

هَذَا مِنْ فَضْلِ رَبِّي



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CORPORATE INFORMATION

Board of Directors	Abbas D. Habib	<i>Chairman</i>
	Anwar Haji Karim	
	Farhana Mowjee Khan	
	Syed Mazhar Abbas	
	Qumail R. Habib	<i>Executive Director</i>
	Safar Ali Lakhani	
	Syed Hasan Ali Bukhari	
	Murtaza H. Habib	
	Arshad Nasar	
	Adnan Afridi	
Audit Committee	Mansoor Ali Khan	<i>Chief Executive</i>
	Safar Ali Lakhani	<i>Chairman</i>
	Syed Mazhar Abbas	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
Human Resource & Remuneration Committee	Arshad Nasar	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Chairman</i>
	Syed Mazhar Abbas	<i>Member</i>
	Abbas D. Habib	<i>Member</i>
	Farhana Mowjee Khan	<i>Member</i>
Credit Risk Management Committee	Arshad Nasar	<i>Member</i>
	Syed Mazhar Abbas	<i>Chairman</i>
	Safar Ali Lakhani	<i>Member</i>
	Qumail R. Habib	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
Risk Management Committee	Murtaza H. Habib	<i>Member</i>
	Adnan Afridi	<i>Chairman</i>
	Qumail R. Habib	<i>Member</i>
	Farhana Mowjee Khan	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
IT Committee	Safar Ali Lakhani	<i>Member</i>
	Abbas D. Habib	<i>Chairman</i>
	Qumail R. Habib	<i>Member</i>
	Arshad Nasar	<i>Member</i>
	Syed Mazhar Abbas	<i>Member</i>
	Mansoor Ali Khan	<i>Member</i>



Company Secretary	Mohammad Taqi Lakhani
Chief Financial Officer	Ashar Husain
Statutory Auditors	EY Ford Rhodes, Chartered Accountants
Legal Advisor	LMA Ebrahim Hosain Barristers, Advocates & Corporate Legal Consultants
Registered Office	126-C, Old Bahawalpur Road, Multan
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi
Share Registrar	Central Depository Company of Pakistan Ltd. CDC House 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400.
Website	www.bankalhabib.com



DIRECTORS' REVIEW

It is our pleasure to present the un-audited financial statements of Bank AL Habib Limited along with the un-audited consolidated financial statements of Bank AL Habib Limited and the Bank's Subsidiary AL Habib Capital Markets (Private) Limited for the quarter ended March 31, 2019.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to 813.5 billion as compared to Rs. 796.9 billion on December 31, 2018. In the same period, advances decreased to Rs. 460.6 billion from Rs. 478.2 billion, while investments decreased to Rs. 385.9 billion from Rs. 414.6 billion. The pre-tax profit of the Bank for the quarter ended March 31, 2019 was Rs. 4.44 billion as compared to Rs. 3.40 billion during the corresponding period last year. The profit after tax for the quarter ended March 31, 2019 was Rs. 2.06 billion compared with Rs. 2.09 billion during 2018.

By the Grace of Allah, the Bank now has a network of 730 offices, comprising 689 branches, 37 sub-branches, and 4 Representative Offices. Our branch network includes 71 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2019.

Alhamdulillah, Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term and short term entity ratings at **AA+** (Double A plus) and **A1+** (A One plus), respectively. The ratings of our unsecured, subordinated Term Finance Certificates (TFCs) are **AA** (Double A) for TFC-2016 and TFC-2018, and **AA-** (Double A minus) for TFC-2017 (perpetual). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

We wish to thank our customers, for their continued trust and support, local and foreign correspondents for their confidence and cooperation, and the State Bank of Pakistan for their guidance. We also thank all our staff members for their sincerity, dedication and hard work.

On behalf of the Board of Directors

Mansoor Ali Khan
Chief Executive

Syed Mazhar Abbas
Director

Karachi: April 25, 2019



ڈائریکٹرز کا جائزہ

ہمارے لئے یہ باعث مسرت ہے کہ ہم 31 مارچ 2019 کو ختم ہونے والی سہ ماہی کے لئے بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مالی حسابات مع بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مجموعی مالیاتی حسابات بشمول بینک کی ذیلی کمپنی الحیب کیپیٹل مارکیٹس (پرائیویٹ) لمیٹڈ پیش کریں۔

الحمد للہ، زیر جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ 31 مارچ 2019 کو ختم ہونے والی سہ ماہی میں ڈپازٹس بڑھ کر 813.5 بلین روپے ہو گئے، جو کہ 31 دسمبر 2018 کو 796.9 بلین روپے تھے۔ اسی مدت کے دوران ایڈوانسز 478.2 بلین روپے سے کم ہو کر 460.6 بلین روپے ہو گئے اور سرمایہ کاری 414.6 بلین روپے سے کم ہو کر 385.9 بلین روپے ہو گئی۔ 31 مارچ 2019 کو ختم ہونے والی سہ ماہی کے لئے آپ کے بینک کا قبل از ٹیکس منافع 4.44 بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ 3.40 بلین روپے تھا۔ بینک کا بعد از ٹیکس منافع 31 مارچ 2019 کو ختم ہونے والی مدت کے لئے 2.06 بلین روپے رہا، جبکہ گزشتہ سال یہ 2.09 بلین روپے تھا۔

اللہ تعالیٰ کے فضل و کرم سے بینک کا نیٹ ورک اب 730 دفاتر پر مشتمل ہے، جس میں 689 برانچز، 37 ذیلی برانچز اور 4 نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب 71 اسلامی بینکاری برانچز اور 3 بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کار بند رہتے ہوئے ہم سال 2019 میں بھی مزید برانچز کھولنے کا ارادہ رکھتے ہیں۔

الحمد للہ، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے لمبی مدت کے لئے بینک کی AA+ (ڈبل اے پلس) اور مختصر مدت کے لئے A1+ (اے ون پلس) ریٹنگز برقرار رکھی ہیں۔ ہمارے انسکیورڈ، سہار ڈینیٹیڈ ٹرم فنانس سرٹیفکیٹس کی ریٹنگز AA (ڈبل اے) برائے TFC-2016 اور TFC-2018 اور AA- (ڈبل اے مائنس) برائے TFC-2017 (پریچپول) ہیں۔ یہ ریٹنگز کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ براء ہونے کی بہت مضبوط صلاحیت ہے۔

ہم اپنے کسٹمرز کے مسلسل اعتماد اور تائید، مقامی و غیر ملکی مالیاتی اداروں کے بھروسے اور تعاون، اور اسٹیٹ بینک آف پاکستان کے ان کی رہنمائی پر، بے حد مشکور ہیں۔ ہم اپنے تمام اسٹاف ممبران کا بھی ان کے خلوص، لگن اور انتھک محنت پر ان کا شکریہ ادا کرتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز

سید مظہر عباس
ڈائریکٹر

منصور علی خان
چیف ایگزیکٹو

کراچی: ۲۵ اپریل ۲۰۱۹ء



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	(Un-audited) 31 March 2019 (Rupees in '000)	(Audited) 31 December 2018
ASSETS			
Cash and balances with treasury banks	6	67,623,841	74,432,172
Balances with other banks	7	8,272,722	7,989,939
Lendings to financial institutions	8	21,673,478	—
Investments	9	385,986,867	414,605,406
Advances	10	460,636,309	478,214,578
Fixed assets	11	26,533,259	26,183,149
Intangible assets	12	134,574	166,930
Deferred tax assets		—	—
Other assets	13	48,175,704	46,646,829
		1,019,036,754	1,048,239,003
LIABILITIES			
Bills payable	14	16,967,516	20,603,682
Borrowings	15	69,193,992	119,038,358
Deposits and other accounts	16	813,503,008	796,900,525
Liabilities against assets subject to finance lease		—	—
Subordinated debt	17	14,995,200	14,996,000
Deferred tax liabilities	18	1,405,270	1,350,203
Other liabilities	19	53,548,650	45,798,555
		969,613,636	998,687,323
NET ASSETS		49,423,118	49,551,680
REPRESENTED BY			
Share capital		11,114,254	11,114,254
Reserves		15,047,885	14,757,530
Surplus on revaluation of assets	20	3,754,527	3,268,202
Unappropriated profit		19,506,452	20,411,694
		49,423,118	49,551,680
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019**

	Note	Three months period ended	
		31 March 2019	31 March 2018
(Rupees in '000)			
Mark - up / return / interest earned	22	21,511,231	13,201,337
Mark - up / return / interest expensed	23	(11,662,935)	(6,173,326)
Net mark - up / interest income		9,848,296	7,028,011
NON MARK - UP / INTEREST INCOME			
Fee and commission income	24	1,382,355	1,030,427
Dividend income		86,162	66,297
Foreign exchange income		264,669	242,012
Income / (loss) from derivatives		—	—
Gain on securities - net	25	11,826	35,566
Other income	26	136,437	107,467
Total non mark - up / interest income		1,881,449	1,481,769
Total income		11,729,745	8,509,780
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	27	(6,447,283)	(5,328,601)
Workers welfare fund		(103,862)	(70,646)
Other charges	28	(10,493)	(2)
Total non mark - up / interest expenses		(6,561,638)	(5,399,249)
Profit before provisions		5,168,107	3,110,531
(Provisions) / reversals and write offs - net	29	(724,641)	294,282
Extra ordinary / unusual items		—	—
PROFIT BEFORE TAXATION		4,443,466	3,404,813
Taxation	30	(2,382,210)	(1,317,233)
PROFIT AFTER TAXATION		2,061,256	2,087,580
(Rupees)			
Basic and diluted earnings per share	31	1.85	1.88

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019**

	Three months period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
Profit after taxation for the period	2,061,256	2,087,580
Other comprehensive income		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Effect of translation of net investment in foreign branches	84,229	191,217
Movement in surplus / (deficit) on revaluation of investments - net of tax	504,517	(171,002)
	588,746	20,215
<i>Items that will not be reclassified to profit and loss account in subsequent periods</i>	-	-
Total comprehensive income	2,650,002	2,107,795

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets		
	(Rupees in '000)								
Balance as at 31 December 2017 - restated	11,114,254	11,901,027	413,852	126,500	540,000	846,813	4,620,480	16,312,956	45,875,882
Effect of change in accounting policy of impairment of financial assets	-	-	-	-	-	-	-	(133,601)	(133,601)
Balance as at 01 January 2018 - restated	11,114,254	11,901,027	413,852	126,500	540,000	846,813	4,620,480	16,179,355	45,742,281
Comprehensive income for the three months period ended 31 March 2018:									
Profit after taxation	-	-	-	-	-	-	-	2,087,580	2,087,580
Other comprehensive income - net of tax	-	-	191,217	-	-	(171,002)	-	-	20,215
Transfer to statutory reserve	-	208,758	-	-	-	-	-	(208,758)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(18,117)	18,117	-
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 3.0 per share)	-	-	-	-	-	-	-	(3,334,276)	(3,334,276)
Balance as at 31 March 2018 - restated	11,114,254	12,109,785	605,069	126,500	540,000	675,811	4,602,363	14,742,018	44,515,800
Comprehensive income for the nine months period ended 31 December 2018:									
Profit after taxation	-	-	-	-	-	-	-	6,330,076	6,330,076
Other comprehensive income - net of tax	-	-	743,168	-	-	(1,955,320)	-	(82,044)	(1,294,196)
Transfer to statutory reserve	-	633,008	-	-	-	-	-	(633,008)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(54,652)	54,652	-
Balance as at 31 December 2018 - audited	11,114,254	12,742,793	1,348,237	126,500	540,000	(1,279,509)	4,547,711	20,411,694	49,551,680
Comprehensive income for the three months period ended 31 March 2019:									
Profit after taxation	-	-	-	-	-	-	-	2,061,256	2,061,256
Other comprehensive income - net of tax	-	-	84,229	-	-	504,517	-	-	588,746
Transfer to statutory reserve	-	206,126	-	-	-	-	-	(206,126)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(18,192)	18,192	-
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	-	-	(2,778,564)	(2,778,564)
Balance as at 31 March 2019	11,114,254	12,948,919	1,432,466	126,500	540,000	(774,992)	4,529,519	19,506,452	49,423,118

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019**

	Note	31 March 2019 (Rupees in '000)	31 March 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,443,466	3,404,813
Less: Dividend income		(86,162)	(66,297)
		<u>4,357,304</u>	<u>3,338,516</u>
Adjustments:			
Depreciation		597,985	512,438
Amortisation		35,929	24,302
Provisions / (reversals) and write-offs	29	724,641	(294,282)
Gain on sale of fixed assets		(70,452)	(26,152)
Charge for defined benefit plan		102,000	78,000
Gain on securities - net		(11,826)	(35,566)
Charge for compensated absences		24,374	21,266
		<u>1,402,651</u>	<u>280,006</u>
		<u>5,759,955</u>	<u>3,618,522</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(21,673,478)	(2,000,000)
Held-for-trading securities		(11,566)	194,273
Advances		17,236,928	(12,316,094)
Other assets (excluding advance taxation)		(2,585,183)	(2,126,931)
		<u>(7,033,299)</u>	<u>(16,248,752)</u>
(Decrease) / increase in operating liabilities			
Bills payable		(3,636,166)	1,291,171
Borrowings from financial institutions		(49,536,647)	(73,684,384)
Deposits		16,602,483	25,683,782
Other liabilities		4,834,784	5,808,340
		<u>(31,735,546)</u>	<u>(40,901,091)</u>
		<u>(33,008,890)</u>	<u>(53,531,321)</u>
Income tax paid		(1,511,192)	(1,301,540)
Net cash used in operating activities		<u>(34,520,082)</u>	<u>(54,832,861)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		45,939,691	55,180,108
Net investments in held to maturity securities		(16,874,568)	(216,826)
Net investments in associates		-	(21,000)
Dividends received		51,197	55,773
Investments in operating fixed assets		(960,743)	(1,958,970)
Proceeds from sale of fixed assets		83,126	32,621
Exchange differences on translation of net investment in foreign branches		84,229	191,217
Net cash flow from investing activities		<u>28,322,932</u>	<u>53,262,923</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(800)	(800)
Dividend paid		(19,879)	(1,825)
Net cash flow from financing activities		<u>(20,679)</u>	<u>(2,625)</u>
Decrease in cash and cash equivalents		<u>(6,217,829)</u>	<u>(1,572,563)</u>
Cash and cash equivalents at beginning of the period		82,075,690	64,604,599
Cash and cash equivalents at end of the period		<u>75,857,861</u>	<u>63,032,036</u>

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 689 branches (31 December 2018: 684 branches), 37 sub-branches (31 December 2018: 38 sub-branches) and 04 representative offices (31 December 2018: 04 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2018: 03 overseas branches) and 71 Islamic Banking branches (31 December 2018: 71 Islamic Banking branches).

