 |
| <i>Real Estate Investment Trust units</i> | | | | | | | |
| 55,000 | | - | - | 55,000 | 154,000 | - | 154,000 |
| 97,500 | | - | - | 97,500 | 97,500 | - | 97,500 |
| | | 701,759,722 | 202,195,678 | 903,955,400 | 721,305,206 | 280,996,532 | 1,002,301,738 |
| Investment in associates and joint venture | | | | | | | |
| | | 29,285,085 | - | 29,285,085 | 27,169,019 | - | 27,169,019 |
| Provision for diminution in the value of investments | | 1,159,602,179 | 202,311,092 | 1,361,913,271 | 1,095,948,495 | 280,996,532 | 1,376,945,027 |
| | 6.2 | (1,764,859) | - | (1,764,859) | (1,503,051) | - | (1,503,051) |
| Deficit on revaluation of held-for-trading securities | | 1,157,837,320 | 202,311,092 | 1,360,148,412 | 1,094,445,444 | 280,996,532 | 1,375,441,976 |
| (Deficit) / surplus on revaluation of available-for-sale securities | | (53,560) | (34) | (53,594) | (73,353) | - | (73,353) |
| Surplus on revaluation of investments of associates | 11.2 | { (4,111,233) | (1,113,177) | (5,224,410) | (974,143) | 224,364 | (749,779) |
| | | 292,713 | - | 292,713 | 188,799 | - | 188,799 |
| Total investments (net of provision) | | 1,153,965,240 | 201,197,881 | 1,355,163,121 | 1,093,586,747 | 281,220,896 | 1,374,807,643 |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited) For the six months ended June 30, 2018

6.1 The market value of securities classified as held-to-maturity amounted to Rs 231,327.781 million (December 31, 2017: Rs 280,806.402 million) as at June 30, 2018.

| | (Unaudited) June 30, 2018 | (Audited) December 31, 2017 |
|---|---------------------------------|-----------------------------------|
| | (Rupees in '000) | |
| Opening balance | 1,503,051 | 866,152 |
| Charge for the period / year | 600,389 | 1,289,086 |
| Reversal for the period / year | (3,755) | (203,605) |
| Reversed on disposal during the period / year | (334,826) | (619,614) |
| Net (reversal) / charge | 261,808 | 465,867 |
| Recoveries against written off investments | - | 171,032 |
| Closing balance | <u>1,764,859</u> | <u>1,503,051</u> |

6.3 This includes privately placed TFCs of Pakistan International Airlines Corporation Limited (PIACL) amounting to Rs 4,857.022 million (December 31, 2017: Rs 6,071.278 million) which is guaranteed by the Government of Pakistan and is subject to a relaxation given by the SBP from Regulation-8 of the Prudential Regulations. However, mark-up income has been suspended on this amount and is only recognised when received.

6.4 These condensed interim consolidated financial statements include the results of the following associates and joint venture for the periods listed:

Based on the financial statements as at

| | |
|---|----------------|
| Diamond Trust Bank Kenya Limited | March 31, 2018 |
| Himalayan Bank Limited, Nepal | April 13, 2018 |
| Kyrgyz Investment and Credit Bank, Kyrgyz Republic | June 30, 2018 |
| Jubilee General Insurance Company Limited | March 31, 2018 |
| Jubilee Life Insurance Company Limited | March 31, 2018 |
| HBL Cash fund | June 30, 2018 |
| HBL Energy Fund | June 30, 2018 |
| HBL Equity Fund | June 30, 2018 |
| HBL Financial Planning Fund - Strategic Allocation Plan | June 30, 2018 |
| HBL Government Securities Fund | June 30, 2018 |
| HBL Income Fund | June 30, 2018 |
| HBL Islamic Asset Allocation Fund | June 30, 2018 |
| HBL Islamic Equity Fund | June 30, 2018 |
| HBL Islamic Income Fund | June 30, 2018 |
| HBL Islamic Money Market Fund | June 30, 2018 |
| HBL Islamic Pension Fund - Debt Sub Fund | June 30, 2018 |
| HBL Islamic Pension Fund - Equity Sub Fund | June 30, 2018 |
| HBL Islamic Pension Fund - Money Market Sub Fund | June 30, 2018 |
| HBL Islamic Stock Fund | June 30, 2018 |
| HBL Money Market Fund | June 30, 2018 |
| HBL Multi Asset Fund | June 30, 2018 |
| HBL Pension Fund - Debt Sub Fund | June 30, 2018 |
| HBL Pension Fund - Equity Sub Fund | June 30, 2018 |
| HBL Pension Fund - Money Market Sub Fund | June 30, 2018 |
| HBL Stock Fund | June 30, 2018 |
| PICIC Investment Fund | June 30, 2018 |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

| | Note | (Unaudited) June 30, 2018 (Rupees in '000) | (Audited) December 31, 2017 |
|---|--------|---|-----------------------------------|
| 7 ADVANCES | | | |
| Loans, cash credits, running finances, etc. | | | |
| - In Pakistan | | 721,137,369 | 642,772,680 |
| - Outside Pakistan | | <u>118,039,634</u> | <u>124,963,052</u> |
| | | <u>839,177,003</u> | <u>767,735,732</u> |
| Net investment in finance lease - in Pakistan | | 17,688,671 | 17,127,661 |
| Islamic financing and related assets | 20.1.2 | 94,371,958 | 84,408,003 |
| Bills discounted and purchased | | | |
| - Payable in Pakistan | | 21,251,880 | 16,751,077 |
| - Payable outside Pakistan | | <u>31,787,960</u> | <u>34,985,466</u> |
| | | <u>53,039,840</u> | <u>51,736,543</u> |
| Advances - gross | | 1,004,277,472 | 921,007,939 |
| Provision against advances | | | |
| - Specific | | (66,363,004) | (66,417,176) |
| - General | 7.2 | <u>(3,300,658)</u> | <u>(3,088,343)</u> |
| | | <u>(69,663,662)</u> | <u>(69,505,519)</u> |
| Advances - net of provision | | 934,613,810 | 851,502,420 |

7.1 Advances include Rs 75,995.224 million (December 31, 2017: Rs 75,845.392 million) which have been placed under non-performing status as detailed below:

| Category of classification | June 30, 2018 (Unaudited) | | | | | | | | | | | |
|-----------------------------------|---------------------------|-------------------|-------------------|-----------------------------|-------------------|-------------------|-----------------------------|------------------|------------------|------------------|--|--|
| | Non-performing advances | | | Provision required and held | | | Net non-performing advances | | | (Rupees in '000) | | |
| | Domestic | Overseas | Total | Domestic | Overseas | Total | Domestic | Overseas | Total | | | |
| Other assets especially mentioned | 1,264,926 | - | 1,264,926 | - | - | - | 1,264,926 | - | 1,264,926 | | | |
| Substandard | 2,619,259 | 1,750,606 | 4,369,865 | 1,202,610 | 210,475 | 1,413,085 | 1,416,649 | 1,540,131 | 2,956,780 | | | |
| Doubtful | 1,288,725 | 660,506 | 1,949,231 | 642,928 | 313,607 | 956,535 | 645,797 | 346,899 | 992,696 | | | |
| Loss | 42,448,863 | 25,962,339 | 68,411,202 | 41,382,863 | 22,610,521 | 63,993,384 | 1,066,000 | 3,351,818 | 4,417,818 | | | |
| | 47,621,773 | 28,373,451 | 75,995,224 | 43,228,401 | 23,134,603 | 66,363,004 | 4,393,372 | 5,238,848 | 9,632,220 | | | |

| Category of classification | December 31, 2017 (Audited) | | | | | | | | | | | |
|-----------------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|-------------------|-----------------------------|------------------|------------------|------------------|--|--|
| | Non-performing advances | | | Provision required and held | | | Net non-performing advances | | | (Rupees in '000) | | |
| | Domestic | Overseas | Total | Domestic | Overseas | Total | Domestic | Overseas | Total | | | |
| Other assets especially mentioned | 1,069,200 | 32,434 | 1,101,634 | - | - | - | 1,069,200 | 32,434 | 1,101,634 | | | |
| Substandard | 2,891,184 | 794,075 | 3,685,259 | 1,164,228 | 166,073 | 1,330,301 | 1,726,956 | 628,002 | 2,354,958 | | | |
| Doubtful | 1,560,805 | 1,022,442 | 2,583,247 | 778,980 | 417,505 | 1,196,485 | 781,825 | 604,937 | 1,386,762 | | | |
| Loss | 44,829,967 | 23,645,285 | 68,475,252 | 43,694,869 | 20,195,521 | 63,890,390 | 1,135,098 | 3,449,764 | 4,584,862 | | | |
| | 50,351,156 | 25,494,236 | 75,845,392 | 45,638,077 | 20,779,099 | 66,417,176 | 4,713,079 | 4,715,137 | 9,428,216 | | | |

7.2 Particulars of provision against advances

| | Note | June 30, 2018 (Unaudited) | | | December 31, 2017 (Audited) | | |
|--|------|---------------------------|------------------|--------------------|-----------------------------|------------------|--------------------|
| | | Specific | General | Total | Specific | General | Total |
| Opening balance | | 66,417,187 | 3,088,341 | 69,505,528 | 65,160,197 | 3,623,544 | 68,783,741 |
| Exchange adjustment | | 1,901,633 | 141,261 | 2,042,894 | 1,417,860 | 102,173 | 1,520,033 |
| Charge for the period / year | | 1,726,756 | 178,371 | 1,905,127 | 5,294,493 | 337,509 | 5,632,002 |
| Reversal for the period / year | | (2,040,998) | (107,315) | (2,148,313) | (4,711,205) | (970,351) | (5,681,556) |
| Net (reversal) / charge against advances | | (314,242) | 71,056 | (243,186) | 583,288 | (632,842) | (49,554) |
| Charged off during the period / year | | (276,593) | - | (276,593) | (400,719) | - | (400,719) |
| Written off during the period / year | | (1,596,850) | - | (1,596,850) | (352,587) | - | (352,587) |
| Transfer out on sale of Kenya business | | - | - | - | (550,276) | (21,002) | (571,278) |
| Recoveries against write off | | 231,869 | - | 231,869 | 512,684 | - | 512,684 |
| Other movements | | - | - | - | 46,729 | 16,470 | 63,199 |
| Closing balance | | 66,363,004 | 3,300,658 | 69,663,662 | 66,417,176 | 3,088,343 | 69,505,519 |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

- 7.3 General provision represents provision amounting to Rs 1,499.653 million (December 31, 2017: Rs 1,405.701 million) against consumer finance portfolio and Rs 184.255 million (December 31, 2017: Rs 138.195 million) against advances to microenterprises as required by the Prudential Regulations. General provision also includes Rs 1,616.750 million (December 31, 2017: Rs 1,544.447 million) pertaining to overseas locations 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, are fully provided and are in default for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.
- 7.5 **Particulars of advances to directors, associated companies, etc.**

| | June 30, 2018 (Unaudited) | | | | | |
|--|--|--|--|----------------------------------|---|------------------------------------|
| | Balance at the beginning of the period | Loans granted / transferred in during the period | Repayments / transferred out during the period | Balance at the end of the period | Maximum total amount of advances including temporary advances outstanding** | Limit sanctioned during the period |
| (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) | 2,819,039 | 1,236,536 | (1,675,748) | 2,379,827 | 2,494,910 | 889,074 |
| - in respect of Key Management Personnel | 145,569 | 91,600 | (98,757) | 138,412 | 217,346 | 55,607 |
| 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 | | | | | | |
| | 17,102,322 | 111,885,849 | (107,015,609) | 21,972,562 | 23,806,516 | - |

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

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

| | December 31, 2017 (Audited) | | | | | |
|--|--------------------------------------|--|--|--------------------------------|---|----------------------------------|
| | Balance at the beginning of the year | Loans granted / transferred in during the year | Repayments / transferred out during the year | Balance at the end of the year | 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) | 2,876,769 | 771,450 | (829,180) | 2,819,039 | 3,099,210 | 771,450 |
| - in respect of Key Management Personnel | 38,221 | 180,966 | (73,618) | 145,569 | 209,438 | 168,890 |
| 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 | | | | | | |
| | 10,404,154 | 170,929,393 | (164,231,225) | 17,102,322 | 26,606,439 | 13,766,655 |

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

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

| 8 | OPERATING FIXED ASSETS | Note | (Unaudited) | (Audited) |
|---|-------------------------------|------|--------------------------|------------------------------|
| | | | June 30, 2018 | December 31, 2017 |
| | | | (Rupees in '000) | |
| | Capital work-in-progress | 8.1 | 19,324,803 | 17,061,851 |
| | Tangible fixed assets | | 40,829,564 | 40,036,539 |
| | Intangible assets | | 6,099,136 | 5,694,453 |
| | | | 66,253,503 | 62,792,843 |

- 8.1 This includes Rs 15,803.735 million (December 31, 2017: Rs 14,440.034 million) on account of a new office building in Karachi.

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

| 8.2 | Additions to operating fixed assets | (Unaudited) | | |
|---|--|---------------------------------|--------------------------|--|
| | | For the six months ended | | |
| | | June 30, 2018 | June 30, 2017 | |
| (Rupees in '000) | | | | |
| The following additions have been made to operating fixed assets during the period: | | | | |
| | Capital work-in-progress | 2,262,952 | 13,859,434 | |
| | Tangible fixed assets | | | |
| | Land | 63,799 | - | |
| | Building | 140,014 | 190,879 | |
| | Machinery | 4,782 | - | |
| | Furniture, fixtures and office equipment | 1,663,421 | 1,068,155 | |
| | Leasehold Improvements | 421,489 | 93,390 | |
| | Vehicles | 122,644 | 30,319 | |
| | | 2,416,149 | 1,382,743 | |
| | Intangible assets | | | |
| | Computer software | 605,898 | 192,325 | |
| | Management Rights | - | 2,367,577 | |
| | Goodwill | - | (2,367,577) | |
| | | 605,898 | 192,325 | |
| | | 5,284,999 | 15,434,502 | |

8.3 Disposal of operating fixed assets

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

| Tangible fixed assets | | | |
|--|--|--------------------------|------------------------------|
| | | (Unaudited) | (Audited) |
| | | June 30, 2018 | December 31, 2017 |
| Furniture, fixtures and office equipment | | 429,342 | 124,900 |
| Leasehold Improvements | | 150,480 | 18,884 |
| Vehicles | | 22,237 | 50,198 |
| | | 602,059 | 193,982 |

9 BORROWINGS

Note

| Secured | | | |
|--|--|--------------------------|------------------------------|
| | | (Unaudited) | (Audited) |
| | | June 30, 2018 | December 31, 2017 |
| (Rupees in '000) | | | |
| Borrowings from the SBP under | | | |
| - Export refinance scheme | | 25,696,174 | 26,343,510 |
| - Long term financing facility | | 10,516,512 | 9,852,123 |
| - Refinance facility for modernization of SMEs | | 26,167 | 9,500 |
| | | 36,238,853 | 36,205,133 |
| Repurchase agreement borrowings | | 200,177,673 | 279,802,790 |
| | | 236,416,526 | 316,007,923 |
| (Rupees in '000) | | | |
| Unsecured | | | |
| - Call money borrowings | | 24,790,000 | 11,385,000 |
| - Overdrawn nostro accounts | | 681,821 | 1,829,975 |
| - Borrowings of overseas branches and subsidiaries | | 28,058,876 | 28,375,417 |
| - Other long term borrowings | | 43,552,042 | 40,204,352 |
| | | 97,082,739 | 81,794,744 |
| | | 333,499,265 | 397,802,667 |

9.1 This includes the following:

- 9.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2017: 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.
- 9.1.2 A loan from the China Development Bank amounting to US\$ 192 million (December 31, 2017: US\$ 196 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.

