

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>
Company Secretary	Mansoor Ali Khan	<i>Member</i>
	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	CDC Share Registrar Services Limited 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 half year ended June 30, 2019.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 875.7 billion as compared to Rs. 796.9 billion on December 31, 2018. In the same period, advances increased to Rs. 503.2 billion from Rs. 478.2 billion, while investments increased to Rs. 451.9 billion from Rs. 414.6 billion. The pre-tax profit of the Bank for the half year ended June 30, 2019 was Rs.8.55 billion as compared to Rs. 7.08 billion during the corresponding period last year. The profit after tax for the half year ended June 30, 2019 was Rs. 4.46 billion compared with Rs. 4.20 billion during 2018.

By the Grace of Allah, the Bank now has a network of 737 offices, comprising 696 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 & 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.

Mansoor Ali Khan
Chief Executive

Abbas D. Habib
Chairman
Board of Directors

Karachi: August 21, 2019



ڈائریکٹرز کا جائزہ

ہمارے لئے یہ باعث مسرت ہے کہ ہم 30 جون 2019 کو ختم ہونے والی ششماہی 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 کمپیٹل مارکیٹس (پرائیویٹ) لمیٹڈ پیش کریں۔

الحمد للہ، زیر جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ 30 جون 2019 کو ختم ہونے والی ششماہی میں ڈپازٹس بڑھ کر 875.7 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 بڑھ کر 503.2 بلین روپے ہو گئے اور سرمایہ کاری 414.6 بلین روپے سے بڑھ کر 451.9 بلین روپے ہو گئی۔ 30 جون 2019 کو ختم ہونے والی ششماہی کے لئے آپ کے بینک کا قبل از ٹیکس منافع 8.55 بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ 7.08 بلین روپے تھا۔ بینک کا بعد از ٹیکس منافع 30 جون 2019 کو ختم ہونے والی مدت کے لئے 4.46 بلین روپے رہا، جبکہ گزشتہ سال یہ 4.20 بلین روپے تھا۔

الحمد للہ، فضل و کرم سے بینک کا نیٹ ورک اب 737 دفاتر پر مشتمل ہے، جس میں 696 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 انسٹیٹیوٹ، سہار ڈیٹ اینڈ ٹرم فنانس سرٹیفکیٹس کی ریٹنگز AA (ڈبل اے) برائے TFC-2016 اور TFC-2018 اور AA- (ڈبل اے مائنس) برائے TFC-2017 (پرنسپل) 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۔

عباس ڈی۔ حبیب
چیئر مین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی: ۲۱ اگست ۲۰۱۹ء



INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Bank AL Habib Limited

Report on Review of Unconsolidated Condensed Interim Financial Information

Introduction

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

Scope of Review

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

Conclusion

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

Other Matter

The financial statements for the Bank for the six-month period ended 30 June 2018 and for the year ended 31 December 2018 were reviewed and audited by another firm of chartered accountants who have expressed unmodified conclusion and unmodified opinion vide their review report and audit report issued on 16 August 2018 and 30 January 2019 respectively.

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

Karachi: 21 August 2019

EY Ford Rhodes
Chartered Accountants



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	(Un-audited) 30 June 2019	(Audited) 31 December 2018
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	98,011,637	74,432,172
Balances with other banks	7	11,097,846	7,989,939
Lendings to financial institutions	8	2,296,274	–
Investments	9	451,985,601	414,605,406
Advances	10	503,246,357	478,214,578
Fixed assets	11	34,312,671	26,183,149
Intangible assets	12	236,777	166,930
Deferred tax assets		–	–
Other assets	13	61,072,777	46,646,829
		1,162,259,940	1,048,239,003
LIABILITIES			
Bills payable	14	21,080,390	20,603,682
Borrowings	15	136,958,233	119,038,358
Deposits and other accounts	16	875,690,012	796,900,525
Liabilities against assets subject to finance lease		–	–
Subordinated debt	17	14,994,400	14,996,000
Deferred tax liabilities	18	457,123	1,350,203
Other liabilities	19	61,370,498	45,798,555
		1,110,550,656	998,687,323
NET ASSETS		51,709,284	49,551,680
REPRESENTED BY:			
Share capital		11,114,254	11,114,254
Reserves		16,021,715	14,757,530
Surplus on revaluation of assets	20	2,888,799	3,268,202
Unappropriated profit		21,684,516	20,411,694
		51,709,284	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

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Note	Half year ended		Three months period ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		(Rupees in '000)			
Mark-up / return / interest earned	22	45,047,950	27,375,935	23,536,719	14,174,598
Mark-up / return / interest expensed	23	(25,524,368)	(12,461,173)	(13,861,433)	(6,287,847)
Net mark-up / interest income		19,523,582	14,914,762	9,675,286	7,886,751
NON MARK-UP / INTEREST INCOME					
Fee and commission income	24	2,863,136	2,216,182	1,480,781	1,185,755
Dividend income		184,512	175,931	98,350	109,634
Foreign exchange income		1,078,675	645,186	814,006	403,174
Income / (loss) from derivatives		—	—	—	—
(Loss) / gain on securities - net	25	(65,786)	23,499	(77,612)	(12,067)
Other income	26	291,243	213,430	154,806	105,963
Total non mark-up / interest income		4,351,780	3,274,228	2,470,331	1,792,459
Total income		23,875,362	18,188,990	12,145,617	9,679,210
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	(12,923,920)	(11,066,791)	(6,476,637)	(5,738,190)
Workers welfare fund		(217,113)	(147,808)	(113,251)	(77,162)
Other charges	28	(34,481)	(2,551)	(23,988)	(2,549)
Total non mark-up / interest expenses		(13,175,514)	(11,217,150)	(6,613,876)	(5,817,901)
Profit before provisions		10,699,848	6,971,840	5,531,741	3,861,309
(Provision) / reversals and write offs - net	29	(2,154,210)	112,194	(1,429,569)	(182,088)
Extra ordinary / unusual items		—	—	—	—
PROFIT BEFORE TAXATION		8,545,638	7,084,034	4,102,172	3,679,221
Taxation	30	(4,084,525)	(2,883,022)	(1,702,315)	(1,565,789)
PROFIT AFTER TAXATION		4,461,113	4,201,012	2,399,857	2,113,432
		(Rupees)			
Basic and diluted earnings per share	31	4.01	3.78	2.16	1.90

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

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Half year ended		Three months period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	(Rupees in '000)			
Profit after taxation for the period	4,461,113	4,201,012	2,399,857	2,113,432
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	818,074	385,883	733,845	194,666
Movement in deficit on revaluation of investments - net of tax	(343,019)	(680,091)	(847,536)	(509,089)
	475,055	(294,208)	(113,691)	(314,423)
<i>Items that will not be reclassified to profit and loss account in subsequent periods</i>	-	-	-	-
Total comprehensive income	4,936,168	3,906,804	2,286,166	1,799,009

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

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Note	30 June 2019 (Rupees in '000)	30 June 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		8,545,638	7,084,034
Less: Dividend income		(184,512)	(175,931)
		8,361,126	6,908,103
Adjustments:			
Depreciation		1,211,023	1,034,098
Depreciation on right-of-use assets		673,743	—
Amortisation		73,452	58,763
Provisions / (reversals) and write-offs	29	2,154,210	(112,194)
Gain on sale of fixed assets		(145,844)	(62,270)
Charge for defined benefit plan		204,000	156,000
Loss / (gain) on securities - net		65,786	(23,499)
Charge for compensated absences		48,777	42,544
Mark-up expense on lease liability against right-of-use assets		344,367	—
		4,629,514	1,093,442
		12,990,640	8,001,545
(Increase) / decrease in operating assets			
Lendings to financial institutions		(2,296,274)	—
Held-for-trading securities		197,562	33,776
Advances		(26,073,650)	(105,218,999)
Other assets (excluding advance taxation)		(15,299,912)	(12,573,755)
		(43,472,274)	(117,758,978)
Increase in operating liabilities			
Bills payable		476,708	1,615,176
Borrowings from financial institutions		16,686,300	23,394,332
Deposits		78,789,487	56,219,678
Other liabilities		8,069,663	10,620,427
		104,022,158	91,849,613
		73,540,524	(17,907,820)
		(4,555,972)	(4,132,160)
Income tax paid			
Net cash generated from / (used in) operating activities		68,984,552	(22,039,980)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(8,936,786)	35,085,688
Net investments in held to maturity securities		(30,338,643)	(217,795)
Net investments in associates		—	(21,000)
Dividends received		141,180	178,367
Investments in operating fixed assets		(2,029,781)	(3,549,096)
Proceeds from sale of fixed assets		164,762	74,586
Exchange differences on translation of net investment in foreign branches		818,074	385,883
Net cash (used in) / generated from investing activities		(40,181,194)	31,936,633
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(1,600)	(800)
Dividend paid		(2,750,525)	(3,218,591)
Payments of lease liabilities		(597,436)	—
Net cash used in financing activities		(3,349,561)	(3,219,391)
		25,453,797	6,677,262
Increase in cash and cash equivalents		82,075,690	64,604,599
Cash and cash equivalents at beginning of the period			
Cash and cash equivalents at end of the period		107,529,487	71,281,861

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

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 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 696 branches (31 December 2018: 684 branches), 37 sub-branches (31 December 2018: 37 sub-branches), 04 representative offices (31 December 2018: 04 representative offices) and 01 booth (31 December 2018: NIL). 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 International Accounting Standard (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 included 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 (ICAP), as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- 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 IAS 39, 'Financial Instruments: Recognition and Measurement' and 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 POLICIES

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 except as disclosed below.

- 3.1** During the period, SBP, vide its BPRD Circular Letter No. 05 dated March 22, 2019, issued the revised format for the preparation of the interim financial statements of the banks. New format is applicable for quarterly / half yearly periods beginning on or after January 01, 2019. The implementation of the revised format has resulted in certain changes to the presentation and disclosures of various elements of the interim financial statements.



3.2 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 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	

3.2.1 IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model.

The Bank has lease contracts for various properties. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease.

In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other asset and other liabilities, respectively.

Upon adoption of IFRS 16, the Bank applied the recognition and measurement approach of IFRS 16 for all leases, except for short-term leases and leases of low-value assets. The Bank has adopted modified retrospective approach upon transition to IFRS 16. The standard also provides practical expedients, which have been applied by the Bank.



Accordingly, the Bank recognised right-of-use assets and lease liabilities for those leases where the Bank is the lessee and which were previously accounted for as operating leases. The right-of-use assets and lease liabilities were recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.

	As at June 30, 2019	As at January 01, 2019
	(Rupees in '000)	
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	7,465,781	8,139,524
Decrease in other assets - advances, deposits, advance rent and other prepayments	(498,549)	(672,886)
Increase in other assets - advance taxation	124,527	-
Increase in total assets	7,091,759	7,466,638
Increase in other liabilities - lease liability against right-of-use assets / other payable	(7,286,532)	(7,466,638)
Decrease in net assets	<u>(194,773)</u>	<u>-</u>
		For the Half year ended June 30, 2019
		(Rupees in '000)
Impact on Profit and Loss account		
Increase in mark-up expense - lease liability against right-of-use assets		(344,367)
(Increase) / decrease in administrative expenses		(673,743)
- Depreciation on right-of-use assets		698,810
- Rent expense		25,067
Decrease in profit before tax		(319,300)
Decrease in tax		124,527
Decrease in profit after tax		<u>(194,773)</u>



3.3 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'.