2. BASIS OF PRESENTATION

- 2.1 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 05, dated 22 March 2019 and IAS 34 "Interim Financial Reporting". They do not include all the information required in the annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2018.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade - related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark - up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark - up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.
- 2.3 The financial results of the Islamic Banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 36 to these unconsolidated condensed interim financial statements.

2.4 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;



- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, 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 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 SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 02 of 2018 and BPRD Circular Letter 05 of 2019, as amended from time to time.

2.5 These are unconsolidated condensed interim financial statements of the Bank in which investments in subsidiary and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

3. ACCOUNTING POLICY

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2018.

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

The following new and amended standards, interpretations and amendments became effective during the period and do not have impact on Bank's unconsolidated condensed interim financial statements expect for IFRS 16 'Leases'.



Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
IFRS 15 - Revenue from contracts with customers	July 01, 2018
IFRS 16 - Leases	January 01, 2019
Amendment to IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures	January 01, 2019
Amendments to IAS 19 - Employee Benefits- Plan Amendment, Curtailment or Settlement	January 01, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:	
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement	
- IAS 12 Income Taxes	
- IAS 23 Borrowing Costs	

The Bank is currently in the process of analyzing the potential impact of IFRS 16 on its lease arrangements that will result in recognition of right to use assets and liabilities.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following new and amended standards, interpretations and amendments will become effective from the dates mentioned below against the respective standard, interpretation or amendment and do not have any significant impact except for IFRS 9 'Financial Instruments'.

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IAS 1 Presentation of Financial Statements	January 01, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	January 01, 2020
IFRS 3 - Business Combinations – Definition of a Business	January 01, 2020
	Effective date (annual periods ending on or after)
IFRS 9 - Financial Instruments	June 30, 2019



IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. Under this standard, provision against financial assets is determined under expected credit loss model. Previously, this was determined under the incurred loss model. The Bank has already adopted IFRS 9 in respect of overseas branches. The Bank is in process of assessing the impact of IFRS 9 on domestic operations.

4. Critical accounting estimates and judgments

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

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, 2018.

	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	16,847,514	16,653,027
Foreign currencies	1,689,731	1,566,662
	18,537,245	18,219,689
In transit:		
Local currency	392,786	106,914
Foreign currencies	257,746	26,856
	650,532	133,770
With State Bank of Pakistan in:		
Local currency current account	28,160,751	31,352,756
Local currency current account - Islamic Banking	2,289,319	2,556,444
Foreign currency deposit account		
Cash reserve account	3,099,566	2,916,100
Cash reserve / special cash reserve account		
- Islamic Banking	81,934	148,166
Special cash reserve account	8,848,061	8,757,757
Local US Dollar collection account	61,810	84,470
	42,541,441	45,815,693
With National Bank of Pakistan in:		
Local currency current account	5,863,401	10,220,736
Prize bonds	31,222	42,284
	67,623,841	74,432,172



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	273,635	335,200
In deposit account	2,233,762	5,361,894
	2,507,397	5,697,094
Outside Pakistan:		
In current account	2,199,770	2,254,412
In deposit account	3,565,557	38,435
	5,765,327	2,292,847
	8,272,724	7,989,941
Less: impairment against IFRS 9 in overseas branches	(2)	(2)
	8,272,722	7,989,939
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lending (Reverse Repo)		
- Market Treasury Bills	19,434,460	-
Bai Muajjal receivable		
- with the State Bank of Pakistan	2,239,018	-
	21,673,478	-



9. INVESTMENTS

	Note	31 March 2019 (Un-audited)			31 December 2018 (Audited)				
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value
(Rupees in '000)									
9.1 Investments by type:									
Held-for-trading securities									
Shares		296,766	-	(9,933)	286,833	285,368	-	(21,920)	263,448
Available-for-sale securities									
Federal Government Securities		307,819,643	-	(837,944)	306,981,699	354,604,674	-	(1,276,704)	353,327,970
Shares		4,675,041	(853,687)	(198,681)	3,622,673	4,675,040	(487,788)	(494,239)	3,693,013
Non Government Debt Securities		5,301,114	-	(22,839)	5,278,275	4,901,380	-	8,370	4,909,750
Foreign Securities		1,994,864	-	(12,955)	1,981,909	1,548,752	-	(45,710)	1,503,042
Units of mutual funds		2,175,000	(34,906)	(119,876)	2,020,218	2,175,000	(34,906)	(160,193)	1,979,901
		321,965,662	(888,593)	(1,192,295)	319,884,774	367,904,846	(522,694)	(1,968,476)	365,413,676
Held-to-maturity securities	9.3								
Federal Government Securities		64,924,366	-	-	64,924,366	48,049,798	-	-	48,049,798
Non Government Debt Securities		86,213	-	-	86,213	86,213	-	-	86,213
		65,010,579	-	-	65,010,579	48,136,011	-	-	48,136,011
Associates		628,346	-	-	628,346	628,346	-	-	628,346
Subsidiary		200,000	-	-	200,000	200,000	-	-	200,000
Impairment as per IFRS 9 in overseas branches		-	(23,665)	-	(23,665)	-	(36,075)	-	(36,075)
Total Investments		388,101,353	(912,258)	(1,202,228)	385,986,867	417,154,571	(558,769)	(1,990,396)	414,605,406



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
9.1.1 Investments given as collateral		
Market Treasury Bills		
Carrying value	13,331,364	56,804,498
Deficit	(663)	(31,410)
	13,330,701	56,773,088
9.2 Provision for diminution in the value of investments		
Available for sale investments:		
Opening balance	558,769	136,827
IFRS 9 impairment adjustment in overseas branches	-	53,415
Revised opening balance	558,769	190,242
Exchange adjustments against IFRS 9 in overseas branches	499	13,721
Charge / reversals		
Charge for the period / year	365,900	385,867
Reversal of impairment as per IFRS 9 in overseas branches for the period / year	(12,910)	(31,061)
	352,990	354,806
Closing Balance	912,258	558,769
9.3 The market value of securities classified as held to maturity at 31 March 2019 amounted to Rs. 66,863 million (31 December 2018: Rs. 47,754 million).		



10. ADVANCES

	Performing		Non-Performing		Total	
	(Un-audited) 31 March 2019	(Audited) 31 December 2018	(Un-audited) 31 March 2019	(Audited) 31 December 2018	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	392,108,307	408,233,880	5,073,063	5,059,552	397,181,370	413,293,432
Islamic financing and related assets	49,761,982	49,708,261	21,245	8,724	49,783,227	49,716,985
Bills discounted and purchased	21,590,076	22,767,224	169,425	167,116	21,759,501	22,934,340
Advances - gross	463,460,365	480,709,365	5,263,733	5,235,392	468,724,098	485,944,757
Provision against advances						
- Specific	-	-	4,672,889	4,351,895	4,672,889	4,351,895
- General as per regulations	263,293	238,099	-	-	263,293	238,099
- General	3,000,000	3,000,000	-	-	3,000,000	3,000,000
- As per IFRS 9 in overseas branches	151,607	140,185	-	-	151,607	140,185
	3,414,900	3,378,284	4,672,889	4,351,895	8,087,789	7,730,179
Advances - net of provision	460,045,465	477,331,081	590,844	883,497	460,636,309	478,214,578

10.1 Particulars of advances (Gross)

In local currency	413,752,290	428,995,512
In foreign currencies	54,971,808	56,949,245
	468,724,098	485,944,757

10.2 Advances include Rs. 5,263.733 million (31 December 2018: Rs. 5,235.392 million) which have been placed under non-performing status as detailed below:

Category of Classification	31 March 2019 (Un-audited)		31 December 2018 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	33,312	2,210	10,715	998
Substandard	138,201	31,773	44,963	10,869
Doubtful	1,450,230	1,011,042	1,621,874	796,947
Loss	2,565,878	2,551,752	2,496,394	2,481,635
	4,187,621	3,596,777	4,173,946	3,290,449
Overseas				
Overdue by:				
> 365 days	1,076,112	1,076,112	1,061,446	1,061,446
Total	5,263,733	4,672,889	5,235,392	4,351,895



10.3 Particulars of provision against advances

Note	31 March 2019 (Un-audited)			31 December 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	4,351,895	3,378,284	7,730,179	4,399,564	3,233,096	7,632,660
Provision as per IFRS 9 in overseas branches	-	-	-	-	104,514	104,514
Revised opening balance	4,351,895	3,378,284	7,730,179	4,399,564	3,337,610	7,737,174
Exchange adjustments	14,667	1,937	16,604	218,348	26,933	245,281
Charge for the year						
- Specific provision	375,047	-	375,047	354,961	-	354,961
- General provision as per regulations 10.3.1	-	25,194	25,194	-	5,003	5,003
- As per IFRS 9 in overseas branches 10.3.2	-	9,485	9,485	-	8,738	8,738
Reversals	(68,385)	-	(68,385)	(445,270)	-	(445,270)
	306,662	34,679	341,341	(90,309)	13,741	(76,568)
Amounts written off	(335)	-	(335)	(175,708)	-	(175,708)
Closing balance	4,672,889	3,414,900	8,087,789	4,351,895	3,378,284	7,730,179

10.3.1 General provision represents provision amounting to Rs. 263.293 million (31 December 2018: Rs. 238.099 million) against consumer finance portfolio as required by the Prudential Regulations issued by SBP.

10.3.2 The provision in respect of IFRS 9 in overseas branches amounts to Rs. 151.607 million (31 December 2018: Rs. 140.185 million).

10.3.3 In line with its prudent policies, the Bank also makes general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 31 March 2019 amounts to Rs. 3,000 million (31 December 2018: Rs. 3,000 million).

10.3.4 For the purposes of determining provision against non - performing advances, the Bank has not taken into account the Forced Sales Value of pledged stock and mortgaged properties held as collateral against non - performing advances.



	Note	(Un-audited) 31 March 2019 (Rupees in '000)	(Audited) 31 December 2018
11. FIXED ASSETS			
Capital work-in-progress	11.1	2,009,429	1,433,875
Property and equipment		24,523,830	24,749,274
		<u>26,533,259</u>	<u>26,183,149</u>
11.1 Capital work-in-progress			
Civil works		619,251	498,060
Advance payment towards suppliers, contractors and property		1,366,448	914,905
Consultants' fee and other charges		23,730	20,910
		<u>2,009,429</u>	<u>1,433,875</u>
11.2 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited)	
		Three months period ended	
		31 March 2019	31 March 2018
		(Rupees in '000)	
Capital work-in-progress		575,554	438,107
Property and equipment			
Leasehold land		-	643,311
Building on leasehold land		9,842	475,201
Furniture and fixture		73,384	53,686
Electrical office and computer equipment		154,061	249,287
Vehicles		100,393	72,608
Improvement to leasehold building		45,838	18,331
		<u>383,518</u>	<u>1,512,424</u>
Total		<u>959,072</u>	<u>1,950,531</u>
11.3 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		1,464	795
Electrical office and computer equipment		1,825	1,647
Vehicles		8,318	970
Improvement to leasehold building		1,067	3,057
Total		<u>12,674</u>	<u>6,469</u>



		(Un-audited) 31 March 2019	(Audited) 31 December 2018
		(Rupees in '000)	
12. INTANGIBLE ASSETS			
Computer software		<u>134,574</u>	<u>166,930</u>
		(Un-audited) Three months period ended	
		31 March 2019	31 March 2018
		(Rupees in '000)	
12.1 Additions to intangible assets			
Directly purchased		<u>130</u>	<u>8,439</u>
		(Un-audited) 31 March 2019	(Audited) 31 December 2018
13. OTHER ASSETS	Note		
Income / mark-up accrued in local currency - net of provision		10,426,048	10,391,678
Income / mark-up accrued in foreign currency - net of provision		616,423	390,718
Advances, deposits, advance rent and other prepayments		1,112,936	1,209,722
Advance taxation (payments less provisions)		370,257	1,457,872
Non-banking assets acquired in satisfaction of claims		804,870	806,254
Mark to market gain on forward foreign exchange contracts		774,003	1,133,980
Acceptances		31,837,489	28,771,029
Stationery and stamps on hand		273,905	218,772
Receivable from SBP on encashment of Government Securities		120,981	325,478
Non - refundable deposits		41,552	43,455
ATM settlement account		592,511	965,926
Receivable against securities		1,967	6,222
Others		1,180,096	902,808
		<u>48,153,038</u>	<u>46,623,914</u>
Less: Provision held against other assets	13.1	<u>(7,215)</u>	<u>(7,279)</u>
Other Assets (Net of Provision)		<u>48,145,823</u>	<u>46,616,635</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		<u>29,881</u>	<u>30,194</u>
Other Assets - total		<u>48,175,704</u>	<u>46,646,829</u>



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
Note	(Rupees in '000)	
13.1 Provision held against other assets		
Receivable against consumer loans	13.1.1 <u>7,215</u>	<u>7,279</u>
13.1.1 Movement in provision held against other assets		
Opening balance	7,279	6,486
Charge for the period / year	240	1,485
Reversals for the period / year	(181)	(605)
	59	880
Amount written off	(123)	(87)
Closing balance	<u>7,215</u>	<u>7,279</u>
14. BILLS PAYABLE		
In Pakistan	<u>16,967,516</u>	<u>20,603,682</u>
15. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Under export refinance scheme	35,793,291	33,445,797
Under renewable energy	3,884,176	3,885,244
Under long term financing for imported and locally manufactured plant and machinery	15,069,272	13,444,746
Under modernisation of small and medium enterprises	181,485	116,354
Under women entrepreneurship	11,686	8,476
Under financing facility for storage of agricultural produce	19,889	26,967
	54,959,799	50,927,584
Repurchase agreement borrowings	13,275,701	56,714,334
Total secured	<u>68,235,500</u>	<u>107,641,918</u>
Unsecured		
Call borrowings	-	1,500,000
Borrowings from financial institutions	919,790	9,550,019
Overdrawn nostro accounts	38,702	346,421
Total unsecured	<u>958,492</u>	<u>11,396,440</u>
	<u>69,193,992</u>	<u>119,038,358</u>



16. DEPOSITS AND OTHER ACCOUNTS

	31 March 2019 (Un-audited)			31 December 2018 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	266,375,761	29,067,358	295,443,119	259,924,538	27,655,719	287,580,257
Savings deposits	199,514,064	35,844,136	235,358,200	190,726,381	35,939,386	226,665,767
Term deposits	123,496,150	29,173,691	152,669,841	128,918,633	27,556,178	156,474,811
Current deposits - remunerative	90,178,027	688,543	90,866,570	82,817,947	550,054	83,368,001
Others	11,921,951	8,303,812	20,225,763	10,802,035	8,189,454	18,991,489
	<u>691,485,953</u>	<u>103,077,540</u>	<u>794,563,493</u>	<u>673,189,534</u>	<u>99,890,791</u>	<u>773,080,325</u>
Financial Institutions						
Current deposits	1,324,614	478,067	1,802,681	1,284,400	358,311	1,642,711
Savings deposits	10,476,011	15	10,476,026	11,836,148	15	11,836,163
Term deposits	447,001	448,381	895,382	289,001	454,768	743,769
Current deposits - remunerative	3,425,326	2,257,688	5,683,014	7,226,357	2,285,052	9,511,409
Others	82,412	-	82,412	86,148	-	86,148
	<u>15,755,364</u>	<u>3,184,151</u>	<u>18,939,515</u>	<u>20,722,054</u>	<u>3,098,146</u>	<u>23,820,200</u>
	<u>707,241,317</u>	<u>106,261,691</u>	<u>813,503,008</u>	<u>693,911,588</u>	<u>102,988,937</u>	<u>796,900,525</u>

		(Un-audited) 31 March 2019	(Audited) 31 December 2018
	Note	(Rupees in '000)	
17. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	17.1	3,995,200	3,996,000
Term Finance Certificates (TFCs) - VI - (Unquoted)	17.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	17.3	4,000,000	4,000,000
		<u>14,995,200</u>	<u>14,996,000</u>



17.1 Term Finance Certificates - V (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	March 2016
Maturity date	March 2026
Rating	AA
Profit payment frequency	six monthly
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Mark-up	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap
Call option	On or after five years with prior SBP approval
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and /or have them immediately written off (either partially or in full).