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

9.1.3 A loan from Allied Bank Limited amounting to Rs 2 billion (December 31, 2017: Rs 2 billion).The principal amount is payable in ten equal half yearly installments starting from June 2020 to December 2024. Interest at 6 months KIBOR+0.75% is payable bi-annually commencing from June 2018.

| | | (Unaudited) June 30, 2018 | (Audited) December 31, 2017 |
|------|--|---------------------------------|-----------------------------------|
| | | (Rupees in '000) | |
| 10 | DEPOSITS AND OTHER ACCOUNTS | | |
| | Customers | | |
| | Current accounts - non-remunerative | 784,377,765 | 727,425,393 |
| | Savings accounts | 896,848,699 | 876,338,346 |
| | Fixed deposits | <u>332,543,509</u> | <u>328,867,254</u> |
| | | <u>2,013,769,973</u> | <u>1,932,630,993</u> |
| | Financial institutions | | |
| | Current accounts - non-remunerative | 6,226,924 | 5,778,651 |
| | Savings accounts | 94,584,066 | 59,294,770 |
| | Fixed deposits | <u>2,919,577</u> | <u>1,230,643</u> |
| | | <u>103,730,567</u> | <u>66,304,064</u> |
| | | <u>2,117,500,540</u> | <u>1,998,935,057</u> |
| 11 | SURPLUS ON REVALUATION OF ASSETS - net of tax | Note | (Unaudited) June 30, 2018 |
| | Surplus / (deficit) arising on revaluation of assets - net of tax, on | | (Audited) December 31, 2017 |
| | - Operating fixed assets, attributable to | | (Rupees in '000) |
| | - Equity holders | 21,514,944 | 21,540,565 |
| | - Non-controlling interest | 3,086 | 3,387 |
| | | <u>21,518,030</u> | <u>21,543,952</u> |
| | - Investments, attributable to | | |
| | - Equity holders | (3,333,317) | (402,933) |
| | - Non-controlling interest | (43,004) | (4,714) |
| | | <u>(3,376,321)</u> | <u>(407,647)</u> |
| | - Non-banking assets acquired in satisfaction of claims | 11.2 | (291,391) |
| | Surplus on revaluation of assets - net of tax | 11.3 | 282,820 |
| | | | <u>18,433,100</u> |
| | | | <u>21,419,125</u> |
| 11.1 | Surplus on revaluation of operating fixed assets | | |
| | Surplus as at the beginning of the period / year | | 22,563,834 |
| | Surplus recognised during the period / year | | - |
| | Transferred from surplus on revaluation of non-banking assets | | 3,227 |
| | Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax | | (29,598) |
| | Related deferred tax liability on incremental depreciation charged during the period / year | | (15,937) |
| | | | <u>22,521,526</u> |
| | Less: related deferred tax liability on | | 12,641,903 |
| | - Revaluation as at the beginning of the period / year | | 9,979,303 |
| | - Revaluation recognized during the period / year | | 15,504 |
| | - Amount transferred from surplus on revaluation of non-banking assets | | (47,370) |
| | - Incremental depreciation charged during the period / year | | (25,506) |
| | | | <u>22,563,834</u> |
| | Surplus on revaluation of operating fixed assets of associates | | 1,155,718 |
| | Related deferred tax liability | | - |
| | | | 708,765 |
| | | | 467,033 |
| | | | 5,426 |
| | | | (25,506) |
| | | | <u>1,140,547</u> |
| | | | <u>1,155,718</u> |
| | | | 149,306 |
| | | | (12,255) |
| | | | 137,051 |
| | | | <u>21,518,030</u> |
| | | | <u>21,543,952</u> |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

| | (Unaudited) June 30, 2018 (Rupees in '000) | (Audited) December 31, 2017 |
|--|---|-----------------------------------|
| 11.2 Surplus / (deficit) on revaluation of investments | | |
| Market Treasury Bills | (145,015) | (81,386) |
| Pakistan Investment Bonds | (3,063,836) | 569,276 |
| Government of Pakistan US Dollar Bonds | (119,127) | 496 |
| Sukus | (62,390) | 485,521 |
| Listed equity securities | (1,565,258) | (1,794,580) |
| National Investment Trust units | 38,534 | 36,190 |
| Real Estate Investment Trust units | 9,500 | - |
| Overseas Government securities | (27,023) | (7,641) |
| Other debt instruments | (289,795) | 42,345 |
| Related tax asset | (5,224,410) | (749,779) |
| | <u>1,657,826</u> | <u>219,413</u> |
| | <u>(3,566,584)</u> | <u>(530,366)</u> |
| | <u>292,713</u> | <u>188,799</u> |
| | <u>(102,450)</u> | <u>(66,080)</u> |
| | <u>190,263</u> | <u>122,719</u> |
| | <u>(3,376,321)</u> | <u>(407,647)</u> |
| 11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims | | |
| Surplus as at the beginning of the period / year | 283,667 | 690,381 |
| Surplus recognised / (reversed) during the period / year | 11,249 | (390,952) |
| Transferred to surplus on revaluation of operating fixed assets during the period / year | (3,227) | (15,504) |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax | (170) | (168) |
| Related deferred tax liability on incremental depreciation charged during the period / year | (91) | (90) |
| Less: related deferred tax liability on | | |
| - Revaluation as at the beginning of the period / year | 847 | 6,203 |
| - Revaluation recognised during the period / year | 47 | 160 |
| - Amount transferred to surplus on revaluation of operating fixed assets during the period / year | (766) | (5,426) |
| - Incremental depreciation charged during the period / year | (91) | (90) |
| | <u>37</u> | <u>847</u> |
| | <u>291,391</u> | <u>282,820</u> |
| 12 CONTINGENCIES AND COMMITMENTS | | |
| 12.1 Direct credit substitutes - financial guarantees | | |
| Guarantees in favour of | | |
| - Government | 337,292 | 273,782 |
| - Financial institutions | 998,410 | 441,000 |
| - Others | 48,933,821 | 38,462,882 |
| | <u>50,269,523</u> | <u>39,177,664</u> |
| 12.2 Transaction-related contingent liabilities | | |
| Guarantees in favour of | | |
| - Government | 462,552 | 269,851 |
| - Financial institutions | 73,616 | 1,713,959 |
| - Others | 112,674,604 | 123,407,833 |
| | <u>113,210,772</u> | <u>125,391,643</u> |
| 12.3 Trade-related contingent liabilities | | |
| Letters of credit in favour of | | |
| - Government | 29,676,239 | 49,835,960 |
| - Financial institutions | 4,531,273 | 5,340,244 |
| - Others | 93,408,899 | 81,773,117 |
| | <u>127,616,411</u> | <u>136,949,321</u> |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

| | | (Unaudited) June 30, 2018 | (Audited) December 31, 2017 |
|--------|---|---|-----------------------------------|
| | | (Rupees in '000) | |
| 12.4 | Other contingencies | | |
| | Claims against the Group not acknowledged as debts | <u>28,983,613</u> | 28,370,682 |
| 12.4.1 | These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Group and other relief and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Group's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these condensed interim consolidated financial statements. | | |
| 12.4.2 | The matter relating to the Bank's New York Branch has been disclosed in Note 29 to the annual consolidated financial statements of the Group for the year ended December 31, 2017. There is no further update on the same. | | |
| 12.5 | Commitments to extend credit | | |
| | 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. | | |
| 12.6 | Commitments in respect of forward foreign exchange contracts | | |
| | Purchase | 164,039,069 | 142,571,667 |
| | Sale | 92,281,128 | 84,353,498 |
| 12.7 | Commitments in respect of forward Government Securities transactions | | |
| | Purchase | 29,357,272 | 20,243,788 |
| | Sale | 87,375,162 | - |
| 12.8 | Commitments in respect of derivatives | | |
| | Foreign currency options | | |
| | Purchase | 420,698 | - |
| | Sale | 420,698 | - |
| | Cross currency swaps | | |
| | Purchase | 2,866,143 | 1,633,987 |
| | Sale | 3,151,761 | 1,707,050 |
| | Interest rate swaps | | |
| | Purchase | - | - |
| | Sale | 10,029,531 | 10,315,539 |
| 12.9 | Commitments for capital expenditure | <u>3,489,145</u> | 5,026,435 |
| 12.10 | The income tax returns of the Bank have been submitted upto and including the accounting year 2016. The tax authorities have concluded the audit of the returns under section 122(5A) of the Income Tax Ordinance, 2001 upto accounting year 2016. | | |
| 13 | MARK-UP / RETURN / PROFIT / INTEREST EARNED | | |
| | | (Unaudited) For the six months ended | |
| | | June 30, 2018 | June 30, 2017 |
| | | (Rupees in '000) | |
| | On advances | 33,884,360 | 27,837,837 |
| | On investments in | | |
| | - Held-for-trading securities | 3,582,715 | 2,904,364 |
| | - Held-to-maturity securities | 9,312,617 | 7,744,553 |
| | - Available-for-sale securities | 27,017,355 | 32,794,762 |
| | On deposits with financial institutions | 39,912,687 | 43,443,679 |
| | On lendings to financial institutions | 475,788 | 563,121 |
| | | 1,256,379 | 458,111 |
| | | <u>75,529,214</u> | <u>72,302,748</u> |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

| | 14 | MARK-UP / RETURN / PROFIT / INTEREST EXPENSED | For the six months ended | |
|---|----|--|---------------------------------|--------------------------|
| | | | June 30, 2018 | June 30, 2017 |
| | | | (Rupees in '000) | |
| On | | | | |
| - Deposits | | | 25,409,375 | 21,788,924 |
| - Securities sold under repurchase agreement borrowings | | | 6,610,182 | 7,270,523 |
| - Other short-term borrowings | | | 1,573,520 | 899,462 |
| - Long-term borrowings | | | 1,653,551 | 942,409 |
| | | | 35,246,628 | 30,901,318 |

- 15 Further to the disclosure on pension related matters as explained in detail in note 44.2 to the annual consolidated financial statements of the Group for the year ended December 31, 2017, decision on the review petition was announced on April 3, 2018. Consequently, the Group has taken a charge of Rs 1,851.929 million representing the increase in the present value of the Bank's pension scheme related defined benefit obligations. The amount has been estimated based on actuarial valuations.

In accordance with the Honorable Supreme Court's Order the payments to eligible persons are prospectively applied from the date of judgment i.e. February 13, 2018.

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Valuation techniques used in determination of fair values within level 2 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 denominated in other currencies are valued on the basis of rates taken from Bloomberg / Reuters. |
| Overseas Government securities | The fair values of Overseas Government securities are determined on the basis of rates taken from Bloomberg / Reuters. |
| Units of mutual funds | The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day. |
| Derivatives | The Group enters into derivatives contracts with various counterparties. Derivatives that are valued using valuation techniques with market observable inputs are mainly interest rate swaps, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. |
| 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 these condensed interim consolidated financial statements. |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

Fair Value Measurement

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

| | As at June 30, 2018 (Unaudited) | | | |
|---|---------------------------------|----------------------|-------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees in '000) | | | |
| Items carried at Fair Value | | | | |
| Financial assets and liabilities | | | | |
| - Fully paid-up ordinary shares | 13,865,276 | - | - | 13,865,276 |
| - Real Estate Investment Trust units | 64,500 | - | - | 64,500 |
| - Federal Government securities | - | 1,006,284,370 | - | 1,006,284,370 |
| - Debentures and corporate debt instruments | - | 54,205,956 | - | 54,205,956 |
| - Overseas Government securities | - | 10,741,105 | - | 10,741,105 |
| - National Investment Trust units | - | 49,647 | - | 49,647 |
| - Unrealised gain on forward foreign exchange contracts | - | 4,012,324 | - | 4,012,324 |
| - Unrealised gain on derivative instruments | - | 73,341 | - | 73,341 |
| - Unrealised loss on forward foreign exchange contracts | - | 2,658,707 | - | 2,658,707 |
| - Unrealised loss on derivative instruments | - | 43,039 | - | 43,039 |
| Non-financial assets | | | | |
| - Operating fixed assets | - | - | 32,638,314 | 32,638,314 |
| - Non-banking assets acquired in satisfaction of claims | - | - | 1,854,636 | 1,854,636 |
| Items for which Fair Value is disclosed | | | | |
| - Federal Government securities | - | 182,759,855 | - | 182,759,855 |
| - Overseas Government securities | - | 14,363,009 | - | 14,363,009 |
| - Debentures and corporate debt instruments | - | 34,204,917 | - | 34,204,917 |
| | 13,929,776 | 1,309,396,270 | 34,492,950 | 1,357,818,996 |

| | As at December 31, 2017 (Audited) | | | |
|---|-----------------------------------|----------------------|-------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees in '000) | | | |
| Items carried at Fair Value | | | | |
| Financial assets and liabilities | | | | |
| - Fully paid-up ordinary shares | 17,004,855 | - | - | 17,004,855 |
| - Real Estate Investment Trust units | 154,000 | - | - | 154,000 |
| - Federal Government securities | - | 989,980,872 | - | 989,980,872 |
| - Debentures and corporate debt instruments | - | 40,285,987 | - | 40,285,987 |
| - Overseas Government securities | - | 9,017,220 | - | 9,017,220 |
| - National Investment Trust units | - | 47,303 | - | 47,303 |
| - Unrealised gain on forward foreign exchange contracts | - | 4,086,999 | - | 4,086,999 |
| - Unrealised gain on derivative instruments | - | 102,616 | - | 102,616 |
| - Unrealised loss on forward foreign exchange contracts | - | 891,964 | - | 891,964 |
| - Unrealised loss on derivative instruments | - | 50,418 | - | 50,418 |
| Non-financial assets | | | | |
| - Operating fixed assets | - | - | 32,478,149 | 32,478,149 |
| - Non-banking assets acquired in satisfaction of claims | - | - | 1,967,665 | 1,967,665 |
| Items for which Fair Value is disclosed | | | | |
| - Federal Government securities | - | 232,971,770 | - | 232,971,770 |
| - Overseas Government securities | - | 16,956,040 | - | 16,956,040 |
| - Debentures and corporate debt instruments | - | 30,878,592 | - | 30,878,592 |
| | 17,158,855 | 1,325,269,781 | 34,445,814 | 1,376,874,450 |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

| | For the six months ended June 30, 2018 (Unaudited) | | | | | | |
|--|--|-------------------|-------------|-----------------------|------------------|----------------------|-----------|
| | Branch banking | Corporate banking | Treasury | International banking | Asset Management | Head Office / Others | Total |
| (Rupees in million) | | | | | | | |
| Net mark-up income - external | (4,607) | 10,662 | 30,616 | 2,982 | (92) | 723 | 40,284 |
| Inter-segment revenue / (expense) - net | 30,718 | (7,327) | (25,565) | - | - | 2,174 | - |
| Non-funded income | 6,435 | 1,713 | 808 | 1,349 | 448 | (11) | 10,742 |
| Total income | 32,546 | 5,048 | 5,859 | 4,331 | 356 | 2,886 | 51,026 |
| Total expenses including provision | 13,549 | (464) | 549 | 9,509 | 200 | 13,554 | 36,897 |
| Inter-segment administrative cost | 8,492 | 1,238 | 239 | 890 | - | (10,859) | - |
| Total expenses including provision | 22,041 | 774 | 788 | 10,399 | 200 | 2,695 | 36,897 |
| Profit / (loss) before tax | 10,505 | 4,274 | 5,071 | (6,068) | 156 | 191 | 14,129 |
| Segment return on assets % | 0.74% | 0.98% | 0.47% | -2.27% | 3.85% | 0.09% | - |
| Segment cost of funds % | 2.77% | 5.20% | 5.21% | 1.43% | 5.01% | 1.09% | - |
| As at June 30, 2018 (Unaudited) | | | | | | | |
| | Branch banking | Corporate banking | Treasury | International banking | Asset Management | Head Office / Others | Total |
| (Rupees in million) | | | | | | | |
| Segment assets (gross of provision) | 527,710 | 564,587 | 1,273,331 | 310,032 | 3,648 | 158,001 | 2,837,309 |
| Segment non-performing advances | 7,801 | 39,377 | - | 28,373 | - | 444 | 75,995 |
| Segment provision held (including general provision) | 6,837 | 38,217 | 1,136 | 25,060 | - | 1,087 | 72,337 |
| Inter-segment assets / (liabilities) | 1,156,219 | (195,181) | (1,046,599) | 28,453 | (564) | 57,672 | - |
| Segment liabilities and equity | 1,677,092 | 331,189 | 225,596 | 313,425 | 3,084 | 214,586 | 2,764,972 |
| For the six months ended June 30, 2017 (Unaudited) | | | | | | | |
| | Branch banking | Corporate banking | Treasury | International banking | Asset Management | Head Office / Others | Total |
| (Rupees in million) | | | | | | | |
| Net mark-up income - external | (3,899) | 9,001 | 30,958 | 4,653 | (103) | 791 | 41,401 |
| Inter-segment revenue / (expense) - net | 27,716 | (6,019) | (23,617) | - | - | 1,920 | - |
| Non-funded income | 6,224 | 1,404 | 2,637 | 2,648 | 472 | 3,049 | 16,434 |
| Total income | 30,041 | 4,386 | 9,978 | 7,301 | 369 | 5,760 | 57,835 |
| Total expenses including provision | 12,646 | (213) | 1,073 | 6,747 | 213 | 9,652 | 30,118 |
| Inter-segment administrative cost | 6,066 | 885 | 172 | 635 | - | (7,758) | - |
| Total expenses including provision | 18,712 | 672 | 1,245 | 7,382 | 213 | 1,894 | 30,118 |
| Profit / (loss) before tax | 11,329 | 3,714 | 8,733 | (81) | 156 | 3,866 | 27,717 |
| Segment return on assets % | 0.88% | 1.06% | 0.80% | -0.02% | 5.14% | 1.68% | - |
| Segment cost of funds % | 2.65% | 4.83% | 5.04% | 1.09% | 5.13% | 0.52% | - |
| As at December 31, 2017 (Audited) | | | | | | | |
| | Branch banking | Corporate banking | Treasury | International banking | Asset Management | Head Office / Others | Total |
| (Rupees in million) | | | | | | | |
| Segment assets (gross of provision) | 510,273 | 477,658 | 1,295,184 | 334,731 | 3,740 | 134,350 | 2,755,936 |
| Segment non-performing advances | 7,592 | 42,465 | - | 25,494 | - | 294 | 75,845 |
| Segment provision held (including general provision) | 6,933 | 40,516 | 872 | 22,606 | - | 907 | 71,834 |
| Inter-segment assets / (liabilities) | 1,062,311 | (130,699) | (978,849) | 21,101 | (564) | 26,700 | - |
| Segment liabilities and equity | 1,565,651 | 306,443 | 315,463 | 333,226 | 3,176 | 160,143 | 2,684,102 |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

18 RELATED PARTY TRANSACTIONS

The Group has relationships with various related parties, including its directors, members of the key management personnel of the Group, Group entities, associated undertakings, joint venture company and employee benefit schemes of the Group.