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

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

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	17,850,453	16,653,027
Foreign currencies	3,396,084	1,566,662
	21,246,537	18,219,689
In transit:		
Local currency	1,545,868	106,914
Foreign currencies	1,689,634	26,856
	3,235,502	133,770
With State Bank of Pakistan in:		
Local currency current account	34,435,123	31,352,756
Local currency current account - Islamic Banking	3,049,463	2,556,444
Foreign currency deposit account		
Cash reserve account	3,337,087	2,916,100
Cash reserve / special cash reserve account		
- Islamic Banking	223,593	148,166
Special cash reserve account	10,011,259	8,757,757
Local US Dollar collection account	66,474	84,470
	51,122,999	45,815,693
With National Bank of Pakistan in:		
Local currency current account	12,669,432	10,220,736
Prize bonds	9,737,167	42,284
	98,011,637	74,432,172
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	446,873	335,200
In deposit account	4,277,754	5,361,894
	4,724,627	5,697,094
Outside Pakistan:		
In current account	1,341,369	2,254,412
In deposit account	5,031,852	38,435
	6,373,221	2,292,847
	11,097,848	7,989,941
Less: impairment against IFRS 9 in overseas branches	(2)	(2)
	11,097,846	7,989,939
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Bai Muajjal receivable		
- with the State Bank of Pakistan	2,296,274	-



9. INVESTMENTS

	30 June 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	-	-	-	-	285,368	-	(21,920)	263,448
Available-for-sale securities								
Federal Government Securities	362,051,255	(11,075)	(2,152,012)	359,888,168	354,604,674	(21,616)	(1,276,704)	353,306,354
Shares	4,700,944	(1,403,344)	(177,962)	3,119,638	4,675,040	(487,788)	(494,239)	3,693,013
Non Government Debt Securities	5,170,057	-	(126,597)	5,043,460	4,901,380	-	8,370	4,909,750
Foreign Securities	2,747,796	(13,047)	13,888	2,748,637	1,548,752	(8,041)	(45,710)	1,495,001
Units of mutual funds	2,175,000	(232,370)	(53,514)	1,889,116	2,175,000	(34,906)	(160,193)	1,979,901
	376,845,052	(1,659,836)	(2,496,197)	372,689,019	367,904,846	(552,351)	(1,968,476)	365,384,019
Held-to-maturity securities								
Federal Government Securities	77,924,173	(6,917)	-	77,917,256	48,049,798	(6,418)	-	48,043,380
Federal Securities	483,809	-	-	483,809	-	-	-	-
Non Government Debt Securities	67,171	-	-	67,171	86,213	-	-	86,213
	78,475,153	(6,917)	-	78,468,236	48,136,011	(6,418)	-	48,129,593
Associates	628,346	-	-	628,346	628,346	-	-	628,346
Subsidiary	200,000	-	-	200,000	200,000	-	-	200,000
Total Investments	456,148,551	(1,666,753)	(2,496,197)	451,985,601	417,154,571	(558,769)	(1,990,396)	414,605,406



	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
9.1.1 Investments given as collateral		
Market Treasury Bills		
Carrying value	76,589,890	56,804,498
Deficit	(740,077)	(31,410)
	75,849,813	56,773,088
9.2 Provision for diminution in the value of investments		
Available for sale investments:		
Opening balance	558,769	190,242
Exchange adjustments against IFRS 9 in overseas branches	3,819	13,721
Charge / reversals		
Charge for the period / year	1,113,020	385,867
Reversal of impairment as per IFRS 9 in overseas branches for the period / year	(8,855)	(31,061)
	1,104,165	354,806
Closing Balance	1,666,753	558,769
9.3 The market value of securities classified as held to maturity at 30 June 2019 amounted to Rs. 76,998 million (31 December 2018: Rs. 47,754 million).		



10. ADVANCES

	Performing		Non-Performing		Total	
	(Un-audited) 30 June 2019	(Audited) 31 December 2018	(Un-audited) 30 June 2019	(Audited) 31 December 2018	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	426,612,573	408,233,880	6,283,937	5,059,552	432,896,510	413,293,432
Islamic financing and related assets	51,005,180	49,708,261	11,524	8,724	51,016,704	49,716,985
Bills discounted and purchased	28,091,582	22,767,224	192,618	167,116	28,284,200	22,934,340
Advances - gross	505,709,335	480,709,365	6,488,079	5,235,392	512,197,414	485,944,757
Provision against advances						
- Specific	-	-	5,480,292	4,351,895	5,480,292	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	207,472	140,185	-	-	207,472	140,185
	3,470,765	3,378,284	5,480,292	4,351,895	8,951,057	7,730,179
Advances - net of provision	502,238,570	477,331,081	1,007,787	883,497	503,246,357	478,214,578
			(Un-audited) 30 June 2019	(Audited) 31 December 2018		
			(Rupees in '000)			

10.1 Particulars of advances (Gross)

In local currency	442,879,255	428,995,512
In foreign currencies	69,318,159	56,949,245
	512,197,414	485,944,757

10.2 Advances include Rs. 6,488.079 million (31 December 2018: Rs. 5,235.392 million) which have been placed under non-performing status as detailed below:

Category of Classification	30 June 2019 (Un-audited)		31 December 2018 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	24,519	480	10,715	998
Substandard	136,040	31,603	44,963	10,869
Doubtful	649,446	310,281	1,621,874	796,947
Loss	3,755,455	3,743,541	2,496,394	2,481,635
	4,565,460	4,085,905	4,173,946	3,290,449
Overseas				
Overdue by:				
91 to 180 days	704,309	176,077	-	-
> 365 days	1,218,310	1,218,310	1,061,446	1,061,446
	1,922,619	1,394,387	1,061,446	1,061,446
Total	6,488,079	5,480,292	5,235,392	4,351,895



10.3 Particulars of provision against advances

Note	30 June 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	3,337,610	7,737,174
Exchange adjustments	156,980	23,177	180,157	218,348	26,933	245,281
Charge for the period / year						
- Specific provision	1,119,276	-	1,119,276	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	-	44,110	44,110	-	8,738	8,738
Reversals						
- Specific provision	(146,709)	-	(146,709)	(445,270)	-	(445,270)
	972,567	69,304	1,041,871	(90,309)	13,741	(76,568)
Amounts written off	(1,150)	-	(1,150)	(175,708)	-	(175,708)
Closing balance	5,480,292	3,470,765	8,951,057	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. 207.472 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 30 June 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) 30 June 2019 (Rupees in '000)	(Audited) 31 December 2018
11. FIXED ASSETS			
Capital work-in-progress	11.1	1,652,721	1,433,875
Property and equipment	11.2	32,659,950	24,749,274
		34,312,671	26,183,149
11.1 Capital work-in-progress			
Civil works		787,494	498,060
Advance payment towards suppliers, contractors and property		851,305	914,905
Consultants' fee and other charges		13,922	20,910
		1,652,721	1,433,875
11.2	This includes right-of-use assets amounting to Rs 7,465.781 million (31 December 2018: NIL) due to adoption of IFRS 16 as detailed in note 3.2.1.		
11.3 Additions to fixed assets	The following additions have been made to operating fixed assets during the period:		
		(Un-audited) Half year ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
Capital work-in-progress		218,846	854,572
Property and equipment			
Leasehold land		597,059	643,311
Building on leasehold land		148,750	663,386
Furniture and fixture		116,851	117,261
Electrical, office and computer equipment		328,753	680,072
Vehicles		302,229	283,154
Improvement to leasehold building		177,799	125,943
		1,671,441	2,513,127
Total		1,890,287	3,367,699
11.4 Disposal of fixed assets	The net book value of fixed assets disposed off during the period is as follows:		
Furniture and fixture		2,068	2,104
Electrical, office and computer equipment		3,205	2,925
Vehicles		12,578	4,230
Improvement to leasehold building		1,067	3,057
Total		18,918	12,316



	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
12. INTANGIBLE ASSETS		
Computer software	<u>236,777</u>	<u>166,930</u>
	(Un-audited) Half year ended	
	30 June 2019	30 June 2018
	(Rupees in '000)	
12.1 Additions to intangible assets		
Directly purchased	<u>139,494</u>	<u>181,397</u>
	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
13. OTHER ASSETS		
Income / mark-up accrued in local currency - net of provision	15,146,666	10,391,678
Income / mark-up accrued in foreign currencies - net of provision	512,732	390,718
Advances, deposits, advance rent and other prepayments	1,232,645	1,209,722
Advance taxation (payments less provisions)	1,220,941	1,457,872
Non-banking assets acquired in satisfaction of claims	797,610	800,040
Mark to market gain on forward foreign exchange contracts	5,576,995	1,133,980
Acceptances	32,940,979	28,771,029
Stationery and stamps on hand	385,217	218,772
Receivable from SBP	276,349	325,478
Non - refundable deposits	39,650	43,455
ATM settlement account	2,176,510	965,926
Others	738,325	909,030
	<u>61,044,619</u>	<u>46,617,700</u>
Less: Provision held against other assets	13.1 (7,287)	(7,279)
Other Assets (Net of Provision)	<u>61,037,332</u>	<u>46,610,421</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	35,445	36,408
Other Assets - total	<u>61,072,777</u>	<u>46,646,829</u>



	(Un-audited) 30 June 2019	(Audited) 31 December 2018
Note		
	(Rupees in '000)	
13.1 Provision held against other assets		
Receivable against consumer loans	13.1.1 <u>7,287</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	960	1,485
Reversals for the period / year	(681)	(605)
	279	880
Amount written off	(271)	(87)
Closing balance	<u>7,287</u>	<u>7,279</u>
14. BILLS PAYABLE		
In Pakistan	<u>21,080,390</u>	<u>20,603,682</u>
15. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Under export refinance scheme	35,500,258	33,445,797
Under renewable energy	4,065,241	3,885,244
Under long term financing for imported and locally manufactured plant and machinery	17,039,659	13,444,746
Under modernisation of small and medium enterprises	194,663	116,354
Under women entrepreneurship	14,333	8,476
Under financing facility for storage of agricultural produce	12,810	26,967
	56,826,964	50,927,584
Repurchase agreement borrowings	76,437,343	56,714,334
Total secured	<u>133,264,307</u>	<u>107,641,918</u>
Unsecured		
Call borrowings	1,100,000	1,500,000
Borrowings from financial institutions	1,013,930	9,550,019
Overdrawn nostro accounts	1,579,996	346,421
Total unsecured	<u>3,693,926</u>	<u>11,396,440</u>
	<u>136,958,233</u>	<u>119,038,358</u>



16. DEPOSITS AND OTHER ACCOUNTS

	30 June 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	286,720,449	37,255,743	323,976,192	259,924,538	27,655,719	287,580,257
Savings deposits	208,467,615	41,648,252	250,115,867	190,726,381	35,939,386	226,665,767
Term deposits	131,436,342	30,671,352	162,107,694	128,918,633	27,556,178	156,474,811
Current deposits - remunerative	96,705,727	896,693	97,602,420	82,817,947	550,054	83,368,001
Others	11,389,935	9,126,048	20,515,983	10,802,035	8,189,454	18,991,489
	734,720,068	119,598,088	854,318,156	673,189,534	99,890,791	773,080,325
Financial institutions						
Current deposits	1,291,737	689,257	1,980,994	1,284,400	358,311	1,642,711
Savings deposits	11,178,638	17	11,178,655	11,836,148	15	11,836,163
Term deposits	677,000	519,216	1,196,216	289,001	454,768	743,769
Current deposits - remunerative	4,309,217	2,706,674	7,015,891	7,226,357	2,285,052	9,511,409
Others	100	-	100	86,148	-	86,148
	17,456,692	3,915,164	21,371,856	20,722,054	3,098,146	23,820,200
	752,176,760	123,513,252	875,690,012	693,911,588	102,988,937	796,900,525

	Note	(Un-audited)	(Audited)
		30 June 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	3,999,200	4,000,000
		14,994,400	14,996,000



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	No 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% each; 114th and 120th month: 49.82% 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)
30 June	31 December
2019	2018
(Rupees in '000)	

18. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on:

Accelerated tax depreciation	941,387	1,042,090
Surplus on revaluation of fixed assets / non - banking assets	1,004,054	1,023,644
Remeasurement of defined benefit plan	246,397	246,397
	2,191,838	2,312,131

Deductible Temporary Differences on:

Provision against diminution in the value of investments	(571,075)	(181,518)
Provision against loans and advances, off balance sheet, etc.	(190,105)	(5,555)
Impairment as per IFRS 9 in overseas branches	(99,866)	(78,217)
Surplus on revaluation of held for trading investments	-	(7,671)
Surplus on revaluation of available for sale investments	(873,669)	(688,967)
	(1,734,715)	(961,928)
	457,123	1,350,203