17.2 Term Finance Certificates - VI (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA-
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date
Mark-up	Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap The issuer will have full discretion over the amount and timing of profit distribution, and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	Neither profit may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and /or have them immediately written off (either partially or in full).



17.3 Term Finance Certificates - VII (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02%; 114th and 120th month: 49.98% each
Mark-up	6-Months KIBOR (ask side) + 1.00% per annum.
Call option	On or after five years
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and /or have them immediately written off (either partially or in full).

(Un-audited)	(Audited)
31 March	31 December
2019	2018
(Rupees in '000)	

18. DEFERRED TAX LIABILITIES

Deductible Temporary Differences on

Remeasurement of defined benefit plan	246,397	246,397
Provision against diminution in the value of investments	(309,581)	(181,518)
Provision against loans and advances, off balance sheet, etc.	(19,939)	(5,555)
Impairment as per IFRS 9 in overseas branches	(88,643)	(78,217)
	(171,766)	(18,893)

Taxable Temporary Differences on

Accelerated tax depreciation	983,969	1,042,090
Surplus on revaluation of fixed assets / non - banking assets	1,013,847	1,023,644
Surplus on revaluation of held for trading investments	(3,477)	(7,671)
Surplus on revaluation of available for sale investments	(417,303)	(688,967)
	1,577,036	1,369,096
	1,405,270	1,350,203



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
Note	(Rupees in '000)	
19. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	2,863,584	2,973,219
Mark-up / return / interest payable in foreign currencies	276,904	231,537
Unearned commission income	189,500	204,609
Accrued expenses	1,813,997	1,026,805
Acceptances	31,837,489	28,771,029
Unclaimed dividends	395,768	415,647
Dividends payable	2,778,564	-
Mark to market loss on forward foreign exchange contracts	453,165	614,896
Branch adjustment account	864,976	717,339
Payable to defined benefit plan	805,992	703,992
Charity payable	19,106	14,218
Provision against off - balance sheet items	19.1 147,503	116,600
Security deposits against leases / ijarah	6,094,342	5,940,336
Provision for compensated absences	610,279	585,739
Special exporters' accounts in foreign currencies	64,765	41,936
Other security deposits	523,815	506,331
Workers' welfare fund	1,407,024	1,303,162
Payable to SBP / NBP	705,196	223,763
Payable to supplier against murabaha	227,989	44,886
Payable against purchase of securities	2,364	22,083
Insurance payable	496,394	490,757
Others	969,934	849,671
	53,548,650	45,798,555
19.1 Provision against off-balance sheet obligations		
Opening balance	116,600	113,236
IFRS 9 impairment adjustment in overseas branches	-	47,602
Revised opening balance	116,600	160,838
Exchange adjustment against IFRS 9 in overseas branches	652	12,263
Charge for the period / year	30,251	13,827
Reversals for the period / year	-	(70,328)
	30,251	(56,501)
Closing balance	147,503	116,600



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
Note	(Rupees in '000)	
20. SURPLUS ON REVALUATION OF ASSETS		
Surplus / (deficit) on revaluation of:		
- Available for sale securities	9.1 (1,192,295)	(1,968,476)
- Fixed Assets	5,577,788	5,605,295
- Non-banking assets acquired in satisfaction of claims	35,926	36,408
	4,421,419	3,673,227
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	(417,303)	(688,967)
- Fixed Assets	1,078,151	1,087,778
- Non-banking assets acquired in satisfaction of claims	6,044	6,214
	666,892	405,025
	3,754,527	3,268,202
21. CONTINGENCIES AND COMMITMENTS		
Guarantees	21.1 67,639,225	66,873,212
Commitments	21.2 208,027,020	217,907,165
Other contingent liabilities	21.3 4,656,579	4,716,420
	280,322,824	289,496,797
21.1 Guarantees:		
Financial guarantees	9,599,393	9,633,948
Performance guarantees	58,039,832	57,239,264
	67,639,225	66,873,212
21.2 Commitments:		
Documentary credits and short-term trade-related transactions		
- letters of credit	115,417,205	109,275,067
Commitments in respect of:		
- forward foreign exchange contracts	21.2.1 88,450,906	103,620,742
- forward lending	21.2.2 3,199,674	3,916,624
Commitments for acquisition of:		
- Fixed assets	959,235	1,094,732
	208,027,020	217,907,165
21.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	59,232,858	70,584,095
Sale	29,218,048	33,036,647
	88,450,906	103,620,742
The maturities of above contracts are spread over the periods upto one year.		
21.2.2 Commitments in respect of forward lending	3,199,674	3,916,624
21.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		



	(Un-audited) 31 March 2019 (Rupees in '000)	(Audited) 31 December 2018
21.3 Claims against the Bank not acknowledged as debts	<u>4,656,579</u>	<u>4,716,420</u>
21.4 Other contingent liabilities		

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2017 (Tax Year 2018). The income tax assessments of the Bank are complete upto tax year 2015.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) has passed order u/s. 122(5A) of the Income Tax Ordinance, 2001 disallowing certain expenses. Subsequently, amended order was received from ACIR based on a rectification application filed by the Bank resulting an impact of Rs. 797.233 million. After filing of appeal with Commissioner Inland Revenue (Appeals) by the Bank, orders have been passed by CIR (Appeals) allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 662.616 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Deputy Commissioner Inland Revenue has finalized audit of Tax Year 2014 (Accounting Year 2013) by disallowing certain expenses resulting in an impact of Rs. 150.769 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized audit of Tax Year 2015 (Accounting Year 2014) by disallowing certain expenses resulting in an impact of Rs. 301.855 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Deputy Commissioner Inland Revenue have passed order for the period January 2013 to December 2015 levying Federal Excise Duty on certain items resulting in an impact of Rs. 80.766 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals).

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before ITAT against the above referred orders.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Years 2014 to 2018 by disallowing certain expenses resulting in an impact of Rs. 93.443 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters.

	(Un-audited) Three months period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
22. MARK - UP / RETURN / INTEREST EARNED		
On loans and advances	10,842,903	5,125,922
On investments	10,073,222	7,974,590
On deposits with financial institutions	120,809	80,763
On securities purchased under resale agreements	434,962	19,963
On call money lendings	39,335	99
	<u>21,511,231</u>	<u>13,201,337</u>



		(Un-audited)	
		Three months period ended	
	Note	31 March 2019	31 March 2018
(Rupees in '000)			
23.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	9,875,424	5,175,001
	Borrowings from SBP	266,484	223,134
	Subordinated debt	415,291	201,713
	Cost of foreign currency swaps	225,665	115,663
	Repurchase agreement borrowings	785,816	398,285
	Other borrowings	94,255	59,530
		11,662,935	6,173,326
24.	FEE AND COMMISSION INCOME		
	Branch banking customer fees	276,234	159,975
	Consumer finance related fees	12,538	6,431
	Card related fees (debit and credit cards)	99,763	140,691
	Credit related fees	22,790	30,946
	Commission on trade	801,980	568,667
	Commission on guarantees	98,210	71,591
	Commission on cash management	51,086	40,010
	Commission on home remittances	12,756	7,125
	Others	6,998	4,991
		1,382,355	1,030,427
25.	GAIN ON SECURITIES - NET		
	Realised	25.1 21,759	57,486
	Unrealised - held for trading	9.1 (9,933)	(21,920)
		11,826	35,566
25.1	Realised gain on:		
	Federal Government securities	6	-
	Shares	21,753	57,486
		21,759	57,486
26.	OTHER INCOME		
	Rent on property	525	525
	Gain on sale of fixed assets - net	70,452	26,152
	Recovery of expenses from customers	61,459	78,146
	Lockers rent	2,706	1,645
	Others	1,295	999
		136,437	107,467



(Un-audited)
Three months period ended
31 March 2019 31 March 2018
(Rupees in '000)

27. OPERATING EXPENSES

Total compensation expenses	2,876,441	2,418,425
Property expenses		
Rent & taxes	451,402	369,686
Insurance	3,861	4,509
Utilities cost	232,297	129,862
Security (including guards)	200,116	207,977
Repair & maintenance (including janitorial charges)	44,797	37,491
Depreciation	194,463	170,220
Amortisation	1,902	1,902
	1,128,838	921,647
Information technology expenses		
Software maintenance	2,773	1,523
Hardware maintenance	87,831	74,685
Depreciation	72,546	57,683
Amortisation	34,027	22,400
Network charges	97,819	75,112
	294,996	231,403
Other operating expenses		
Directors' fees and allowances	10,300	8,625
Fees and allowances to Shariah Board	1,953	1,626
Insurance	100,294	59,964
Legal & professional charges	41,956	36,717
Outsourced services costs	472,659	331,845
Traveling & conveyance	53,181	50,621
NIFT & other clearing charges	26,902	28,387
Depreciation	330,976	284,535
Repair and maintenance	282,160	222,140
Training & development	14,957	21,918
Postage & courier charges	36,515	36,785
Communication	71,141	58,204
Stationery & printing	169,913	114,001
Marketing, advertisement & publicity	77,884	72,335
Donations	19,500	19,500
Auditors Remuneration	1,800	1,079
Commission and brokerage	51,640	38,303
Entertainment and staff refreshment	69,713	83,123
Vehicle running expenses	157,797	128,661
Subscriptions and publications	34,997	23,450
CNIC verification charges	26,069	13,653
Security charges	66,179	49,794
Others	28,522	71,860
	2,147,008	1,757,126
	6,447,283	5,328,601



		(Un-audited)	
		Three months period ended	
	Note	31 March 2019	31 March 2018
		(Rupees in '000)	
28. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		10,493	2
29. PROVISIONS & WRITE OFFS - NET			
Provision for diminution in value of investments	9.2	352,990	-
Provision / (reversal) against loans and advances - net	10.3	341,341	(270,534)
Provision / (reversal) against off - balance sheet items	19.1	30,251	(23,697)
Provision / (reversal) against other assets	13.1.1	59	(51)
		<u>724,641</u>	<u>(294,282)</u>
30. TAXATION			
Current		2,026,900	1,251,138
Prior years		571,907	-
Deferred		(216,597)	66,095
		<u>2,382,210</u>	<u>1,317,233</u>
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the period		<u>2,061,256</u>	<u>2,087,580</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
Basic and diluted earnings per share		<u>1.85</u>	<u>1.88</u>
32. FAIR VALUE MEASUREMENTS			
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:			
Federal Government Securities	PKRV rates (Reuters page)		
Non Government Debt Securities	Market prices		
Foreign Securities	Market prices / Mashreqbank PSC		
Listed securities	Market prices		
Mutual funds	Net asset values		
Unlisted equity investments	Break - up value as per latest available audited financial statements		
Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Bank's accounting policies, as disclosed in the unconsolidated financial statements for the year ended December 31, 2018.			



32.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 March 2019 (Un-audited)			Total
	Level 1	Level 2 (Rupees in '000)	Level 3	
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	306,981,699	-	306,981,699
Shares	4,658,957	-	-	4,658,957
Non-Government Debt Securities	2,965,592	2,112,711	-	5,078,303
Foreign Securities	-	1,981,909	-	1,981,909
Mutual funds	2,055,124	-	-	2,055,124
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	66,776,399	-	66,776,399
Associates				
Listed shares	320,121	-	-	320,121
Mutual funds	345,259	-	-	345,259
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	59,881,110	-	59,881,110
Forward sale of foreign exchange contracts	-	(28,890,634)	-	(28,890,634)



31 December 2018 (Audited)

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	353,327,970	-	353,327,970
Shares	4,340,014	-	-	4,340,014
Non-Government Debt Securities	2,597,060	2,112,711	-	4,709,771
Foreign Securities	-	1,503,042	-	1,503,042
Mutual funds	2,014,807	-	-	2,014,807
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	47,667,386	-	47,667,386
Associates				
Listed shares	348,367	-	-	348,367
Mutual funds	352,118	-	-	352,118
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	70,584,095	-	70,584,095
Forward sale of foreign exchange contracts	-	(33,036,647)	-	(33,036,647)

- 32.2** Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 measurement) based on their assessment of the market value.