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

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

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

| | As at June 30, 2018 (Unaudited) | | | | | |
|--|---------------------------------|--------------------------|----------------|------------|---------------|-----------------------|
| | Directors | Key Management Personnel | Group Entities | Associates | Joint Venture | Other related parties |
| ----- (Rupees in '000) ----- | | | | | | |
| Statement of financial position | | | | | | |
| Deposits | 172,658 | 56,243 | 10,040,240 | 2,454,802 | - | 781,288 |
| Maximum deposits during the period | 232,076 | 90,313 | 11,821,567 | 11,257,081 | - | 2,896,068 |
| Borrowings | - | - | 1,826,938 | 2,186,950 | 1,214,972 | - |
| Investments | - | - | - | 26,513,876 | 3,063,922 | 6,030,725 |
| Provision for diminution in the value of investments | - | - | - | - | - | (18,980) |
| Nostro balances | - | - | 244,010 | 10,353 | 6,562 | - |
| Advances | - | 138,412 | 3,298,158 | 1,500,000 | - | 24,315,687 |
| Provision against advances | - | - | - | - | - | (1,726,437) |
| Mark-up receivable | - | 363 | 28,728 | 13,213 | - | 305,187 |
| Other receivable | - | - | 5,412 | 254,506 | - | 26,550 |
| Mark-up payable | 1,023 | 74 | 172,545 | 12,413 | 7,673 | 2,324 |
| Other payable | - | - | 22,126 | 25,491 | - | 2,443,935 |
| - | - | - | - | - | - | - |
| Contingencies and Commitments | | | | | | |
| Letters of credit | - | - | 472,826 | - | - | 10,913,419 |
| Letters of guarantee | - | - | 219,555 | - | - | 705,938 |
| Forward purchase of government securities | - | - | 14,131,224 | - | - | 11,407,338 |
| Forward sale of government securities | - | - | - | - | - | 2,154,567 |
| Interest rate swaps | - | - | 1,596,197 | 1,500,000 | - | - |
| Others | | | | | | |
| Securities held as custodian | - | 8,395 | 17,938,710 | 26,718,750 | - | 17,229,950 |
| For the six months ended June 30, 2018 (Unaudited) | | | | | | |
| | Directors | Key Management Personnel | Group Entities | Associates | Joint Venture | Other related parties |
| ----- (Rupees in '000) ----- | | | | | | |
| Profit and Loss Account | | | | | | |
| Mark-up income | - | 7,206 | 147,959 | 119,880 | - | 659,965 |
| Fee and commission income | - | - | 104 | 1,287,852 | - | 11,541 |
| Share of profit | - | - | - | 1,402,655 | 256,125 | - |
| Dividend Income | - | - | - | - | - | 36,162 |
| Mark-up expense | 3,454 | 165 | 269,134 | 194,416 | 12,778 | 24,181 |
| Salaries and allowances | - | 711,839 | - | - | - | - |
| Contribution to provident and benevolent fund | - | 8,916 | - | - | - | - |
| Net charge for defined benefit / contribution plans | - | - | - | - | - | 2,237,482 |
| Non-Executive Directors' fees | 28,800 | - | - | - | - | - |
| Other loss | - | - | (7,137) | (1,996) | - | - |
| Other expenses | - | - | 23,761 | 1 | - | 456,309 |
| Insurance premium expense | - | - | - | 629,426 | - | - |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

| | For the six months ended June 30, 2018 (Unaudited) | | | | | |
|--|--|--------------------------|----------------|------------|---------------|-----------------------|
| | Directors | Key Management Personnel | Group Entities | Associates | Joint Venture | Other related parties |
| ----- (Rupees in '000) ----- | | | | | | |
| Others | | | | | | |
| Purchase of government securities | - | 8,297 | 83,917,802 | - | - | 35,962,913 |
| Sale of government securities | - | 16,487 | 90,624,221 | 26,082,649 | - | 39,871,938 |
| Insurance claims | - | - | - | 36,436 | - | - |
| As at December 31, 2017 (Audited) | | | | | | |
| | Directors | Key Management Personnel | Group Entities | Associates | Joint Venture | Other related parties |
| ----- (Rupees in '000) ----- | | | | | | |
| Statement of financial position | | | | | | |
| Deposits | 127,426 | 37,694 | 22,190,433 | 9,245,055 | 22,702 | 1,501,398 |
| Maximum deposits during the year | 165,193 | 50,047 | 24,219,104 | 13,758,153 | 63,856 | 2,229,057 |
| Borrowings | - | - | 1,141,977 | 3,312,516 | 1,104,172 | - |
| Investments | - | - | - | 24,618,037 | 2,739,781 | 5,291,967 |
| Provision for diminution in the value of investments | - | - | - | - | - | (68,800) |
| Nostro balances | - | - | 169,804 | - | - | - |
| Advances | - | 145,569 | 3,147,907 | 3,962,169 | - | 16,536,672 |
| Provision against advances | - | - | - | - | - | (1,726,437) |
| Mark-up receivable | - | 247 | 18,843 | 63,280 | - | 211,963 |
| Other receivable | - | - | 4,243 | 418,657 | - | - |
| Mark-up payable | 120 | 243 | 95,621 | 45,720 | 1,195 | 4,951 |
| Other payable | - | - | 13,722 | 380,935 | - | 1,459,635 |
| Contingencies and Commitments | | | | | | |
| Letters of credit | - | - | 366,972 | - | - | 13,447,606 |
| Letters of guarantee | - | - | 198,059 | 712,509 | - | - |
| Forward purchase of government securities | - | - | 13,232,566 | - | - | 2,104,644 |
| Interest rate swaps | - | - | 1,743,539 | 1,500,000 | - | - |
| Others | | | | | | |
| Securities held as custodian | - | 8,220 | 16,223,810 | 28,200,745 | - | 8,478,905 |
| For the six months ended June 30, 2017 (Unaudited) | | | | | | |
| | Directors | Key Management Personnel | Group Entities | Associates | Joint Venture | Other related parties |
| ----- (Rupees in '000) ----- | | | | | | |
| Profit and Loss Account | | | | | | |
| Mark-up income | - | 3,634 | 126,452 | 43,227 | - | 501,223 |
| Fee and commission income | - | - | 6,982 | 1,354,444 | - | - |
| Share of profit | - | - | - | 1,589,732 | 313,094 | - |
| Dividend Income | - | - | - | - | - | 103,187 |
| Loss on sale of securities - net | - | - | - | - | - | (2,428) |
| Mark-up expense | 1,180 | 330 | 95,593 | 88,876 | 2,992 | 42,864 |
| Salaries and allowances | - | 455,848 | - | - | - | - |
| Contribution to provident and benevolent fund | - | 8,175 | - | - | - | - |
| Net charge for defined benefit / contribution plans | - | - | - | - | - | 307,962 |
| Non-Executive Directors' fees | 22,000 | - | - | - | - | - |
| Other income | - | - | 23,828 | 34,110 | - | - |
| Other expenses | - | - | 26,228 | - | - | 187,386 |
| Insurance premium expense | - | - | - | 481,504 | - | - |
| Others | | | | | | |
| Purchase of government securities | - | 66,184 | 15,118,468 | 34,450 | - | 3,938,503 |
| Sale of government securities | - | 65,174 | 16,108,284 | 7,607,191 | - | 6,274,635 |
| Insurance claims | - | - | - | 66,972 | - | - |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

19 LIQUIDITY STANDARDS

The SBP has introduced two liquidity standards through its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of LCR is to ensure that Banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of NSFR is to reduce funding risk over a longer time horizon by requiring Banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

19.1 Liquidity Coverage Ratio

| | (Unaudited) June 30, 2018 | (Unaudited) March 31, 2018 | (Audited) December 31, 2017 |
|-------------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| Total Adjusted Value | | | |
| (Rupees in '000) | | | |
| Total HQLA | 993,388,080 | 896,354,690 | 962,730,144 |
| Total Net Cash Outflows | 546,953,989 | 539,366,389 | 520,941,525 |
| Liquidity Coverage Ratio (%) | 181.62% | 166.19% | 184.81% |
| Minimum Requirement (%) | 90.00% | 90.00% | 90.00% |

19.2 Net Stable Funding Ratio

| | (Unaudited) June 30, 2018 | (Audited) December 31, 2017 |
|--------------------------------------|---------------------------------|-----------------------------------|
| Total Weighted Value | | |
| (Rupees in '000) | | |
| Total Available Stable Funding (ASF) | 2,041,199,384 | 1,946,812,485 |
| Total Required Stable Funding (RSF) | 1,314,468,911 | 1,229,522,456 |
| Net Stable Funding Ratio (%) | 155.29% | 158.34% |
| Minimum Requirement (%) | 100.00% | 100.00% |

20 ISLAMIC BANKING BUSINESS

20.1 STATEMENT OF FINANCIAL POSITION

ASSETS

| | Note | (Unaudited) June 30, 2018 | (Audited) December 31, 2017 |
|--|--------|---------------------------------|-----------------------------------|
| Cash and balances with treasury banks | | 10,155,982 | 7,475,822 |
| Due from financial institutions | | 600,000 | 1,614,839 |
| Investments | | 100,420,283 | 104,616,358 |
| Islamic financing and related assets - net | 20.1.2 | 94,259,759 | 84,297,519 |
| Due from Head Office | | 8,309,348 | 66,226 |
| Deferred tax asset | | 21,837 | - |
| Other assets | | 2,238,522 | 1,022,451 |
| | | 216,005,731 | 199,093,215 |

LIABILITIES

| | 20.1.3 | | |
|-------------------------------|--------|--------------------|--------------------|
| Bills payable | | 9,056 | 7,037 |
| Due to financial institutions | | 22,467,000 | 24,798,000 |
| Deposits and other accounts | | 182,017,587 | 163,448,909 |
| Deferred tax liability | | - | 172,401 |
| Other liabilities | | 1,272,911 | 1,433,836 |
| | | 205,766,554 | 189,860,183 |

NET ASSETS

| REPRESENTED BY | | | |
|---|--|-------------------|------------------|
| Islamic Banking Fund | | 250,000 | 250,000 |
| Reserves | | - | 4,584 |
| Unappropriated profit | | 10,029,731 | 8,662,859 |
| (Deficit) / surplus on revaluation of investments - net of deferred tax | | 10,279,731 | 8,917,443 |
| | | (40,554) | 315,589 |
| | | 10,239,177 | 9,233,032 |

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited)

For the six months ended June 30, 2018

20.1.1 Commitments in respect of guarantees and letters of credit of the Islamic Banking Business amounted to Rs 267.226 million (December 31, 2017: Rs 271.654 million) and Rs 1,333.670 million (December 31, 2017: Rs 3,921.630 million) respectively. Commitments in respect of forward foreign exchange purchase and sale transactions amounted to Rs 11,520.919 million (December 31, 2017: Rs 3,595.455 million) and Rs 170.200 million (December 31, 2017: Rs 2,439.128 million) respectively.

20.1.2 Islamic financing and related assets - net

| | (Unaudited) June 30, 2018 (Rupees in '000) | (Audited) December 31, 2017 |
|--|---|-----------------------------------|
| Ijarah | 1,895,064 | 1,728,525 |
| Murabaha | 1,004,982 | 316,442 |
| Diminishing Musharakah | 61,135,583 | 60,591,346 |
| Wakalah | 10,000,000 | 10,000,000 |
| Running Musharakah | 3,308,591 | 1,138,052 |
| Advance for Ijarah | 295,564 | 542,507 |
| Advance for Murabaha | 4,573,477 | 2,968,494 |
| Advance for Diminishing Musharakah | 4,432,536 | - |
| Advance for Istisna | 5,917,609 | 4,546,399 |
| Assets / Inventories | 1,808,552 | 2,576,238 |
| Islamic financing and related assets - gross | <u>94,371,958</u> | <u>84,408,003</u> |
| Provision against Islamic financing and related assets | (112,199) | (110,484) |
| Islamic financing and related assets - net | <u>94,259,759</u> | <u>84,297,519</u> |

20.1.3 Deposits and other accounts

| | (Unaudited) June 30, 2018 (Rupees in '000) | (Audited) June 30, 2017 |
|---|---|-------------------------------|
| Current accounts | 52,723,392 | 48,389,707 |
| Savings accounts | 102,270,427 | 87,258,027 |
| Term deposits | 21,111,293 | 13,731,808 |
| Deposits from financial institutions - non - remunerative | 95,995 | 105,001 |
| Deposits from financial institutions - remunerative | 5,816,480 | 13,964,366 |
| | <u>182,017,587</u> | <u>163,448,909</u> |

20.2 PROFIT AND LOSS ACCOUNT

| | (Unaudited) For the six months ended June 30, 2018 (Rupees in '000) | (Audited) June 30, 2017 |
|---|---|-------------------------------|
| Profit earned | 5,667,177 | 4,293,331 |
| Profit expensed | 3,129,057 | 1,888,439 |
| Net profit earned | <u>2,538,120</u> | <u>2,404,892</u> |
| Provision against non-performing assets | 1,715 | 4,498 |
| Net profit after provisions | <u>2,536,405</u> | <u>2,400,394</u> |

Other income

| | | |
|--|-------------------------|-------------------------|
| Fee, commission and brokerage income | 101,799 | 90,410 |
| Income / (loss) from dealing in foreign currencies | 23,144 | (23,645) |
| (Loss) / gain on sale of securities | (21,762) | 9,849 |
| Rent on Lockers | 3,285 | 3,145 |
| Others | 346 | 390 |
| Total other income | <u>106,812</u> | <u>80,149</u> |
| Administrative expenses | 2,643,217 | 2,480,543 |
| Net profit for the period | 402,443 | 317,375 |
| | <u>2,240,774</u> | <u>2,163,168</u> |

20.3 Remuneration to Shariah Advisor / Board

| | |
|-------|-------|
| 3,960 | 3,180 |
|-------|-------|

Notes to the Condensed Interim Consolidated Financial Statement (Unaudited) For the six months ended June 30, 2018

| | (Unaudited) June 30, 2018 | (Audited) December 31, 2017 |
|---|---------------------------------|-----------------------------------|
| | (Rupees in '000) | |
| 20.4 Charity Fund | | |
| Opening balance | 233,247 | 526 |
| Additions during the period / year | | |
| -Income purification | 334 | 244,105 |
| -Penalty on delayed payment | 268 | 723 |
| | 602 | 244,828 |
| Payments / Utilization during the period / year | | |
| -Health sector | - | (11,107) |
| -Others | - | (1,000) |
| | - | (12,107) |
| Closing balance | <u>233,849</u> | <u>233,247</u> |

21 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 2, 2018 has declared a cash dividend in respect of the quarter ended June 30, 2018 of Rs 1 per share (June 30, 2017: Rs 3.50 per share). These condensed interim consolidated financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

22 GENERAL

Comparative figures have been rearranged and reclassified for comparison purposes.

23 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue in the Board of Directors meeting held on August 2, 2018.

**Muhammad Aurangzeb
President &
Chief Executive Officer**

**Rayomond Kotwal
Chief Financial Officer**

**Dr. Najeeb Samie
Director**

**Agha Sher Shah
Director**

**Moez Ahamed Jamal
Director**



Condensed Interim Unconsolidated Financial Statements

Directors' Review

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the half year ended June 30, 2018.

Domestic Economy

Pakistan's growth trajectory continued in FY18 with a thirteen-year high GDP growth of 5.8%. Real economic activity maintained its momentum from the previous year; the agriculture, industry and services sectors all delivered an improved performance with LSM growth of 6% during 1H FY18. Average inflation remained contained, and well below targeted levels at 3.9%; however, the trend is changing rapidly as headline inflation for June 2018 reached 5.2% and positive developments on the growth front remain tempered by a sharp deterioration in the twin deficits, intensifying the economic challenges.

After declining in FY17, a strong export recovery of 13% has been more than offset by the sheer size of the import bill which, driven by rising oil prices and a strong demand for productive imports, grew by 15%. Consequently, the trade deficit widened by 16% to over USD 31 billion. Although the declining trend in remittances was arrested, growth remained elusive with remittances not even recovering to their FY16 levels. The current account deficit increased by 43% to USD 18 billion which, at 5.7% of GDP, is an all-time high. With limited financial account inflows, FX reserves continued to decline, falling by 23% during the fiscal year to USD 16.4 billion. The Rupee has been under severe pressure with four devaluations since December 2017 eroding its value by 15%.

The fiscal deficit, which was budgeted to reduce to 4.1% of GDP, has instead increased further, and is estimated at 6.8% compared to 5.8% in FY17. Despite provisional estimates of an 11% increase in tax collection over the previous year, shortfalls to revenue targets remain. The response from the tax amnesty scheme has been below expectations, although there is some expectation that the resultant widening of the tax base would result in higher future tax revenue.

The precarious external account has led international rating agencies to take a more critical view on Pakistan. While affirming the country's B3 ratings, Moody's downgraded its Outlook from Stable to Negative citing dwindling foreign reserves, the burgeoning current account deficit and declining access to external financing. Fitch maintained its Outlook at Negative, highlighting largely similar concerns.

The uncertainty created by the political situation in the run up to the elections had led to the stock market being bearish for an extended period, with a net outflow of over USD 100 million in foreign portfolio investment in 2018. Equities have recovered somewhat post the elections, with the PSX rallying by 3.3% to post a gain of 5% since the start of the year.

In its July monetary policy statement, the SBP increased the policy rate by 100 bps to 7.5%, the first increase of this magnitude since 2008. The reversal of the interest rate cycle is now in full swing with three hikes in 2018. The SBP cited pressure on the external account and highlighted risks to macroeconomic stability from the substantial fiscal deficit, higher oil imports and rising inflationary pressures. Private sector credit offtake increased by over Rs 800 billion (18%) in FY18, a significant improvement over the Rs 697 billion growth in FY17. Banking sector advances have increased by 14% over December 2017, while deposits rose by 6%. Average banking spreads compressed by 17 bps compared to the same period last year as the rate increases during the first half of the year will only have a lagged effect on asset yields.

Performance

HBL's domestic business continued its growth momentum, with deposits increasing by 8% over December 2017 to nearly Rs 1.9 trillion, and market share rising to 14.4%. In this period, the Bank added Rs 119 billion in domestic CASA deposits, further improving the CASA ratio to 86.6% as at June 30, 2018. The growth momentum in current deposits delivered a 9.8% growth in just six months. Current accounts reached nearly Rs 690 billion and their share in the deposit mix improved by 70 bps to 36.3% in June 2018. With a renewed focus on quality lending growth, HBL's domestic loan book increased by 13% over December 2017 with corporate loans, Islamic financing and consumer lending making key contributions.

HBL's reported financial performance remains impacted by the revision in pension costs, the impact of the multiple currency devaluations on overseas borrowings and the remediation, legal and regulatory costs related to the Bank's

New York branch. In addition, the accelerated shrinkage in the international balance sheet has resulted in significantly reduced revenues and while the cost profile has improved, further reductions will be gradual. As a result, HBL's profit before tax for the first six months of 2018 is Rs 12.8 billion. Profit after tax for the same period is Rs 7.6 billion, with earnings per share for H1'18 at Rs 5.16.

Average domestic loans for H1'18 grew by 28% over H1'17, with all businesses registering significant increases, and average domestic current accounts for the first six months of 2018 increased by 15% over H1'17. However, the impact of spread reduction coupled with a drop in international results was more than able to offset the 11% growth in average domestic balance sheet. Consequently, total net interest income has declined by 4% YoY to Rs 37.7 billion.

Core FX income improved by 4% as Trading revenues delivered a strong performance. Domestic fee income rose by 7% over H1'17, excluding the impact of the expected drop in revenue from home remittances, as volumes have fallen by over 70%. Account operations, consumer finance and card related fees were key contributors to the growth in fees and commissions. The strong core domestic performance was impacted by a Rs 0.8 billion reduction in fees and commissions from the international business and by the drop in the Rupee which resulted in a loss of Rs 2.5 billion on revaluation of overseas borrowings. Total non mark-up income is therefore reported at Rs 8.5 billion, Rs 5.8 billion lower than in H1'17.

The Bank has embarked on a global business and compliance transformation project through which it intends to raise its operations and customer service to world-class levels. HBL will continue to invest in this area, in state of the art technology, and in building on its market leading brand presence. Excluding the impact of pensions, and the ongoing costs of New York and business transformation, the growth in administrative expenses was contained at single digits. A positive recovery stream has led to a Rs 2.9 billion reduction in domestic non-performing loans, while overseas NPLs have increased as a result of the currency devaluation. Consequently, loan provisions have recorded a reversal of Rs 349 million, compared to a provision of Rs 502 million in H1'17. With stable NPLs, the coverage ratio strengthened to 94.4% and the infection ratio, down to 7.0%, is at its lowest level since the privatization of the Bank.

