

هَذَا مِنْ فَضْلِ رَبِّي



CONTENTS

Corporate Information	2
Directors' Review	3
Independent Auditors' Review Report to the members of Bank AL Habib Limited	5
Unconsolidated Condensed Interim Statement of Financial Position	6
Unconsolidated Condensed Interim Profit and Loss Account	7
Unconsolidated Condensed Interim Statement of Comprehensive Income	8
Unconsolidated Condensed Interim Cash Flow Statement	9
Unconsolidated Condensed Interim Statement of Changes in Equity	10
Notes to the Unconsolidated Condensed Interim Financial Statements	11
Consolidated Financial Statements	32



CORPORATE INFORMATION

Board of Directors	Abbas D. Habib Ali Raza D. Habib Anwar Haji Karim Arshad Nasar Manzoor Ahmed Murtaza H. Habib Qumail R. Habib Safar Ali Lakhani Syed Mazhar Abbas Syed Hasan Ali Bukhari	<i>Chairman</i> <i>Executive Director</i>
	Mansoor Ali Khan	<i>Chief Executive</i>
Audit Committee	Safar Ali Lakhani Syed Mazhar Abbas Anwar Haji Karim Arshad Nasar Syed Hasan Ali Bukhari	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Human Resource & Remuneration Committee	Syed Hasan Ali Bukhari Syed Mazhar Abbas Abbas D. Habib Safar Ali Lakhani Arshad Nasar	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Company Secretary	Mohammad Taqi Lakhani	
Statutory Auditors	KPMG Taseer Hadi & Co. Chartered Accountants	
Legal Advisor	LMA Ebrahim Hosain Barristers, Advocates & Corporate Legal Consultants	
Registered Office	126-C, Old Bahawalpur Road, Multan	
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi	
Share Registrar	Central Depository Company of Pakistan Ltd. CDC House 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400.	
Website	www.bankalhabib.com	



DIRECTORS' REVIEW

On behalf of the Board of Directors of the Bank, it is my 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 Subsidiaries AL Habib Capital Markets (Private) Limited and AL Habib Credit & Finance (Hong Kong) Limited for the half year ended June 30, 2018.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 748.8 billion as compared to Rs. 692.6 billion on December 31, 2017. In the same period, advances increased to Rs. 445.2 billion from Rs. 339.8 billion, while investments decreased to Rs. 439.9 billion from Rs. 476.1 billion. The pre-tax profit of the Bank for the half year ended June 30, 2018 was Rs.7,084 million as compared to Rs. 7,517.1 million during the corresponding period last year. The profit after tax for the half year ended June 30, 2018 was Rs. 4,201 million compared with Rs. 4,411.3 million during 2017.

By the Grace of Allah, the Bank now has a network of 684 offices, comprising 644 branches, 36 sub-branches, and 4 Representative Offices. Our branch network includes 57 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2018.

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 TFC-2016 and TFC-2017 (perpetual) are **AA (Double A)** and **AA- (Double A minus)**, respectively. 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, local & foreign correspondents for their continued support and confidence, 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 16, 2018



ڈائریکٹرز کا جائزہ

میرے لئے یہ باعث مسرت ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے ۳۰ جون ۲۰۱۸ء 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 کمپنیز الحیب کمپیوٹل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب کریڈٹ اینڈ فنانس (ہانگ کانگ) لمیٹڈ پیش کروں۔

الحمد للہ، زبر جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ ۳۰ جون ۲۰۱۸ء کو ختم ہونے والی ششماہی میں ڈپازٹس بڑھ کر ۸۷۸.۷۸ بلین روپے ہو گئے، جو کہ ۳۱ دسمبر ۲۰۱۷ء کو ۶۹۲.۶۶ بلین روپے تھے۔ اسی مدت کے دوران انڈوانسز ۸۷۸.۳۳۹ بلین روپے سے بڑھ کر ۲۴۵.۶۲ بلین روپے ہو گئے اور سرمایہ کاری ۶۷۱.۴ بلین روپے سے کم ہو کر ۳۹۶.۹ بلین روپے ہو گئی۔ ۳۰ جون ۲۰۱۸ء کو ختم ہونے والی ششماہی کے لئے آپ کے بینک کا قبل از ٹیکس منافع ۷۰۸.۴ بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ ۷۱۷.۵ بلین روپے تھا۔ بینک کا بعد از ٹیکس منافع ۳۰ جون ۲۰۱۸ء کو ختم ہونے والی مدت کے لئے ۴۲۰.۱ بلین روپے رہا، جبکہ گزشتہ سال یہ ۴۳۱.۶۳ بلین روپے تھا۔