33. SEGMENT INFORMATION

Segment Details with respect to Business Activities

The segment analysis with respect to business activity is as follows:

	Three months period ended 31 March 2019 (Un-audited)		
	Commercial banking	Retail banking	Total
	(Rupees in '000)		
Profit & Loss			
Net mark-up / return / profit	19,524,272	1,986,959	21,511,231
Inter segment revenue - net	-	6,473,423	6,473,423
Non mark-up / return / interest income	894,467	986,982	1,881,449
Total Income	20,418,739	9,447,364	29,866,103
Segment direct expenses	(10,578,413)	(7,646,160)	(18,224,573)
Inter segment expense allocation	(6,473,423)	-	(6,473,423)
Total expenses	(17,051,836)	(7,646,160)	(24,697,996)
Provisions	(724,641)	-	(724,641)
Profit before tax	2,642,262	1,801,204	4,443,466
As at 31 March 2019 (Un-audited)			
Balance Sheet			
Cash & Bank balances	64,980,740	10,915,823	75,896,563
Lending to financial institutions	21,673,478	-	21,673,478
Investments	385,986,867	-	385,986,867
Net inter segment lending	-	485,373,960	485,373,960
Advances - performing	393,833,154	66,212,311	460,045,465
- non-performing	552,137	38,707	590,844
Others	64,079,165	10,764,372	74,843,537
Total Assets	931,105,541	573,305,173	1,504,410,714
Borrowings	69,193,992	-	69,193,992
Subordinated debt	14,995,200	-	14,995,200
Deposits & other accounts	294,103,207	519,399,801	813,503,008
Net inter segment borrowing	485,373,960	-	485,373,960
Others	26,591,603	45,329,833	71,921,436
Total liabilities	890,257,962	564,729,634	1,454,987,596
Equity	40,847,579	8,575,539	49,423,118
Total Equity & liabilities	931,105,541	573,305,173	1,504,410,714
Contingencies & Commitments	182,895,674	160,756	183,056,430



Three months period ended 31 March 2018 (Un-audited)

	Commercial banking	Retail banking (Rupees in '000)	Total
Profit & Loss			
Net mark-up / return / profit	12,030,858	1,170,479	13,201,337
Inter segment revenue - net	-	3,566,842	3,566,842
Non mark-up / return / interest income	660,116	821,653	1,481,769
Total Income	12,690,974	5,558,974	18,249,948
Segment direct expenses	(7,435,167)	(4,137,408)	(11,572,575)
Inter segment expense allocation	(3,566,842)	-	(3,566,842)
Total expenses	(11,002,009)	(4,137,408)	(15,139,417)
Provisions	338,470	(44,188)	294,282
Profit before tax	2,027,435	1,377,378	3,404,813

As at 31 March 2018 (Un-audited)

Balance Sheet			
Cash & Bank balances	53,740,686	9,832,671	63,573,357
Lending to financial institutions	2,000,000	-	2,000,000
Investments	420,760,985	-	420,760,985
Net inter segment lending	-	433,422,450	433,422,450
Advances - performing	297,083,701	54,471,881	351,555,582
- non-performing	828,327	35,630	863,957
Others	56,630,081	10,361,330	66,991,411
Total Assets	831,043,780	508,123,962	1,339,167,742
Borrowings	60,173,340	-	60,173,340
Subordinated debt	10,996,800	-	10,996,800
Deposits & other accounts	260,567,721	457,692,237	718,259,958
Net inter segment borrowing	433,422,450	-	433,422,450
Others	27,255,450	44,410,343	71,665,793
Total liabilities	792,415,761	502,102,580	1,294,518,341
Equity	38,628,019	6,021,382	44,649,401
Total Equity & liabilities	831,043,780	508,123,962	1,339,167,742
Contingencies & Commitments	181,146,798	47,433	181,194,231



34. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates (including entities having directors in common with the Bank), employee benefit plans, major shareholders, directors and key management personnel and their close family members.

Transactions with related parties of the Bank are carried out on arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Bank are carried out in accordance with the terms of their employment.

Transactions for the period / year end balances outstanding as at the period / year end with related parties are summarised as follows:

	31 March 2019 (Un-audited)					31 December 2018 (Audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	200,000	628,346	-	-	-	200,127	688,576	-
Investment made during the period / year	-	-	-	-	-	-	-	-	21,000	-
Investment adjusted / redeemed / disposed off during the period / year	-	-	-	-	-	-	-	(127)	(81,230)	-
Closing balance	-	-	200,000	628,346	-	-	-	200,000	628,346	-
Advances										
Opening balance	1,313	53,257	-	1,359,059	-	977	51,929	-	1,775,142	-
Addition during the period / year	6,776	79,841	1,064,969	9,654,700	-	34,176	51,761	6,894,120	32,726,863	-
Repaid during the period / year	(6,160)	(88,146)	(1,062,333)	(8,852,249)	-	(33,840)	(50,433)	(6,894,120)	(33,142,946)	-
Closing balance	1,929	44,952	2,636	2,161,510	-	1,313	53,257	-	1,359,059	-
Other Assets										
Interest / mark-up accrued	-	26	-	1,458	-	-	32	-	4,216	-
L/C acceptances	-	-	-	823,676	-	-	-	-	532,718	-
Subordinated debt										
Opening balance	-	-	-	-	-	-	-	-	-	-
Issued / purchased during the period / year	-	-	-	40,000	-	-	-	-	-	-
Redemption / sold during the period / year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	40,000	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	587,452	816,406	47,744	4,876,833	536,801	821,526	580,986	41,933	4,021,911	1,412,440
Received during the period / year	1,704,155	686,291	1,146,304	33,123,854	13,671,455	3,185,597	2,384,155	6,276,995	101,140,451	33,145,306
Withdrawn during the period / year	(1,534,626)	(1,034,501)	(1,145,787)	(36,084,784)	(12,320,955)	(3,419,671)	(2,148,735)	(6,271,184)	(100,285,529)	(34,020,945)
Closing balance	756,981	468,196	48,261	1,915,903	1,887,301	587,452	816,406	47,744	4,876,833	536,801
Other Liabilities										
Interest / mark-up payable	3,731	1,601	7	4,278	12,406	652	2,240	9	20,861	6,897
Payable to staff retirement fund	-	-	-	-	805,992	-	-	-	-	703,992
L/C acceptances	-	-	-	823,676	-	-	-	-	532,718	-
Other liabilities	-	-	657	-	-	-	-	630	-	-
Contingencies and Commitments										
Other Transactions - Investor Portfolio Securities										
Opening balance	-	-	85,000	201,000	8,132,000	-	-	80,000	21,000	3,827,000
Increased during the period / year	30,000	-	85,000	471,440	1,375,000	-	-	370,000	416,000	15,445,000
Decreased during the period / year	-	-	(85,000)	(280,100)	(6,300,000)	-	-	(365,000)	(236,000)	(11,140,000)
Closing balance	30,000	-	85,000	392,340	3,207,000	-	-	85,000	201,000	8,132,000



34.1 RELATED PARTY TRANSACTIONS

	31 March 2019 (Un-audited)					31 March 2018 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Income										
Mark-up / return / interest earned	-	750	115	54,784	-	-	738	19	19,731	-
Fee and commission income	4	12	1	4,282	-	3	7	-	1,834	-
Dividend income	-	-	-	28,120	-	-	-	-	16,477	-
Other income	-	-	722	81	43	-	-	722	46	44
Expense										
Mark-up / return / interest expensed	14,954	8,803	423	62,351	24,986	7,533	6,068	250	45,042	17,460
Operating expenses	-	-	725	535	-	-	-	774	153	-
Salaries and allowances	-	107,767	-	-	-	-	84,652	-	-	-
Contribution to defined contribution plan	-	5,001	-	-	-	-	3,519	-	-	-
Contribution to defined benefit plan	-	3,182	-	-	-	-	2,146	-	-	-
Staff provident fund	-	-	-	-	116,295	-	-	-	-	98,272
Staff gratuity fund	-	-	-	-	102,000	-	-	-	-	78,000
Directors' Fees	10,000	-	-	-	-	8,475	-	-	-	-
Donation	-	-	-	1,500	-	-	-	-	-	-
Insurance premium paid	-	-	-	79,757	-	-	-	-	50,806	-
Insurance claims settled	-	-	-	13,551	-	-	-	-	3,281	-



35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>11,114,254</u>	<u>11,114,254</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>43,107,358</u>	43,278,088
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,750,000</u>	6,750,000
Total Eligible Tier 1 Capital	<u>49,857,358</u>	50,028,088
Eligible Tier 2 Capital	<u>14,174,984</u>	14,242,570
Total Eligible Capital (Tier 1 + Tier 2)	<u>64,032,342</u>	<u>64,270,658</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>405,099,910</u>	408,701,591
Market Risk	<u>11,743,789</u>	8,590,756
Operational Risk	<u>61,440,341</u>	61,440,341
Total	<u>478,284,040</u>	<u>478,732,688</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>9.013%</u>	<u>9.040%</u>
Tier 1 Capital Adequacy Ratio	<u>10.424%</u>	<u>10.450%</u>
Total Capital Adequacy Ratio	<u>13.388%</u>	<u>13.425%</u>
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>49,857,358</u>	50,028,088
Total Exposures	<u>1,265,256,422</u>	1,230,510,528
Leverage Ratio	<u>3.940%</u>	<u>4.066%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>377,747,071</u>	360,946,772
Total Net Cash Outflow	<u>123,496,956</u>	111,556,296
Liquidity Coverage Ratio	<u>305.876%</u>	<u>323.556%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>725,239,519</u>	707,901,854
Total Required Stable Funding	<u>469,820,712</u>	482,005,370
Net Stable Funding Ratio	<u>154.365%</u>	<u>146.866%</u>



36. ISLAMIC BANKING BUSINESS

The Bank is operating 71 (31 December 2018: 71) Islamic banking branches and 134 (31 December 2018: 132) Islamic banking windows at the end of the period / year.

	Note	(Un-audited) 31 March 2019	(Audited) 31 December 2018
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		3,507,677	3,814,608
Balances with other banks		2,044,872	5,164,063
Due from financial institutions	36.1	2,239,018	–
Investments	36.2	19,820,717	15,158,233
Islamic financing and related assets - net	36.3	49,752,994	49,690,533
Fixed assets		347,307	326,841
Intangible assets		–	–
Due from Head Office		–	–
Other assets		4,046,246	4,124,660
Total Assets		81,758,831	78,278,938
LIABILITIES			
Bills payable		24,071	21,052
Due to financial institutions		7,545,617	6,438,783
Deposits and other accounts	36.4	59,033,975	57,230,315
Due to Head Office		2,100,304	2,199,047
Subordinated debt		–	–
Other liabilities		5,779,997	5,289,933
		(74,483,964)	(71,179,130)
NET ASSETS		7,274,867	7,099,808
REPRESENTED BY			
Islamic Banking Fund		6,800,000	6,200,000
Reserves		–	–
Deficit on revaluation of assets		(13,833)	(28,940)
Unremitted profit		488,700	928,748
		7,274,867	7,099,808
CONTINGENCIES AND COMMITMENTS	36.5		



The profit and loss account of the Bank's Islamic banking branches for the period ended 31 March 2019 is as follows:

	Note	(Un-audited) Three months period ended	
		31 March 2019	31 March 2018
(Rupees in '000)			
Profit / return earned	36.6	1,589,939	742,187
Profit / return expensed	36.7	(785,683)	(333,898)
Net Profit / return		804,256	408,289
Other income			
Fee and commission income		51,538	40,930
Dividend income		345	-
Foreign exchange income		16,924	12,067
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income		24,073	8,855
Total other income		92,880	61,852
Total income		897,136	470,141
Other expenses			
Operating expenses		(402,037)	(292,792)
Other charges		-	-
Total other expenses		(402,037)	(292,792)
Profit before provisions		495,099	177,349
Provisions and write offs - net		(6,399)	(3,218)
Profit for the period		488,700	174,131
		(Un-audited) 31 March 2019	(Audited) 31 December 2018
		(Rupees in '000)	

36.1 Due from Financial Institutions

In local currency			
Bai Muajjal Receivable from State Bank of Pakistan		2,239,018	-

36.1.1 Securities held as collateral against amounts due from financial institutions

	31 March 2019 (Un-audited)			31 December 2018 (Audited)		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
(Rupees in '000)						
GoP Ijarah Sukuks	2,239,018	-	2,239,018	-	-	-

36.1.2 The GoP Ijarah Sukuks carry rates ranging from 10.22% to 10.49% (31 December 2018: Nil).



	31 March 2019 (Un-audited)				31 December 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
	(Rupees in '000)							
36.2 Investments by segments:								
Federal Government Securities								
- Ijarah Sukuks	2,000,000	-	(23,000)	1,977,000	4,152,910	-	(39,979)	4,112,931
- Neelum Jhelum Hydropower Co Ltd. Sukuk	5,156,250	-	-	5,156,250	5,156,250	-	-	5,156,250
- Bai Muajjal with Government of Pakistan	9,235,137	-	-	9,235,137	2,386,820	-	-	2,386,820
	16,391,387	-	(23,000)	16,368,387	11,695,980	-	(39,979)	11,656,001
Shares								
- Listed Companies	97,442	(43,954)	775	54,263	97,442	(41,345)	3,596	59,693
Non Government Debt Securities								
- Listed	1,590,480	-	7,194	1,597,674	1,635,901	-	7,444	1,643,345
- Unlisted	1,734,102	-	-	1,734,102	1,734,101	-	-	1,734,101
	3,324,582	-	7,194	3,331,776	3,370,002	-	7,444	3,377,446
Units of mutual funds	100,000	(34,907)	1,198	66,291	100,000	(34,907)	-	65,093
Total Investments	19,913,411	(78,861)	(13,833)	19,820,717	15,263,424	(76,252)	(28,939)	15,158,233

	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
36.3 Islamic financing and related assets		
Ijarah	2,810,942	2,854,541
Murabaha	9,256,781	10,034,698
Diminishing Musharaka	15,714,387	15,868,804
Istisna	1,665,882	1,471,282
Islamic Export Refinance - Istisna	838,500	1,523,700
Musawamah	3,428,993	3,166,895
Running Musharaka	3,501,559	4,271,620
Islamic Export Refinance - Running Musharaka	1,260,000	1,000,000
Staff Financing	315,040	210,540
Advance against Musawamah	987,778	1,079,782
Advance against Istisna	4,413,395	4,127,286
Advance against Istisna - IERF	3,451,650	2,600,100
Advance against Ijarah	164,197	305,071
Advance against Diminishing Musharaka	641,551	884,300
Advance against ILTFF	762,610	-
Financing against Bills Musawamah	569,962	318,366
Gross Islamic financing and related assets	49,783,227	49,716,985
Less: provision against Islamic financings		
- Specific	7,774	4,187
- General	22,459	22,265
	(30,233)	(26,452)
Islamic financing and related assets - net of provision	49,752,994	49,690,533



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
36.4 Deposits and other accounts		
Customers		
Current deposits	19,741,828	20,283,223
Savings deposits	20,037,448	17,878,029
Term deposits	8,859,137	7,299,391
	<u>48,638,413</u>	<u>45,460,643</u>
Financial Institutions		
Current deposits	1,190	25,342
Savings deposits	10,394,372	11,744,330
	<u>10,395,562</u>	<u>11,769,672</u>
	<u>59,033,975</u>	<u>57,230,315</u>
36.5 CONTINGENCIES AND COMMITMENTS		
Guarantees	2,954,788	2,573,724
Commitments	5,912,430	5,766,253
	<u>8,867,218</u>	<u>8,339,977</u>
	(Un-audited)	
	<u>Three months period ended</u>	
	31 March	31 March
	2019	2018
	(Rupees in '000)	
36.6 Profit/Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	1,075,451	539,056
Investments	432,974	174,622
Placements	81,514	28,509
	<u>1,589,939</u>	<u>742,187</u>
36.7 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	732,148	309,104
Due to Financial Institutions	35,592	24,457
Due to Head Office	17,943	337
	<u>785,683</u>	<u>333,898</u>



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
36.8 Islamic Banking Business Unappropriated Profit		
Opening Balance	928,748	422,821
Add: Islamic Banking profit for the period / year	488,700	928,748
Less: Remitted to Head Office	(928,748)	(422,821)
Closing Balance	<u>488,700</u>	<u>928,748</u>

36.9 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

36.9.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk & reward characteristics:

General Pool PKR (Mudaraba)

The deposits parked in general pool are based on normal weightages. The risk of loss is minimal due to a long range of diversified assets parked in the general pool.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the special class of assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and Investments are parked to share the return among the FCY deposit holders. The weightages are also declared separately.

Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by the SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Separate Pool for Ministry of Religious Affairs (MORA) for Hajj Purpose

Separate Pool for Ministry of Religious Affairs is created in order to share return with the ministry on Deposit of Hajj dues as per the contract with Government.

Parameters associated with risk and rewards:

Following are the key considerations attached with risk and reward of the pool:

- Period, return, safety, security and liquidity of investment.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & Shariah clearance.



36.9.2 Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

The Mudaraba based funds have been deployed in the following avenues / sectors / business:

- Chemical & Pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes & leather garments
- Investment in Sukuk, shares and mutual funds
- Production and transmission of energy
- Food and Allied except Sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (Domestic Whole Sale, Engineering Goods, Plastic Product, etc.)

36.9.3 Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

The Bank's Islamic Banking Division (IBD) is currently accepting Pak Rupees Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-UI-Maal. The Bank also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharakah, Running Musharakah, Musawama, shares, mutual funds and Sukuks etc.

The Bank calculates the profit of the pool after every month. Profit is distributed at the Net Income level. Net Income is calculated after deducting direct costs such as cost of Murabaha, cost of Takaful, Depreciation on Ijarah Assets, amortization of premium on sukuks and loss of investments directly incurred in deriving that income.

The net income / loss is being allocated between the Bank's equity and the depositors' fund in proportion to their respective share in pool.

The Bank's profit sharing ratio during the period was 50% (31 December 2018: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2018: 50%) of net income.

After the allocation of Income between the equity holder and depositors the profit is distributed among the account holders on the basis of predetermined weightages, announced by the Bank at the beginning of the month based on their respective category / tiers. In case of loss, Rab-ul-Maal has to bear the loss in the ratio of its investment.

In case of provisioning, the general and specific provisions created against non-performing financing and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the IBIs as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to the pool along with other direct expenses.



36.9.4 Mudarib share & HIBA distributed to depositor's pool and specific pool

	31 March 2019 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share (Rupees in '000)	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,020,139	382,286	37.47%	90,226	23.60%
FCY Pool	3,764	3,577	95.03%	236	6.60%
	31 March 2018 (Un-audited)				
LCY Pool	483,374	208,639	43.16%	35,669	17.10%
FCY Pool	2,461	2,336	94.92%	150	6.42%

36.9.5 Profit rate earned vs. profit rate distributed to the depositors during the year

	(Un-audited) Three months period ended	
	31 March 2019 (Percentage)	31 March 2018 (Percentage)
Profit rate earned	9.23%	6.10%
Profit rate distributed	5.64%	3.37%

37. GENERAL

37.1 Captions in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

37.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

37.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by SBP vide BPRD Circular Letter No. 05 of 2019.

38. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 25 April 2019.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Company



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	(Un-audited) 31 March 2019 (Rupees in '000)	(Audited) 31 December 2018
ASSETS			
Cash and balances with treasury banks	6	67,623,861	74,432,185
Balances with other banks	7	8,275,355	8,010,940
Lendings to financial institutions	8	21,673,478	—
Investments	9	386,340,964	414,981,145
Advances	10	460,633,149	478,214,653
Fixed assets	11	26,543,898	26,192,997
Intangible assets	12	138,322	170,863
Deferred tax assets		—	—
Other assets	13	48,265,485	46,723,577
		1,019,494,512	1,048,726,360
LIABILITIES			
Bills payable	14	16,967,516	20,603,682
Borrowings	15	69,193,992	119,038,358
Deposits and other accounts	16	813,458,939	796,851,867
Liabilities against assets subject to finance lease		—	—
Subordinated debt	17	14,995,200	14,996,000
Deferred tax liabilities	18	1,401,062	1,344,621
Other liabilities	19	53,639,756	45,896,782
		969,656,465	998,731,310
NET ASSETS		49,838,047	49,995,050
REPRESENTED BY			
Share capital		11,114,254	11,114,254
Reserves		15,047,885	14,757,530
Surplus on revaluation of assets	20	3,843,068	3,375,368
Unappropriated profit		19,725,510	20,641,220
Equity attributable to the shareholders of the Holding Company		49,730,717	49,888,372
Non - controlling interest	21	107,330	106,678
Total equity		49,838,047	49,995,050
CONTINGENCIES AND COMMITMENTS	22		

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019**

	Note	Three months period ended	
		31 March 2019	31 March 2018
(Rupees in '000)			
Mark - up / return / interest earned	23	21,515,083	13,203,390
Mark - up / return / interest expensed	24	(11,662,945)	(6,173,073)
Net mark - up / interest income		9,852,138	7,030,317
NON MARK - UP / INTEREST INCOME			
Fee and commission income	25	1,391,599	1,038,728
Dividend income		58,499	50,664
Foreign exchange income		264,669	242,012
Income / (loss) from derivatives		-	-
Gain on securities - net	26	11,826	35,566
Share of profit from associates		20,421	3,075
Other income	27	135,793	106,738
Total non mark - up / interest income		1,882,807	1,476,783
Total income		11,734,945	8,507,100
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	28	(6,462,909)	(5,341,791)
Workers welfare fund		(103,862)	(70,646)
Other charges	29	(10,493)	(2)
Total non mark - up / interest expenses		(6,577,264)	(5,412,439)
Profit before provisions		5,157,681	3,094,661
(Provisions) / reversals and write offs - net	30	(724,641)	294,282
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		4,433,040	3,388,943
Taxation	31	(2,383,637)	(1,319,732)
PROFIT AFTER TAXATION		2,049,403	2,069,211
Attributable to:			
Shareholders of the Holding company		2,050,788	2,070,867
Non-controlling interest		(1,385)	(1,656)
		2,049,403	2,069,211
(Rupees)			
Basic and diluted earnings per share attributable to the equity holders of the Holding company	32	1.85	1.86

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019**

	Three months period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
Profit after taxation for the period	2,049,403	2,069,211
Other comprehensive income		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Effect of translation of net investment in foreign operations	84,229	190,208
Movement in surplus / (deficit) on revaluation of investments - net of tax	487,929	(149,332)
	572,158	40,876
<i>Items that will not be reclassified to profit and loss account in subsequent periods</i>	-	-
Total comprehensive income	2,621,561	2,110,087
Attributable to:		
Share holders of the Holding company	2,620,909	2,105,657
Non-controlling interest	652	4,430
	2,621,561	2,110,087

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Sub Total	Non-controlling interest	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets				
	(Rupees in '000)										
Balance as at 31 December 2017 - restated	11,114,254	11,901,027	412,410	126,500	540,000	940,933	4,620,480	16,502,297	46,157,901	120,479	46,278,380
Effect of change in accounting policy of impairment of financial assets	-	-	-	-	-	-	-	(133,601)	(133,601)	-	(133,601)
Balance as at 01 January 2018 - restated	11,114,254	11,901,027	412,410	126,500	540,000	940,933	4,620,480	16,368,696	46,024,300	120,479	46,144,779
Comprehensive income for the three months period ended 31 March 2018:											
Profit after taxation	-	-	-	-	-	-	-	2,070,867	2,070,867	(1,656)	2,069,211
Other comprehensive income - net of tax	-	-	190,208	-	-	(155,418)	-	-	34,790	6,086	40,876
Transfer to statutory reserve	-	208,758	-	-	-	-	-	(208,758)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(18,117)	18,117	-	-	-
Transaction with owners, recorded directly in equity											
Cash dividend (Rs. 3.0 per share)	-	-	-	-	-	-	-	(3,334,276)	(3,334,276)	-	(3,334,276)
Balance as at 31 March 2018 - restated	11,114,254	12,109,785	602,618	126,500	540,000	785,515	4,602,363	14,914,646	44,795,681	124,909	44,920,590
Comprehensive income for the nine months period ended 31 December 2018:											
Profit after taxation	-	-	-	-	-	-	-	6,386,974	6,386,974	(3,530)	6,383,444
Other comprehensive income - net of tax	-	-	745,619	-	-	(1,957,858)	-	(82,044)	(1,294,283)	(14,701)	(1,308,984)
Transfer to statutory reserve	-	633,008	-	-	-	-	-	(633,008)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(54,652)	54,652	-	-	-
Balance as at 31 December 2018 - audited	11,114,254	12,742,793	1,348,237	126,500	540,000	(1,172,343)	4,547,711	20,641,220	49,888,372	106,678	49,995,050
Comprehensive income for the three months period ended 31 March 2019:											
Profit after taxation	-	-	-	-	-	-	-	2,050,788	2,050,788	(1,385)	2,049,403
Other comprehensive income - net of tax	-	-	84,229	-	-	485,892	-	-	570,121	2,037	572,158
Transfer to statutory reserve	-	206,126	-	-	-	-	-	(206,126)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(18,192)	18,192	-	-	-
Transaction with owners, recorded directly in equity											
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	-	-	(2,778,564)	(2,778,564)	-	(2,778,564)
Balance as at 31 March 2019	11,114,254	12,948,919	1,432,466	126,500	540,000	(686,451)	4,529,519	19,725,510	49,730,717	107,330	49,838,047

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019**

	Note	31 March 2019 (Rupees in '000)	31 March 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,433,040	3,388,943
Less: Dividend income		(58,499)	(50,664)
		4,374,541	3,338,279
Adjustments:			
Depreciation		598,560	512,851
Amortisation		36,114	24,583
Provisions / (reversals) and write-offs	30	724,641	(294,282)
Gain on sale of fixed assets		(70,469)	(26,152)
Charge for defined benefit plan		102,000	78,000
Gain on securities - net		(11,826)	(35,566)
Share of profit from associates		(20,421)	(3,075)
Charge for compensated absences		24,374	21,266
		1,382,973	277,625
		5,757,514	3,615,904
(Increase) / decrease in operating assets			
Lendings to financial institutions		(21,673,478)	(2,000,000)
Held-for-trading securities		(11,566)	194,273
Advances		17,240,163	(12,316,201)
Other assets (excluding advance taxation)		(2,596,377)	(2,063,330)
		(7,041,258)	(16,185,258)
(Decrease) / increase in operating liabilities			
Bills payable		(3,636,166)	1,291,171
Borrowings from financial institutions		(49,536,647)	(73,684,384)
Deposits		16,607,072	25,652,158
Other liabilities		4,827,664	5,755,539
		(31,738,077)	(40,985,516)
		(33,021,821)	(53,554,870)
Income tax paid		(1,513,331)	(1,303,408)
Net cash used in operating activities		(34,535,152)	(54,858,278)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		45,937,660	55,200,118
Net investments in held to maturity securities		(16,874,568)	(236,720)
Net investments in associates		28,119	(1,849)
Dividends received		23,167	39,933
Investments in operating fixed assets		(962,155)	(1,959,465)
Proceeds from sale of fixed assets		83,189	32,621
Exchange differences on translation of net investment in foreign operations		84,229	190,208
Net cash flow from investing activities		28,319,641	53,264,846
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(800)	(800)
Dividend paid		(19,879)	(1,825)
Net cash flow from financing activities		(20,679)	(2,625)
Decrease in cash and cash equivalents		(6,236,190)	(1,596,057)
Cash and cash equivalents at beginning of the period		82,096,704	64,645,552
Cash and cash equivalents at end of the period		75,860,514	63,049,495

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019**

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding company

- Bank AL Habib Limited

Subsidiary

- AL Habib Capital Markets (Private) Limited

1.2 Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 689 branches (31 December 2018: 684 branches), 37 sub-branches (31 December 2018: 38 sub-branches) and 04 representative offices (31 December 2018: 04 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2018: 03 overseas branches) and 71 Islamic Banking branches (31 December 2018: 71 Islamic Banking branches).

1.3 The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The Company was incorporated in Pakistan on 23 August 2005 as a private limited company under repealed Companies Ordinance, 1984. The company is a corporate member of the Pakistan Stock Exchange Limited and is engaged in equity, money market and foreign exchange brokerage services, equity research, corporate financial advisory and consultancy services.

2. BASIS OF PRESENTATION

2.1 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 05, dated 22 March 2019 and IAS 34 "Interim Financial Reporting". They do not include all the information required in the annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade - related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark - up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark - up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.



2.3 The financial results of the Islamic Banking branches have been consolidated in these consolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 37 to these consolidated condensed interim financial statements.

2.4 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, 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 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 SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 02 of 2018 and BPRD Circular Letter 05 of 2019, as amended from time to time.



3. ACCOUNTING POLICY

The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2018.

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

The following new and amended standards, interpretations and amendments became effective during the period and do not have impact on Group's consolidated condensed interim financial statements except for IFRS 16 'Leases'.

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
IFRS 15 - Revenue from contracts with customers	July 01, 2018
IFRS 16 - Leases	January 01, 2019
Amendment to IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures	January 01, 2019
Amendments to IAS 19 - Employee Benefits- Plan Amendment, Curtailment or Settlement	January 01, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:	
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement	
- IAS 12 Income Taxes	
- IAS 23 Borrowing Costs	

The Group is currently in the process of analyzing the potential impact of IFRS 16 on its lease arrangements that will result in recognition of right to use assets and liabilities.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following new and amended standards, interpretations and amendments will become effective from the dates mentioned below against the respective standard, interpretation or amendment and do not have any significant impact except for IFRS 9 'Financial Instruments'.

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IAS 1 Presentation of Financial Statements	January 01, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	January 01, 2020
IFRS 3 - Business Combinations – Definition of a Business	January 01, 2020



Effective date (annual periods ending on or after)

IFRS 9 - Financial Instruments

June 30, 2019

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. Under this standard, provision against financial assets is determined under expected credit loss model. Previously, this was determined under the incurred loss model. The Bank has already adopted IFRS 9 in respect of overseas branches. The Bank is in process of assessing the impact of IFRS 9 on domestic operations.