	(Un-audited) 30 June 2019	(Audited) 31 December 2018
Note	(Rupees in '000)	
19. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	3,563,854	2,973,219
Mark-up / return / interest payable in foreign currencies	278,097	231,537
Unearned commission income	243,181	204,609
Accrued expenses	1,329,000	1,026,805
Acceptances	32,940,979	28,771,029
Unclaimed dividends	443,686	415,647
Mark to market loss on forward foreign exchange contracts	2,392,354	614,896
Branch adjustment account	1,014,956	717,339
Payable to defined benefit plan	907,992	703,992
Charity payable	24,843	14,218
Provision against off - balance sheet items	19.1 135,725	116,600
Security deposits against leases / ijarah	6,359,397	5,940,336
Provision for compensated absences	636,390	585,739
Special exporters' accounts in foreign currencies	82,544	41,936
Other security deposits	563,854	506,331
Workers' welfare fund	1,520,275	1,303,162
Payable to supplier against murabaha	316,780	44,886
Payable against purchase of securities	1,295	22,083
Insurance payable	490,468	490,757
Lease liability against right-of-use assets	7,213,569	-
Others	911,259	1,073,434
	<u>61,370,498</u>	<u>45,798,555</u>
19.1 Provision against off-balance sheet obligations		
Opening balance	116,600	160,838
Exchange adjustment against IFRS 9 in overseas branches	11,230	12,263
Charge for the period / year	50,021	13,827
Reversals for the period / year	(42,126)	(70,328)
	7,895	(56,501)
Closing balance	<u>135,725</u>	<u>116,600</u>



	(Un-audited) 30 June 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 (2,496,197)	(1,968,476)
- Fixed Assets	5,550,282	5,605,295
- Non-banking assets acquired in satisfaction of claims	35,445	36,408
	3,089,530	3,673,227
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	(873,669)	(688,967)
- Fixed Assets	1,068,523	1,087,778
- Non-banking assets acquired in satisfaction of claims	5,877	6,214
	200,731	405,025
	2,888,799	3,268,202
21. CONTINGENCIES AND COMMITMENTS		
Guarantees	21.1 72,466,935	66,873,212
Commitments	21.2 204,602,755	217,907,165
Other contingent liabilities	21.3 4,656,579	4,716,420
	281,726,269	289,496,797
21.1 Guarantees:		
Financial guarantees	10,010,298	9,633,948
Performance guarantees	62,456,637	57,239,264
	72,466,935	66,873,212
21.2 Commitments:		
Documentary credits and short-term trade-related transactions		
- letters of credit	115,552,518	109,275,067
Commitments in respect of:		
- forward foreign exchange contracts	21.2.1 87,544,505	103,620,742
- forward lending	21.2.2 500,000	3,916,624
Commitments for acquisition of:		
- Fixed assets	1,005,732	1,094,732
	204,602,755	217,907,165
21.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	56,909,781	70,584,095
Sale	30,634,724	33,036,647
	87,544,505	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	500,000	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) 30 June 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 completed upto tax year 2016.

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. 662.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Deputy Commissioner Inland Revenue has finalized order u/s. 122(5A) 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 order u/s. 122(5A) 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.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2016 (Accounting Year 2015) by disallowing certain expenses resulting in an impact of Rs. 305.179 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Deputy Commissioner Inland Revenue has 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 (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. The Bank has filed an appeal before Appellate Tribunal (Punjab Revenue Authority).

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 favourable outcome of the above matters.



		(Un-audited) Half year ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
	Note		
22. MARK - UP / RETURN / INTEREST EARNED			
On loans and advances		22,783,307	11,551,419
On investments		20,660,136	15,600,706
On deposits with financial institutions		268,674	140,470
On securities purchased under resale agreements		1,181,711	83,154
On call money lendings		154,122	186
		<u>45,047,950</u>	<u>27,375,935</u>
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		21,168,390	10,441,264
Borrowings from SBP		546,772	455,074
Subordinated debt		867,625	410,000
Cost of foreign currency swaps		623,429	228,904
Repurchase agreement borrowings		1,839,822	771,926
Mark-up expense on lease liability against right-of-use assets		344,367	-
Other borrowings		133,963	154,005
		<u>25,524,368</u>	<u>12,461,173</u>
24. FEE AND COMMISSION INCOME			
Branch banking customer fees		542,744	298,223
Consumer finance related fees		24,024	23,117
Card related fees (debit and credit cards)		225,006	276,290
Credit related fees		77,744	104,289
Commission on trade		1,666,215	1,235,783
Commission on guarantees		195,117	172,431
Commission on cash management		97,754	83,316
Commission on home remittances		24,725	17,324
Others		9,807	5,409
		<u>2,863,136</u>	<u>2,216,182</u>
25. (LOSS) / GAIN ON SECURITIES - NET			
Realised	25.1	(65,786)	38,011
Unrealised - held for trading		-	(14,512)
		<u>(65,786)</u>	<u>23,499</u>
25.1 Realised gain on:			
Federal Government Securities		100	1,252
Shares		(65,886)	36,609
Non Government Debt Securities		-	150
		<u>(65,786)</u>	<u>38,011</u>
26. OTHER INCOME			
Rent on property		1,050	1,050
Gain on sale of fixed assets - net		145,844	62,270
Recovery of expenses from customers		137,793	143,918
Lockers rent		4,847	3,268
Others		1,709	2,924
		<u>291,243</u>	<u>213,430</u>



	(Un-audited)	
	Half year ended	
	30 June 2019	30 June 2018
	(Rupees in '000)	
27. OPERATING EXPENSES		
Total compensation expenses	5,871,933	4,921,906
Property expenses		
Rent & taxes	211,590	750,036
Insurance	8,922	13,049
Utilities cost	425,150	361,953
Security (including guards)	418,463	416,363
Repair & maintenance (including janitorial charges)	101,038	86,718
Depreciation	1,068,427	339,340
Amortisation	3,805	3,805
	2,237,395	1,971,264
Information technology expenses		
Software maintenance	3,300	707
Hardware maintenance	183,117	169,665
Depreciation	144,256	119,046
Amortisation	69,647	54,958
Network charges	194,326	136,344
	594,646	480,720
Other operating expenses		
Directors' fees and allowances	22,300	19,175
Fees and allowances to Shariah Board	4,881	3,274
Insurance	177,460	108,745
Legal & professional charges	91,209	74,148
Outsourced services costs	761,496	611,413
Traveling & conveyance	112,217	106,242
NIFT & other clearing charges	55,150	56,951
Depreciation	672,083	575,712
Repair and maintenance	564,633	560,197
Training & development	26,230	31,144
Postage & courier charges	89,573	84,425
Communication	134,435	121,456
Stationery & printing	354,429	301,100
Marketing, advertisement & publicity	128,936	174,309
Donations	36,500	28,800
Auditors Remuneration	2,255	1,579
Commission and brokerage	103,928	83,054
Entertainment and staff refreshment	140,399	134,031
Vehicle running expenses	395,917	288,097
Subscriptions and publications	67,968	47,289
CNIC verification charges	48,083	35,188
Security charges	123,173	110,600
Others	106,691	135,972
	4,219,946	3,692,901
	12,923,920	11,066,791



		(Un-audited) Half year ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
28. OTHER CHARGES			
	Penalties imposed by the State Bank of Pakistan	<u>34,481</u>	<u>2,551</u>
29. PROVISIONS / (REVERSALS) & WRITE OFFS - NET			
	Provision for diminution in value of investments	9.2 1,104,165	198,474
	Provision / (reversal) against loans and advances - net	10.3 1,041,871	(268,977)
	Provision / (reversal) against off - balance sheet items	19.1 7,895	(41,640)
	Provision / (reversal) against other assets	13.1.1 279	(51)
		<u>2,154,210</u>	<u>(112,194)</u>
30. TAXATION			
	Current	4,220,997	2,908,051
	Prior years	571,907	-
	Deferred	(708,379)	(25,029)
		<u>4,084,525</u>	<u>2,883,022</u>
30.1	The Finance Supplementary (Second Amendment) Act 2019 has reversed the phase-wise reduction in rate of Super Tax for banking companies from 4% to 3% and further levied an additional Super Tax charge at 4% for Tax Year 2018 (Accounting Year 2017), which was previously not chargeable resulting in additional Super Tax charge of Rs. 571.907 million in the current period. The aggregate Super Tax charge for the half year ended June 30, 2019 is Rs. 1,004.829 million.		
31. BASIC AND DILUTED EARNINGS PER SHARE			
	Profit for the period	<u>4,461,113</u>	<u>4,201,012</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>4.01</u>	<u>3.78</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:

	30 June 2019 (Un-audited)			Total
	Level 1	Level 2	Level 3	
(Rupees in '000)				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	359,899,243	-	359,899,243
Shares	4,382,594	-	-	4,382,594
Non-Government Debt Securities	2,916,417	2,027,076	-	4,943,493
Foreign Securities	-	2,761,684	-	2,761,684
Mutual funds	2,157,638	-	-	2,157,638
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	76,440,027	-	76,440,027
Non-Government Debt Securities	-	67,171	-	67,171
Foreign Securities	-	490,672	-	490,672
Associates				
Listed shares	517,654	-	-	517,654
Mutual funds	334,279	-	-	334,279
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	54,803,664	-	54,803,664
Forward sale of foreign exchange contracts	-	(25,337,922)	-	(25,337,922)



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
Non-Government Debt Securities	–	86,213	–	86,213
Foreign Securities	–	–	–	–
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	–	70,000,984	–	70,000,984
Forward sale of foreign exchange contracts	–	(31,934,300)	–	(31,934,300)

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:

	Half year ended 30 June 2019 (Un-audited)		
	Commercial banking	Retail banking (Rupees in '000)	Total
Profit & Loss			
Net mark-up / return / profit	41,007,177	4,040,773	45,047,950
Inter segment revenue - net	–	14,381,651	14,381,651
Non mark-up / return / interest income	1,801,947	2,549,833	4,351,780
Total Income	42,809,124	20,972,257	63,781,381
Segment direct expenses	(21,423,707)	(17,276,175)	(38,699,882)
Inter segment expense allocation	(14,381,651)	–	(14,381,651)
Total expenses	(35,805,358)	(17,276,175)	(53,081,533)
Provisions	(2,154,210)	–	(2,154,210)
Profit before tax	4,849,556	3,696,082	8,545,638
As at 30 June 2019 (Un-audited)			
(Rupees in '000)			
Balance Sheet			
Cash & Bank balances	92,980,595	16,128,888	109,109,483
Lending to financial institutions	2,296,274	–	2,296,274
Investments	451,985,601	–	451,985,601
Net inter segment lending	–	519,987,929	519,987,929
Advances - performing	427,878,155	74,360,415	502,238,570
- non-performing	976,829	30,958	1,007,787
Others	81,487,063	14,135,162	95,622,225
Total Assets	1,057,604,517	624,643,352	1,682,247,869
Borrowings	136,958,233	–	136,958,233
Subordinated debt	14,994,400	–	14,994,400
Deposits & other accounts	315,967,354	559,722,658	875,690,012
Net inter segment borrowing	519,987,929	–	519,987,929
Others	29,924,391	52,983,620	82,908,011
Total liabilities	1,017,832,307	612,706,278	1,630,538,585
Equity	39,772,210	11,937,074	51,709,284
Total Equity & liabilities	1,057,604,517	624,643,352	1,682,247,869
Contingencies & Commitments	187,948,623	70,830	188,019,453



Half year ended 30 June 2018 (Un-audited)

	Commercial banking	Retail banking	Total
	(Rupees in '000)		
Profit & Loss			
Net mark-up / return / profit	24,642,478	2,733,457	27,375,935
Inter segment revenue - net	–	10,856,399	10,856,399
Non mark-up / return / interest income	2,017,473	1,256,755	3,274,228
Total Income	26,659,951	14,846,611	41,506,562
Segment direct expenses	(10,964,440)	(12,713,883)	(23,678,323)
Inter segment expense allocation	(10,856,399)	–	(10,856,399)
Total expenses	(21,820,839)	(12,713,883)	(34,534,722)
Provisions	94,634	17,560	112,194
Profit before tax	4,933,746	2,150,288	7,084,034

As at 30 June 2018 (Un-audited)

	(Rupees in '000)		
Balance Sheet			
Cash & Bank balances	57,724,906	13,992,915	71,717,821
Lending to financial institutions	–	–	–
Investments	439,969,701	–	439,969,701
Net inter segment lending	–	693,690,440	693,690,440
Advances - performing	357,334,553	86,835,992	444,170,545
- non-performing	977,015	21,203	998,218
Others	64,091,029	15,536,108	79,627,137
Total Assets	920,097,204	810,076,658	1,730,173,862
Borrowings	157,146,695	–	157,146,695
Subordinated debt	10,996,800	–	10,996,800
Deposits & other accounts	17,289,355	731,506,499	748,795,854
Net inter segment borrowing	693,690,440	–	693,690,440
Others	3,378,506	69,850,758	73,229,264
Total liabilities	882,501,796	801,357,257	1,683,859,053
Equity	37,595,408	8,719,401	46,314,809
Total Equity & liabilities	920,097,204	810,076,658	1,730,173,862
Contingencies & Commitments	174,602,415	23,025	174,625,440