اللہ تعالیٰ کے فضل و کرم سے بینک کا نیٹ ورک اب ۶۸۴ دفاتر پر مشتمل ہے، جس میں ۶۴۴ برانچز، ۳۶ سب برانچز اور ۴ نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب ۵۷ اسلامی بینکاری برانچز اور ۳ بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کار بند رہتے ہوئے ہم سال ۲۰۱۸ء میں بھی مزید برانچز کھولنے کا ارادہ رکھتے ہیں۔

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، سبارڈینیٹیوٹی ایف سی-۲۰۱۶ اور ٹی ایف سی-۲۰۱۷ (پریچپول) کی ریٹنگز بالترتیب AA (ڈبل اے) اور AA- (ڈبل اے مائنس) 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، مقامی و غیر ملکی مالیاتی اداروں کے، ان کی مستقل تائید اور اعتماد، اور اسٹیٹ بینک آف پاکستان کے ان کی رہنمائی پر، بے حد مشکور ہیں۔ ہم اپنے تمام اسٹاف ممبران کا بھی ان کی لگن، انتھک محنت اور مخلصانہ خدمات کا شکریہ ادا کرتے ہیں۔

عباس ڈی۔ حبیب
چیئرمین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی، ۱۶ اگست ۲۰۱۸ء



INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF BANK AL HABIB LIMITED

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Bank AL Habib Limited ("the Bank") as at June 30, 2018, and 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 statements for the half year ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the quarter ended 30 June 2018 and 30 June 2017 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in the independent auditor's review report is Muhammad Taufiq.

Karachi: 16 August 2018

KPMG Taseer Hadi & Co.
Chartered Accountants



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	(Un-audited) 30 June 2018	(Audited) 31 December 2017
Note	(Rupees in '000)	
		Restated
ASSETS		
Cash and balances with treasury banks	69,455,649	60,096,155
Balances with other banks	2,262,172	4,691,917
Lendings to financial institutions	—	—
Investments - net	7 439,969,701	476,125,054
Advances - net	8 445,168,763	339,832,911
Operating fixed assets	9 25,004,189	22,553,302
Deferred tax assets - net	—	—
Other assets - net	19,863,505	15,752,256
	1,001,723,979	919,051,595
LIABILITIES		
Bills payable	21,278,525	19,663,349
Borrowings	10 157,146,695	133,499,876
Deposits and other accounts	11 748,795,854	692,576,176
Sub - ordinated loans	12 10,996,800	10,997,600
Liabilities against assets subject to finance lease	—	—
Deferred tax liabilities - net	2,065,827	2,528,998
Other liabilities	15,125,469	13,909,714
	955,409,170	873,175,713
NET ASSETS	46,314,809	45,875,882
REPRESENTED BY:		
Share capital	11,114,254	11,114,254
Reserves	13,787,363	12,981,379
Unappropriated profit	16,662,224	16,312,956
	41,563,841	40,408,589
Surplus on revaluation of assets - net of tax	13 4,750,968	5,467,293
	46,314,809	45,875,882
CONTINGENCIES AND COMMITMENTS	14	

The annexed notes 1 to 25 form an integral part of these unconsolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ARSHAD NASAR
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018**