Movement of Reserves

| | Rs million |
|--|------------|
| Unappropriated profit brought forward - restated | 87,300 |
| Profit after tax | 7,570 |
| Re-measurement gain on defined benefit obligations – net | 287 |
| Transferred from surplus on revaluation of assets – net of tax | 27 |
| | 7,884 |
| Profit available for appropriations | 95,184 |

Appropriations

| | |
|-----------------------------------|---------|
| Transferred to statutory reserves | (757) |
| Cash Dividend – Final 2017 | (1,467) |
| Cash Dividend – 1st Interim 2018 | (1,467) |
| | (3,691) |

Unappropriated profit carried forward

| | |
|-----------------------------|------|
| Earnings per share (Rupees) | 5.16 |
|-----------------------------|------|

Capital Ratios

In June 2018, HBL was designated as a Domestic Systemically Important Bank (D-SIB) and is the only bank in the highest category "C", which requires the Bank to reserve an additional Tier 1 capital of 2% of Risk Weighted Assets. With this in mind, HBL continues to follow a conservative dividend policy and optimize its Risk Assets. As a result, the Capital Adequacy Ratios continued to improve – the Tier 1 CAR rose by 88 bps from December 2017 to reach 13.0% and the total CAR increased by 104 bps to 16.8%.

Dividend

The Board of Directors, in its meeting held on August 2, 2018 has declared an interim cash dividend of Rs 1.00 per share (10%) for the quarter ended June 30, 2018. This is in addition to the interim cash dividend of Rs 1.00 per share (10%) already declared and paid for the first quarter ended March 31, 2018.

Credit Ratings

The Bank's credit ratings were re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively with the rating of its subordinated debt also at AA+. The ratings are supported by HBL's strong momentum in its domestic business, improving asset quality, healthy capitalization ratios and strong liquidity profile and reflect the systemic importance of the Bank.

Future Outlook

The twin deficits that have plagued Pakistan's economy had been managed down but have returned in full force. The increasing headwinds on the economic front pose major risks with even the most optimistic reports indicating a slowdown in GDP growth. A sustained economic recovery will be heavily dependent on real structural reforms, diversifying the export base to buildup foreign reserves and a significant widening of the tax net while exercising fiscal discipline. Average headline inflation is projected at 6-7% in FY19; nevertheless, the SBP expects healthy growth in private sector credit to continue, driven by higher working capital requirements on the back of increasing exports.

Some of the downsides that have affected the half yearly reported results are expected to persist for the medium term. However, HBL's domestic business remains on its growth trajectory and the Bank's capital is now at its highest in several years. This will enable it to pursue its objectives of playing a leading role in financing Pakistan's development, furthering financial inclusion of the country's population and expanding the digital retail payments infrastructure.

Appreciation and Acknowledgement

We would like to place on record, our appreciation for 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.

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. We assure them that we remain committed to maintaining the highest standards and a strong culture of good corporate governance and compliance in all our endeavors. We 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

Muhammad Aurangzeb

President & Chief Executive Officer

August 2, 2018

ڈائریکٹر جائزہ

محضے بورڈ آف ڈائریکٹر کی جانب سے 30 جون 2018ء کو ختم ہونے والی پہلی شماہی کے مختصر عبوری غیر جامع مالیاتی گوشوارے پیش کرتے ہوئے مرت ہو رہی ہے۔

ملکی معیشت

پاکستانی معیشت کے اضافہ کا سفر مالی سال 2018ء میں بھی جی ڈی پی میں اضافہ کی تیرہ سالہ بلند شرح 5.8 فیصد کے ساتھ جاری رہا۔ گزشتہ برس سے جاری حقیقی معاشی سرگرمی کی رفتار برقرار رہی اور روزگار، صنعت اور خدمات سمیت تمام شعبوں نے بہتر کارکردگی کا مظاہرہ کیا جبکہ لارج اسکیل مینی پیچنگ میں مالی سال 2018ء کے گلزارہ ماہ میں اضافہ کی شرح 6 فیصد رہی۔ افراطی اور خواک کی قیتوں میں رہی جو 3.9 فیصد کے طشدہ ہدف سے خاصی کمتر رہی تاہم اس رجحان میں تبدیلی ہو رہی ہے کیونکہ تو انائی اور خوارک کی قیتوں میں اضافہ کی شرح جون 2018ء میں 5.2 فیصد تک پہنچ گئی جبکہ اضافہ کے محاذ پر ثابت سرگرمیوں میں جڑواں خساروں میں تیز خرابی کے باعث معاملات میں فرق آیا جس کی وجہ سے معاشی چیلنجز کی شدت میں اضافہ ہوا۔

2017ء میں زوال کے بعد برآمدات میں 13 فیصد کے حساب سے مضمبوط اضافہ ہوا تاہم اس اضافہ کے ثبت اثرات کو درآمدی بل میں ہونے والے 15 فیصد اضافہ نے دھنلا دیا جس میں پڑول کی بڑھتی ہوئی قیتوں اور پیداواری درآمدات کی شدت شامل ہیں۔ نتیجتاً تجارتی خسارہ 16 فیصد اضافہ کے ساتھ بڑھ کر 31 ارب امریکی ڈالر سے زائد ہو گیا۔ اگرچہ تجارتی خسارے میں اضافہ کے رجحان کو تریلاتِ زر کے باعث کچھ فرق پڑا تاہم تریلاتِ زر میں 2016ء کی سطح تک بحالی نہ ہونے کے باعث یہ فرق بھی ہی رہا۔ کرنٹ اکاؤنٹ کا خسارہ 43 فیصد اضافہ کے ساتھ بڑھ کر 18 ارب امریکی ڈالر ہو گیا جو جی ڈی پی کے 5.7 فیصد کی شرح سے کسی بھی وقت کا بلند ترین اضافہ ہے۔ مالی کھاتے میں فوری مگر حدود اندر ونی بہاؤ میں اضافہ ہوا تاہم زر مبادلہ کے ذخائر میں کمی کا رجحان جاری رہا جو مالی سال میں 23 فیصد گراوٹ کے ساتھ 16.4 ارب امریکی ڈالر ہو گیا۔ پاکستانی روپیہ اپنی قدر میں دسمبر 2017ء سے چار مرتبہ کی کے باعث شدید باؤ کاشکارہ جس سے اس کی قوت 15 فیصد کم ہو گئی۔

مالی خسارہ جسے کم کر کے بجٹ میں جی ڈی پی کے 4.1 فیصد پر رکھا گیا تھا تاہم اس کے برعکس اس میں اضافہ ہی ہوا جس کا تخمینہ مالی سال 2017ء کے 5.8 فیصد کے مقابل 6.8 فیصد کیا جا رہا ہے۔ محصولات کی وصولیوں میں گزشتہ برس کے مقابلے میں 11 فیصد کے عبوری اضافے کا تخمینہ ہے تاہم وصولیوں کے اہداف میں کمی پائی جاتی ہے۔ ٹکس ایمنٹی اسکیم میں ریپانس توقعات سے کم رہا ہے اگرچہ اس امر کی کچھ توقع کی جا رہی ہے کہ ٹکس کی بنیاد میں ہونے والا اضافہ مستقبل میں محصولات میں اضافے کا باعث ہو گا۔

بیرونی کھاتے میں موجود بے یقینی کے باعث میں الاقوامی رینگ کے اداروں نے پاکستان کا مزید تنقیدی جائزہ لیا ہے۔ Moody's نے اگرچہ ملک کی B3 رینگ کی تقدیم کی ہے تاہم اس نے مستقبل کے آٹھ لکھ میں مشتمل منقی کر دیا ہے جس کی وجوہات اس نے کم ہوتے ہوئے زر مبادلہ کے ذخائر تیزی کے ساتھ بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے اور بیرونی مالیات تک کم ہوتی رسائی کو قرار دیا ہے۔ Fitch نے آٹھ لکھ منقی برقرار رکھا ہے جبکہ ایسی ہی تشویش کو نمایاں کیا ہے۔

ایکشن سے قبل پیدا ہونے والی غیر یقینی سیاسی فضاء کے باعث اسٹاک مارکیٹ میں عرصہ دراز تک گراوٹ کا رجحان رہا جس کے نتیجے میں 2018ء میں بیرونی پورٹ فلیوسر مایکاری میں 100 ملین امریکی ڈالر سے زائد خالص بہاؤ ریکارڈ کیا گیا۔ تاہم حصہ بازار میں ایکشن کے بعد قدرے بحالی دیکھنے میں آئی اور پاکستان اسٹاک ایچنچ میں 3.3 فیصد اضافہ کی تیزی کے باعث گزشتہ برس سے 5 فیصد کا ففع ریکارڈ کیا گیا۔

اسٹیٹ بینک نے اپنے جو لوائی کے مالیاتی پالیسی بیان میں پالیسی ریٹ میں 100 bps کا اضافہ کر دیا جو 7.5 فیصد ہو گیا اور اس جم کا 2008ء کے بعد سے یہ سب سے بڑا اضافہ ہے۔ انٹرست ریٹ سائیکل میں ریورسل اب پورے زور میں ہے جس سے 2018ء میں تین مرتبہ اضافہ ہو چکا ہے۔ اسٹیٹ بینک نے بیرونی کھاتے پر دباؤ کو اس کا سب قرار دیتے ہوئے ایک بڑے مالیاتی خسارے سے میکرو اکنام کا استحکام کو لاحق ہونے والے خطرات کو نمایاں کیا ہے جن

کے پروویژن میں 349 ملین کارپوریشن ریکارڈ کیا گیا جبکہ 2017ء کی پہلی ششماہی میں پروویژن 502 ملین تھے۔ مستحکم غیر متحرک قرضہ جات کے ساتھ کورٹ نے ریشو منصوبو ہو کر 4.4 فیصد ہو گیا جبکہ انسپیشن ریشو کم ہو کر 7.0 فیصد ہو گیا جو کہ بینک کی نجکاری سے لے کر آج تک کم ترین سطح ہے۔

ریزروز کی تفصیلات

ملین روپے

| |
|---------------|
| 87,300 |
| 7,570 |
| 287 |
| 27 |
| 7,884 |
| 95,184 |

افتتاحی غیر تخصیص شدہ منافع۔ تبدیل شدہ
بعداز ٹکس منافع

وضاحت شدہ منفعت کی ذمہ داریوں پر نفع کی دوبارہ پیمائش۔ خالص
اٹاٹہ جات کی دوبارہ تشخیص پر سرپلس سے منتقل شدہ۔ محصول کا خالص

مناسب کارروائی کے لیے دستیاب منافع

مختلف مدوں میں رکھی گئی رقم

| |
|---------------|
| (757) |
| (1,467) |
| (1,467) |
| (3,691) |
| 91,493 |

قانونی ذخیرہ میں منتقل شدہ
نقد منافع منقسمہ۔ مجموعی حتمی 2017
نقد منافع منقسمہ۔ پہلا عبوری 2018

انتظامی غیر تخصیص شدہ منافع

| |
|------|
| 5.16 |
|------|

فی حصہ (شیر) آمدی (روپے)

کمپیٹل ریشیو

جون 2018ء میں ایک بی ایل کو ایک ملکی انتظامی طور پر اہم بینک (Domestic Systematically Important Bank) تجویز کیا گیا ہے اور یہ بالآخر کیا گیا "C" میں واحد بینک ہے جس کے باعث بینک کو ایک اضافی Tier 1 کے طور پر رسک و یئنڈ اٹاٹے کا 2 فیصد سرمایہ رکھنا ہے۔ اس امر کو ڈاٹ ہن میں رکھتے ہوئے جیب بینک کو ایک کنزرویٹڈ ویڈنڈ پالیسی پر عمل اور رسک اٹاٹوں کو بالآخرین رکھنا ہوتا ہے۔ نتیجے کے طور پر کمپیٹل ایڈیلیسی ریشوز (CAR) مستقل بہتری کی طرف گامزن ہیں۔ Tier 1 میں ڈبمر سے 188 bps اضافے سے 13.0 فیصد ہوا اور مجموعی (CAR) 104 bps میں 16.8 فیصد ہو گیا۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 2 اگست 2018ء کو منعقد ہونے والے اپنے اجلاس میں 30 جون 2018ء کو ختم ہونے والی سہہ ماہی کے لئے 1 روپے فی شیر (10 فیصد) کے حساب سے عبوری نقد منافع (Dividend) کا اعلان کیا ہے۔ یہ عبوری نقد منافع، جو 1 روپے فی شیر (10 فیصد) کے حساب سے 31 مارچ 2018ء کو ختم ہونے والی اول سہہ ماہی کے لئے پہلے ہی اعلان اور ادا کیا جا چکا ہے کے علاوہ ہے۔

میں پڑول کی بڑھتی ہوئی درآمدات اور بڑھتے ہوئے افراط زرکار دباو شامل ہیں۔ نجی شعبہ کا آف میک مالی سال 2018ء میں 800 ارب یعنی 18 فیصد تک بڑھ گیا جو 2017ء کے مالی سال کے مقابل ایک بہت اچھی بہتری ہے۔ بیننگ سیکٹر کے قرضہ جات دسمبر 2017ء کے مقابل 14 فیصد بڑھ گئے جبکہ ڈپاٹس میں 6 فیصد اضافہ ہوا۔ اوسط بیکاری کی شرح منافع پچھلے سال سے 17 bps کم رہی چونکہ بڑھتی ہوئی شرح سود کے اثرات آئندہ مرتب ہو گئے۔

کارکردگی

اتجہبی ایل کے ملکی کاروبار نے اپنے اضافے کی رفتار کو برقرار رکھتے ہوئے دسمبر 2017ء کے مقابل ڈپاٹس میں 8 فیصد زائد اضافہ کیا جو تقریباً 1.9 کھرب روپے ہو گئے اور مارکیٹ شیئر بڑھ کر 14.4 فیصد ہو گیا۔ اس عرصے میں بینک نے ملکی CASA ڈپاٹس میں 119 ارب روپے اضافہ کیا جس سے ریشو 30 جون 2018ء کو مزید بہتر ہو گیا۔ اضافے کی رفتار و رجحان کرنٹ اکاؤنٹس میں بھی بہتر رہی جس سے صرف 6 ماہ میں 9.8 فیصد اضافہ ہو گیا۔ کرنٹ اکاؤنٹس 90 ارب روپے کے قریب پہنچ گئے اور ان کا شیئر ڈپاٹس مرکب میں bps 70 اضافے سے جون 2018ء میں 36.3 فیصد ہو گیا۔ معیاری قرضہ جات کی ترقی کی توجہ کو مرکوز رکھتے ہوئے اتجہبی ایل کے مقامی قرضہ جات میں دسمبر 2017ء کے مقابل 13 فیصد کا اضافہ ہوا جبکہ کارپوریٹ قرضہ جات، اسلامک فائناںگ اور کنزیومر قرضہ جات کلیدی شرائکت دار ہیں۔

اتجہبی ایل کی رپورٹ کی گئی کارکردگی میں پیشہ لانگت میں نظر ثانی، متعدد مرتبہ کرنی ڈی ولیوایشن کے سمندر پار سے لئے گئے قرضہ جات پر اثرات اور ریمیڈی ایشن، بینک کی نیویارک براچ کے قانونی اور گلوبل شیٹ کے زیر اثر رہی۔ مزید برآں بین الاقوامی بینس شیٹ میں برق رفتار گراوٹ کے نتیجے میں آمدنی میں معنی خیز کمی ہوئی ہے جبکہ کاست پروفائل بہتر ہو گئی ہے لیکن اس میں مزید کمی بتدریج ہو گی۔ نتیجتاً اتجہبی ایل اکمل ایکس منافع 2018ء کی پہلی ششماہی میں 12.8 ارب روپے ہے۔ بعد ازاں یہ میں 7.6 ارب روپے کے ساتھ 2018ء کی اول ششماہی کے لئے فی شیئر آمدنی 5.16 روپے ہے۔

اوسط ملکی قرضہ جات 2018 کی اول ششماہی میں 2017ء کی اول ششماہی کے مقابلے میں 28 فیصد بڑھ گئے جس میں تمام کاروبار میں معنی خیز اضافہ ریکارڈ کیا گیا اور اوسط ملکی کرنٹ اکاؤنٹس 2018ء کے پہلے چھ ماہ میں 2017ء کے پہلے چھ ماہ سے 15 فیصد بڑھ گئے۔ تاہم اسپریڈ میں کمی اور بین الاقوامی نتائج میں کمی نے مل کر ایسے اثرات مرتب کئے جن کے باعث اوسط ملکی بینس شیٹ میں 11 فیصد کا اضافہ بے اثر ہو گیا۔ نتیجتاً کل خالص انٹرست آمدنی سال برسال 4 فیصد کم ہو کر 37.7 ارب روپے رہ گئی۔

پیادی زر مبادلہ آمدنی میں 4 فیصد بہتری رہی کیونکہ تجارتی آمدنی نے ایک مضبوط کارکردگی کا مظاہرہ کیا۔ ملکی فیس کی آمدن 2017ء کی پہلی ششماہی کے مقابلے 7 فیصد بڑھ گئی جس میں گھروں کو پہنچی جانے والی ترسیلات میں موقع کی کے اثرات شامل نہیں ہیں کیونکہ ان کے حجم میں 70 فیصد سے زائد کمی واقع ہو گئی ہے۔ فیس اور ریکیشن میں اضافہ کی اہم وجوہات میں اکاؤنٹ آپریشن، کنزیومر فائناںگ اور کارڈ سے متعلق فیس میں اضافہ شامل ہیں۔ مضبوط بنیادی ملکی کارکردگی پر بین الاقوامی کاروبار میں فیس اور ریکیشن میں 0.8 ارب روپے کی کمی اثر انداز ہوئی جبکہ روپے کی قدر میں کمی کے اثرات کی وجہ سے نتائج سمندر پار قرضہ جات کی از سر نو قدر طے کرنے کے باعث 2.5 ارب نقصان ہوا۔ لہذا ان مارک اپ آمدن 8.5 ارب روپے رپورٹ کی گئی ہے جو 2017ء کی اول ششماہی سے 15.8 ارب روپے کم ہے۔