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

	30 June 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	19,817	133,339	4,211,687	20,200,020	-	34,176	51,761	6,894,120	32,726,863	-
Repaid during the period / year	(20,897)	(106,809)	(4,205,336)	(19,404,315)	-	(33,840)	(50,433)	(6,894,120)	(33,142,946)	-
Closing balance	233	79,787	6,351	2,154,764	-	1,313	53,257	-	1,359,059	-
Operating Fixed Assets										
Right of Use	-	-	-	8,649	-	-	-	-	-	-
Other Assets										
Interest / mark-up accrued	-	-	-	1,199	-	-	32	-	4,216	-
L/C acceptances	-	-	-	695,425	-	-	-	-	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	3,914,460	1,522,264	3,983,505	55,837,150	17,457,312	3,185,597	2,384,155	6,276,995	101,140,451	33,145,306
Withdrawn during the period / year	(3,518,583)	(1,796,600)	(3,982,400)	(56,996,196)	(17,494,937)	(3,419,671)	(2,148,735)	(6,271,184)	(100,285,529)	(34,020,945)
Closing balance	983,329	542,070	48,849	3,717,787	499,176	587,452	816,406	47,744	4,876,833	536,801
Other Liabilities										
Interest / mark-up payable	4,803	2,721	11	19,583	2,657	652	2,240	9	20,861	6,897
Payable to staff retirement fund	-	-	-	-	907,992	-	-	-	-	703,992
L/C acceptances	-	-	-	695,425	-	-	-	-	532,718	-
Other liabilities	425	183	366	-	-	-	-	630	-	-
Contingencies and Commitments										
	-	-	-	1,563,869	-	-	-	-	729,458	-
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	872,440	3,605,000	-	-	370,000	416,000	15,445,000
Decreased during the period / year	(30,000)	-	(85,000)	(580,100)	(6,765,000)	-	-	(365,000)	(236,000)	(11,140,000)
Closing balance	-	-	85,000	493,340	4,972,000	-	-	85,000	201,000	8,132,000



34.1 RELATED PARTY TRANSACTIONS

	30 June 2019 (Un-audited)					30 June 2018 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Income										
Mark-up / return / interest earned	–	2,516	180	115,737	–	–	1,502	34	38,596	–
Fee and commission income	13	59	10	8,729	–	8	18	1	3,704	–
Dividend income	–	–	–	46,050	–	–	–	–	16,477	–
Net gain / (loss) on sale / redemption of securities / Mutual funds	–	–	–	–	–	–	–	–	–	(16)
Other income	1	–	1,442	149	82	–	–	1,445	93	74
Expense										
Mark-up / return / interest expensed	32,758	18,638	2,617	120,812	42,648	16,109	12,994	450	77,036	30,794
Operating expenses	–	–	1,448	3,041	–	–	–	1,572	480	–
Salaries and allowances	–	248,475	–	–	–	–	202,426	–	–	–
Bonus	–	25,981	–	–	–	–	19,751	–	–	–
Contribution to defined contribution plan	–	12,359	–	–	–	–	8,935	–	–	–
Contribution to defined benefit plan	–	43,849	–	–	–	–	31,480	–	–	–
Staff provident fund	–	–	–	–	262,257	–	–	–	–	220,536
Staff gratuity fund	–	–	–	–	204,000	–	–	–	–	156,000
Directors' Fees	21,850	–	–	–	–	18,725	–	–	–	–
Donation	–	–	–	3,000	–	–	–	–	1,500	–
Insurance premium paid	–	–	–	120,963	–	–	–	–	122,964	–
Insurance claims settled	–	–	–	20,495	–	–	–	–	11,873	–



35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	11,114,254	11,114,254
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	44,725,354	43,278,088
Eligible Additional Tier 1 (ADT 1) Capital	6,750,000	6,750,000
Total Eligible Tier 1 Capital	51,475,354	50,028,088
Eligible Tier 2 Capital	14,669,300	14,242,570
Total Eligible Capital (Tier 1 + Tier 2)	66,144,654	64,270,658
Risk Weighted Assets (RWAs):		
Credit Risk	432,578,291	408,701,591
Market Risk	6,983,113	8,590,756
Operational Risk	61,440,341	61,440,341
Total	501,001,745	478,732,688
Common Equity Tier 1 Capital Adequacy ratio	8.927%	9.040%
Tier 1 Capital Adequacy Ratio	10.274%	10.450%
Total Capital Adequacy Ratio	13.202%	13.425%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	51,475,354	50,028,088
Total Exposures	1,331,268,326	1,230,510,528
Leverage Ratio	3.867%	4.066%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	375,510,771	360,946,772
Total Net Cash Outflow	126,181,607	111,556,296
Liquidity Coverage Ratio	297.595%	323.556%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	781,772,835	707,901,854
Total Required Stable Funding	525,261,246	482,005,370
Net Stable Funding Ratio	148.835%	146.866%



36. ISLAMIC BANKING BUSINESS

The Bank is operating 71 (31 December 2018: 71) Islamic banking branches and 141 (31 December 2018: 132) Islamic banking windows at the end of the period / year.

	Note	(Un-audited) 30 June 2019	(Audited) 31 December 2018
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		4,536,934	3,814,608
Balances with other banks		4,093,232	5,164,063
Due from financial institutions	36.1	2,296,274	–
Investments	36.2	19,533,779	15,158,233
Islamic financing and related assets - net	36.3	50,986,513	49,690,533
Fixed assets		353,108	326,841
Intangible assets		–	–
Due from Head Office		–	–
Other assets		4,912,676	4,124,660
Total Assets		86,712,516	78,278,938
LIABILITIES			
Bills payable		19,598	21,052
Due to financial institutions		7,366,873	6,438,783
Deposits and other accounts	36.4	66,206,504	57,230,315
Due to Head Office		1,129,867	2,199,047
Subordinated debt		–	–
Other liabilities		4,222,476	5,289,933
		(78,945,318)	(71,179,130)
NET ASSETS		7,767,198	7,099,808
REPRESENTED BY			
Islamic Banking Fund		6,800,000	6,200,000
Reserves		–	–
Deficit on revaluation of assets		(174,593)	(28,940)
Unremitted profit	36.8	1,141,791	928,748
		7,767,198	7,099,808
CONTINGENCIES AND COMMITMENTS	36.5		



The profit and loss account of the Bank's Islamic banking branches for the half year ended 30 June 2019 is as follows:

	Note	(Un-audited) Half year ended	
		30 June 2019	30 June 2018
(Rupees in '000)			
Profit / return earned	36.6	3,626,122	1,570,781
Profit / return expensed	36.7	(1,834,151)	(672,375)
Net Profit / return		1,791,971	898,406
Other income			
Fee and commission income		111,622	85,003
Dividend income		3,011	3,528
Foreign exchange income		34,406	25,940
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income		49,564	18,447
Total other income		198,603	132,918
Total income		1,990,574	1,031,324
Other expenses			
Operating expenses		(826,774)	(623,609)
Other charges		-	-
Total other expenses		(826,774)	(623,609)
Profit before provisions		1,163,800	407,715
Provisions and write offs - net		(22,009)	(7,421)
Profit for the period		1,141,791	400,294
		(Un-audited) 30 June 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	2,296,274	-

36.1.1 Securities held as collateral against amounts due from financial institutions

	30 June 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	2,296,274	-	2,296,274	-	-	-

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



30 June 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	-	(78,000)	1,922,000	4,152,910	-	(39,979)	4,112,931
- Neelum Jhelum Hydropower Co Ltd. Sukuk	4,812,500	-	-	4,812,500	5,156,250	-	-	5,156,250
- Bai Muajjal with Government of Pakistan	9,532,368	-	-	9,532,368	2,386,820	-	-	2,386,820
	<u>16,344,868</u>	<u>-</u>	<u>(78,000)</u>	<u>16,266,868</u>	<u>11,695,980</u>	<u>-</u>	<u>(39,979)</u>	<u>11,656,001</u>

Shares

- Listed Companies	97,442	(50,758)	-	46,684	97,442	(41,345)	3,596	59,693
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Non Government Debt Securities

- Listed	1,545,058	-	(96,593)	1,448,465	1,635,901	-	7,444	1,643,345
- Unlisted	1,715,526	-	-	1,715,526	1,734,101	-	-	1,734,101
	<u>3,260,584</u>	<u>-</u>	<u>(96,593)</u>	<u>3,163,991</u>	<u>3,370,002</u>	<u>-</u>	<u>7,444</u>	<u>3,377,446</u>

Units of mutual funds

	100,000	(43,764)	-	56,236	100,000	(34,907)	-	65,093
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Total Investments

	<u>19,802,894</u>	<u>(94,522)</u>	<u>(174,593)</u>	<u>19,533,779</u>	<u>15,263,424</u>	<u>(76,252)</u>	<u>(28,939)</u>	<u>15,158,233</u>
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(Un-audited)
30 June
2019
(Audited)
31 December
2018
(Rupees in '000)

36.3 Islamic financing and related assets

Ijarah	2,687,559	2,854,541
Murabaha	9,966,363	10,034,698
Diminishing Musharaka	15,376,130	15,868,804
Istisna	2,125,947	1,471,282
Islamic Export Refinance - Istisna	1,428,000	1,523,700
Musawamah	3,152,433	3,166,895
Running Musharaka	3,407,305	4,271,620
Islamic Export Refinance - Running Musharaka	1,500,000	1,000,000
Staff Financing	332,425	210,540
Advance against Musawamah	1,277,024	1,079,782
Advance against Istisna	3,333,042	4,127,286
Advance against Istisna - IERF	3,469,950	2,600,100
Advance against Ijarah	135,506	305,071
Advance against Diminishing Musharaka	642,861	884,300
Advance against ILTFF	838,444	-
Financing against Bills Musawamah	1,343,715	318,366
Gross Islamic financing and related assets	<u>51,016,704</u>	<u>49,716,985</u>
Less: provision against Islamic financings		
- Specific	7,732	4,187
- General	22,459	22,265
	<u>(30,191)</u>	<u>(26,452)</u>
Islamic financing and related assets - net of provision	<u>50,986,513</u>	<u>49,690,533</u>



	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
36.4 Deposits and other accounts		
Customers		
Current deposits	21,872,687	20,283,223
Savings deposits	22,550,081	17,878,029
Term deposits	10,416,833	7,299,391
	<u>54,839,601</u>	<u>45,460,643</u>
Financial institutions		
Current deposits	13,692	25,342
Savings deposits	11,353,211	11,744,330
	<u>11,366,903</u>	<u>11,769,672</u>
	<u>66,206,504</u>	<u>57,230,315</u>
36.5 CONTINGENCIES AND COMMITMENTS		
Guarantees	2,633,773	2,573,724
Commitments	4,967,661	5,766,253
	<u>7,601,434</u>	<u>8,339,977</u>
	(Un-audited) Half year ended	
	30 June 2019	30 June 2018
	(Rupees in '000)	
36.6 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	2,360,971	1,171,892
Investments	1,009,123	362,714
Placements	256,028	36,175
	<u>3,626,122</u>	<u>1,570,781</u>
36.7 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	1,740,539	606,970
Due to Financial Institutions	71,987	47,225
Due to Head Office	21,625	18,180
	<u>1,834,151</u>	<u>672,375</u>



	(Un-audited) 30 June 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	1,141,791	928,748
Less: Remitted to Head Office	(928,748)	(422,821)
Closing Balance	<u>1,141,791</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

	30 June 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	2,405,685	878,875	36.53%	222,192	25.28%
FCY Pool	10,035	9,540	95.07%	440	4.61%
	30 June 2018 (Un-audited)				
LCY Pool	1,004,554	442,463	44.05%	66,259	14.98%
FCY Pool	6,085	5,779	94.97%	319	5.52%

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

	(Un-audited) Half year ended	
	30 June 2019 (Percentage)	30 June 2018 (Percentage)
Profit rate earned	9.95%	6.29%
Profit rate distributed	6.16%	3.27%