Note	Half year ended		Quarter ended		
	30 June 2018	30 June 2017 (Rupees in '000) Restated	30 June 2018	30 June 2017 Restated	
Mark-up / return / interest earned	15	27,387,743	24,652,374	14,181,067	12,509,312
Mark-up / return / interest expensed	16	(12,461,173)	(11,911,901)	(6,287,847)	(5,973,030)
Net mark-up / return / interest income		14,926,570	12,740,473	7,893,220	6,536,282
Reversal / (provision) against non-performing loans and advances - net		268,977	(128,743)	(1,557)	(331,169)
Provision for diminution in the value of investments		(198,474)	-	(198,474)	-
Bad debts written-off directly		-	-	-	-
Net mark-up / return / interest income after provisions		70,503	(128,743)	(200,031)	(331,169)
		14,997,073	12,611,730	7,693,189	6,205,113
NON MARK-UP / INTEREST INCOME					
Fees, commission and brokerage income		2,007,516	1,580,809	1,090,766	769,422
Dividend income		175,931	257,797	109,634	178,163
Income from dealing in foreign currencies		645,186	253,970	403,174	172,414
Gain / (loss) on sale / redemption of securities - net		38,011	2,311,761	(8,699)	1,579,114
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(14,512)	(10,621)	(3,368)	3,303
Other income		462,613	512,165	220,532	194,637
Total non mark-up / interest income		3,314,745	4,905,881	1,812,039	2,897,053
		18,311,818	17,517,611	9,505,228	9,102,166
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(11,119,116)	(9,650,538)	(5,764,239)	(4,897,783)
Other reversals / (provisions) / write-offs		41,691	(7,325)	17,943	(28,176)
Other charges		(150,359)	(342,685)	(79,711)	(268,883)
Total non mark-up / interest expenses		(11,227,784)	(10,000,548)	(5,826,007)	(5,194,842)
		7,084,034	7,517,063	3,679,221	3,907,324
Extra-ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		7,084,034	7,517,063	3,679,221	3,907,324
Taxation - Current		(2,908,051)	(2,884,541)	(1,656,913)	(1,556,120)
- Prior years		-	(503,224)	-	(503,224)
- Deferred		25,029	281,985	91,124	258,492
		(2,883,022)	(3,105,780)	(1,565,789)	(1,800,852)
PROFIT AFTER TAXATION		4,201,012	4,411,283	2,113,432	2,106,472
			(Rupees)		
Basic and diluted earnings per share	17	3.78	3.97	1.90	1.90

The annexed notes 1 to 25 form an integral part of these unconsolidated condensed interim financial statements.

ASHAR HUSAIN MANSOOR ALI KHAN SYED MAZHAR ABBAS ARSHAD NASAR ABBAS D. HABIB
Chief Financial Officer Chief Executive Director Director Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018**

	Half year ended		Quarter ended	
	30 June 2018	30 June 2017 (Rupees in '000) Restated	30 June 2018	30 June 2017 Restated
Profit after taxation for the period	4,201,012	4,411,283	2,113,432	2,106,472
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit and loss account</i>				
Exchange differences on translation of net investment in foreign branches	385,883	5,350	194,666	(2,514)
<i>Items that will not be reclassified to profit and loss account subsequently</i>	-	-	-	-
Comprehensive income transferred to equity	4,586,895	4,416,633	2,308,098	2,103,958
Components of comprehensive income not reflected in equity				
Deficit arising on revaluation of available for sale securities	(1,046,293)	(2,540,146)	(783,213)	(1,899,099)
Related tax charge	366,202	889,051	274,124	661,185
	(680,091)	(1,651,095)	(509,089)	(1,237,914)
Surplus on revaluation of fixed assets	-	2,101,378	-	2,101,378
Related tax charge	-	(322,703)	-	(322,703)
	-	1,778,675	-	1,778,675
Total comprehensive income	3,906,804	4,544,213	1,799,009	2,644,719

The annexed notes 1 to 25 form an integral part of these unconsolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ARSHAD NASAR
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018**