بینک نے گلوبل بنس اور کمپلائنس ٹرانسفارمیشن کے پروجیکٹ پر کام کا آغاز کر دیا ہے جس کے ذریعے اس کا ارادہ اپنے آپریشنز اور گاہوں کی خدمات کے معیار کو عالمی سطح تک لے جانا ہے۔ اتجہبی ایل اس میدان میں سرمایہ کاری جاری رکھے گا جس کے تحت اسٹیٹ آف دی آرت ٹینکنالوجی حاصل کی جا رہی ہے اور مارکیٹ میں قائدانہ برانڈ کی حیثیت و موجودگی کی برقراری پر کام جاری رہے گا۔ پیشہ کے اثرات اور نیویارک براچ کی جاری لانگت اور بنس ٹرانسفارمیشن کے مساوی انتظامی اخراجات میں اضافہ کو واحد ہندسے تک محدود رکھا گیا ہے۔ ایک ثابت بھالی کے مستقل عمل سے ملکی غیر متحرک قرضہ جات میں 2.9 ارب روپے کی کمی ہے جبکہ سمندر پار غیر متحرک قرضہ جات میں کرنی کی قدر میں کمی کے باعث اضافہ ہوا ہے۔ ان تمام عوامل کے نتیجے میں قرضوں

کریڈٹ ریٹنگ

بینک کی کریڈٹ ریٹنگ کی JCR-VIS AAA/A+ AA+ AR کمی ہے۔ ان ریٹنگ کو ایچ بی ایل کے ملکی کاروبار میں مستخدم رفتار کا کردگی، انشاد جات کی کواٹی میں بہتری، سخت مند کپیٹائزیشن کے ریشوز اور مضبوط کیوڈ یٹی پروفائل سے مدد ملی ہے اور یہ بینک کی باقاعدہ نظام کے تحت بہتری کی عکاس ہے۔

مستقبل کی صورتحال

جزوال خسارے جنہوں نے پاکستانی معیشت کو متاثر کیا ہوا ہے ان میں کسی حد تک انتظامی کوششوں سے کمی ہو گئی تھی تاہم وہ اب پوری قوت سے پلت آئے ہیں۔ معاشی محاذ پر باہمی اختلاف بڑے خدشات لئے ہوئے ہے حتیٰ کہ خوشگمان ترین رپورٹس بھی جی ڈی پی میں اضافے کو مزید سرتراقار ہو جانے کی نشاندہی کر رہی ہیں۔ ایک پائیدار معاشی بحالی کا زیادہ تر انحصار حقیقی اسٹرپکرل اصلاحات پر ہی ہو گا جس کے مطابق زریمباولہ کے ذخائر میں اضافے کے لئے برآمدات کی بنیادوں کو مختلف النوع بنانا ہو گا اور یہیں نیٹ میں معنی خیز وسعت پیدا کرنا ہو گی جس کے ساتھ ساتھ مالی نظم و ضبط بھی قائم رکھنا ہو گا۔ اوسط خوارک و تونانی پرمنی افراط از 2019ء کے لئے 6-7 فیصد تک رہنے کا تخمینہ ہے اس کے باوجود اسٹیٹ بینک کوئی شعبہ کے کریڈٹ کے تسلسل کی توقع ہے جس کی بنیاد بڑھتی ہوئی برآمدات کی وجہ سے جنم لینے والی بلند تر عامل سرمایہ کی ضروریات ہیں۔

غیر افادی امور جنہوں نے ششماہی نتائج پر منفی اثرات مرتب کئے ہیں ان کی درمیانی مدت میں مسلسل رہنے کی توقع ہے۔ تاہم ایچ بی ایل کا ملکی کاروبار بدستور اضافے کی راہ پر گامزن ہے اور بینک کا سرمایہ اس وقت متعدد برسوں کی بلند ترین سطح پر ہے۔ ان امور کے باعث بینک اس حیثیت میں ہے کہ وہ پاکستان کی مالیاتی ترقی کے ضمن میں اپنے قائدانہ کردار کو برقرار رکھنے کے مقاصد اور ملک کی آبادی کو مالی طور پر شرکیہ عمل رکھنے اور خودہ قیمتیوں کی ڈیجیٹل ادائیگی کے انفراسٹرکچر کو توسعہ دیتا رہے۔

تشکر و امتنان

ہم اپنے ریگولیٹری اور حکومت پاکستان کی کاوشوں کی ستائش ریکارڈ پر رکھنا چاہتے ہیں باخصوص وزارتِ مالیات، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایچیجن کیمیشن آف پاکستان کی جانب سے رہنمائی و حمایت اور بیننگ اور مالیاتی خدمات کے شعبہ میں ریگولیٹری اور انتظامی فریم ورک میں مسلسل بہتری کے ذریعے ترقی و استحکام کے لئے کی گئی کوششوں کو سراہتے ہیں۔

بورڈ اور انتظامیہ کی جانب سے ہم اس موقع پر اپنے کمپریس کے کاروباری اعتماد اور اپنے حصص یافتگان کی حمایت اور اعتماد کیلئے اظہار تشکر کرتے ہیں۔ ہم انہیں یقین دلاتے ہیں کہ ہم اپنی تمام کاوشوں میں اعلیٰ ترین معیارات اور اچھے کارپوریٹ انتظام اور اصول و قواعد کی مطابقت کے لئے کچھ کے استمار کے لئے عزم صمیم پر قائم ہیں۔ ہم اپنے ملازمین کی ایچ بی ایل کی ترقی کے ضمن میں کی گئی تمام کاوشوں کا بھی اعتراف کرتے ہیں اور ان کے عزم و وابستگی کا شکریہ ادا کرتے ہیں۔

منجانب بورڈ

محمد اورنگزیب
صدر اور چیف ایگزیکیوٹیو فیسر
2 اگست 2018ء

Independent Auditor's Review Report to the Members of Habib Bank Limited on Review of Interim Unconsolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Habib Bank Limited ("the Bank") as at June 30, 2018 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of other comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the quarters ended June 30, 2018 and June 30, 2017 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Scope of Review

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

Conclusion

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

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

A.F. Ferguson & Co.
Chartered Accountants

Dated: August 6, 2018
Karachi

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2018

| | Note | (Unaudited) June 30, 2018 (Rupees in '000) | (Audited) December 31, 2017 (Restated) |
|---|------|---|---|
| ASSETS | | | |
| Cash and balances with treasury banks | | 230,370,238 | 230,256,066 |
| Balances with other banks | | 22,343,649 | 28,777,991 |
| Lendings to financial institutions | | 51,797,014 | 33,900,345 |
| Investments | 6 | 1,307,914,704 | 1,335,782,671 |
| Advances | 7 | 886,346,911 | 800,688,978 |
| Operating fixed assets | 8 | 60,072,441 | 56,920,682 |
| Deferred tax asset | | 5,681,695 | 3,900,457 |
| Other assets | | 74,393,486 | 72,831,923 |
| | | 2,638,920,138 | 2,563,059,113 |
| LIABILITIES | | | |
| Bills payable | | 36,367,561 | 33,617,261 |
| Borrowings | 9 | 331,736,321 | 395,486,210 |
| Deposits and other accounts | 10 | 2,014,153,927 | 1,899,511,435 |
| Subordinated loan | | 9,992,000 | 9,994,000 |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liability | | - | - |
| Other liabilities | | 68,845,862 | 51,746,248 |
| | | 2,461,095,671 | 2,390,355,154 |
| NET ASSETS | | 177,824,467 | 172,703,959 |
| REPRESENTED BY: | | | |
| Shareholders' equity | | | |
| Share capital | | 14,668,525 | 14,668,525 |
| Reserves | | 53,135,749 | 49,519,342 |
| Unappropriated profit | | 91,493,452 | 87,300,494 |
| Surplus on revaluation of assets - net of deferred tax | 11 | 159,297,726 | 151,488,361 |
| | | 18,526,741 | 21,215,598 |
| | | 177,824,467 | 172,703,959 |
| CONTINGENCIES AND COMMITMENTS | | | |
| The annexed notes 1 to 23 form an integral part of these condensed interim unconsolidated financial statements. | 12 | | |

Muhammad Aurangzeb
**President &
Chief Executive Officer** Rayomond Kotwal
Chief Financial Officer Dr. Najeeb Samie
Director Agha Sher Shah
Director Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months ended June 30, 2018

| | Note | January 01 to June 30, 2018 | January 01 to June 30, 2017 | April 01 to June 30, 2018 | April 01 to June 30, 2017 |
|--|------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| | | (Rupees in '000) | | | |
| Mark-up / return / profit / interest earned | 13 | 71,914,076 | 69,838,650 | 36,636,636 | 36,108,452 |
| Mark-up / return / profit / interest expensed | 14 | 34,220,528 | 30,392,622 | 17,672,164 | 15,836,210 |
| Net mark-up / return / profit / interest income | | <u>37,693,548</u> | <u>39,446,028</u> | <u>18,964,472</u> | <u>20,272,242</u> |
| (Reversal) / provision against advances | 7.2 | (348,906) | 502,062 | (145,115) | 377,037 |
| Provision / (reversal) against off-balance sheet obligations | | 2,671 | (50,233) | 37,962 | (8,251) |
| Provision for diminution in the value of investments | 6.2 | 261,808 | 647,522 | 275,426 | 427,348 |
| Bad debts written off directly | | - | - | - | - |
| Net mark-up / return / profit / interest income after provisions | | <u>(84,427)</u> | <u>1,099,351</u> | <u>168,273</u> | <u>796,134</u> |
| | | 37,777,975 | 38,346,677 | 18,796,199 | 19,476,108 |
| Non mark-up / interest income | | | | | |
| Fee, commission and brokerage income | | 8,271,583 | 9,221,887 | 4,217,517 | 4,899,186 |
| Dividend income | | 1,008,774 | 1,507,150 | 626,097 | 1,140,685 |
| (Loss) / income from dealing in foreign currencies | | (1,378,390) | 1,075,603 | (547,757) | 516,964 |
| Gain on sale of securities - net | | 551,402 | 1,818,429 | 487,938 | 580,040 |
| Unrealised (loss) / gain on held-for-trading securities | | (53,243) | (23,641) | (7,655) | 20,460 |
| Other income | | 126,558 | 764,112 | 109,693 | 586,917 |
| Total non mark-up / interest income | | 8,526,684 | 14,363,540 | 4,885,833 | 7,744,252 |
| | | 46,304,659 | 52,710,217 | 23,682,032 | 27,220,360 |
| Non mark-up / interest expense | | | | | |
| Administrative expenses | 15 | 32,831,670 | 26,029,755 | 16,607,028 | 13,351,574 |
| Other provisions / write offs - net | | 107,823 | 66,299 | 14,222 | 28,774 |
| Other charges | | 309,220 | 507 | 303,116 | 406 |
| Workers' Welfare Fund | | 261,311 | 532,174 | 125,361 | 270,487 |
| Total non mark-up / interest expenses | | 33,510,024 | 26,628,735 | 17,049,727 | 13,651,241 |
| Profit before taxation | | 12,794,635 | 26,081,482 | 6,632,305 | 13,569,119 |
| Taxation | | | | | |
| - Current | | 5,612,511 | 9,620,273 | 3,294,993 | 5,059,067 |
| - Prior years | | - | 2,072,385 | - | 2,072,385 |
| - Deferred | | (387,929) | (609,699) | (274,713) | (441,760) |
| | | 5,224,582 | 11,082,959 | 3,020,280 | 6,689,692 |
| Profit after taxation | | 7,570,053 | 14,998,523 | 3,612,025 | 6,879,427 |
| Basic and diluted earnings per share | | 5.16 | 10.22 | 2.46 | 4.69 |
| (Rupees) | | | | | |

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

Muhammad Aurangzeb
**President &
Chief Executive Officer**

Raymond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30, 2018

| | January 01 to June 30, 2018 | January 01 to June 30, 2017 | April 01 to June 30, 2018 | April 01 to June 30, 2017 |
|---|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| | ----- (Rupees in '000) ----- | | | |
| Profit after taxation for the period | 7,570,053 | 14,998,523 | 3,612,025 | 6,879,427 |
| Other comprehensive income / (loss) | | | | |
| <i>Items that may be reclassified to the profit and loss account in subsequent periods</i> | | | | |
| Effect of translation of net investment in foreign branches - net | 2,859,402 | 54,038 | 1,008,321 | 65,764 |
| <i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i> | | | | |
| Remeasurement gain on defined benefit obligations - net | 287,013 | - | 287,013 | - |
| Comprehensive income transferred to equity | 10,716,468 | 15,052,561 | 4,907,359 | 6,945,191 |
| Components of comprehensive income / (loss) not reflected in equity | | | | |
| <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 | (2,673,458) | (1,499,538) | (1,699,519) | (732,648) |
| <i>Items that are not to be reclassified to the profit and loss account in subsequent periods</i> | | | | |
| Transferred from surplus on revaluation of non-banking assets - net of tax | 2,461 | 10,079 | (107) | 10,079 |
| Movement in surplus / deficit on revaluation of non-banking assets - net of tax | 11,202 | 117,093 | 1,202 | 117,093 |
| Transferred to surplus on revaluation of operating fixed assets - net of tax | (2,461) 8,741 | (10,079) 107,014 | 107 1,309 | (10,079) 107,014 |
| Total comprehensive income | 8,054,212 | 13,670,116 | 3,209,042 | 6,329,636 |

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Rayomond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Statement of Changes In Equity (Unaudited)

For the six months ended June 30, 2018

| | Share capital | Exchange translation reserve | Reserves | | | | Total | |
|--|-------------------|------------------------------|-------------------|-----------------------------------|------------------|----------------------------------|--------------------|--|
| | | | Capital | | Revenue | | | |
| | | | Statutory reserve | Non-distributable capital reserve | General reserve | Unappropriated profit (restated) | | |
| (Rupees in '000) | | | | | | | | |
| 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 | |
| Effect of retrospective change in accounting policy | - | - | - | - | - | (803,615) | (803,615) | |
| Balance as at December 31, 2016 (restated) | 14,668,525 | 10,453,351 | 30,072,084 | 547,115 | 6,073,812 | 96,643,009 | 158,457,896 | |
| Comprehensive income for the period | | | | | | | | |
| Profit after taxation for the six months ended June 30, 2017 | - | - | - | - | - | 14,998,523 | 14,998,523 | |
| Other comprehensive income | | | | | | | | |
| - Effect of translation of net investment in foreign branches - net | - | 54,038 | - | - | - | - | 54,038 | |
| | - | 54,038 | - | - | - | 14,998,523 | 15,052,561 | |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| 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) | |
| | - | - | - | - | - | (10,267,968) | (10,267,968) | |
| Transferred from surplus on revaluation of assets - net of tax | - | - | - | - | - | 19,717 | 19,717 | |
| Exchange translation realised on sale of Bank branches | - | (371,022) | - | - | - | - | (371,022) | |
| Transferred to statutory reserve | - | - | 1,499,853 | - | - | (1,499,853) | - | |
| Balance as at June 30, 2017 (restated) | 14,668,525 | 10,136,367 | 31,571,937 | 547,115 | 6,073,812 | 99,893,428 | 162,891,184 | |
| Comprehensive income for the period | | | | | | | | |
| Loss after taxation for the six months ended December 31, 2017 (restated) | - | - | - | - | - | (7,267,976) | (7,267,976) | |
| Other comprehensive income / (loss) | | | | | | | | |
| - Effect of translation of net investment in foreign branches - net | - | 1,968,958 | - | - | - | - | 1,968,958 | |
| - Remeasurement loss on defined benefit obligations - net | - | - | - | - | - | (1,007,627) | (1,007,627) | |
| | - | 1,968,958 | - | - | - | (8,275,603) | (6,306,645) | |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| 2nd interim cash dividend - Rs 3.5 per share | - | - | - | - | - | (5,133,984) | (5,133,984) | |
| | - | - | - | - | - | (5,133,984) | (5,133,984) | |
| Transferred from surplus on revaluation of assets - net of tax | - | - | - | - | - | 23,240 | 23,240 | |
| Exchange translation realised on sale of Bank branches | - | 14,566 | - | - | - | - | 14,566 | |
| Transferred from statutory reserve | - | - | (793,413) | - | - | 793,413 | - | |
| Balance as at December 31, 2017 (restated) | 14,668,525 | 12,119,891 | 30,778,524 | 547,115 | 6,073,812 | 87,300,494 | 151,488,361 | |
| Comprehensive income for the period | | | | | | | | |
| Profit after taxation for the six months ended June 30, 2018 | - | - | - | - | - | 7,570,053 | 7,570,053 | |
| Other comprehensive income | | | | | | | | |
| - Effect of translation of net investment in foreign branches - net | - | 2,859,402 | - | - | - | - | 2,859,402 | |
| - Remeasurement gain on defined benefit obligations - net | - | - | - | - | - | 287,013 | 287,013 | |
| | - | 2,859,402 | - | - | - | 7,857,066 | 10,716,468 | |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Final cash dividend - Rs 1.0 per share declared subsequent to the year ended December 31, 2017 | - | - | - | - | - | (1,466,852) | (1,466,852) | |
| 1st interim cash dividend - Rs 1.0 per share | - | - | - | - | - | (1,466,852) | (1,466,852) | |
| | - | - | - | - | - | (2,933,704) | (2,933,704) | |
| Transferred from surplus on revaluation of assets - net of tax | - | - | - | - | - | 26,601 | 26,601 | |
| Transferred to statutory reserve | - | - | 757,005 | - | - | (757,005) | - | |
| Balance as at June 30, 2018 | 14,668,525 | 14,979,293 | 31,535,529 | 547,115 | 6,073,812 | 91,493,452 | 159,297,726 | |

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Raymond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months ended June 30, 2018

| | January 01 to June 30, 2018 | January 01 to June 30, 2017 |
|---|-----------------------------------|-----------------------------------|
| (Rupees in '000) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 12,794,635 | 26,081,482 |
| Dividend income | (1,008,774) | (1,507,150) |
| | 11,785,861 | 24,574,332 |
| Adjustments for: | | |
| Depreciation | 1,627,454 | 1,572,945 |
| Amortisation | 324,549 | 260,975 |
| (Reversal) / provision against advances | (348,906) | 502,062 |
| Provision / (reversal) against off-balance sheet obligations | 2,671 | (50,233) |
| Provision for diminution in the value of investments | 261,808 | 647,522 |
| Other provisions / write offs - net | 107,823 | 66,299 |
| Unrealised loss on held-for-trading securities | 53,243 | 23,641 |
| Gain on sale of operating fixed assets - net | (16,431) | (10,493) |
| Workers' Welfare Fund | 261,311 | 532,174 |
| | 2,273,522 | 3,544,892 |
| | 14,059,383 | 28,119,224 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | (17,896,669) | (15,626,875) |
| Net investments in held-for-trading securities | (127,627,547) | (77,476,802) |
| Advances | (85,309,027) | (73,511,896) |
| Other assets (excluding advance taxation) | 4,254,322 | (4,826,148) |
| | (226,578,921) | (171,441,721) |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | 2,750,300 | (1,565,154) |
| Borrowings | (63,749,889) | 53,931,888 |
| Deposits and other accounts | 114,642,492 | 110,656,657 |
| Other liabilities | 16,412,063 | 9,014,812 |
| | 70,054,966 | 172,038,203 |
| Income tax paid | (142,464,572) | 28,715,706 |
| Net cash flows (used in) / from operating activities | (11,463,323) | (16,390,283) |
| | (153,927,895) | 12,325,423 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net investments in available-for-sale securities | 105,850,961 | (17,809,722) |
| Net investments in held-to-maturity securities | 45,562,337 | 9,651,352 |
| Net investments in subsidiaries | - | (441,933) |
| Net investments in associates | (345,847) | (484,233) |
| Dividend income received | 857,866 | 1,390,173 |
| Fixed capital expenditure | (4,977,305) | (15,150,426) |
| Proceeds from sale of fixed assets | 25,433 | 14,708 |
| Effect of translation of net investment in foreign branches - net | 2,859,402 | (316,984) |
| Net cash flows from / (used in) investing activities | 149,832,847 | (23,147,065) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of subordinated loan | (2,000) | (2,000) |
| Dividend paid | (2,223,122) | (6,809,851) |
| Net cash flows used in financing activities | (2,225,122) | (6,811,851) |
| Decrease in cash and cash equivalents during the period | (6,320,170) | (17,633,493) |
| Cash and cash equivalents at the beginning of the period | 251,508,365 | 252,149,958 |
| Effects of exchange rate changes on cash and cash equivalents | 7,525,692 | 381,809 |
| | 259,034,057 | 252,531,767 |
| Cash and cash equivalents at the end of the period | 252,713,887 | 234,898,274 |

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

Muhammad Aurangzeb
President &
Chief Executive Officer

Raymond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

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 1,703 (December 31, 2017: 1,703) branches inside Pakistan including 47 (December 31, 2017: 47) Islamic Banking Branches and 48 (December 31, 2017: 48) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

- 1.1 Habib Finance International Limited, a wholly owned subsidiary of the Bank, has filed for voluntary liquidation and is in the process of completing the required formalities in this regard.