37. GENERAL

37.1 Captions in respect of which there are no amounts, have not been reproduced in these unconsolidated condensed interim 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 unconsolidated condensed interim 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 21 August 2019.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Company



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	(Un-audited) 30 June 2019	(Audited) 31 December 2018
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	6 98,011,663	74,432,185
Balances with other banks	7 11,099,778	8,010,940
Lendings to financial institutions	8 2,296,274	-
Investments	9 452,335,275	414,981,145
Advances	10 503,239,548	478,214,653
Fixed assets	11 34,322,780	26,192,997
Intangible assets	12 240,341	170,863
Deferred tax assets	-	-
Other assets	13 61,191,996	46,723,577
	1,162,737,655	1,048,726,360
LIABILITIES		
Bills payable	14 21,080,390	20,603,682
Borrowings	15 136,958,233	119,038,358
Deposits and other accounts	16 875,641,919	796,851,867
Liabilities against assets subject to finance lease	-	-
Subordinated debt	17 14,994,400	14,996,000
Deferred tax liabilities	18 451,342	1,344,621
Other liabilities	19 61,485,155	45,896,782
	1,110,611,439	998,731,310
NET ASSETS	52,126,216	49,995,050
REPRESENTED BY:		
Share capital	11,114,254	11,114,254
Reserves	16,021,715	14,757,530
Surplus on revaluation of assets	20 2,991,546	3,375,368
Unappropriated profit	21,898,803	20,641,220
Equity attributable to the shareholders of the Holding Company	52,026,318	49,888,372
Non-controlling interest	21 99,898	106,678
Total equity	52,126,216	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

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Note	Half year ended		Three months period ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		(Rupees in '000)			
Mark-up / return / interest earned	23	45,055,051	27,380,349	23,539,968	14,176,959
Mark-up / return / interest expensed	24	(25,523,240)	(12,460,720)	(13,860,295)	(6,287,647)
Net mark-up / interest income		19,531,811	14,919,629	9,679,673	7,889,312
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	2,879,757	2,233,380	1,488,158	1,194,652
Dividend income		139,338	161,613	80,839	110,949
Foreign exchange income		1,078,675	645,186	814,006	403,174
Income / (loss) from derivatives		—	—	—	—
(Loss) / gain on securities - net	26	(65,786)	27,179	(77,612)	(8,387)
Share of profit from associates		37,333	33,020	16,912	29,945
Other income	27	289,932	213,970	154,139	107,232
Total non mark-up / interest income		4,359,249	3,314,348	2,476,442	1,837,565
Total income		23,891,060	18,233,977	12,156,115	9,726,877
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	28	(12,955,568)	(11,095,389)	(6,492,659)	(5,753,598)
Workers welfare fund		(217,113)	(147,808)	(113,251)	(77,162)
Other charges	29	(34,481)	(2,551)	(23,988)	(2,549)
Total non mark-up / interest expenses		(13,207,162)	(11,245,748)	(6,629,898)	(5,833,309)
Profit before provisions		10,683,898	6,988,229	5,526,217	3,893,568
(Provision) / reversals and write offs - net	30	(2,154,210)	114,054	(1,429,569)	(180,228)
Extra ordinary / unusual items		—	—	—	—
PROFIT BEFORE TAXATION		8,529,688	7,102,283	4,096,648	3,713,340
Taxation	31	(4,087,080)	(2,888,707)	(1,703,443)	(1,568,975)
PROFIT AFTER TAXATION		4,442,608	4,213,576	2,393,205	2,144,365
Attributable to:					
Shareholders of the Holding company		4,445,874	4,214,902	2,395,086	2,144,035
Non-controlling interest		(3,266)	(1,326)	(1,881)	330
		4,442,608	4,213,576	2,393,205	2,144,365
(Rupees)					
Basic and diluted earnings per share attributable to the equity holders of the Holding company	32	4.00	3.79	2.15	1.93

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

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Half year ended		Three months period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	(Rupees in '000)			
Profit after taxation for the period	4,442,608	4,213,576	2,393,205	2,144,365
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	818,074	383,552	733,845	193,344
Movement in deficit on revaluation of investments - net of tax	(350,952)	(651,473)	(838,881)	(502,141)
	467,122	(267,921)	(105,036)	(308,797)
<i>Items that will not be reclassified to profit and loss account in subsequent periods</i>	-	-	-	-
Total comprehensive income	4,909,730	3,945,655	2,288,169	1,835,568
Attributable to:				
Shareholders of the Holding company	4,916,510	3,948,971	2,295,601	1,843,314
Non-controlling interest	(6,780)	(3,316)	(7,432)	(7,746)
	4,909,730	3,945,655	2,288,169	1,835,568

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

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Attributable to the shareholders of the Holding Company										Total
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Sub-total	Non-controlling interest	
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets				
	(Rupees in '000)										
Balance as at 01 January 2018	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 half year ended 30 June 2018:											
Profit after taxation	-	-	-	-	-	-	-	4,214,902	4,214,902	(1,326)	4,213,576
Other comprehensive income - net of tax	-	-	383,552	-	-	(649,483)	-	-	(265,931)	(1,990)	(267,921)
Transfer to statutory reserve	-	420,101	-	-	-	-	-	(420,101)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(36,234)	36,234	-	-	-
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 30 June 2018	11,114,254	12,321,128	795,962	126,500	540,000	291,450	4,584,246	16,865,455	46,638,995	117,163	46,756,158
Comprehensive income for the half year ended 31 December 2018:											
Profit after taxation	-	-	-	-	-	-	-	4,242,939	4,242,939	(3,860)	4,239,079
Other comprehensive income - net of tax	-	-	552,275	-	-	(1,463,793)	-	(82,044)	(993,562)	(6,625)	(1,000,187)
Transfer to statutory reserve	-	421,665	-	-	-	-	-	(421,665)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(36,535)	36,535	-	-	-
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 half year ended 30 June 2019:											
Profit after taxation	-	-	-	-	-	-	-	4,445,874	4,445,874	(3,266)	4,442,608
Other comprehensive income - net of tax	-	-	818,074	-	-	(347,438)	-	-	470,636	(3,514)	467,122
Transfer to statutory reserve	-	446,111	-	-	-	-	-	(446,111)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(36,384)	36,384	-	-	-
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 30 June 2019 - un-audited	11,114,254	13,188,904	2,166,311	126,500	540,000	(1,519,781)	4,511,327	21,898,803	52,026,318	99,898	52,126,216

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

ANWAR HAJI KARIM <i>Director</i>	MANSOOR ALI KHAN <i>Chief Executive</i>	SYED MAZHAR ABBAS <i>Director</i>	ASHAR HUSAIN <i>Chief Financial Officer</i>	ABBAS D. HABIB <i>Chairman</i>
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**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Note	30 June 2019 (Rupees in '000)	30 June 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		8,529,688	7,102,283
Less: Dividend income		(139,338)	(161,613)
		8,390,350	6,940,670
Adjustments:			
Depreciation		1,212,180	1,034,936
Depreciation on right-of-use assets		673,743	-
Amortisation		73,822	59,320
Provisions / (reversals) and write-offs	30	2,154,210	(114,054)
Gain on sale of fixed assets		(145,861)	(62,312)
Charge for defined benefit plan		204,000	156,000
Loss / (gain) on securities - net		65,786	(27,179)
Share of profit from associates		(37,333)	(33,020)
Charge for compensated absences		48,777	42,544
Mark-up expense on lease liability against right-of-use assets		344,367	-
		4,593,691	1,056,235
		12,984,041	7,996,905
(Increase) / decrease in operating assets			
Lendings to financial institutions		(2,296,274)	-
Held-for-trading securities		197,562	33,776
Advances		(26,066,766)	(105,218,960)
Other assets (excluding advance taxation)		(15,341,930)	(12,551,716)
		(43,507,408)	(117,736,900)
Increase in operating liabilities			
Bills payable		476,708	1,615,176
Borrowings from financial institutions		16,686,300	23,394,332
Deposits		78,790,052	56,224,354
Other liabilities		8,086,093	10,580,065
		104,039,153	91,813,927
		73,515,786	(17,926,068)
		(4,557,759)	(4,136,254)
Income tax paid			
Net cash generated from / (used in) operating activities		68,958,027	(22,062,322)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(8,928,434)	35,109,851
Net investments in held to maturity securities		(30,338,643)	(242,817)
Net investments in associates		46,050	(4,523)
Dividends received		95,651	164,308
Investments in operating fixed assets		(2,031,248)	(3,549,878)
Proceeds from sale of fixed assets		164,825	74,628
Exchange differences on translation of net investment in foreign operations		818,074	383,552
Net cash (used in) / generated from investing activities		(40,173,725)	31,935,121
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(1,600)	(800)
Dividend paid		(2,750,525)	(3,218,591)
Payments of lease liabilities		(597,436)	-
Net cash used in financing activities		(3,349,561)	(3,219,391)
		25,434,741	6,653,408
Increase in cash and cash equivalents		82,096,704	64,645,552
Cash and cash equivalents at beginning of the period			
Cash and cash equivalents at end of the period		107,531,445	71,298,960

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

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2019**

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding company

- Bank AL Habib Limited

Subsidiaries

- 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 696 branches (31 December 2018: 684 branches), 37 sub-branches (31 December 2018: 37 sub-branches), 04 representative offices (31 December 2018: 04 representative offices) and 01 booth (31 December 2018: NIL). 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 International Accounting Standard (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 (ICAP), as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- 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 IAS 39, 'Financial Instruments: Recognition and Measurement' and 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 POLICIES

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 except as disclosed below.



3.1 During the period, SBP, vide its BPRD Circular Letter No. 05 dated March 22, 2019, issued the revised format for the preparation of the interim financial statements of the banks. New format is applicable for quarterly / half yearly periods beginning on or after January 01, 2019. The implementation of the revised format has resulted in certain changes to the presentation and disclosures of various elements of the interim financial statements.

3.2 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'.

Effective date (annual periods beginning on or after)

Standard, Interpretation or Ammendment

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

3.2.1 IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model.

The Bank has lease contracts for various properties. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease.

In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other asset and other liabilities, respectively.



Upon adoption of IFRS 16, the Bank applied the recognition and measurement approach of IFRS 16 for all leases, except for short-term leases and leases of low-value assets. The Bank has adopted modified retrospective approach upon transition to IFRS 16. The standard also provides practical expedients, which has been applied by the Bank.

Accordingly, the Bank recognised right-of-use assets and lease liabilities for those leases where the Bank is the lessee and which were previously accounted for as operating leases. The right-of-use assets and lease liabilities were recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.

	As at June 30, 2019	As at January 01, 2019
	(Rupees in '000)	
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	7,465,781	8,139,524
Decrease in other assets - advances, deposits, advance rent and other prepayments	(498,549)	(672,886)
Increase in other assets - advance taxation	124,527	-
Increase in total assets	7,091,759	7,466,638
Increase in other liabilities - lease liability against right-of-use assets / other payable	(7,286,532)	(7,466,638)
Decrease in net assets	(194,773)	-
Impact on Profit and Loss account		
Increase in mark-up expense - lease liability against right-of-use assets (Increase) / decrease in administrative expenses		(344,367)
- Depreciation on right-of-use assets		(673,743)
- Rent expense		698,810
		25,067
Decrease in profit before tax		(319,300)
Decrease in tax		124,527
Decrease in profit after tax		(194,773)



3.3 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'.