	Note	30 June 2018 (Rupees in '000)	30 June 2017 Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,084,034	7,517,063
Less: Dividend income		(175,931)	(257,797)
		6,908,103	7,259,266
Adjustments for:			
Depreciation		1,034,098	917,249
Amortisation		58,763	52,784
(Reversal) / provision against non - performing loans and advances - net		(268,977)	128,743
Provision for diminution in the value of investments		198,474	-
Gain on sale of operating fixed assets		(62,270)	(87,229)
Gain on sale / redemption of securities - net		(38,011)	(2,311,761)
Unrealised loss on held for trading securities		14,512	10,621
Charge for defined benefit plan		156,000	127,500
Charge for compensated absences		42,544	18,485
(Reversal) / provision against off - balance sheet items		(41,640)	5,000
Other charges		-	149,912
		1,093,493	(988,696)
		8,001,596	6,270,570
Decrease in operating assets			
Advances - net		(105,218,999)	(49,111,054)
Other assets - (excluding advance taxation)		(2,896,548)	(1,137,258)
		(108,115,547)	(50,248,312)
Increase in operating liabilities			
Bills payable		1,615,176	2,467,803
Borrowings		23,394,332	6,434,813
Deposits and other accounts		56,219,678	68,167,525
Other liabilities		943,169	2,923,928
		82,172,355	79,994,069
		(17,941,596)	36,016,327
Income tax paid		(4,132,160)	(3,244,043)
Net cash (used in) / generated from operating activities		(22,073,756)	32,772,284
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		34,901,669	(17,776,702)
Net investments in associates		(21,000)	(25,000)
Dividend received		178,367	172,850
Investments in operating fixed assets		(3,549,096)	(2,025,229)
Sale proceeds from disposal of operating fixed assets		74,586	105,531
Net cash generated from / (used in) investing activities		31,584,526	(19,548,550)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of sub -ordinated loans		(800)	(800)
Dividend paid		(3,218,591)	(3,836,038)
Net cash used in financing activities		(3,219,391)	(3,836,838)
Exchange differences on translation of net investment in foreign branches		385,883	5,350
Increase in cash and cash equivalents		6,677,262	9,392,246
Cash and cash equivalents at beginning of the period		64,604,599	52,321,784
Cash and cash equivalents at end of the period	18	71,281,861	61,714,030

The annexed notes 1 to 25 form an integral part of these unconsolidated condensed interim financial statements.

ASHAR HUSAIN <i>Chief Financial Officer</i>	MANSOOR ALI KHAN <i>Chief Executive</i>	SYED MAZHAR ABBAS <i>Director</i>	ARSHAD NASAR <i>Director</i>	ABBAS D. HABIB <i>Chairman</i>
--	--	--------------------------------------	---------------------------------	-----------------------------------



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Unapp- ropriated Profit	Total
				Special Reserve	General Reserve		
	(Rupees in '000)						
Balance as at 01 January 2017 - audited	11,114,254	11,037,478	245,333	126,500	540,000	12,858,807	35,922,372
Effect of retrospective change in accounting policy of surplus on revaluation of fixed assets - net of tax (note 5.1)	-	(49,885)	-	-	-	(199,542)	(249,427)
Balance as at 01 January 2017 - restated	11,114,254	10,987,593	245,333	126,500	540,000	12,659,265	35,672,945
Total comprehensive income for the half year ended 30 June 2017:							
Profit after tax - restated	-	-	-	-	-	4,411,283	4,411,283
Other comprehensive income	-	-	5,350	-	-	-	5,350
	-	-	5,350	-	-	4,411,283	4,416,633
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	28,166	28,166
Transfer to statutory reserve - restated	-	504,459	-	-	-	(504,459)	-
Transaction with owners, recorded directly in equity:							
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)
Balance as at 30 June 2017 - restated	11,114,254	11,492,052	250,683	126,500	540,000	12,704,266	36,227,755
Total comprehensive income for the half year ended 31 December 2017:							
Profit after tax	-	-	-	-	-	4,089,751	4,089,751
Other comprehensive income	-	-	163,169	-	-	(108,080)	55,089
	-	-	163,169	-	-	3,981,671	4,144,840
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	35,994	35,994
Transfer to statutory reserve	-	408,975	-	-	-	(408,975)	-
Balance as at 31 December 2017 - restated	11,114,254	11,901,027	413,852	126,500	540,000	16,312,956	40,408,589
Effect of change in accounting policy of impairment of financial assets (note 5.2)	-	-	-	-	-	(133,601)	(133,601)
Balance as at 01 January 2018 - restated	11,114,254	11,901,027	413,852	126,500	540,000	16,179,355	40,274,988
Total comprehensive income for the half year ended 30 June 2018:							
Profit after tax	-	-	-	-	-	4,201,012	4,201,012
Other comprehensive income	-	-	385,883	-	-	-	385,883
	-	-	385,883	-	-	4,201,012	4,586,895
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	36,234	36,234
Transfer to statutory reserve	-	420,101	-	-	-	(420,101)	-
Transaction with owners, recorded directly in equity:							
Cash dividend (Rs. 3.0 per share)	-	-	-	-	-	(3,334,276)	(3,334,276)
Balance as at 30 June 2018	11,114,254	12,321,128	799,735	126,500	540,000	16,662,224	41,563,841

The annexed notes 1 to 25 form an integral part of these unconsolidated condensed interim financial statements.