4. Critical accounting estimates and judgments

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

5. FINANCIAL RISK MANAGEMENT

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

	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	16,847,534	16,653,040
Foreign currencies	1,689,731	1,566,662
	18,537,265	18,219,702
In transit:		
Local currency	392,786	106,914
Foreign currencies	257,746	26,856
	650,532	133,770
With State Bank of Pakistan in:		
Local currency current account	28,160,751	31,352,756
Local currency current account - Islamic Banking	2,289,319	2,556,444
Foreign currency deposit account		
Cash reserve account	3,099,566	2,916,100
Cash reserve / special cash reserve account		
- Islamic Banking	81,934	148,166
Special cash reserve account	8,848,061	8,757,757
Local US Dollar collection account	61,810	84,470
	42,541,441	45,815,693
With National Bank of Pakistan in:		
Local currency current account	5,863,401	10,220,736
Prize bonds	31,222	42,284
	67,623,861	74,432,185



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	274,124	353,686
In deposit account	2,235,906	5,364,409
	2,510,030	5,718,095
Outside Pakistan:		
In current account	2,199,770	2,254,412
In deposit account	3,565,557	38,435
	5,765,327	2,292,847
	8,275,357	8,010,942
Less: impairment against IFRS 9 in overseas branches	(2)	(2)
	8,275,355	8,010,940
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lending (Reverse Repo)		
- Market Treasury Bills	19,434,460	-
Bai Muajjal receivable		
- with the State Bank of Pakistan	2,239,018	-
	21,673,478	-



9. INVESTMENTS

	Note	31 March 2019 (Un-audited)			31 December 2018 (Audited)				
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value (Rupees in '000)	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value
9.1 Investments by type:									
Held-for-trading securities									
Shares		296,766	-	(9,933)	286,833	285,368	-	(21,920)	263,448
Available-for-sale securities									
Federal Government Securities		307,971,204	-	(837,721)	307,133,483	354,754,071	-	(1,276,813)	353,477,258
Shares		4,779,046	(853,687)	(199,079)	3,726,280	4,781,741	(490,342)	(501,038)	3,790,361
Non Government Debt Securities		5,301,114	-	(22,839)	5,278,275	4,901,380	-	8,370	4,909,750
Foreign Securities		1,994,864	-	(12,955)	1,981,909	1,548,752	-	(45,710)	1,503,042
Units of mutual funds		2,175,000	(34,906)	(119,876)	2,020,218	2,175,000	(34,906)	(160,193)	1,979,901
		322,221,228	(888,593)	(1,192,470)	320,140,165	368,160,944	(525,248)	(1,975,384)	365,660,312
Held-to-maturity securities	9.3								
Federal Government Securities		64,924,366	-	-	64,924,366	48,049,798	-	-	48,049,798
Non Government Debt Securities		86,213	-	-	86,213	86,213	-	-	86,213
		65,010,579	-	-	65,010,579	48,136,011	-	-	48,136,011
Associates		927,052	-	-	927,052	957,449	-	-	957,449
Impairment as per IFRS 9 in overseas branches		-	(23,665)	-	(23,665)	-	(36,075)	-	(36,075)
Total Investments		388,455,625	(912,258)	(1,202,403)	386,340,964	417,539,772	(561,323)	(1,997,304)	414,981,145



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
9.1.1 Investments given as collateral		
Market Treasury Bills		
Carrying value	13,331,364	56,804,498
Deficit	(663)	(31,410)
	13,330,701	56,773,088
9.2 Provision for diminution in the value of investments		
Available for sale investments:		
Opening balance	561,323	141,241
IFRS 9 impairment adjustment in overseas branches	-	53,415
Revised opening balance	561,323	194,656
Exchange adjustments against IFRS 9 in overseas branches	499	13,721
Charge / reversals		
Charge for the period / year	363,346	384,007
Reversal of impairment as per IFRS 9 in overseas branches for the period / year	(12,910)	(31,061)
	350,436	352,946
Closing Balance	912,258	561,323
9.3 The market value of securities classified as held to maturity at 31 March 2019 amounted to Rs. 66,863 million (31 December 2018: Rs. 47,754 million).		



10. ADVANCES

	Performing		Non-Performing		Total	
	(Un-audited) 31 March 2019	(Audited) 31 December 2018	(Un-audited) 31 March 2019	(Audited) 31 December 2018	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	392,105,147	408,233,955	5,073,063	5,059,552	397,178,210	413,293,507
Islamic financing and related assets	49,761,982	49,708,261	21,245	8,724	49,783,227	49,716,985
Bills discounted and purchased	21,590,076	22,767,224	169,425	167,116	21,759,501	22,934,340
Advances - gross	463,457,205	480,709,440	5,263,733	5,235,392	468,720,938	485,944,832
Provision against advances						
- Specific	-	-	4,672,889	4,351,895	4,672,889	4,351,895
- General as per regulations	263,293	238,099	-	-	263,293	238,099
- General	3,000,000	3,000,000	-	-	3,000,000	3,000,000
- As per IFRS 9 in overseas branches	151,607	140,185	-	-	151,607	140,185
	3,414,900	3,378,284	4,672,889	4,351,895	8,087,789	7,730,179
Advances - net of provision	460,042,305	477,331,156	590,844	883,497	460,633,149	478,214,653

(Un-audited) (Audited)
31 March 31 December
2019 2018
(Rupees in '000)

10.1 Particulars of advances (Gross)

In local currency	413,749,130	428,995,587
In foreign currencies	54,971,808	56,949,245
	<u>468,720,938</u>	<u>485,944,832</u>

10.2 Advances include Rs. 5,263.733 million (31 December 2018: Rs. 5,235.392 million) which have been placed under non-performing status as detailed below:

Category of Classification	31 March 2019 (Un-audited)		31 December 2018 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	33,312	2,210	10,715	998
Substandard	138,201	31,773	44,963	10,869
Doubtful	1,450,230	1,011,042	1,621,874	796,947
Loss	2,565,878	2,551,752	2,496,394	2,481,635
	4,187,621	3,596,777	4,173,946	3,290,449
Overseas				
Overdue by:				
> 365 days	1,076,112	1,076,112	1,061,446	1,061,446
Total	5,263,733	4,672,889	5,235,392	4,351,895



10.3 Particulars of provision against advances

Note	31 March 2019 (Un-audited)			31 December 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	4,351,895	3,378,284	7,730,179	4,399,564	3,233,096	7,632,660
Provision as per IFRS 9 in overseas branches	-	-	-	-	104,514	104,514
Revised opening balance	4,351,895	3,378,284	7,730,179	4,399,564	3,337,610	7,737,174
Exchange adjustments	14,667	1,937	16,604	218,348	26,933	245,281
Charge for the year						
- Specific provision	375,047	-	375,047	354,961	-	354,961
- General provision as per regulations 10.3.1	-	25,194	25,194	-	5,003	5,003
- As per IFRS 9 in overseas branches 10.3.2	-	9,485	9,485	-	8,738	8,738
Reversals	(68,385)	-	(68,385)	(445,270)	-	(445,270)
	306,662	34,679	341,341	(90,309)	13,741	(76,568)
Amounts written off	(335)	-	(335)	(175,708)	-	(175,708)
Closing balance	4,672,889	3,414,900	8,087,789	4,351,895	3,378,284	7,730,179

10.3.1 General provision represents provision amounting to Rs. 263.293 million (31 December 2018: Rs. 238.099 million) against consumer finance portfolio as required by the Prudential Regulations issued by SBP.

10.3.2 The provision in respect of IFRS 9 in overseas branches amounts to Rs. 151.607 million (31 December 2018: Rs. 140.185 million).

10.3.3 In line with its prudent policies, the Bank also makes general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 31 March 2019 amounts to Rs. 3,000 million (31 December 2018: Rs. 3,000 million).

10.3.4 For the purposes of determining provision against non - performing advances, the Bank has not taken into account the Forced Sales Value of pledged stock and mortgaged properties held as collateral against non - performing advances.



	Note	(Un-audited) 31 March 2019 (Rupees in '000)	(Audited) 31 December 2018
11. FIXED ASSETS			
Capital work-in-progress	11.1	2,009,429	1,433,875
Property and equipment		24,534,469	24,759,122
		<u>26,543,898</u>	<u>26,192,997</u>
11.1 Capital work-in-progress			
Civil works		619,251	498,060
Advance payment towards suppliers, contractors and property		1,366,448	914,905
Consultants' fee and other charges		23,730	20,910
		<u>2,009,429</u>	<u>1,433,875</u>
11.2 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited) <u>Three months period ended</u>	
		31 March 2019	31 March 2018
		(Rupees in '000)	
Capital work-in-progress		575,554	438,107
Property and equipment			
Leasehold land		-	643,311
Building on leasehold land		9,842	475,201
Furniture and fixture		73,384	53,743
Electrical office and computer equipment		154,061	249,725
Vehicles		101,808	72,608
Improvement to leasehold building		45,838	18,331
		<u>384,933</u>	1,512,919
Total		<u>960,487</u>	<u>1,951,026</u>
11.3 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		1,464	795
Electrical office and computer equipment		1,825	1,647
Vehicles		8,364	970
Improvement to leasehold building		1,067	3,057
Total		<u>12,720</u>	<u>6,469</u>



		(Un-audited) 31 March 2019 (Rupees in '000)	(Audited) 31 December 2018
12.	INTANGIBLE ASSETS		
	Computer software	<u>138,322</u>	<u>170,863</u>
		(Un-audited)	
		Three months period ended	
		31 March 2019	31 March 2018
		(Rupees in '000)	
12.1	Additions to intangible assets		
	Directly purchased	<u>130</u>	<u>8,439</u>
		(Un-audited)	(Audited)
		31 March 2019	31 December 2018
		(Rupees in '000)	
13.	OTHER ASSETS		
	Income / mark-up accrued in local currency - net of provision	10,427,293	10,391,416
	Income / mark-up accrued in foreign currency - net of provision	616,423	390,718
	Advances, deposits, advance rent and other prepayments	1,114,975	1,213,235
	Advance taxation (payments less provisions)	398,768	1,484,911
	Non-banking assets acquired in satisfaction of claims	804,870	806,254
	Mark to market gain on forward foreign exchange contracts	774,003	1,133,980
	Acceptances	31,837,489	28,771,029
	Stationery and stamps on hand	273,905	218,772
	Receivable from SBP on encashment of Government Securities	120,981	325,478
	Non - refundable deposits	41,552	43,455
	ATM settlement account	592,511	965,926
	Receivable against securities	57,373	34,359
	Others	1,182,676	921,129
		<u>48,242,819</u>	<u>46,700,662</u>
	Less: Provision held against other assets	13.1 (7,215)	(7,279)
	Other Assets (Net of Provision)	48,235,604	46,693,383
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	29,881	30,194
	Other Assets - total	<u>48,265,485</u>	<u>46,723,577</u>



	Note	(Un-audited) 31 March 2019 (Rupees in '000)	(Audited) 31 December 2018
13.1 Provision held against other assets			
Receivable against consumer loans	13.1.1	<u>7,215</u>	<u>7,279</u>
13.1.1 Movement in provision held against other assets			
Opening balance		7,279	6,486
Charge for the period / year		240	1,485
Reversals for the period / year		(181)	(605)
		59	880
Amount written off		(123)	(87)
Closing balance		<u>7,215</u>	<u>7,279</u>
14. BILLS PAYABLE			
In Pakistan		<u>16,967,516</u>	<u>20,603,682</u>
15. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme		35,793,291	33,445,797
Under renewable energy		3,884,176	3,885,244
Under long term financing for imported and locally manufactured plant and machinery		15,069,272	13,444,746
Under modernisation of small and medium enterprises		181,485	116,354
Under women entrepreneurship		11,686	8,476
Under financing facility for storage of agricultural produce		19,889	26,967
		54,959,799	50,927,584
Repurchase agreement borrowings		13,275,701	56,714,334
Total secured		<u>68,235,500</u>	<u>107,641,918</u>
Unsecured			
Call borrowings		–	1,500,000
Borrowings from financial institutions		919,790	9,550,019
Overdrawn nostro accounts		38,702	346,421
Total unsecured		<u>958,492</u>	<u>11,396,440</u>
		<u>69,193,992</u>	<u>119,038,358</u>



16. DEPOSITS AND OTHER ACCOUNTS

	31 March 2019 (Un-audited)			31 December 2018 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	266,375,761	29,067,358	295,443,119	259,924,538	27,655,719	287,580,257
Savings deposits	199,514,064	35,844,136	235,358,200	190,726,381	35,939,386	226,665,767
Term deposits	123,496,150	29,173,691	152,669,841	128,918,633	27,556,178	156,474,811
Current deposits - remunerative	90,178,027	688,543	90,866,570	82,817,947	550,054	83,368,001
Others	11,921,951	8,303,812	20,225,763	10,802,035	8,189,454	18,991,489
	<u>691,485,953</u>	<u>103,077,540</u>	<u>794,563,493</u>	<u>673,189,534</u>	<u>99,890,791</u>	<u>773,080,325</u>
Financial Institutions						
Current deposits	1,324,614	478,067	1,802,681	1,284,400	358,311	1,642,711
Savings deposits	10,475,894	15	10,475,909	11,834,313	15	11,834,328
Term deposits	447,001	448,381	895,382	289,001	454,768	743,769
Current deposits - remunerative	3,381,374	2,257,688	5,639,062	7,179,534	2,285,052	9,464,586
Others	82,412	-	82,412	86,148	-	86,148
	<u>15,711,295</u>	<u>3,184,151</u>	<u>18,895,446</u>	<u>20,673,396</u>	<u>3,098,146</u>	<u>23,771,542</u>
	<u>707,197,248</u>	<u>106,261,691</u>	<u>813,458,939</u>	<u>693,862,930</u>	<u>102,988,937</u>	<u>796,851,867</u>

	Note	(Un-audited)	(Audited)
		31 March 2019	31 December 2018
(Rupees in '000)			
17. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	17.1	3,995,200	3,996,000
Term Finance Certificates (TFCs) - VI - (Unquoted)	17.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	17.3	4,000,000	4,000,000
		<u>14,995,200</u>	<u>14,996,000</u>



17.1 Term Finance Certificates - V (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	March 2016
Maturity date	March 2026
Rating	AA
Profit payment frequency	six monthly
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Mark-up	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap
Call option	On or after five years with prior SBP approval
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and /or have them immediately written off (either partially or in full).

17.2 Term Finance Certificates - VI (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA-
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date
Mark-up	Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap The issuer will have full discretion over the amount and timing of profit distribution, and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	Neither profit may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and /or have them immediately written off (either partially or in full).



17.3 Term Finance Certificates - VII (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02%; 114th and 120th month: 49.98% each
Mark-up	6-Months KIBOR (ask side) + 1.00% per annum.
Call option	On or after five years
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and /or have them immediately written off (either partially or in full).