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

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

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	17,850,479	16,653,040
Foreign currencies	3,396,084	1,566,662
	21,246,563	18,219,702
In transit:		
Local currency	1,545,868	106,914
Foreign currencies	1,689,634	26,856
	3,235,502	133,770
With State Bank of Pakistan in:		
Local currency current account	34,435,123	31,352,756
Local currency current account - Islamic Banking	3,049,463	2,556,444
Foreign currency deposit account		
Cash reserve account	3,337,087	2,916,100
Cash reserve / special cash reserve account		
- Islamic Banking	223,593	148,166
Special cash reserve account	10,011,259	8,757,757
Local US Dollar collection account	66,474	84,470
	51,122,999	45,815,693
With National Bank of Pakistan in:		
Local currency current account	12,669,432	10,220,736
Prize bonds	9,737,167	42,284
	98,011,663	74,432,185
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	447,187	353,686
In deposit account	4,279,372	5,364,409
	4,726,559	5,718,095
Outside Pakistan:		
In current account	1,341,369	2,254,412
In deposit account	5,031,852	38,435
	6,373,221	2,292,847
	11,099,780	8,010,942
Less: impairment against IFRS 9 in overseas branches	(2)	(2)
	11,099,778	8,010,940
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Bai Muajjal receivable		
- with the State Bank of Pakistan	2,296,274	-



9. INVESTMENTS

Note	30 June 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	-	-	-	-	285,368	-	(21,920)	263,448
Available-for-sale securities								
Federal Government Securities	362,190,903	(11,075)	(2,154,398)	360,025,430	354,754,071	(21,616)	(1,276,813)	353,455,642
Shares	4,806,481	(1,403,344)	(194,077)	3,209,060	4,781,741	(490,342)	(501,038)	3,790,361
Non Government Debt Securities	5,170,057	-	(126,597)	5,043,460	4,901,380	-	8,370	4,909,750
Foreign Securities	2,747,796	(13,047)	13,888	2,748,637	1,548,752	(8,041)	(45,710)	1,495,001
Units of mutual funds	2,175,000	(232,370)	(53,514)	1,889,116	2,175,000	(34,906)	(160,193)	1,979,901
	377,090,237	(1,659,836)	(2,514,698)	372,915,703	368,160,944	(554,905)	(1,975,384)	365,630,655
Held-to-maturity securities								
Federal Government Securities	77,924,173	(6,917)	-	77,917,256	48,049,798	(6,418)	-	48,043,380
Foreign Securities	483,809	-	-	483,809	-	-	-	-
Non Government Debt Securities	67,171	-	-	67,171	86,213	-	-	86,213
	78,475,153	(6,917)	-	78,468,236	48,136,011	(6,418)	-	48,129,593
Associates	951,336	-	-	951,336	957,449	-	-	957,449
Total Investments	<u>456,516,726</u>	<u>(1,666,753)</u>	<u>(2,514,698)</u>	<u>452,335,275</u>	<u>417,539,772</u>	<u>(561,323)</u>	<u>(1,997,304)</u>	<u>414,981,145</u>



	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
9.1.1 Investments given as collateral		
Market Treasury Bills		
Carrying value	76,589,890	56,804,498
Deficit	(740,077)	(31,410)
	75,849,813	56,773,088
9.2 Provision for diminution in the value of investments		
Available for sale investments:		
Opening balance	561,323	194,656
Exchange adjustments against IFRS 9 in overseas branches	3,819	13,721
Charge / reversals		
Charge for the period / year	1,110,466	384,007
Reversal of impairment as per IFRS 9 in overseas branches for the period / year	(8,855)	(31,061)
	1,101,611	352,946
Closing Balance	1,666,753	561,323
9.3 The market value of securities classified as held to maturity at 30 June 2019 amounted to Rs. 76,998 million (31 December 2018: Rs. 47,754 million).		



10. ADVANCES

	Performing		Non-Performing		Total	
	(Un-audited) 30 June 2019	(Audited) 31 December 2018	(Un-audited) 30 June 2019	(Audited) 31 December 2018	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	426,605,764	408,233,955	6,283,937	5,059,552	432,889,701	413,293,507
Islamic financing and related assets	51,005,180	49,708,261	11,524	8,724	51,016,704	49,716,985
Bills discounted and purchased	28,091,582	22,767,224	192,618	167,116	28,284,200	22,934,340
Advances - gross	505,702,526	480,709,440	6,488,079	5,235,392	512,190,605	485,944,832
Provision against advances						
- Specific	-	-	5,480,292	4,351,895	5,480,292	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	207,472	140,185	-	-	207,472	140,185
	3,470,765	3,378,284	5,480,292	4,351,895	8,951,057	7,730,179
Advances - net of provision	502,231,761	477,331,156	1,007,787	883,497	503,239,548	478,214,653
					(Un-audited) 30 June 2019	(Audited) 31 December 2018
					(Rupees in '000)	

10.1 Particulars of advances (Gross)

In local currency	442,872,446	428,995,587
In foreign currencies	69,318,159	56,949,245
	512,190,605	485,944,832

10.2 Advances include Rs. 6,488.079 million (31 December 2018: Rs. 5,235.392 million) which have been placed under non-performing status as detailed below:

Category of Classification	30 June 2019 (Un-audited)		31 December 2018 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	24,519	480	10,715	998
Substandard	136,040	31,603	44,963	10,869
Doubtful	649,446	310,281	1,621,874	796,947
Loss	3,755,455	3,743,541	2,496,394	2,481,635
	4,565,460	4,085,905	4,173,946	3,290,449
Overseas				
Overdue by:				
91 to 180 days	704,309	176,077	-	-
> 365 days	1,218,310	1,218,310	1,061,446	1,061,446
	1,922,619	1,394,387	1,061,446	1,061,446
Total	6,488,079	5,480,292	5,235,392	4,351,895



10.3 Particulars of provision against advances

Note	30 June 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	3,337,610	7,737,174
Exchange adjustments	156,980	23,177	180,157	218,348	26,933	245,281
Charge for the period / year						
- Specific provision	1,119,276	-	1,119,276	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	-	44,110	44,110	-	8,738	8,738
Reversals						
- Specific provision	(146,709)	-	(146,709)	(445,270)	-	(445,270)
	972,567	69,304	1,041,871	(90,309)	13,741	(76,568)
Amounts written off	(1,150)	-	(1,150)	(175,708)	-	(175,708)
Closing balance	5,480,292	3,470,765	8,951,057	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. 207.472 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 30 June 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) 30 June 2019 (Rupees in '000)	(Audited) 31 December 2018
11. FIXED ASSETS			
Capital work-in-progress	11.1	1,652,721	1,433,875
Property and equipment	11.2	32,670,059	24,759,122
		34,322,780	26,192,997
11.1 Capital work-in-progress			
Civil works		787,494	498,060
Advance payment towards suppliers, contractors and property		851,305	914,905
Consultants' fee and other charges		13,922	20,910
		1,652,721	1,433,875
11.2	This includes right-of-use assets amounting to Rs 7,465.781 million (31 December 2018: NIL) due to adoption of IFRS 16 as detailed in note 3.2.1.		
11.3 Additions to fixed assets			
		(Un-audited) Half year ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
The following additions have been made to operating fixed assets during the period:			
Capital work-in-progress		218,846	854,572
Property and equipment			
Leasehold land		597,059	643,311
Building on leasehold land		148,750	663,386
Furniture and fixture		116,851	117,436
Electrical, office and computer equipment		328,804	680,629
Vehicles		303,644	283,154
Improvement to leasehold building		177,799	125,943
		1,672,907	2,513,859
Total		1,891,753	3,368,431
11.4 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		2,068	2,104
Electrical, office and computer equipment		3,205	2,925
Vehicles		12,624	4,230
Improvement to leasehold building		1,067	3,057
Total		18,964	12,316



	(Un-audited) 30 June 2019 (Rupees in '000)	(Audited) 31 December 2018
12. INTANGIBLE ASSETS		
Computer software	237,841	168,363
TRE certificates	2,500	2,500
	<u>240,341</u>	<u>170,863</u>
	(Un-audited) Half year ended	
	30 June 2019	30 June 2018
	(Rupees in '000)	
12.1 Additions to intangible assets		
Directly purchased	<u>139,494</u>	<u>181,447</u>
	(Un-audited) 30 June 2019 (Rupees in '000)	(Audited) 31 December 2018
	Note	
13. OTHER ASSETS		
Income / mark-up accrued in local currency - net of provision	15,152,292	10,391,416
Income / mark-up accrued in foreign currencies - net of provision	512,732	390,718
Advances, deposits, advance rent and other prepayments	1,234,335	1,213,235
Advance taxation (payments less provisions)	1,248,076	1,484,911
Non-banking assets acquired in satisfaction of claims	797,610	800,040
Mark to market gain on forward foreign exchange contracts	5,576,995	1,133,980
Acceptances	32,940,979	28,771,029
Stationery and stamps on hand	385,217	218,772
Receivable from SBP	276,349	325,478
Non - refundable deposits	39,650	43,455
ATM settlement account	2,176,510	965,926
Receivable against securities	82,852	34,359
Others	740,241	921,129
	<u>61,163,838</u>	<u>46,694,448</u>
Less: Provision held against other assets	13.1 (7,287)	(7,279)
Other Assets (Net of Provision)	<u>61,156,551</u>	<u>46,687,169</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	35,445	36,408
Other Assets - total	<u>61,191,996</u>	<u>46,723,577</u>



	(Un-audited) 30 June 2019	(Audited) 31 December 2018
Note		
	(Rupees in '000)	
13.1 Provision held against other assets		
Receivable against consumer loans	13.1.1 <u>7,287</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	960	1,485
Reversals for the period / year	(681)	(605)
	279	880
Amount written off	(271)	(87)
Closing balance	<u>7,287</u>	<u>7,279</u>
14. BILLS PAYABLE		
In Pakistan	<u>21,080,390</u>	<u>20,603,682</u>
15. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Under export refinance scheme	35,500,258	33,445,797
Under renewable energy	4,065,241	3,885,244
Under long term financing for imported and locally manufactured plant and machinery	17,039,659	13,444,746
Under modernisation of small and medium enterprises	194,663	116,354
Under women entrepreneurship	14,333	8,476
Under financing facility for storage of agricultural produce	12,810	26,967
	56,826,964	50,927,584
Repurchase agreement borrowings	76,437,343	56,714,334
Total secured	<u>133,264,307</u>	<u>107,641,918</u>
Unsecured		
Call borrowings	1,100,000	1,500,000
Borrowings from financial institutions	1,013,930	9,550,019
Overdrawn nostro accounts	1,579,996	346,421
Total unsecured	<u>3,693,926</u>	<u>11,396,440</u>
	<u>136,958,233</u>	<u>119,038,358</u>



16. DEPOSITS AND OTHER ACCOUNTS

	30 June 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	286,720,449	37,255,743	323,976,192	259,924,538	27,655,719	287,580,257
Savings deposits	208,467,615	41,648,252	250,115,867	190,726,381	35,939,386	226,665,767
Term deposits	131,436,342	30,671,352	162,107,694	128,918,633	27,556,178	156,474,811
Current deposits - remunerative	96,705,727	896,693	97,602,420	82,817,947	550,054	83,368,001
Others	11,389,935	9,126,048	20,515,983	10,802,035	8,189,454	18,991,489
	734,720,068	119,598,088	854,318,156	673,189,534	99,890,791	773,080,325
Financial institutions						
Current deposits	1,243,746	689,257	1,933,003	1,284,400	358,311	1,642,711
Savings deposits	11,178,535	17	11,178,552	11,834,313	15	11,834,328
Term deposits	677,000	519,216	1,196,216	289,001	454,768	743,769
Current deposits - remunerative	4,309,218	2,706,674	7,015,892	7,179,534	2,285,052	9,464,586
Others	100	-	100	86,148	-	86,148
	17,408,599	3,915,164	21,323,763	20,673,396	3,098,146	23,771,542
	752,128,667	123,513,252	875,641,919	693,862,930	102,988,937	796,851,867

(Un-audited) (Audited)
30 June 31 December
 Note 2019 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	3,999,200	4,000,000
		<u>14,994,400</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	No 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% each; 114th and 120th month: 49.82% 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)
30 June	31 December
2019	2018
(Rupees in '000)	

18. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on:

Accelerated tax depreciation	941,387	1,042,970
Surplus on revaluation of fixed assets / non - banking assets	1,004,864	1,023,644
Remeasurement of defined benefit plan	246,397	246,397
	2,192,648	2,313,011

Deductible Temporary Differences on:

Provision against diminution in the value of investments	(571,075)	(181,518)
Provision against loans and advances, off balance sheet, etc.	(190,105)	(5,555)
Impairment as per IFRS 9 in overseas branches	(99,866)	(78,217)
Provision for compensated absences	(234)	(278)
Recognised tax losses	(3,122)	(4,035)
Intangible assets	(463)	(440)
Surplus on revaluation of held for trading investments	-	(7,671)
Surplus on revaluation of available for sale investments	(876,441)	(690,676)
	(1,741,306)	(968,390)
	451,342	1,344,621