2 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34. These condensed interim unconsolidated financial statements do not include all the disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2017.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those followed in the preparation of the unconsolidated financial statements for the year ended December 31, 2017 except as disclosed in note 3.1.

3.1 Change in accounting policies

- 3.1.1 The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23 dated Oct 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in Note 4.5.1 of the annual unconsolidated financial statements for the year ended December 31, 2017), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular asset was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular asset is now to be accounted for in accordance with IFRS, which requires that such deficit can not be adjusted against surplus for any other asset, but is to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

| Impact on Statement of Financial Position | As at June 30, 2018 | As at December 31, 2017 | As at December 31, 2016 |
|---|------------------------|----------------------------|----------------------------|
| | (Rupees in '000) | | |
| Decrease in unappropriated profit | (129,118) | (131,799) | (803,615) |
| Increase in surplus on revaluation of assets – net of tax | 129,118 | 131,799 | 803,615 |

| For the six months ended | | |
|--------------------------|---------------|--|
| June 30, 2018 | June 30, 2017 | |
| (Rupees in '000) | | |

Impact on Profit and Loss account

Impact on Statement of Comprehensive Income

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

3.1.2 As per the accounting policy of the Bank (as described in Note 4.4 of the annual unconsolidated financial statements for the year ended December 31, 2017), the provision against advances of overseas branches is made as per the requirement of the respective regulatory regimes. During the current period, IFRS 9, Financial Instruments: Classification & Measurement, became applicable for certain overseas branches of the Bank. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9, while determining the provisioning requirements against advances. Under this standard, provision against loans and advances is determined under expected credit loss model. Previously, this was determined under the incurred loss model.

The adoption of this standard by certain overseas branches resulted in additional provisioning requirement of Rs 18.313 million as at June 30, 2018. This includes Rs 22.280 million in respect of prior year which has been incorporated in the current period and opening balance of retained earnings has not been adjusted as the amount involved is not considered material.

4 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2017.

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, 2017.

6 INVESTMENTS

| Investments by type | Note | June 30, 2018 (Unaudited) | | | December 31, 2017 (Audited) | | | |
|---|------|---------------------------|---------------------|---------------|-----------------------------|---------------------|---------------|--|
| | | Held by Bank | Given as collateral | Total | Held by Bank | Given as collateral | Total | |
| (Rupees in '000) | | | | | | | | |
| Held-for-trading (HFT) | | | | | | | | |
| <i>Federal Government securities</i> | | | | | | | | |
| - Market Treasury Bills | | 190,232,041 | 115,414 | 190,347,455 | 47,907,444 | - | 47,907,444 | |
| - Pakistan Investment Bonds | | 5,206,539 | - | 5,206,539 | 17,918,321 | - | 17,918,321 | |
| - Sukuks | | - | - | - | 1,999,062 | - | 1,999,062 | |
| <i>Fully paid-up ordinary shares</i> | | | | | | | | |
| - Listed companies | | 176,874 | - | 176,874 | 274,651 | - | 274,651 | |
| <i>Overseas Government securities</i> | | | | | | | | |
| 125,385 | | 125,385 | - | 125,385 | 149,311 | - | 149,311 | |
| | | 195,740,839 | 115,414 | 195,856,253 | 68,248,789 | - | 68,248,789 | |
| Held-to-maturity (HTM) | | | | | | | | |
| <i>Federal Government securities</i> | 6.1 | | | | | | | |
| - Market Treasury Bills | | - | - | - | - | - | - | |
| - Pakistan Investment Bonds | | 185,102,492 | - | 185,102,492 | 229,596,422 | - | 229,596,422 | |
| - Government of Pakistan US Dollar Bonds | | 122,775 | - | 122,775 | 1,177,868 | - | 1,177,868 | |
| <i>Debentures and corporate debt instruments</i> | | | | | | | | |
| - Listed | | 9,134,303 | - | 9,134,303 | 6,899,728 | - | 6,899,728 | |
| - Unlisted | | 20,379,574 | - | 20,379,574 | 18,078,775 | - | 18,078,775 | |
| <i>Overseas Government securities</i> | | | | | | | | |
| 10,055,397 | | 10,055,397 | - | 10,055,397 | 14,604,085 | - | 14,604,085 | |
| | | 224,794,541 | - | 224,794,541 | 270,356,878 | - | 270,356,878 | |
| Available-for-sale (AFS) | | | | | | | | |
| <i>Federal Government securities</i> | | | | | | | | |
| - Market Treasury Bills | | 396,473,487 | 80,923,530 | 477,397,017 | 328,211,635 | 131,244,262 | 459,455,897 | |
| - Pakistan Investment Bonds | | 143,566,635 | 108,659,483 | 252,226,118 | 238,386,542 | 134,373,604 | 372,760,146 | |
| - Government of Pakistan US Dollar Bonds | | 1,631,221 | - | 1,631,221 | 1,487,595 | - | 1,487,595 | |
| - Sukuks | | 78,748,380 | - | 78,748,380 | 83,205,706 | - | 83,205,706 | |
| <i>Fully paid-up ordinary shares</i> | | | | | | | | |
| - Listed companies | | 16,636,844 | - | 16,636,844 | 19,661,232 | - | 19,661,232 | |
| - Unlisted companies | | 3,356,164 | - | 3,356,164 | 2,711,847 | - | 2,711,847 | |
| <i>Debentures and corporate debt instruments</i> | 6.3 | | | | | | | |
| - Listed | | 3,918,870 | 12,612,665 | 16,531,535 | 283,688 | 15,378,666 | 15,662,354 | |
| - Unlisted | | 13,596,500 | - | 13,596,500 | 14,086,144 | - | 14,086,144 | |
| <i>Overseas Government securities</i> | | | | | | | | |
| <i>National Investment Trust units</i> | | 6,970,837 | - | 6,970,837 | 3,868,899 | - | 3,868,899 | |
| <i>Real Estate Investment Trust units</i> | | 11,113 | - | 11,113 | 11,113 | - | 11,113 | |
| <i>Preference shares</i> | | 55,000 | - | 55,000 | 154,000 | - | 154,000 | |
| | | 97,500 | - | 97,500 | 97,500 | - | 97,500 | |
| | | 665,062,551 | 202,195,678 | 867,258,229 | 692,165,901 | 280,996,532 | 973,162,433 | |
| <i>Investment in subsidiary companies</i> | | | | | | | | |
| <i>Investment in associates and joint venture</i> | 6.1 | 13,945,202 | - | 13,945,202 | 13,945,202 | - | 13,945,202 | |
| Provision for diminution in the value of investments | | 12,668,035 | - | 12,668,035 | 12,322,188 | - | 12,322,188 | |
| | | 1,112,211,168 | 202,311,092 | 1,314,522,260 | 1,057,038,958 | 280,996,532 | 1,338,035,490 | |
| Deficit on revaluation of held-for-trading securities | | (1,764,859) | - | (1,764,859) | (1,503,051) | - | (1,503,051) | |
| (Deficit) / surplus on revaluation of available-for-sale securities | 11.2 | 1,110,446,309 | 202,311,092 | 1,312,757,401 | 1,055,535,907 | 280,996,532 | 1,336,532,439 | |
| <i>Total investments (net of provision)</i> | | (53,209) | (34) | (53,243) | (73,326) | - | (73,326) | |
| | | (3,676,277) | (1,113,177) | (4,789,454) | (900,806) | 224,364 | (676,442) | |
| | | 1,106,716,823 | 201,197,881 | 1,307,914,704 | 1,054,561,775 | 281,220,896 | 1,335,782,671 | |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

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

| | <u>June 30, 2018 (Unaudited)</u> | <u>December 31, 2017 (Audited)</u> | | |
|---|----------------------------------|------------------------------------|-------------|--------------|
| | Book value | Market value | Book value | Market value |
| ----- (Rupees in '000)----- | | | | |
| - Investment classified as held-to-maturity | 224,794,541 | 224,401,635 | 270,356,878 | 272,433,165 |
| - Investment in listed associates and joint venture | 12,231,804 | 40,633,613 | 11,885,957 | 39,352,301 |

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

| | <u>(Unaudited)</u> | <u>(Audited)</u> |
|---|--------------------|----------------------|
| | June 30, 2018 | December 31, 2017 |
| ----- (Rupees in '000)----- | | |
| Opening balance | 1,503,051 | 866,152 |
| Charge for the period / year | 600,389 | 1,289,086 |
| Reversal for the period / year | (3,755) | (203,605) |
| Reversed on disposal during the period / year | (334,826) | (619,614) |
| Net charge | 261,808 | 465,867 |
| Recoveries against written off investments | - | 171,032 |
| Closing balance | <u>1,764,859</u> | <u>1,503,051</u> |

6.3 This includes privately placed TFCs of Pakistan International Airlines Corporation Limited (PIACL) amounting to Rs 4,857.022 million (December 31, 2017: Rs 6,071.278 million) which is guaranteed by the Government of Pakistan and is subject to a relaxation given by the SBP from Regulation-8 of the Prudential Regulations. However, mark-up income has been suspended on this amount and is only recognised when received.

7 ADVANCES

| | <u>Note</u> | <u>(Unaudited)</u> | <u>(Audited)</u> |
|---|-------------|---------------------|----------------------|
| | | June 30, 2018 | December 31, 2017 |
| ----- (Rupees in '000)----- | | | |
| Loans, cash credits, running finances, etc. | | | |
| - In Pakistan | | 702,664,896 | 628,791,839 |
| - Outside Pakistan | | 91,706,060 | 100,618,431 |
| | | <u>794,370,956</u> | <u>729,410,270</u> |
| Net investment in finance lease - in Pakistan | | 17,688,671 | 17,127,661 |
| Islamic financing and related assets | 20.1.2 | 94,371,958 | 84,408,003 |
| Bills discounted and purchased | | | |
| - Payable in Pakistan | | 21,251,880 | 16,751,077 |
| - Payable outside Pakistan | | 21,877,377 | 16,540,552 |
| | | <u>43,129,257</u> | <u>33,291,629</u> |
| Advances - gross | | 949,560,842 | 864,237,563 |
| Provision against advances | | | |
| - Specific | | (60,306,174) | (60,792,948) |
| - General | | (2,907,757) | (2,755,637) |
| | | <u>(63,213,931)</u> | <u>(63,548,585)</u> |
| Advances - net of provision | | <u>886,346,911</u> | <u>800,688,978</u> |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

7.1 Advances include Rs 66,933.731 million (December 31, 2017: Rs 67,037.629 million) which have been placed under non-performing status as detailed below:

| Category of classification | June 30, 2018 (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 | 1,162,757 | - | 1,162,757 | - | - | - | 1,162,757 | - | 1,162,757 |
| Substandard | 2,584,598 | 1,750,606 | 4,335,204 | 1,194,573 | 210,475 | 1,405,048 | 1,390,025 | 1,540,131 | 2,930,156 |
| Doubtful | 1,222,682 | 660,506 | 1,883,188 | 611,341 | 313,607 | 924,948 | 611,341 | 346,899 | 958,240 |
| Loss | 42,433,268 | 17,119,314 | 59,552,582 | 41,368,838 | 16,607,340 | 57,976,178 | 1,064,430 | 511,974 | 1,576,404 |
| | 47,403,305 | 19,530,426 | 66,933,731 | 43,174,752 | 17,131,422 | 60,306,174 | 4,228,553 | 2,399,004 | 6,627,557 |

| Category of classification | December 31, 2017 (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 | 1,025,320 | 32,434 | 1,057,754 | - | - | - | 1,025,320 | 32,434 | 1,057,754 |
| Substandard | 2,872,439 | 794,075 | 3,666,514 | 1,159,974 | 166,073 | 1,326,047 | 1,712,465 | 628,002 | 2,340,467 |
| Doubtful | 1,534,738 | 1,022,442 | 2,557,180 | 767,369 | 417,505 | 1,184,874 | 767,369 | 604,937 | 1,372,306 |
| Loss | 44,823,375 | 14,932,806 | 59,756,181 | 43,688,631 | 14,593,396 | 58,282,027 | 1,134,744 | 339,410 | 1,474,154 |
| | 50,255,872 | 16,781,757 | 67,037,629 | 45,615,974 | 15,176,974 | 60,792,948 | 4,639,898 | 1,604,783 | 6,244,681 |

7.2 Particulars of provision against advances

| | Note | June 30, 2018 (Unaudited) | | | December 31, 2017 (Audited) | | |
|--|------|---------------------------|------------------|--------------------|-----------------------------|------------------|--------------------|
| | | Specific | General | Total | Specific | General | Total |
| ----- Rupees in '000 ----- | | | | | | | |
| Opening balance | | 60,792,948 | 2,755,637 | 63,548,585 | 60,513,286 | 3,328,371 | 63,841,657 |
| Exchange adjustment | | 1,500,765 | 127,124 | 1,627,889 | 782,290 | 72,468 | 854,758 |
| Charge for the period / year | | 1,656,330 | 132,311 | 1,788,641 | 4,996,892 | 257,577 | 5,254,469 |
| Reversal for the period / year | | (2,030,232) | (107,315) | (2,137,547) | (4,689,330) | (898,245) | (5,587,575) |
| Net (reversal) / charge against advances | | (373,902) | 24,996 | (348,906) | 307,562 | (640,668) | (333,106) |
| Charged off during the period / year | 7.4 | (276,593) | - | (276,593) | (400,719) | - | (400,719) |
| Written off during the period / year | | (1,558,147) | - | (1,558,147) | (308,726) | - | (308,726) |
| Transfer out on sale of Kenya and Paris business | | - | - | - | (591,554) | (21,004) | (612,558) |
| Recoveries against write off | | 221,103 | - | 221,103 | 490,809 | - | 490,809 |
| Other movements | | - | - | - | - | 16,470 | 16,470 |
| Closing balance | | 60,306,174 | 2,907,757 | 63,213,931 | 60,792,948 | 2,755,637 | 63,548,585 |

7.3 General provision represents provision amounting to Rs 1,499.653 million (December 31, 2017: Rs 1,405.701 million) against consumer finance portfolio. General provision also includes Rs 1,408.104 million (December 31, 2017: Rs 1,349.936 million) pertaining to overseas locations 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, are fully provided and are in default for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

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

| | June 30, 2018 (Unaudited) | | | | | |
|---|--|--|--|----------------------------------|---|------------------------------------|
| | Balance at the beginning of the period | Loans granted / transferred in during the period | Repayments / transferred out during the period | Balance at the end of the period | Maximum total amount of advances including temporary advances outstanding** | Limit sanctioned during the period |
| (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) | 2,819,039 | 1,163,745 | (1,654,928) | 2,327,856 | 2,442,939 | 873,577 |
| - in respect of Key Management Personnel | 142,108 | 91,600 | (95,296) | 138,412 | 213,884 | 55,607 |
| 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 | 15,991,842 | 111,885,849 | (105,905,129) | 21,972,562 | 23,806,516 | - |
| Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties | 605,113 | 2,094,445 | (2,071,682) | 627,876 | 605,125 | - |

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

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

| | December 31, 2017 (Audited) | | | | | |
|---|--------------------------------------|--|--|--------------------------------|---|----------------------------------|
| | Balance at the beginning of the year | Loans granted / transferred in during the year | Repayments / transferred out during the year | Balance at the end of the year | 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) | 2,876,769 | 771,450 | (829,180) | 2,819,039 | 3,099,210 | 771,450 |
| - in respect of Key Management Personnel | 38,221 | 175,367 | (71,480) | 142,108 | 204,016 | 162,585 |
| 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 | 10,404,154 | 169,816,908 | (164,229,220) | 15,991,842 | 25,397,530 | 12,573,928 |
| Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties | 2,685,681 | 263,742 | (2,344,310) | 605,113 | 2,663,766 | 13,893 |

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

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

| | Note | (Unaudited) June 30, 2018 | (Audited) December 31, 2017 |
|---------------------------------|------|---------------------------|-----------------------------|
| | | (Rupees in '000) | (Rupees in '000) |
| 8 OPERATING FIXED ASSETS | | | |
| Capital work-in-progress | 8.1 | 19,177,232 | 16,995,161 |
| Tangible fixed assets | | 39,694,766 | 38,991,464 |
| Intangible assets | | 1,200,443 | 934,057 |
| | | 60,072,441 | 56,920,682 |