(Un-audited) (Audited)
31 March 31 December
2019 2018
(Rupees in '000)

18. DEFERRED TAX LIABILITIES

Deductible Temporary Differences on

Remeasurement of defined benefit plan	246,397	246,397
Provision against diminution in the value of investments	(309,582)	(181,518)
Provision against loans and advances, off balance sheet, etc.	(19,939)	(5,555)
Impairment as per IFRS 9 in overseas branches	(88,643)	(78,217)
Provision for compensated absences	(278)	(278)
Recognised tax losses	(3,268)	(4,035)
Intangible assets	(440)	(440)
	(175,753)	(23,646)

Taxable Temporary Differences on

Accelerated tax depreciation	984,843	1,042,970
Surplus on revaluation of fixed assets / non - banking assets	1,013,847	1,023,644
Surplus on revaluation of held for trading investments	(3,477)	(7,671)
Surplus on revaluation of available for sale investments	(418,398)	(690,676)
	1,576,815	1,368,267
	1,401,062	1,344,621



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
Note	(Rupees in '000)	
19. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	2,863,584	2,973,237
Mark-up / return / interest payable in foreign currencies	276,904	231,537
Unearned commission income	189,500	204,609
Accrued expenses	1,816,458	1,031,360
Acceptances	31,837,489	28,771,029
Unclaimed dividends	395,768	415,647
Dividends payable	2,778,564	-
Mark to market loss on forward foreign exchange contracts	453,165	614,896
Branch adjustment account	864,976	717,339
Payable to defined benefit plan	805,992	703,992
Charity payable	19,106	14,218
Provision against off - balance sheet items	19.1 147,503	116,600
Security deposits against leases / ijarah	6,094,342	5,940,336
Provision for compensated absences	610,279	585,739
Special exporters' accounts in foreign currencies	64,765	41,936
Other security deposits	523,815	506,331
Workers' welfare fund	1,407,533	1,303,671
Payable to SBP / NBP	705,196	223,763
Payable to supplier against murabaha	227,989	44,886
Payable against purchase of securities	62,692	22,083
Insurance payable	496,394	490,757
Payable against sale of marketable securities on behalf of customer	26,093	92,035
Others	971,649	850,781
	53,639,756	45,896,782
19.1 Provision against off-balance sheet obligations		
Opening balance	116,600	113,236
IFRS 9 impairment adjustment in overseas branches	-	47,602
Revised opening balance	116,600	160,838
Exchange adjustment against IFRS 9 in overseas branches	652	12,263
Charge for the period / year	30,251	13,827
Reversals for the period / year	-	(70,328)
	30,251	(56,501)
Closing balance	147,503	116,600



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
Note	(Rupees in '000)	
20. SURPLUS ON REVALUATION OF ASSETS		
Surplus / (deficit) on revaluation of:		
- Available for sale securities	20.1 (1,103,943)	(1,862,121)
- Fixed Assets	5,577,788	5,605,295
- Non-banking assets acquired in satisfaction of claims	35,926	36,408
	4,509,771	3,779,582
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	(417,492)	(689,778)
- Fixed Assets	1,078,151	1,087,778
- Non-banking assets acquired in satisfaction of claims	6,044	6,214
	666,703	404,214
	3,843,068	3,375,368
20.1 Investments		
Available for sale securities	(1,192,470)	(1,975,384)
Unrealised surplus on equity accounting	88,531	111,230
Non-controlling interest	(4)	2,033
	(1,103,943)	(1,862,121)
Less: related deferred tax	(417,492)	(689,778)
	(686,451)	(1,172,343)
21. NON - CONTROLLING INTEREST		
Revised opening balance	106,678	120,479
Loss attributable to non - controlling interest	(1,385)	(5,186)
Gain / (loss) on equity attributable to non - controlling interest	2,037	(8,615)
Closing balance	107,330	106,678
22. CONTINGENCIES AND COMMITMENTS		
Guarantees	22.1 67,639,225	66,873,212
Commitments	22.2 208,027,069	217,907,411
Other contingent liabilities	22.3 4,656,579	4,716,420
	280,322,873	289,497,043
22.1 Guarantees:		
Financial guarantees	9,599,393	9,633,948
Performance guarantees	58,039,832	57,239,264
	67,639,225	66,873,212



Additional Commissioner Inland Revenue has finalized audit of Tax Year 2015 (Accounting Year 2014) by disallowing certain expenses resulting in an impact of Rs. 301.855 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Deputy Commissioner Inland Revenue have passed order for the period January 2013 to December 2015 levying Federal Excise Duty on certain items resulting in an impact of Rs. 80.766 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals).

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before ITAT against the above referred orders.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Years 2014 to 2018 by disallowing certain expenses resulting in an impact of Rs. 93.443 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters.

	(Un-audited)	
	Three months period ended	
	31 March	31 March
	2019	2018
	(Rupees in '000)	
23. MARK - UP / RETURN / INTEREST EARNED		
On loans and advances	10,842,903	5,125,906
On investments	10,077,009	7,976,598
On deposits with financial institutions	120,874	80,824
On securities purchased under resale agreements	434,962	19,963
On call money lendings	39,335	99
	<u>21,515,083</u>	<u>13,203,390</u>
24. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	9,875,281	5,174,748
Borrowings from SBP	266,484	223,134
Subordinated debt	415,291	201,713
Cost of foreign currency swaps	225,665	115,663
Repurchase agreement borrowings	785,816	398,285
Other borrowings	94,408	59,530
	<u>11,662,945</u>	<u>6,173,073</u>



		(Un-audited)	
		Three months period ended	
	Note	31 March 2019	31 March 2018
(Rupees in '000)			
25.	FEE AND COMMISSION INCOME		
	Branch banking customer fees	275,881	159,975
	Consumer finance related fees	12,538	6,431
	Card related fees (debit and credit cards)	99,763	140,691
	Credit related fees	22,790	30,946
	Commission on trade	811,577	576,968
	Commission on guarantees	98,210	71,591
	Commission on cash management	51,086	40,010
	Commission on home remittances	12,756	7,125
	Others	6,998	4,991
		<u>1,391,599</u>	<u>1,038,728</u>
26.	GAIN ON SECURITIES - NET		
	Realised	26.1 21,759	57,486
	Unrealised - held for trading	9.1 (9,933)	(21,920)
		<u>11,826</u>	<u>35,566</u>
26.1	Realised gain on:		
	Federal Government securities	6	-
	Shares	21,753	57,486
		<u>21,759</u>	<u>57,486</u>
27.	OTHER INCOME		
	Gain on sale of fixed assets - net	70,469	26,152
	Recovery of expenses from customers	61,459	78,146
	Lockers rent	2,706	1,645
	Others	1,159	795
		<u>135,793</u>	<u>106,738</u>



	(Un-audited)	
	Three months period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
28. OPERATING EXPENSES		
Total compensation expenses	2,886,562	2,427,338
Property expenses		
Rent & taxes	451,402	369,686
Insurance	3,861	4,509
Utilities cost	232,334	130,318
Security (including guards)	200,261	208,122
Repair & maintenance (including janitorial charges)	44,904	37,491
Depreciation	194,644	170,401
Amortisation	1,902	1,902
	1,129,308	922,429
Information technology expenses		
Software maintenance	2,773	1,523
Hardware maintenance	88,041	74,986
Depreciation	72,614	57,748
Amortisation	34,212	22,681
Network charges	97,819	75,112
	295,459	232,050
Other operating expenses		
Directors' fees and allowances	10,300	8,625
Fees and allowances to Shariah Board	1,953	1,626
Insurance	100,673	60,351
Legal & professional charges	42,250	36,978
Outsourced services costs	472,659	331,845
Traveling & conveyance	53,183	50,621
NIFT & other clearing charges	27,851	29,434
Depreciation	331,302	284,702
Repair and maintenance	282,160	222,308
Training & development	14,957	21,918
Postage & courier charges	36,526	36,794
Communication	71,347	58,467
Stationery & printing	169,930	114,032
Marketing, advertisement & publicity	77,924	72,569
Donations	19,500	19,500
Auditors Remuneration	1,965	1,159
Commission and brokerage	51,287	38,303
Entertainment and staff refreshment	69,734	83,143
Vehicle running expenses	158,398	129,168
Subscriptions and publications	36,709	23,972
CNIC verification charges	26,069	13,653
Security charges	66,179	49,794
Others	28,724	71,012
	2,151,580	1,759,974
	6,462,909	5,341,791



		(Un-audited)	
		Three months period ended	
		31 March	31 March
		2019	2018
		(Rupees in '000)	
29.	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	10,493	2
30.	PROVISIONS & WRITE OFFS - NET		
	Provision for diminution in value of investments	352,990	-
	Provision / (reversal) against loans and advances - net	10.3 341,341	(270,534)
	Provision / (reversal) against off - balance sheet items	19.1 30,251	(23,697)
	Provision / (reversal) against other assets	13.1.1 59	(51)
		<u>724,641</u>	<u>(294,282)</u>
31.	TAXATION		
	Current	2,027,567	1,252,603
	Prior years	571,907	-
	Deferred	(215,837)	67,129
		<u>2,383,637</u>	<u>1,319,732</u>
32.	BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY		
	Profit for the period - attributable to equity holders of the Holding company	<u>2,050,788</u>	<u>2,070,867</u>
		(Number)	
	Weighted average number of ordinary shares	<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
	Basic and diluted earnings per share	<u>1.85</u>	<u>1.86</u>
33.	FAIR VALUE MEASUREMENTS		
	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:		
	Federal Government Securities	PKRV rates (Reuters page)	
	Non Government Debt Securities	Market prices	
	Foreign Securities	Market prices / Mashreqbank PSC	
	Listed securities	Market prices	
	Mutual funds	Net asset values	
	Unlisted equity investments	Break - up value as per latest available audited financial statements	



Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Group's accounting policies, as disclosed in the unconsolidated financial statements for the year ended December 31, 2018.

33.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 March 2019 (Un-audited)			Total
	Level 1	Level 2 (Rupees in '000)	Level 3	
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	307,133,483	-	306,133,483
Shares	4,762,564	-	-	4,762,564
Non-Government Debt Securities	2,965,592	2,112,711	-	5,078,303
Foreign Securities	-	1,981,909	-	1,981,909
Mutual funds	2,055,124	-	-	2,055,124
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	66,776,399	-	66,776,399
Associates				
Listed shares	505,905	-	-	505,905
Mutual funds	345,651	-	-	345,651
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	59,881,110	-	59,881,110
Forward sale of foreign exchange contracts	-	(28,890,634)	-	(28,890,634)



31 December 2018 (Audited)

Level 1	Level 2	Level 3	Total
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(Rupees in '000)

On balance sheet financial instruments

Financial assets - measured at fair value

	Level 1	Level 2	Level 3	Total
Investments				
Federal Government Securities	-	353,477,258	-	353,477,258
Shares	4,439,914	-	-	4,439,914
Non-Government Debt Securities	2,597,060	2,112,711	-	4,709,771
Foreign Securities	-	1,503,042	-	1,503,042
Mutual funds	2,014,807	-	-	2,014,807

Financial assets - disclosed but not measured at fair value

	Level 1	Level 2	Level 3	Total
Investments				
Federal Government Securities	-	47,667,386	-	47,667,386
Associates				
Listed shares	537,504	-	-	537,504
Mutual funds	342,581	-	-	342,581

Off-balance sheet financial instruments - measured at fair value

	Level 1	Level 2	Level 3	Total
Forward purchase of foreign exchange contracts	-	70,584,095	-	70,584,095
Forward sale of foreign exchange contracts	-	(33,036,647)	-	(33,036,647)

33.2 Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 measurement) based on their assessment of the market value.



34. SEGMENT INFORMATION

Segment Details with respect to Business Activities

The segment analysis with respect to business activity is as follows:

	Three months period ended 31 March 2019 (Un-audited)			
	Commercial banking	Retail banking	Retail brokerage	Total
	(Rupees in '000)			
Profit & Loss				
Net mark-up / return / profit	19,524,129	1,986,959	3,995	21,515,083
Inter segment revenue - net	2,995	6,473,423	-	6,476,418
Non mark-up / return / interest income	885,704	986,982	10,121	1,882,807
Total Income	20,412,828	9,447,364	14,116	29,874,308
Segment direct expenses	(10,577,205)	(7,646,160)	(16,844)	(18,240,209)
Inter segment expense allocation	(6,473,423)	-	(2,995)	(6,476,418)
Total expenses	(17,050,628)	(7,646,160)	(19,839)	(24,716,627)
Provisions	(724,641)	-	-	(724,641)
Profit before tax	2,637,559	1,801,204	(5,723)	4,433,040
As at 31 March 2019 (Un-audited)				
Balance Sheet				
Cash & Bank balances	64,936,671	10,915,823	46,722	75,899,216
Investments	386,077,350	-	263,614	386,340,964
Net inter segment lending	224,539	485,373,960	-	485,598,499
Advances - performing	393,829,906	66,212,311	88	460,042,305
- non-performing	552,137	38,707	-	590,844
Others	85,752,528	10,764,372	104,283	96,621,183
Total Assets	931,373,131	573,305,173	414,707	1,505,093,011
Borrowings	69,193,992	-	-	69,193,992
Subordinated debt	14,995,200	-	-	14,995,200
Deposits & other accounts	294,059,138	519,399,801	-	813,458,939
Net inter segment borrowing	485,373,960	-	224,539	485,598,499
Others	26,591,521	45,329,833	86,980	72,008,334
Total liabilities	890,213,811	564,729,634	311,519	1,455,254,964
Equity	41,159,320	8,575,539	103,188	49,838,047
Total Equity & liabilities	931,373,131	573,305,173	414,707	1,505,093,011
Contingencies & Commitments	182,895,673	160,756	-	183,056,429



Three months period ended 31 March 2018 (Un-audited)

	Commercial banking	Retail banking	Retail brokerage	Total
(Rupees in '000)				
Profit & Loss				
Net mark-up / return / profit	12,030,585	1,170,479	2,326	13,203,390
Inter segment revenue - net	1,545	3,566,842	-	3,568,387
Non mark-up / return / interest income	6,46,001	821,653	9,129	1,476,783
Total Income	12,678,131	5,558,974	11,455	18,248,560
Segment direct expenses	(7,434,182)	(4,137,408)	(13,922)	(11,585,512)
Inter segment expense allocation	(3,566,842)	-	(1,545)	(3,568,387)
Total expenses	(11,001,024)	(4,137,408)	(15,467)	(15,153,899)
Provisions	338,470	(44,188)	-	294,282
Profit before tax	2,015,577	1,377,378	(4,012)	3,388,943

As at 31 March 2018 (Un-audited)

Balance Sheet				
Cash & Bank balances	53,667,209	9,832,671	90,936	63,590,816
Investments	420,812,243	-	295,301	421,107,544
Net inter segment lending	187,761	433,422,450	-	433,610,211
Advances - performing	297,083,701	54,471,881	190	351,555,772
- non-performing	828,327	35,630	-	863,957
Others	58,605,319	10,361,330	69,371	69,036,020
Total Assets	831,184,560	508,123,962	455,798	1,339,764,320
Borrowings	60,173,340	-	-	60,173,340
Subordinated debt	10,996,800	-	-	10,996,800
Deposits & other accounts	260,494,244	457,692,237	-	718,186,481
Net inter segment borrowing	433,422,450	-	187,761	433,610,211
Others	27,256,087	44,410,343	82,953	71,749,383
Total liabilities	792,342,921	502,102,580	270,714	1,294,716,215
Equity	38,841,639	6,021,382	185,084	45,048,105
Total Equity & liabilities	831,184,560	508,123,962	455,798	1,339,764,320
Contingencies & Commitments	181,146,798	47,433	-	181,194,231



35. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), employee benefit plans, major shareholders, directors and key management personnel and their close family members.

Transactions with related parties of the Group are carried out on arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Group are carried out in accordance with the terms of their employment.