	(Un-audited) 30 June 2019	(Audited) 31 December 2018
Note	(Rupees in '000)	
19. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	3,563,841	2,973,237
Mark-up / return / interest payable in foreign currencies	278,097	231,537
Unearned commission income	243,181	204,609
Accrued expenses	1,331,271	1,031,360
Acceptances	32,940,979	28,771,029
Unclaimed dividends	443,686	415,647
Mark to market loss on forward foreign exchange contracts	2,392,354	614,896
Branch adjustment account	1,014,956	717,339
Payable to defined benefit plan	907,992	703,992
Charity payable	24,843	14,218
Provision against off - balance sheet items	19.1 135,725	116,600
Security deposits against leases / ijarah	6,359,397	5,940,336
Provision for compensated absences	636,390	585,739
Special exporters' accounts in foreign currencies	82,544	41,936
Other security deposits	563,854	506,331
Workers' welfare fund	1,520,784	1,303,671
Payable to supplier against murabaha	316,780	44,886
Payable against purchase of securities	1,295	22,083
Insurance payable	490,468	490,757
Payable against trading of marketable securities on behalf of customer	71,465	92,035
Lease liability against right-of-use assets	7,213,569	-
Others	951,684	1,074,544
	<u>61,485,155</u>	<u>45,896,782</u>
19.1 Provision against off-balance sheet obligations		
Opening balance	116,600	160,838
Exchange adjustment against IFRS 9 in overseas branches	11,230	12,263
Charge for the period / year	50,021	13,827
Reversals for the period / year	(42,126)	(70,328)
	7,895	(56,501)
Closing balance	<u>135,725</u>	<u>116,600</u>



	(Un-audited) 30 June 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 (2,395,317)	(1,862,121)
- Fixed Assets	5,550,282	5,605,295
- Non-banking assets acquired in satisfaction of claims	35,445	36,408
	3,190,410	3,779,582
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	(875,536)	(689,778)
- Fixed Assets	1,068,523	1,087,778
- Non-banking assets acquired in satisfaction of claims	5,877	6,214
	198,864	404,214
	2,991,546	3,375,368
20.1 Investments		
Available for sale securities	(2,514,698)	(1,975,384)
Unrealised surplus on equity accounting	113,835	111,230
Non-controlling interest	5,546	2,033
	(2,395,317)	(1,862,121)
Less: related deferred tax	(875,536)	(689,778)
	(1,519,781)	(1,172,343)
21. NON - CONTROLLING INTEREST		
Opening balance	106,678	120,479
Loss attributable to non - controlling interest	(3,266)	(5,186)
Loss on equity attributable to non - controlling interest	(3,514)	(8,615)
Closing balance	99,898	106,678
22. CONTINGENCIES AND COMMITMENTS		
Guarantees	22.1 72,466,935	66,873,212
Commitments	22.2 204,602,755	217,907,411
Other contingent liabilities	22.3 4,656,579	4,716,420
	281,726,269	289,497,043
22.1 Guarantees:		
Financial guarantees	10,010,298	9,633,948
Performance guarantees	62,456,637	57,239,264
	72,466,935	66,873,212



	(Un-audited) 30 June 2019 (Rupees in '000)	(Audited) 31 December 2018
	Note	
22.2 Commitments:		
Documentary credits and short-term trade-related transactions		
- letters of credit	115,552,518	109,275,067
Commitments in respect of:		
- forward foreign exchange contracts	22.2.1 87,544,505	103,620,742
- forward lending	22.2.2 500,000	3,916,624
Commitments for acquisition of:		
- Fixed assets	1,005,732	1,094,978
	204,602,755	217,907,411
22.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	56,909,781	70,584,095
Sale	30,634,724	33,036,647
	87,544,505	103,620,742
The maturities of above contracts are spread over the periods upto one year.		
22.2.2 Commitments in respect of forward lending		
	500,000	3,916,624
22.2.1 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.		
22.3 Claims against the Bank not acknowledged as debts		
	4,656,579	4,716,420
22.4 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 completed upto tax year 2016.

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. 662.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Deputy Commissioner Inland Revenue has finalized order u/s. 122(5A) 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 order u/s. 122(5A) 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.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2016 (Accounting Year 2015) by disallowing certain expenses resulting in an impact of Rs. 305.179 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.



Deputy Commissioner Inland Revenue has 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 (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. The Bank has filed an appeal before Appellate Tribunal (Punjab Revenue Authority).

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)	
	Half year ended	
	30 June	30 June
	2019	2018
	(Rupees in '000)	
23. MARK - UP / RETURN / INTEREST EARNED		
On loans and advances	22,783,127	11,551,391
On investments	20,667,228	15,605,043
On deposits with financial institutions	268,863	140,575
On securities purchased under resale agreements	1,181,711	83,154
On call money lendings	154,122	186
	<u>45,055,051</u>	<u>27,380,349</u>
24. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	21,167,253	10,440,811
Borrowings from SBP	546,772	455,074
Subordinated debt	867,625	410,000
Cost of foreign currency swaps	623,429	228,904
Repurchase agreement borrowings	1,839,822	771,926
Mark-up expense on lease liability against right-of-use assets	344,367	-
Other borrowings	133,972	154,005
	<u>25,523,240</u>	<u>12,460,720</u>
25. FEE AND COMMISSION INCOME		
Branch banking customer fees	542,087	298,223
Consumer finance related fees	24,024	23,117
Card related fees (debit and credit cards)	225,006	276,290
Credit related fees	77,744	104,289
Commission on trade	1,683,493	1,252,981
Commission on guarantees	195,117	172,431
Commission on cash management	97,754	83,316
Commission on home remittances	24,725	17,324
Others	9,807	5,409
	<u>2,879,757</u>	<u>2,233,380</u>



		(Un-audited) Half year ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
26. (LOSS) / GAIN ON SECURITIES - NET			
		26.1	
Realised		(65,786)	41,691
Unrealised - held for trading		-	(14,512)
		<u>(65,786)</u>	<u>27,179</u>
26.1 Realised gain on:			
Federal Government securities		100	1,252
Shares		(65,886)	40,289
Non Government Debt Securities		-	150
		<u>(65,786)</u>	<u>41,691</u>
27. OTHER INCOME			
Gain on sale of fixed assets - net		145,861	62,312
Recovery of expenses from customers		137,793	143,918
Lockers rent		4,847	3,268
Others		1,431	4,472
		<u>289,932</u>	<u>213,970</u>
28. OPERATING EXPENSES			
Total compensation expenses		5,892,108	4,940,646
Property expenses			
Rent & taxes		211,590	750,036
Insurance		8,922	13,049
Utilities cost		425,240	362,980
Security (including guards)		418,764	416,653
Repair & maintenance (including janitorial charges)		101,098	86,984
Depreciation		1,068,790	339,703
Amortisation		3,805	3,805
		2,238,209	1,973,210
Information technology expenses			
Software maintenance		3,300	707
Hardware maintenance		183,579	170,381
Depreciation		144,509	119,305
Amortisation		70,017	55,515
Network charges		194,326	136,344
		595,731	482,252



31.1 The Finance Supplementary (Second Amendment) Act 2019 has reversed the phase-wise reduction in rate of Super Tax for banking companies from 4% to 3% and further levied an additional Super Tax charge at 4% for Tax Year 2018 (Accounting Year 2017), which was previously not chargeable resulting in additional Super Tax charge of Rs. 571.907 million in the current period. The aggregate Super Tax charge for the half year ended June 30, 2019 is Rs. 1,004.829 million.

(Un-audited) Half year ended	
30 June 2019	30 June 2018
(Rupees in '000)	

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	4,445,874	4,214,902
	(Number)	
Weighted average number of ordinary shares	1,111,425,416	1,111,425,416
	(Rupees)	
Basic and diluted earnings per share	4.00	3.79

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).



34. SEGMENT INFORMATION

Segment Details with respect to Business Activities

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

	Half year ended 30 June 2019 (Un-audited)			
	Commercial banking	Retail banking	Retail brokerage	Total
	(Rupees in '000)			
Profit & Loss				
Net mark-up / return / profit	41,006,314	4,040,773	7,964	45,055,051
Inter segment revenue - net	5,534	14,381,651	-	14,387,185
Non mark-up / return / interest income	1,790,694	2,549,833	18,722	4,359,249
Total Income	42,802,542	20,972,257	26,686	63,801,485
Segment direct expenses	(21,420,301)	(17,276,175)	(33,926)	(38,730,402)
Inter segment expense allocation	(14,381,651)	-	(5,534)	(14,387,185)
Total expenses	(35,801,952)	(17,276,175)	(39,460)	(53,117,587)
Provisions	(2,154,210)	-	-	(2,154,210)
Profit before tax	4,846,380	3,696,082	(12,774)	8,529,688
As at 30 June 2019 (Un-audited)				
(Rupees in '000)				
Balance Sheet				
Cash & Bank balances	92,932,501	16,128,888	50,052	109,111,441
Lendings to financial institutions	2,296,274	-	-	2,296,274
Investments	452,100,370	-	234,905	452,335,275
Net inter segment lending	200,102	519,987,929	-	520,188,031
Advances - performing	427,871,305	74,360,415	41	502,231,761
- non-performing	976,829	30,958	-	1,007,787
Others	81,486,987	14,135,162	132,968	95,755,117
Total Assets	1,057,864,368	624,643,352	417,966	1,682,925,686
Borrowings	136,951,384	-	6,849	136,958,233
Subordinated debt	14,994,400	-	-	14,994,400
Deposits & other accounts	315,919,261	559,722,658	-	875,641,919
Net inter segment borrowing	519,987,929	-	200,102	520,188,031
Others	29,924,340	52,983,620	108,927	83,016,887
Total liabilities	1,017,777,314	612,706,278	315,878	1,630,799,470
Equity	40,087,054	11,937,074	102,088	52,126,216
Total Equity & liabilities	1,057,864,368	624,643,352	417,966	1,682,925,686
Contingencies & Commitments	187,948,623	70,830	-	188,019,453



Half year ended 30 June 2018 (Un-audited)

	Commercial banking	Retail banking	Retail brokerage	Total
	(Rupees in '000)			
Profit & Loss				
Net mark-up / return / profit	24,641,992	2,733,457	4,900	27,380,349
Inter segment revenue - net	2,938	10,872,203	-	10,875,141
Non mark-up / return / interest income	2,032,591	1,256,755	25,002	3,314,348
Total Income	<u>26,677,521</u>	<u>14,862,415</u>	<u>29,902</u>	<u>41,569,838</u>
Segment direct expenses	(10,962,529)	(12,713,883)	(30,056)	(23,706,468)
Inter segment expense allocation	(10,872,203)	-	(2,938)	(10,875,141)
Total expenses	<u>(21,834,732)</u>	<u>(12,713,883)</u>	<u>(32,994)</u>	<u>(34,581,609)</u>
Provisions	92,080	17,560	4,414	114,054
Profit before tax	<u>4,934,869</u>	<u>2,166,092</u>	<u>1,322</u>	<u>7,102,283</u>

As at 30 June 2018 (Un-audited)

(Rupees in '000)

Balance Sheet				
Cash & Bank balances	57,687,728	13,992,915	54,277	71,734,920
Lendings to financial institutions	-	-	-	-
Investments	440,085,612	-	282,014	440,367,626
Net inter segment lending	187,430	693,690,440	-	693,877,870
Advances - performing	357,334,553	86,835,992	46	444,170,591
- non-performing	977,015	21,203	-	998,218
Others	64,088,438	15,536,108	88,375	79,712,921
Total Assets	<u>920,360,776</u>	<u>810,076,658</u>	<u>424,712</u>	<u>1,730,862,146</u>
Borrowings	157,146,695	-	-	157,146,695
Subordinated debt	10,996,800	-	-	10,996,800
Deposits & other accounts	17,252,178	731,506,499	-	748,758,677
Net inter segment borrowing	693,690,440	-	187,430	693,877,870
Others	3,402,633	69,850,758	72,555	73,325,946
Total liabilities	<u>882,488,746</u>	<u>801,357,257</u>	<u>259,985</u>	<u>1,684,105,988</u>
Equity	37,872,030	8,719,401	164,727	46,756,158
Total Equity & liabilities	<u>920,360,776</u>	<u>810,076,658</u>	<u>424,712</u>	<u>1,730,862,146</u>
Contingencies & Commitments	<u>174,602,415</u>	<u>23,025</u>	<u>-</u>	<u>174,625,440</u>



35. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise 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 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 and balances outstanding as at the period / year end with related parties are summarised as follows:

	30 June 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	-	-	(6,113)	-	-	-	(27,810)	-
Closing balance	-	-	951,336	-	-	-	957,449	-
Advances								
Opening balance	1,313	53,257	1,359,059	-	977	51,929	1,775,142	-
Addition during the period / year	19,817	133,339	20,200,020	-	34,176	51,761	32,728,863	-
Repaid during the period / year	(20,897)	(106,809)	(19,404,315)	-	(33,840)	(50,433)	(33,142,946)	-
Closing balance	233	79,787	2,154,764	-	1,313	53,257	1,359,059	-
Operating Fixed Assets								
Right of Use	-	-	8,649	-	-	-	-	-
Other Assets								
Interest / mark-up accrued	-	-	1,199	-	-	32	4,216	-
L/C acceptances	-	-	695,425	-	-	-	532,718	-
Other assets	-	-	28	-	-	-	28	-
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	3,914,460	1,522,264	55,837,150	17,457,312	3,185,597	2,384,155	101,140,451	33,145,306
Withdrawn during the period / year	(3,518,583)	(1,796,600)	(56,996,196)	(17,494,937)	(3,419,671)	(2,148,735)	(100,285,529)	(34,020,945)
Closing balance	983,329	542,070	3,717,787	499,176	587,452	816,406	4,876,833	536,801
Other Liabilities								
Interest / mark-up payable	4,803	2,721	19,583	2,657	652	2,240	20,861	6,897
Payable to staff retirement fund	-	-	-	907,992	-	-	-	703,992
L/C acceptances	-	-	695,425	-	-	-	532,718	-
Other liabilities	425	183	5	-	-	-	-	-
Contingencies and Commitments								
-	-	-	1,563,869	-	-	-	729,458	-
Other Transactions - Investor Portfolio Securities								
Opening balance	-	-	201,000	8,132,000	-	-	21,000	3,827,000
Increased during the period / year	30,000	-	872,440	3,605,000	-	-	416,000	15,445,000
Decreased during the period / year	(30,000)	-	(580,100)	(6,765,000)	-	-	(238,000)	(11,140,000)
Closing balance	-	-	493,340	4,972,000	-	-	201,000	8,132,000



35.1 RELATED PARTY TRANSACTIONS

	30 June 2019 (Un-audited)				30 June 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	–	2,516	115,737	–	–	1,502	38,596	–
Fee and commission income	13	59	9,211	–	8	18	3,704	–
Dividend income	–	–	46,050	–	–	–	16,477	–
Net gain / (loss) on sale / redemption of securities / Mutual funds	–	–	–	–	–	–	–	(16)
Other income	1	–	149	82	–	–	93	74
Expense								
Mark-up / return / interest expensed	32,758	18,638	120,812	42,648	16,109	12,994	77,036	30,794
Operating expenses	–	–	3,041	–	–	–	480	–
Salaries and allowances	–	254,638	–	–	–	208,589	–	–
Bonus	–	25,981	–	–	–	19,751	–	–
Contribution to defined contribution plan	–	12,769	–	–	–	9,345	–	–
Contribution to defined benefit plan	–	43,849	–	–	–	31,480	–	–
Staff provident fund	–	–	–	263,309	–	–	–	220,536
Staff gratuity fund	–	–	–	204,000	–	–	–	156,000
Directors' Fees	21,850	–	–	–	18,725	–	–	–
Donation	–	–	3,000	–	–	–	1,500	–
Insurance premium paid	–	–	121,211	–	–	–	124,248	–
Insurance claims settled	–	–	20,495	–	–	–	11,873	–



36. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) 30 June 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>44,912,236</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>51,662,236</u>	50,364,511
Eligible Tier 2 Capital	<u>14,746,098</u>	14,381,722
Total Eligible Capital (Tier 1 + Tier 2)	<u>66,408,334</u>	<u>64,746,233</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>432,595,272</u>	408,712,722
Market Risk	<u>6,983,113</u>	8,590,756
Operational Risk	<u>61,558,534</u>	61,558,534
Total	<u>501,136,919</u>	<u>478,862,012</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>8.962%</u>	<u>9.108%</u>
Tier 1 Capital Adequacy Ratio	<u>10.309%</u>	<u>10.518%</u>
Total Capital Adequacy Ratio	<u>13.252%</u>	<u>13.521%</u>
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>51,662,236</u>	50,364,511
Total Exposures	<u>1,331,694,308</u>	1,231,115,634
Leverage Ratio	<u>3.879%</u>	<u>4.091%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>375,510,771</u>	360,946,772
Total Net Cash Outflow	<u>126,181,607</u>	111,556,296
Liquidity Coverage Ratio	<u>297.595%</u>	<u>323.556%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>781,772,835</u>	707,901,854
Total Required Stable Funding	<u>525,261,246</u>	482,005,370
Net Stable Funding Ratio	<u>148.835%</u>	<u>146.866%</u>



37. ISLAMIC BANKING BUSINESS

The Bank is operating 71 (31 December 2018: 71) Islamic banking branches and 141 (31 December 2018: 132) Islamic banking windows at the end of the period / year.

	Note	(Un-audited) 30 June 2019	(Audited) 31 December 2018
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		4,536,934	3,814,608
Balances with other banks		4,093,232	5,164,063
Due from financial institutions	37.1	2,296,274	–
Investments	37.2	19,533,779	15,158,233
Islamic financing and related assets - net	37.3	50,986,513	49,690,533
Fixed assets		353,108	326,841
Intangible assets		–	–
Due from Head Office		–	–
Other assets		4,912,676	4,124,660
Total Assets		86,712,516	78,278,938
LIABILITIES			
Bills payable		19,598	21,052
Due to financial institutions		7,366,873	6,438,783
Deposits and other accounts	37.4	66,206,504	57,230,315
Due to Head Office		1,129,867	2,199,047
Subordinated debt		–	–
Other liabilities		4,222,476	5,289,933
		(78,945,318)	(71,179,130)
NET ASSETS		7,767,198	7,099,808
REPRESENTED BY			
Islamic Banking Fund		6,800,000	6,200,000
Reserves		–	–
Deficit on revaluation of assets		(174,593)	(28,940)
Unremitted profit	37.8	1,141,791	928,748
		7,767,198	7,099,808
CONTINGENCIES AND COMMITMENTS	37.5		



The profit and loss account of the Bank's Islamic banking branches for the half year ended 30 June 2019 is as follows:

	Note	(Un-audited) Half year ended	
		30 June 2019	30 June 2018
(Rupees in '000)			
Profit / return earned	37.6	3,626,122	1,570,781
Profit / return expensed	37.7	(1,834,151)	(672,375)
Net Profit / return		1,791,971	898,406
Other income			
Fee and commission income		111,622	85,003
Dividend income		3,011	3,528
Foreign exchange income		34,406	25,940
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income		49,564	18,447
Total other income		198,603	132,918
Total income		1,990,574	1,031,324
Other expenses			
Operating expenses		(826,774)	(623,609)
Other charges		-	-
Total other expenses		(826,774)	(623,609)
Profit before provisions		1,163,800	407,715
Provisions and write offs - net		(22,009)	(7,421)
Profit for the period		1,141,791	400,294
		(Un-audited) 30 June 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	2,296,274	-

37.1.1 Securities held as collateral against amounts due from financial institutions

	30 June 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	2,296,274	-	2,296,274	-	-	-

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



	30 June 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	-	(78,000)	1,922,000	4,152,910	-	(39,979)	4,112,931
- Neelum Jhelum Hydropower Co Ltd. Sukuk	4,812,500	-	-	4,812,500	5,156,250	-	-	5,156,250
- Bai Muajjal with Government of Pakistan	9,532,368	-	-	9,532,368	2,386,820	-	-	2,386,820
	<u>16,344,868</u>	<u>-</u>	<u>(78,000)</u>	<u>16,266,868</u>	<u>11,695,980</u>	<u>-</u>	<u>(39,979)</u>	<u>11,656,001</u>
Shares								
- Listed Companies	97,442	(50,758)	-	46,684	97,442	(41,345)	3,596	59,693
Non Government Debt Securities								
- Listed	1,545,058	-	(96,593)	1,448,465	1,635,901	-	7,444	1,643,345
- Unlisted	1,715,526	-	-	1,715,526	1,734,101	-	-	1,734,101
	<u>3,260,584</u>	<u>-</u>	<u>(96,593)</u>	<u>3,163,991</u>	<u>3,370,002</u>	<u>-</u>	<u>7,444</u>	<u>3,377,446</u>
Units of mutual funds	100,000	(43,764)	-	56,236	100,000	(34,907)	-	65,093
Total Investments	<u>19,802,894</u>	<u>(94,522)</u>	<u>(174,593)</u>	<u>19,533,779</u>	<u>15,263,424</u>	<u>(76,252)</u>	<u>(28,939)</u>	<u>15,158,233</u>

	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
37.3 Islamic financing and related assets		
Ijarah	2,687,559	2,854,541
Murabaha	9,966,363	10,034,698
Diminishing Musharaka	15,376,130	15,868,804
Istisna	2,125,947	1,471,282
Islamic Export Refinance - Istisna	1,428,000	1,523,700
Musawamah	3,152,433	3,166,895
Running Musharaka	3,407,305	4,271,620
Islamic Export Refinance - Running Musharaka	1,500,000	1,000,000
Staff Financing	332,425	210,540
Advance against Musawamah	1,277,024	1,079,782
Advance against Istisna	3,333,042	4,127,286
Advance against Istisna - IERF	3,469,950	2,600,100
Advance against Ijarah	135,506	305,071
Advance against Diminishing Musharaka	642,861	884,300
Advance against ILTFF	838,444	-
Financing against Bills Musawamah	1,343,715	318,366
Gross Islamic financing and related assets	<u>51,016,704</u>	<u>49,716,985</u>
Less: provision against Islamic financings		
- Specific	7,732	4,187
- General	22,459	22,265
	<u>(30,191)</u>	<u>(26,452)</u>
Islamic financing and related assets - net of provision	<u>50,986,513</u>	<u>49,690,533</u>



	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
37.4 Deposits and other accounts		
Customers		
Current deposits	21,872,687	20,283,223
Savings deposits	22,550,081	17,878,029
Term deposits	10,416,833	7,299,391
	<u>54,839,601</u>	<u>45,460,643</u>
Financial institutions		
Current deposits	13,692	25,342
Savings deposits	11,353,211	11,744,330
	<u>11,366,903</u>	<u>11,769,672</u>
	<u>66,206,504</u>	<u>57,230,315</u>
37.5 CONTINGENCIES AND COMMITMENTS		
Guarantees	2,633,773	2,573,724
Commitments	4,967,661	5,766,253
	<u>7,601,434</u>	<u>8,339,977</u>
	(Un-audited) Half year ended	
	30 June	30 June
	2019	2018
	(Rupees in '000)	
37.6 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	2,360,971	1,171,892
Investments	1,009,123	362,714
Placements	256,028	36,175
	<u>3,626,122</u>	<u>1,570,781</u>
37.7 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	1,740,539	606,970
Due to Financial Institutions	71,987	47,225
Due to Head Office	21,625	18,180
	<u>1,834,151</u>	<u>672,375</u>



	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
37.8 Islamic Banking Business Unappropriated Profit		
Opening Balance	928,748	422,821
Add: Islamic Banking profit for the period / year	1,141,791	928,748
Less: Remitted to Head Office	(928,748)	(422,821)
Closing Balance	<u>1,141,791</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-ul-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.

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

	30 June 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	2,405,685	878,875	36.53%	222,192	25.28%
FCY Pool	10,035	9,540	95.07%	440	4.61%
	30 June 2018 (Un-audited)				
LCY Pool	1,004,554	442,463	44.05%	66,259	14.98%
FCY Pool	6,085	5,779	94.97%	319	5.52%

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

	(Un-audited) Half year ended	
	30 June 2019 (Percentage)	30 June 2018 (Percentage)
Profit rate earned	9.95%	6.29%
Profit rate distributed	6.16%	3.27%

38. GENERAL

38.1 Captions in respect of which there are no amounts, have not been reproduced in these consolidated condensed interim 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 consolidated condensed interim 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 21 August 2019.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED MAZHAR ABBAS
Director

ABBAS D. HABIB
Chairman