8.1 This includes Rs 15,803.735 million (December 31, 2017: Rs 14,440.034 million) on account of a new office building in Karachi.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the six months ended June 30, 2018

| 8.2 | Additions to operating fixed assets | (Unaudited) For the six months ended | |
|---|--|---|-------------------|
| | | June 30, 2018 | June 30, 2017 |
| | | (Rupees in '000) | |
| The following additions have been made to operating fixed assets during the period: | | | |
| | Capital work-in-progress | 2,182,071 | 13,772,270 |
| | Tangible fixed assets | | |
| | Land | 63,799 | - |
| | Building | 140,014 | 189,799 |
| | Machinery | 4,782 | - |
| | Furniture, fixtures and office equipment | 1,542,385 | 1,005,054 |
| | Leasehold Improvements | 344,108 | 93,390 |
| | Vehicles | 114,418 | 16,322 |
| | | 2,209,506 | 1,304,565 |
| | Intangible assets | 587,299 | 183,499 |
| | | 4,978,876 | 15,260,334 |

8.3 Disposal of operating fixed assets

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

| Tangible fixed assets | (Unaudited) | (Audited) |
|--|------------------|----------------------|
| | June 30, 2018 | December 31, 2017 |
| | (Rupees in '000) | |
| Furniture, fixtures and office equipment | 394,512 | 119,788 |
| Leasehold Improvements | 124,691 | 18,884 |
| Vehicles | 16,868 | 3,272 |
| | 536,071 | 141,944 |

9 BORROWINGS

Secured

- Borrowings from the SBP under
 - Export refinance scheme
 - Long term financing facility
 - Refinance facility for modernization of SMEs

Repurchase agreement borrowings

| Secured | (Unaudited) | (Audited) |
|----------------|--------------------|----------------------|
| | June 30, 2018 | December 31, 2017 |
| | (Rupees in '000) | |
| | 25,696,174 | 26,343,510 |
| | 10,516,512 | 9,852,123 |
| | 26,167 | 9,500 |
| | 36,238,853 | 36,205,133 |
| | 200,177,673 | 279,802,790 |
| | 236,416,526 | 316,007,923 |

Unsecured

- Call money borrowings
- Overdrawn nostro accounts
- Borrowings of overseas branches
- Other long term borrowings

| Unsecured | (Unaudited) | (Audited) |
|------------------|--------------------|----------------------|
| | June 30, 2018 | December 31, 2017 |
| | (Rupees in '000) | |
| | 24,790,000 | 11,385,000 |
| | 744,396 | 1,540,136 |
| | 28,233,357 | 28,348,800 |
| | 41,552,042 | 38,204,351 |
| | 95,319,795 | 79,478,287 |
| | 331,736,321 | 395,486,210 |

9.1 This includes the following:

- 9.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2017: 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.
- 9.1.2 A loan from the China Development Bank amounting to US\$ 192 million (December 31, 2017: US\$196 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.

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

| | | (Unaudited) June 30, 2018 (Rupees in '000) | (Audited) December 31, 2017 |
|------|---|---|---|
| 10 | DEPOSITS AND OTHER ACCOUNTS | | |
| | Customers | | |
| | Current accounts - non-remunerative | 733,173,573 | 682,227,276 |
| | Savings accounts | 883,154,635 | 864,002,017 |
| | Fixed deposits | <u>295,315,833</u> | <u>288,149,686</u> |
| | | <u>1,911,644,041</u> | <u>1,834,378,979</u> |
| | Financial institutions | | |
| | Current accounts - non-remunerative | 5,006,243 | 4,607,043 |
| | Savings accounts | 94,584,066 | 59,294,770 |
| | Fixed deposits | <u>2,919,577</u> | <u>1,230,643</u> |
| | | <u>102,509,886</u> | <u>65,132,456</u> |
| | | <u>2,014,153,927</u> | <u>1,899,511,435</u> |
| 11 | SURPLUS ON REVALUATION OF ASSETS - net of deferred tax | Note | (Unaudited) June 30, 2018 (Rupees in '000) (Restated) |
| | Surplus / (deficit) arising on revaluation of assets - net of deferred tax, on | | |
| | - Operating fixed assets | 11.1 | 21,348,495 |
| | - Investments | 11.2 | (3,113,145) |
| | - Non-banking assets acquired in satisfaction of claims | 11.3 | <u>291,391</u> |
| | Surplus on revaluation of assets - net of deferred tax | | <u>18,526,741</u> |
| 11.1 | Surplus on revaluation of operating fixed assets | | |
| | Surplus as at the beginning of the period / year | | 22,509,067 |
| | Surplus recognised during the period / year | | - |
| | Transferred from surplus on revaluation of non-banking assets | | 3,227 |
| | Transferred to unappropriated profit in respect of incremental depreciation charged | | |
| | during the period / year - net of deferred tax | | (26,431) |
| | Related deferred tax liability on incremental depreciation charged during the period / year | | (14,232) |
| | Less: related deferred tax liability on | | |
| | - Revaluation as at the beginning of the period / year | | 1,136,602 |
| | - Revaluation recognised during the period / year | | - |
| | - Amount transferred from surplus on revaluation of non-banking assets | | 766 |
| | - Incremental depreciation charged during the period / year | | <u>(14,232)</u> |
| | | | <u>1,123,136</u> |
| | | | <u>21,348,495</u> |
| | | | <u>21,372,465</u> |
| 11.2 | Surplus / (deficit) on revaluation of investments | | (Unaudited) June 30, 2018 (Rupees in '000) |
| | Market Treasury Bills | | (144,616) |
| | Pakistan Investment Bonds | | (3,063,063) |
| | Government of Pakistan US Dollar Bonds | | (26,481) |
| | Sukus | | (62,390) |
| | Listed equity securities | | <u>(1,565,258)</u> |
| | National Investment Trust units | | 38,534 |
| | Real Estate Investment Trust units | | 9,500 |
| | Overseas Government securities | | 8,307 |
| | Other debt instruments | | <u>16,013</u> |
| | Related deferred tax asset | | <u>(4,789,454)</u> |
| | | | <u>1,676,309</u> |
| | | | <u>(3,113,145)</u> |
| | | | <u>(676,442)</u> |
| | | | <u>236,755</u> |
| | | | <u>(439,687)</u> |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

| | (Unaudited) June 30, 2018 | (Audited) December 31, 2017 |
|---|---------------------------------|-----------------------------------|
| | (Rupees in '000) | |
| 11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims | | |
| Surplus as at the beginning of the period / year | 283,667 | 690,381 |
| Surplus recognised / (reversed) during the period / year | 11,249 | (390,952) |
| Transferred to surplus on revaluation of operating fixed assets during the period / year | (3,227) | (15,504) |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax | (170) | (168) |
| Related deferred tax liability on incremental depreciation charged during the period / year | (91) | (90) |
| | 291,428 | 283,667 |
| Less: related deferred tax liability on | | |
| - Revaluation as at beginning of the period / year | 847 | 6,203 |
| - Revaluation recognised during the period / year | 47 | 160 |
| - Amount transferred to surplus on revaluation of operating fixed assets during the period / year | (766) | (5,426) |
| - Incremental depreciation charged during the period / year | (91) | (90) |
| | 37 | 847 |
| | 291,391 | 282,820 |
| 12 CONTINGENCIES AND COMMITMENTS | | |
| 12.1 Direct credit substitutes - financial guarantees | | |
| Guarantees in favour of | | |
| - Government | 337,292 | 273,782 |
| - Financial institutions | 996,919 | 441,000 |
| - Others | 48,497,166 | 38,462,882 |
| | 49,831,377 | 39,177,664 |
| 12.2 Transaction-related contingent liabilities | | |
| Guarantees in favour of | | |
| - Government | 462,552 | 269,851 |
| - Financial institutions | 73,616 | 1,713,959 |
| - Others | 112,591,815 | 122,433,335 |
| | 113,127,983 | 124,417,145 |
| 12.3 Trade-related contingent liabilities | | |
| Letters of credit in favour of | | |
| - Government | 29,676,239 | 49,835,960 |
| - Financial institutions | 3,583,872 | 5,340,244 |
| - Others | 92,836,434 | 78,286,626 |
| | 126,096,545 | 133,462,830 |
| 12.4 Other contingencies | | |
| Claims against the Bank not acknowledged as debts | 28,917,372 | 28,314,434 |
| 12.4.1 These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Bank and other relief and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these condensed interim unconsolidated financial statements. | | |
| 12.4.2 The matter relating to the Bank's New York Branch has been disclosed in Note 29 to the annual unconsolidated financial statements of the Bank for the year ended December 31, 2017. There is no further update on the same. | | |
| 12.5 Commitments to extend credit | | |
| 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. | | |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)
For the six months ended June 30, 2018

| | (Unaudited) June 30, 2018 (Rupees in '000) | (Audited) December 31, 2017 (Rupees in '000) |
|--|---|---|
| 12.6 Commitments in respect of forward foreign exchange contracts | | |
| Purchase | 150,194,397 | 131,801,937 |
| Sale | 80,551,348 | 73,766,803 |
| 12.7 Commitments in respect of forward Government Securities transactions | | |
| Purchase | 29,357,272 | 20,243,788 |
| Sale | 87,375,162 | - |
| 12.8 Commitments in respect of derivatives | | |
| Foreign currency options | | |
| Purchase | 420,698 | - |
| Sale | 420,698 | - |
| Cross currency swaps | | |
| Purchase | 2,866,143 | 1,633,987 |
| Sale | 3,151,761 | 1,707,050 |
| Interest rate swaps | | |
| Purchase | - | - |
| Sale | 10,029,531 | 10,315,539 |
| 12.9 Commitments for capital expenditure | 3,489,145 | 5,026,435 |
| 12.10 The income tax returns of the Bank have been submitted upto and including the accounting year 2016. The tax authorities have concluded the audit of the returns under section 122(5A) of the Income Tax Ordinance, 2001 upto accounting year 2016. | | |
| | (Unaudited) For the six months ended June 30, 2018 (Rupees in '000) | June 30, 2017 (Rupees in '000) |
| 13 MARK-UP / RETURN / PROFIT / INTEREST EARNED | | |
| On advances | 30,858,253 | 25,922,489 |
| On investments in | | |
| - Held-for-trading securities | 3,582,715 | 2,904,364 |
| - Held-to-maturity securities | 9,260,558 | 7,744,553 |
| - Available-for-sale securities | 26,620,093 | 32,361,933 |
| | <hr/> | <hr/> |
| On deposits with financial institutions | 39,463,366 | 43,010,850 |
| On lendings to financial institutions | 336,078 | 445,269 |
| | <hr/> | <hr/> |
| | 1,256,379 | 460,042 |
| | <hr/> | <hr/> |
| | 71,914,076 | 69,838,650 |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

| | (Unaudited) | |
|---|--------------------------|-------------------|
| | For the six months ended | |
| | June 30, 2018 | June 30, 2017 |
| (Rupees in '000) | | |
| 14 MARK-UP / RETURN / PROFIT / INTEREST EXPENDED | | |
| On | | |
| - Deposits | 24,524,188 | 21,280,990 |
| - Securities sold under repurchase agreement borrowings | 6,610,182 | 7,270,523 |
| - Other short-term borrowings | 1,530,221 | 898,700 |
| - Long-term borrowings | 1,555,937 | 942,409 |
| | 34,220,528 | 30,392,622 |

15 Further to the disclosure on pension related matters as explained in detail in note 44.2 to the annual unconsolidated financial statements of the Bank for the year ended December 31, 2017, decision on the review petition was announced on April 3, 2018. Consequently, the Bank has taken a charge of Rs 1,851.929 million representing the increase in the present value of the Bank's pension scheme related defined benefit obligations. The amount has been estimated based on actuarial valuations.

In accordance with the Honorable Supreme Court's Order the payments to eligible persons are prospectively applied from the date of judgment i.e. February 13, 2018.

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

Level 1 - 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 denominated in other currencies are valued on the basis of rates taken from Bloomberg / Reuters. |
| Overseas Government securities | The fair values of Overseas Government securities are determined on the basis of rates taken from Bloomberg / Reuters. |
| Units of mutual funds | The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day. |
| Derivatives | The Bank enters into derivatives contracts with various counterparties. Derivatives that are valued using valuation techniques with market observable inputs are mainly interest rate swaps, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. |
| 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 these condensed interim unconsolidated financial statements. |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

Fair Value Measurement

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

| | As at June 30, 2018 (Unaudited) | | | | | | | |
|---|---------------------------------|----------------------|-------------------|----------------------|--|--|--|--|
| | Level 1 | Level 2 | Level 3 | Total | | | | |
| | (Rupees in '000) | | | | | | | |
| Items carried at fair value | | | | | | | | |
| Financial assets and liabilities | | | | | | | | |
| - Fully paid up ordinary shares | 13,865,276 | - | - | 13,865,276 | | | | |
| - Real Estate Investment Trust units | 64,500 | - | - | 64,500 | | | | |
| - Federal Government securities | - | 1,002,213,989 | - | 1,002,213,989 | | | | |
| - Debentures and corporate debt instruments | - | 20,917,472 | - | 20,917,472 | | | | |
| - Overseas Government securities | - | 7,097,707 | - | 7,097,707 | | | | |
| - National Investment Trust units | - | 49,647 | - | 49,647 | | | | |
| - Unrealised gain on forward foreign exchange contracts | - | 3,878,469 | - | 3,878,469 | | | | |
| - Unrealised gain on derivative instruments | - | 73,341 | - | 73,341 | | | | |
| - Unrealised loss on forward foreign exchange contracts | - | 2,177,809 | - | 2,177,809 | | | | |
| - Unrealised loss on derivative instruments | - | 43,039 | - | 43,039 | | | | |
| Non-financial assets | | | | | | | | |
| - Operating fixed assets | - | - | 32,432,719 | 32,432,719 | | | | |
| - Non-banking assets acquired in satisfaction of claims | - | - | 1,854,636 | 1,854,636 | | | | |
| Items for which fair value is disclosed | | | | | | | | |
| - Federal Government securities | - | 182,484,522 | - | 182,484,522 | | | | |
| - Overseas Government securities | - | 12,305,787 | - | 12,305,787 | | | | |
| - Debentures and corporate debt instruments | - | 29,611,326 | - | 29,611,326 | | | | |
| - Associates and Joint venture | 40,633,613 | - | - | 40,633,613 | | | | |
| | 54,563,389 | 1,260,853,108 | 34,287,355 | 1,349,703,852 | | | | |
| As at December 31, 2017 (Audited) | | | | | | | | |
| | Level 1 | Level 2 | Level 3 | Total | | | | |
| | (Rupees in '000) | | | | | | | |
| Items carried at fair value | | | | | | | | |
| Financial assets and liabilities | | | | | | | | |
| - Fully paid up ordinary shares | 17,004,855 | - | - | 17,004,855 | | | | |
| - Real Estate Investment Trust units | 154,000 | - | - | 154,000 | | | | |
| - Federal Government securities | - | 985,708,629 | - | 985,708,629 | | | | |
| - Debentures and corporate debt instruments | - | 16,693,355 | - | 16,693,355 | | | | |
| - Overseas Government securities | - | 4,006,706 | - | 4,006,706 | | | | |
| - National Investment Trust units | - | 47,303 | - | 47,303 | | | | |
| - Unrealised gain on forward foreign exchange contracts | - | 3,902,373 | - | 3,902,373 | | | | |
| - Unrealised gain on derivative instruments | - | 102,616 | - | 102,616 | | | | |
| - Unrealised loss on forward foreign exchange contracts | - | 891,964 | - | 891,964 | | | | |
| - Unrealised loss on derivative instruments | - | 50,418 | - | 50,418 | | | | |
| Non-financial assets | | | | | | | | |
| - Operating fixed assets | - | - | 32,264,531 | 32,264,531 | | | | |
| - Non-banking assets acquired in satisfaction of claims | - | - | 1,967,665 | 1,967,665 | | | | |
| Items for which fair value is disclosed | | | | | | | | |
| - Federal Government securities | - | 232,717,654 | - | 232,717,654 | | | | |
| - Overseas Government securities | - | 14,736,714 | - | 14,736,714 | | | | |
| - Debentures and corporate debt instruments | - | 24,978,797 | - | 24,978,797 | | | | |
| - Associates and Joint venture | 39,352,301 | - | - | 39,352,301 | | | | |
| | 56,511,156 | 1,283,836,529 | 34,232,196 | 1,374,579,881 | | | | |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

| | For the six months ended June 30, 2018 (Unaudited) | | | | |
|--|--|-------------------|-------------|-----------------------|----------------------|
| | Branch banking | Corporate banking | Treasury | International banking | Head Office / Others |
| (Rupees in million) | | | | | |
| Net mark-up income - external | (4,607) | 10,662 | 30,616 | 2,308 | (1,285) |
| Inter-segment revenue / (expense) - net | 30,718 | (7,327) | (25,565) | - | 2,174 |
| Non-funded income | 6,435 | 1,713 | 808 | 908 | (1,337) |
| Total Income | 32,546 | 5,048 | 5,859 | 3,216 | (448) |
| Total expenses including provision | 13,549 | (464) | 549 | 7,838 | 11,954 |
| Inter-segment administrative cost | 8,492 | 1,238 | 239 | 890 | (10,859) |
| Total expenses including provision | 22,041 | 774 | 788 | 8,728 | 1,095 |
| Profit / (loss) before tax | 10,505 | 4,274 | 5,071 | (5,512) | (1,543) |
| Segment return on assets % | 0.74% | 0.98% | 0.47% | -2.78% | -0.67% |
| Segment cost of funds % | 2.77% | 5.20% | 5.21% | 1.86% | 0.69% |
| | As at June 30, 2018 (Unaudited) | | | | |
| | Branch banking | Corporate banking | Treasury | International banking | Head Office / Others |
| (Rupees in million) | | | | | |
| Segment assets (gross of provision) | 527,710 | 564,587 | 1,273,331 | 206,784 | 132,395 |
| Segment non-performing advances | 7,801 | 39,377 | - | 19,530 | 226 |
| Segment provision held (including general provision) | 6,837 | 38,217 | 1,136 | 18,848 | 849 |
| Inter-segment assets / (liabilities) | 1,156,219 | (195,181) | (1,046,599) | 31,942 | 53,619 |
| Segment liabilities and equity | 1,677,092 | 331,189 | 225,596 | 219,878 | 185,165 |
| | For the six months ended June 30, 2017 (Unaudited) | | | | |
| | Branch banking | Corporate banking | Treasury | International banking | Head Office / Others |
| (Rupees in million) | | | | | |
| Net mark-up income - external | (3,899) | 9,001 | 30,958 | 3,876 | (490) |
| Inter-segment revenue / (expense) - net | 27,716 | (6,019) | (23,617) | - | 1,920 |
| Non-funded income | 6,224 | 1,404 | 2,637 | 1,977 | 2,122 |
| Total Income | 30,041 | 4,386 | 9,978 | 5,853 | 3,552 |
| Total expenses including provision | 12,646 | (213) | 1,073 | 5,558 | 8,664 |
| Inter-segment administrative cost | 6,066 | 885 | 172 | 635 | (7,758) |
| Total expenses including provision | 18,712 | 672 | 1,245 | 6,193 | 906 |
| Profit / (loss) before tax | 11,329 | 3,714 | 8,733 | (340) | 2,646 |
| Segment return on assets % | 0.88% | 1.06% | 0.80% | -0.13% | 1.46% |
| Segment cost of funds % | 2.65% | 4.83% | 5.04% | 1.35% | 0.27% |
| | As at December 31, 2017 (Audited) | | | | |
| | Branch banking | Corporate banking | Treasury | International banking | Head Office / Others |
| (Rupees in million) | | | | | |
| Segment assets (gross of provision) | 510,273 | 477,658 | 1,295,184 | 227,413 | 118,408 |
| Segment non-performing advances | 7,592 | 42,465 | - | 16,782 | 199 |
| Segment provision held (including general provision) | 6,933 | 40,516 | 872 | 16,810 | 746 |
| Inter-segment assets / (liabilities) | 1,062,311 | (130,699) | (978,849) | 23,854 | 23,383 |
| Segment liabilities and equity | 1,565,651 | 306,443 | 315,463 | 234,457 | 141,045 |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

18 RELATED PARTY TRANSACTIONS

The Bank has relationships with various related parties, including its directors, members of the key management personnel of the Bank, Group entities, associated undertakings, joint venture company and employee benefit schemes of the Bank.