Transactions for the period / year end balances outstanding as at the period / year end with related parties are summarised as follows:

	31 March 2019 (Un-audited)				31 December 2018 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	957,449	-	-	-	964,259	-
Investment made during the period / year	-	-	-	-	-	-	21,000	-
Investment adjusted / redeemed / disposed off during the period / year	-	-	(30,397)	-	-	-	(27,810)	-
Closing balance	-	-	927,052	-	-	-	957,449	-
Advances								
Opening balance	1,313	53,257	1,359,059	-	977	51,929	1,775,142	-
Addition during the period / year	6,776	79,841	9,654,700	-	34,176	51,761	32,726,863	-
Repaid during the period / year	(6,160)	(88,146)	(8,852,249)	-	(33,840)	(50,433)	(33,142,946)	-
Closing balance	1,929	44,952	2,161,510	-	1,313	53,257	1,359,059	-
Other Assets								
Interest / mark-up accrued	-	26	1,458	-	-	32	4,216	-
Others	-	-	27	-	-	-	28	-
L/C acceptances	-	-	823,676	-	-	-	532,718	-
Subordinated debt								
Opening balance	-	-	-	-	-	-	-	-
Issued / purchased during the period / year	-	-	40,000	-	-	-	-	-
Redemption / sold during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	40,000	-	-	-	-	-
Deposit and other accounts								
Opening balance	587,452	816,406	4,876,833	536,801	821,526	580,986	4,021,911	1,412,440
Received during the period / year	1,704,155	686,291	33,123,854	13,671,455	3,185,597	2,384,155	101,140,451	33,145,306
Withdrawn during the period / year	(1,534,626)	(1,034,501)	(36,084,784)	(12,320,955)	(3,419,671)	(2,148,735)	(100,285,529)	(34,020,945)
Closing balance	756,981	468,196	1,915,903	1,887,301	587,452	816,406	4,876,833	536,801
Other Liabilities								
Interest / mark-up payable	3,731	1,601	4,278	12,406	652	2,240	20,861	6,897
Payable to staff retirement fund	-	-	-	805,992	-	-	-	703,992
L/C acceptances	-	-	823,676	-	-	-	532,718	-
Contingencies and Commitments								
Other Transactions - Investor Portfolio Securities								
Opening balance	-	-	201,000	8,132,000	-	-	21,000	3,827,000
Increased during the period / year	30,000	-	471,440	1,375,000	-	-	416,000	15,445,000
Decreased during the period / year	-	-	(280,100)	(6,300,000)	-	-	(236,000)	(11,140,000)
Closing balance	30,000	-	392,340	3,207,000	-	-	201,000	8,132,000



35.1 RELATED PARTY TRANSACTIONS

	31 March 2019 (Un-audited)				31 March 2018 (Un-audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)								
Income								
Mark-up / return / interest earned	–	750	54,784	–	–	738	19,731	–
Fee and commission income	4	12	4,320	–	3	40	2,524	–
Dividend income	–	–	28,120	–	–	–	16,477	–
Other income	–	–	81	43	–	–	46	44
Expense								
Mark-up / return / interest expensed	14,954	8,803	62,351	24,986	7,533	6,068	45,042	17,460
Operating expenses	–	–	535	–	–	–	153	–
Salaries and allowances	–	111,053	–	–	–	87,733	–	–
Contribution to defined contribution plan	–	5,001	–	–	–	3,724	–	–
Contribution to defined benefit plan	–	3,182	–	–	–	2,146	–	–
Staff provident fund	–	–	–	116,940	–	–	–	98,799
Staff gratuity fund	–	–	–	102,000	–	–	–	78,000
Directors' Fees	10,000	–	–	–	8,475	–	–	–
Donation	–	–	1,500	–	–	–	–	–
Insurance premium paid	–	–	80,005	–	–	–	52,025	–
Insurance claims settled	–	–	13,551	–	–	–	3,281	–



36. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>11,114,254</u>	<u>11,114,254</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>43,413,989</u>	43,614,511
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,750,000</u>	6,750,000
Total Eligible Tier 1 Capital	<u>50,163,989</u>	50,364,511
Eligible Tier 2 Capital	<u>14,301,971</u>	14,381,722
Total Eligible Capital (Tier 1 + Tier 2)	<u>64,465,960</u>	<u>64,746,233</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>405,079,743</u>	408,712,722
Market Risk	<u>11,743,789</u>	8,590,756
Operational Risk	<u>61,558,534</u>	61,558,534
Total	<u>478,382,066</u>	<u>478,862,012</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>9.075%</u>	9.108%
Tier 1 Capital Adequacy Ratio	<u>10.486%</u>	10.518%
Total Capital Adequacy Ratio	<u>13.476%</u>	13.521%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>50,163,989</u>	50,364,511
Total Exposures	<u>1,265,699,934</u>	1,231,115,635
Leverage Ratio	<u>3.963%</u>	4.091%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>377,747,071</u>	360,946,772
Total Net Cash Outflow	<u>123,496,956</u>	111,556,296
Liquidity Coverage Ratio	<u>305.876%</u>	323.556%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>725,239,519</u>	707,901,854
Total Required Stable Funding	<u>469,820,712</u>	482,005,370
Net Stable Funding Ratio	<u>154.365%</u>	146.866%



37. ISLAMIC BANKING BUSINESS

The Bank is operating 71 (31 December 2018: 71) Islamic banking branches and 134 (31 December 2018: 132) Islamic banking windows at the end of the period / year.

	Note	(Un-audited) 31 March 2019	(Audited) 31 December 2018
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		3,507,677	3,814,608
Balances with other banks		2,044,872	5,164,063
Due from financial institutions	37.1	2,239,018	–
Investments	37.2	19,820,717	15,158,233
Islamic financing and related assets - net	37.3	49,752,994	49,690,533
Fixed assets		347,307	326,841
Intangible assets		–	–
Due from Head Office		–	–
Other assets		4,046,246	4,124,660
Total Assets		81,758,831	78,278,938
LIABILITIES			
Bills payable		24,071	21,052
Due to financial institutions		7,545,617	6,438,783
Deposits and other accounts	37.4	59,033,975	57,230,315
Due to Head Office		2,100,304	2,199,047
Subordinated debt		–	–
Other liabilities		5,779,997	5,289,933
		(74,483,964)	(71,179,130)
NET ASSETS		7,274,867	7,099,808
REPRESENTED BY			
Islamic Banking Fund		6,800,000	6,200,000
Reserves		–	–
Deficit on revaluation of assets		(13,833)	(28,940)
Unremitted profit		488,700	928,748
		7,274,867	7,099,808
CONTINGENCIES AND COMMITMENTS	37.5		



The profit and loss account of the Bank's Islamic banking branches for the period ended 31 March 2019 is as follows:

	Note	(Un-audited) Three months period ended	
		31 March 2019	31 March 2018
(Rupees in '000)			
Profit / return earned	37.6	1,589,939	742,187
Profit / return expensed	37.7	(785,683)	(333,898)
Net Profit / return		804,256	408,289
Other income			
Fee and commission income		51,538	40,930
Dividend income		345	-
Foreign exchange income		16,924	12,067
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income		24,073	8,855
Total other income		92,880	61,852
Total income		897,136	470,141
Other expenses			
Operating expenses		(402,037)	(292,792)
Other charges		-	-
Total other expenses		(402,037)	(292,792)
Profit before provisions		495,099	177,349
Provisions and write offs - net		(6,399)	(3,218)
Profit for the period		488,700	174,131
		(Un-audited) 31 March 2019	(Audited) 31 December 2018
		(Rupees in '000)	

37.1 Due from Financial Institutions

In local currency		
Bai Muajjal Receivable from State Bank of Pakistan	2,239,018	-

37.1.1 Securities held as collateral against amounts due from financial institutions

	31 March 2019 (Un-audited)			31 December 2018 (Audited)		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
(Rupees in '000)						
GoP Ijarah Sukuks	2,239,018	-	2,239,018	-	-	-

37.1.2 The GoP Ijarah Sukuks carry rates ranging from 10.22% to 10.49% (31 December 2018: Nil).



	31 March 2019 (Un-audited)				31 December 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
(Rupees in '000)								
37.2 Investments by segments:								
Federal Government Securities								
- Ijarah Sukuks	2,000,000	-	(23,000)	1,977,000	4,152,910	-	(39,979)	4,112,931
- Neelum Jhelum Hydropower Co Ltd. Sukuk	5,156,250	-	-	5,156,250	5,156,250	-	-	5,156,250
- Bai Muajjal with Government of Pakistan	9,235,137	-	-	9,235,137	2,386,820	-	-	2,386,820
	16,391,387	-	(23,000)	16,368,387	11,695,980	-	(39,979)	11,656,001
Shares								
- Listed Companies	97,442	(43,954)	775	54,263	97,442	(41,345)	3,596	59,693
Non Government Debt Securities								
- Listed	1,590,480	-	7,194	1,597,674	1,635,901	-	7,444	1,643,345
- Unlisted	1,734,102	-	-	1,734,102	1,734,101	-	-	1,734,101
	3,324,582	-	7,194	3,331,776	3,370,002	-	7,444	3,377,446
Units of mutual funds	100,000	(34,907)	1,198	66,291	100,000	(34,907)	-	65,093
Total Investments	19,913,411	(78,861)	(13,833)	19,820,717	15,263,424	(76,252)	(28,939)	15,158,233

	(Un-audited) 31 March 2019	(Audited) 31 December 2018
(Rupees in '000)		
37.3 Islamic financing and related assets		
Ijarah	2,810,942	2,854,541
Murabaha	9,256,781	10,034,698
Diminishing Musharaka	15,714,387	15,868,804
Istisna	1,665,882	1,471,282
Islamic Export Refinance - Istisna	838,500	1,523,700
Musawamah	3,428,993	3,166,895
Running Musharaka	3,501,559	4,271,620
Islamic Export Refinance - Running Musharaka	1,260,000	1,000,000
Staff Financing	315,040	210,540
Advance against Musawamah	987,778	1,079,782
Advance against Istisna	4,413,395	4,127,286
Advance against Istisna - IERF	3,451,650	2,600,100
Advance against Ijarah	164,197	305,071
Advance against Diminishing Musharaka	641,551	884,300
Advance against ILTFF	762,610	-
Financing against Bills Musawamah	569,962	318,366
Gross Islamic financing and related assets	49,783,227	49,716,985
Less: provision against Islamic financings		
- Specific	7,774	4,187
- General	22,459	22,265
	(30,233)	(26,452)
Islamic financing and related assets - net of provision	49,752,994	49,690,533



	(Un-audited) 31 March 2019	(Audited) 31 December 2018
	(Rupees in '000)	
37.4 Deposits and other accounts		
Customers		
Current deposits	19,741,828	20,283,223
Savings deposits	20,037,448	17,878,029
Term deposits	8,859,137	7,299,391
	<u>48,638,413</u>	<u>45,460,643</u>
Financial Institutions		
Current deposits	1,190	25,342
Savings deposits	10,394,372	11,744,330
	<u>10,395,562</u>	<u>11,769,672</u>
	<u>59,033,975</u>	<u>57,230,315</u>
37.5 CONTINGENCIES AND COMMITMENTS		
Guarantees	2,954,788	2,573,724
Commitments	5,912,430	5,766,253
	<u>8,867,218</u>	<u>8,339,977</u>
	(Un-audited) Three months period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
37.6 Profit/Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	1,075,451	539,056
Investments	432,974	174,622
Placements	81,514	28,509
	<u>1,589,939</u>	<u>742,187</u>
37.7 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	732,148	309,104
Due to Financial Institutions	35,592	24,457
Due to Head Office	17,943	337
	<u>785,683</u>	<u>333,898</u>



	(Un-audited) 31 March 2019 (Rupees in '000)	(Audited) 31 December 2018
37.8 Islamic Banking Business Unappropriated Profit		
Opening Balance	928,748	422,821
Add: Islamic Banking profit for the period / year	488,700	928,748
Less: Remitted to Head Office	<u>(928,748)</u>	<u>(422,821)</u>
Closing Balance	<u>488,700</u>	<u>928,748</u>

37.9 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

37.9.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk & reward characteristics:

General Pool PKR (Mudaraba)

The deposits parked in general pool are based on normal weightages. The risk of loss is minimal due to a long range of diversified assets parked in the general pool.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the special class of assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and Investments are parked to share the return among the FCY deposit holders. The weightages are also declared separately.

Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by the SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Separate Pool for Ministry of Religious Affairs (MORA) for Hajj Purpose

Separate Pool for Ministry of Religious Affairs is created in order to share return with the ministry on Deposit of Hajj dues as per the contract with Government.

Parameters associated with risk and rewards:

Following are the key considerations attached with risk and reward of the pool:

- Period, return, safety, security and liquidity of investment.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & Shariah clearance.



37.9.2 Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

The Mudaraba based funds have been deployed in the following avenues / sectors / business:

- Chemical & Pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes & leather garments
- Investment in Sukuk, shares and mutual funds
- Production and transmission of energy
- Food and Allied except Sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (Domestic Whole Sale, Engineering Goods, Plastic Product, etc.)

37.9.3 Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

The Bank's Islamic Banking Division (IBD) is currently accepting Pak Rupees Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-UI-Maal. The Bank also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharakah, Running Musharakah, Musawama, shares, mutual funds and Sukuks etc.

The Bank calculates the profit of the pool after every month. Profit is distributed at the Net Income level. Net Income is calculated after deducting direct costs such as cost of Murabaha, cost of Takaful, Depreciation on Ijarah Assets, amortization of premium on sukuku and loss of investments directly incurred in deriving that income.

The net income / loss is being allocated between the Bank's equity and the depositors' fund in proportion to their respective share in pool.

The Bank's profit sharing ratio during the period was 50% (31 December 2018: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2018: 50%) of net income.

After the allocation of Income between the equity holder and depositors the profit is distributed among the account holders on the basis of predetermined weightages, announced by the Bank at the beginning of the month based on their respective category / tiers. In case of loss, Rab-ul-Maal has to bear the loss in the ratio of its investment.

In case of provisioning, the general and specific provisions created against non-performing financing and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the IBIs as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to the pool along with other direct expenses.



37.9.4 Mudarib share & HIBA distributed to depositor's pool and specific pool

	31 March 2019 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share (Rupees in '000)	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,020,139	382,286	37.47%	90,226	23.60%
FCY Pool	3,764	3,577	95.03%	236	6.60%
	31 March 2018 (Un-audited)				
LCY Pool	483,374	208,639	43.16%	35,669	17.10%
FCY Pool	2,461	2,336	94.92%	150	6.42%

37.9.5 Profit rate earned vs. profit rate distributed to the depositors during the year

	(Un-audited) Three months period ended	
	31 March 2019	31 March 2018
	(Percentage)	
Profit rate earned	9.23%	6.10%
Profit rate distributed	5.64%	3.37%

38. GENERAL

38.1 Captions in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

38.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

38.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by SBP vide BPRD Circular Letter No. 05 of 2019.

39. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 25 April 2019.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

QUMAIL R. HABIB
Executive Director

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director