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

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

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

| | As at June 30, 2018 (Unaudited) | | | | | | |
|---|---------------------------------|--------------------------|----------------------|----------------------|---------------|-----------------------|-----------------------|
| | Directors | Key Management Personnel | Group Entities | Subsidiary companies | Associates | Joint venture | Other related parties |
| | (Rupees in '000) | | | | | | |
| Statement of financial position | | | | | | | |
| Deposits | 172,658 | 25,428 | 6,833,554 | 852,265 | 2,429,698 | - | 781,288 |
| Maximum deposits during the period | 232,076 | 50,672 | 8,614,881 | 1,320,432 | 10,769,550 | - | 2,896,068 |
| Borrowings | - | - | 1,458,744 | 759,358 | 2,186,950 | 1,214,972 | - |
| Investments | - | - | - | 17,590,118 | 12,532,370 | 135,665 | 6,030,725 |
| Provision for diminution in the value of investment | - | - | - | - | - | - | (18,980) |
| Nostro balances | - | - | 244,010 | 755,150 | 10,353 | 6,562 | - |
| Advances | - | 138,412 | 3,298,158 | 627,876 | 1,500,000 | - | 24,315,687 |
| Provision against advances | - | - | - | - | - | - | (1,726,437) |
| Mark-up receivable | - | 363 | 28,728 | 12,243 | 13,213 | - | 305,187 |
| Other receivable | - | - | 51 | 78,468 | 232,299 | - | 26,550 |
| Mark-up payable | 1,023 | 74 | 103,273 | 34,313 | 12,194 | 7,673 | 2,324 |
| Other payable | - | - | 15,868 | - | 24,891 | - | 2,443,935 |
| Contingencies and Commitments | | | | | | | |
| Letters of credit | - | - | 472,826 | - | - | - | 10,913,419 |
| Letters of guarantee | - | - | 219,555 | 106,525 | - | - | 705,938 |
| Forward purchase of government securities | - | - | 14,131,224 | - | - | - | 11,407,338 |
| Forward sale of government securities | - | - | - | - | - | - | 2,154,567 |
| Interest rate swaps | - | - | 1,596,197 | - | 1,500,000 | - | - |
| Others | | | | | | | |
| Securities held as custodian | - | 8,395 | 17,938,710 | 404,607 | 26,718,750 | - | 17,229,950 |
| For the six months ended June 30, 2018 (Unaudited) | | | | | | | |
| Directors | Key Management Personnel | Group Entities | Subsidiary companies | Associates | Joint venture | Other related parties | |
| (Rupees in '000) | | | | | | | |
| Profit and loss account | | | | | | | |
| Mark-up income | - | 7,206 | 147,959 | 120,887 | 118,479 | - | 659,965 |
| Fee and commission income | - | - | 104 | - | 1,287,852 | - | 11,541 |
| Dividend income | - | - | - | - | 513,089 | - | 36,162 |
| Gain on sale of securities - net | - | - | - | - | 255,787 | - | - |
| Mark-up expense | 3,454 | 154 | 176,146 | 152,463 | 190,569 | 12,778 | 24,181 |
| Salaries and allowances | - | 612,348 | - | - | - | - | - |
| Contribution to provident and benevolent fund | - | 7,339 | - | - | - | - | - |
| Net charge for defined benefit / contribution plans | - | - | - | - | - | - | 2,237,482 |
| Non-Executive Directors' fees | 28,800 | - | - | - | - | - | - |
| Other (loss) / income | - | - | (7,137) | 24,275 | (1,996) | - | - |
| Other expenses | - | - | 21,056 | - | 1 | - | 408,954 |
| Insurance premium expense | - | - | - | - | 597,712 | - | - |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

| | For the six months ended June 30, 2018 (Unaudited) | | | | | | |
|--|--|--------------------------|----------------|----------------------|------------|---------------|-----------------------|
| | Directors | Key Management Personnel | Group Entities | Subsidiary companies | Associates | Joint venture | Other related parties |
| ----- (Rupees in '000) ----- | | | | | | | |
| Others | | | | | | | |
| Purchase of government securities | - | 8,297 | 83,917,802 | - | - | - | 35,962,913 |
| Sale of government securities | - | 16,487 | 90,624,221 | 1,244,262 | 26,082,649 | - | 39,871,938 |
| Insurance claims | - | - | - | - | 36,436 | - | - |
| ----- (Rupees in '000) ----- | | | | | | | |
| As at December 31, 2017 (Audited) | | | | | | | |
| | Directors | Key Management Personnel | Group Entities | Subsidiary companies | Associates | Joint venture | Other related parties |
| ----- (Rupees in '000) ----- | | | | | | | |
| Statement of financial position | | | | | | | |
| Deposits | 127,426 | 33,952 | 20,367,146 | 1,030,077 | 9,219,513 | 22,702 | 1,501,398 |
| Maximum deposits during the year | 165,193 | 46,305 | 21,888,137 | 1,094,208 | 9,716,844 | 63,856 | 2,211,732 |
| Borrowings | - | - | 479,694 | 1,247,874 | 3,312,516 | 1,104,172 | - |
| Investments | - | - | - | 17,259,428 | 12,186,523 | 135,665 | 5,291,967 |
| Provision for diminution in the value of investment: | - | - | - | - | - | - | (68,800) |
| Nostro balances | - | - | 169,804 | 3,130,468 | - | - | - |
| Overdrawn nostro balances | - | - | - | 72,537 | - | - | - |
| Advances | - | 142,108 | 3,147,907 | 605,113 | 2,851,690 | - | 16,536,672 |
| Provision against advances | - | - | - | - | - | - | (1,726,437) |
| Mark-up receivable | - | 246 | 18,843 | 94,744 | 33,268 | - | 211,963 |
| Other receivable | - | - | - | 57,492 | 416,040 | - | - |
| Mark-up payable | 120 | 241 | 72,633 | 4,289 | 44,699 | 1,195 | 4,951 |
| Other payable | - | - | 8,066 | 14,496 | 380,935 | - | 1,459,635 |
| Contingencies and Commitments | | | | | | | |
| Letters of credit | - | - | 366,972 | - | - | - | 13,447,606 |
| Letters of guarantee | - | - | 198,059 | 120,794 | 712,509 | - | - |
| Forward foreign exchange contracts - Purchase | - | - | - | 661,261 | - | - | - |
| Forward foreign exchange contracts - Sale | - | - | - | 659,694 | - | - | - |
| Forward purchase of government securities | - | - | 13,232,566 | - | - | - | 2,104,644 |
| Interest rate swaps | - | - | 1,743,539 | - | 1,500,000 | - | - |
| Others | | | | | | | |
| Securities held as custodian | - | 8,220 | 16,223,810 | - | 28,200,745 | - | 8,478,905 |
| ----- (Rupees in '000) ----- | | | | | | | |
| | For the six months ended June 30, 2017 (Unaudited) | | | | | | |
| | Directors | Key Management Personnel | Group Entities | Subsidiary companies | Associates | Joint venture | Other related parties |
| ----- (Rupees in '000) ----- | | | | | | | |
| Profit and loss account | | | | | | | |
| Mark-up income | - | 3,634 | 126,452 | 314,337 | 30,426 | - | 501,223 |
| Fee and commission income | - | - | 6,982 | 1,671 | 1,354,444 | - | - |
| Dividend income | - | - | - | - | 821,397 | - | 103,187 |
| Gain on sale of securities - net | - | - | - | - | - | - | (2,428) |
| Mark-up expense | 1,180 | 330 | 83,840 | 24,750 | 82,281 | 2,992 | 42,864 |
| Salaries and allowances | - | 351,395 | - | - | - | - | - |
| Contribution to provident and benevolent fund | - | 6,918 | - | - | - | - | - |
| Net charge for defined benefit / contribution plans | - | - | - | - | - | - | 307,962 |
| Non-Executive Directors' fees | 22,000 | - | - | - | - | - | - |
| Other income | - | - | 23,828 | 15,034 | 34,110 | - | - |
| Other expenses | - | - | 26,228 | 103 | - | - | 187,386 |
| Insurance premium expense | - | - | - | - | 476,405 | - | - |
| Others | | | | | | | |
| Purchase of Government securities | - | 66,184 | 15,118,468 | - | 34,450 | - | 3,938,503 |
| Sale of Government of securities | - | 65,174 | 16,108,284 | - | 7,607,191 | - | 6,274,635 |
| Insurance claims | - | - | - | - | 66,972 | - | - |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

19 LIQUIDITY STANDARDS

The SBP has introduced two liquidity standards through its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of LCR is to ensure that Banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of NSFR is to reduce funding risk over a longer time horizon by requiring Banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

| | | (Unaudited) June 30, 2018 | (Unaudited) March 31, 2018 | (Audited) December 31, 2017 |
|---|--|---------------------------------|----------------------------------|-----------------------------------|
| 19.1 Liquidity Coverage Ratio | | | | |
| Total Adjusted Value | | | | |
| (Rupees in '000) | | | | |
| Total HQLA | | 993,388,080 | 896,354,690 | 962,730,144 |
| Total Net Cash Outflows | | 546,953,989 | 539,366,389 | 520,941,525 |
| Liquidity Coverage Ratio (%) | | 181.62% | 166.19% | 184.81% |
| Minimum Requirement (%) | | 90.00% | 90.00% | 90.00% |
| 19.2 Net Stable Funding Ratio | | | | |
| (Unaudited) June 30, 2018 | | | | |
| (Audited) December 31, 2017 | | | | |
| Total Weighted Value | | | | |
| (Rupees in '000) | | | | |
| Total Available Stable Funding (ASF) | | 2,041,199,384 | 1,946,812,485 | |
| Total Required Stable Funding (RSF) | | 1,314,468,911 | 1,229,522,456 | |
| Net Stable Funding Ratio (%) | | 155.29% | 158.34% | |
| Minimum Requirement (%) | | 100.00% | 100.00% | 100.00% |
| 20 ISLAMIC BANKING BUSINESS | | | | |
| 20.1 STATEMENT OF FINANCIAL POSITION | | | | |
| Note | | | | |
| (Unaudited) June 30, 2018 | | | | |
| (Audited) December 31, 2017 | | | | |
| (Rupees in '000) | | | | |
| ASSETS | | | | |
| Cash and balances with treasury banks | | 10,155,982 | 7,475,822 | |
| Due from financial institutions | | 600,000 | 1,614,839 | |
| Investments | | 100,420,283 | 104,616,358 | |
| Islamic financing and related assets - net | | 94,259,759 | 84,297,519 | |
| Due from Head Office | | 8,309,348 | 66,226 | |
| Deferred tax asset | | 21,837 | - | |
| Other assets | | 2,238,522 | 1,022,451 | |
| | | 216,005,731 | 199,093,215 | |
| LIABILITIES | | | | |
| Bills payable | | 9,056 | 7,037 | |
| Due to financial institutions | | 22,467,000 | 24,798,000 | |
| Deposits and other accounts | | 182,017,587 | 163,448,909 | |
| Deferred tax liability | | - | 172,401 | |
| Other liabilities | | 1,272,911 | 1,433,836 | |
| | | 205,766,554 | 189,860,183 | |
| NET ASSETS | | | | |
| | | 10,239,177 | 9,233,032 | |
| REPRESENTED BY | | | | |
| Islamic Banking Fund | | 250,000 | 250,000 | |
| Reserves | | - | 4,584 | |
| Unappropriated profit | | 10,029,731 | 8,662,859 | |
| (Deficit) / surplus on revaluation of investments - net of deferred tax | | 10,279,731 | 8,917,443 | |
| | | (40,554) | 315,589 | |
| | | 10,239,177 | 9,233,032 | |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited)

For the six months ended June 30, 2018

20.1.1 Commitments in respect of guarantees and letters of credit of the Islamic Banking Business amounted to Rs 267.226 million (December 31, 2017: Rs 271.654 million) and Rs 1,333.670 million (December 31, 2017: Rs 3,921.630 million) respectively. Commitments in respect of forward foreign exchange purchase and sale transactions amounted to Rs 11,520.919 million (December 31, 2017: Rs 3,595.455 million) and Rs 170.200 million (December 31, 2017: Rs 2,439.128 million) respectively.

| | (Unaudited) June 30, 2018 | (Audited) December 31, 2017 |
|--|---------------------------------|-----------------------------------|
| | (Rupees in '000) | |
| 20.1.2 Islamic financing and related assets - net | | |
| Ijarah | 1,895,064 | 1,728,525 |
| Murabaha | 1,004,982 | 316,442 |
| Diminishing Musharakah | 61,135,583 | 60,591,346 |
| Wakalah | 10,000,000 | 10,000,000 |
| Running Musharakah | 3,308,591 | 1,138,052 |
| Advance for Ijarah | 295,564 | 542,507 |
| Advance for Murabaha | 4,573,477 | 2,968,494 |
| Advance for Diminishing Musharakah | 4,432,536 | - |
| Advance for Istisna | 5,917,609 | 4,546,399 |
| Assets / Inventories | 1,808,552 | 2,576,238 |
| Islamic financing and related assets - gross | 94,371,958 | 84,408,003 |
| Provision against Islamic financing and related assets | (112,199) | (110,484) |
| Islamic financing and related assets - net | 94,259,759 | 84,297,519 |

20.1.3 Deposits and other accounts

| | (Unaudited) June 30, 2018 | (Audited) June 30, 2017 |
|---|---------------------------------|-------------------------------|
| | (Rupees in '000) | |
| Current accounts | 52,723,392 | 48,389,707 |
| Savings accounts | 102,270,427 | 87,258,027 |
| Term deposits | 21,111,293 | 13,731,808 |
| Deposits from financial institutions - non - remunerative | 95,995 | 105,001 |
| Deposits from financial institutions - remunerative | 5,816,480 | 13,964,366 |
| | 182,017,587 | 163,448,909 |

20.2 PROFIT AND LOSS ACCOUNT

| | (Unaudited) For the six months ended June 30, 2018 | (Audited) June 30, 2017 |
|---|---|-------------------------------|
| | (Rupees in '000) | |
| Profit earned | 5,667,177 | 4,293,331 |
| Profit expensed | 3,129,057 | 1,888,439 |
| Net profit earned | 2,538,120 | 2,404,892 |
| Provision against non-performing assets | 1,715 | 4,498 |
| Net profit after provisions | 2,536,405 | 2,400,394 |

Other income

| | (Unaudited) For the six months ended June 30, 2018 | (Audited) June 30, 2017 |
|--|---|-------------------------------|
| | (Rupees in '000) | |
| Fee, commission and brokerage income | 101,799 | 90,410 |
| Income / (loss) from dealing in foreign currencies | 23,144 | (23,645) |
| (Loss) / gain on sale of securities | (21,762) | 9,849 |
| Rent on lockers | 3,285 | 3,145 |
| Others | 346 | 390 |
| Total other income | 106,812 | 80,149 |
| Administrative expenses | 2,643,217 | 2,480,543 |
| Net profit for the period | 402,443 | 317,375 |
| | 2,240,774 | 2,163,168 |

20.3 Remuneration to Shariah Advisor / Board

| | (Unaudited) June 30, 2018 | (Audited) June 30, 2017 |
|--|---------------------------------|-------------------------------|
| | (Rupees in '000) | |
| | 3,960 | 3,180 |

Notes to the Condensed Interim Unconsolidated Financial Statements (Unaudited) For the six months ended June 30, 2018

| | (Unaudited) June 30, 2018 (Rupees in '000) | (Audited) December 31, 2017 |
|---|---|-----------------------------------|
| 20.4 Charity Fund | | |
| Opening balance | 233,247 | 526 |
| Additions during the period / year | | |
| -Income purification | 334 | 244,105 |
| -Penalty on delayed payment | 268 | 723 |
| | 602 | 244,828 |
| Payments / Utilization during the period / year | | |
| -Health sector | - | (11,107) |
| -Others | - | (1,000) |
| | - | (12,107) |
| Closing balance | 233,849 | 233,247 |

21 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 2,2018 has declared a cash dividend in respect of the quarter ended June 30, 2018 of Rs 1 per share (June 30, 2017: Rs 3.50 per share). These condensed interim unconsolidated financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

22 GENERAL

Comparative figures have been rearranged and reclassified for comparison purposes.

23 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorized for issue in the Board of Directors meeting held on August 2, 2018.

Muhammad Aurangzeb
President &
Chief Executive Officer

Raymond Kotwal
Chief Financial Officer

Dr. Najeeb Samie
Director

Agha Sher Shah
Director

Moez Ahamed Jamal
Director



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