ASHAR HUSAIN <i>Chief Financial Officer</i>	MANSOOR ALI KHAN <i>Chief Executive</i>	SYED MAZHAR ABBAS <i>Director</i>	ARSHAD NASAR <i>Director</i>	ABBAS D. HABIB <i>Chairman</i>
--	--	--------------------------------------	---------------------------------	-----------------------------------



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018**

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 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 644 branches (31 December 2017: 605 branches), 36 sub - branches (31 December 2017: 45 sub - branches) and 04 representative offices (31 December 2017: 03 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2017: 03 overseas branches) and 57 Islamic Banking branches (31 December 2017: 53 Islamic Banking branches).

2. BASIS OF PRESENTATION

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (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 the Companies Act, 2017.
- 2.2** The financial results of the Islamic Banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter - branch transactions / balances. Key financial information of the Islamic Banking branches are disclosed in note 22.

3. STATEMENT OF COMPLIANCE

- 3.1** These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - IFAS issued by the ICAP as are notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Banking Companies Ordinance, 1962;
 - Provisions of and directives issued under the Companies Act, 2017; and
 - Directives issued by SBP and the Securities and Exchange Commission of Pakistan (SECP).

Wherever 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 IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives prevail.



- 3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, International Financial Reporting Standard (IFRS) - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. 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 of various circulars issued by SBP.
- 3.3 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting". They do not include all the information required in the annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2017.
- 3.4 These are unconsolidated condensed interim financial statements of the Bank in which investments in subsidiaries and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.
- 3.5 **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

- **IFRS 9 'Financial Instruments' - effective date: 1 July 2018**

The Bank is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions. However, SBP has instructed banks to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performance financial statements for the year ended 31 December 2017. The Bank is required to submit its impact assessment to SBP in due course of time. For overseas branches, the Bank has adopted IFRS 9 in respect of provision for impairment as more fully explained in note 5.2.

- **IFRS 15 'Revenue from contracts with customers' - effective date: 1 July 2018**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. A new five-step process has been introduced which must be applied before revenue can be recognised. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Bank is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of the standard.

- **IFRS 16 'Leases' - effective date: 1 January 2019**

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial



liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change.

The Bank is currently in the process of assessing the potential impacts of changes as a result of adoption of IFRS 16.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts, certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value and staff retirement benefits are carried at present value.

4.2 Functional and presentation currency

These unconsolidated condensed interim financial statements are presented in Pak Rupees which is the Bank's functional and presentation currency.

4.3 Accounting estimates and assumptions

The preparation of these unconsolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas where assumptions and estimates are significant to these unconsolidated condensed interim financial statements are the same as those disclosed in the annual financial statements of the Bank for the year ended 31 December 2017.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for preparation of these unconsolidated condensed interim financial statements are same as those applied in the preparation of annual financial statements of the Bank for the year ended 31 December 2017 except as follows:

5.1 Surplus on revaluation of fixed assets - net of deferred tax

The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by SECP vide Circular No. 23 dated 4 October 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from 1 January 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in Note 5.6 of the annual unconsolidated financial statements), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but is to be taken to the profit and loss account as an impairment.

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



	31 December 2017	01 January 2017
	(Rupees in '000)	
Impact on Statement of Financial Position		
Surplus on revaluation of fixed assets - net of deferred tax	397,965	249,427
Unappropriated profit	358,168	199,542
Statutory reserves	39,797	49,885

5.2 Impairment on financial assets

As per the accounting policy of the Bank, the provision against financial assets of overseas branches is made as per the requirement of the respective regulators. During the current period, IFRS 9 'Financial Instruments' became applicable for overseas branches of the Bank. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9, while determining the provisioning requirements against financial assets. Under this standard, provision against financial assets is determined under expected credit loss model. Previously, this was determined under the incurred loss model. Accordingly, on adoption of IFRS 9, an additional provision of Rs. 205.54 million is recognised as at 31 December 2017 which was adjusted in the opening retained earnings as allowed under IFRS 9 and permitted by SBP. The impact of the said changes on these unconsolidated condensed interim financial statements are as follows:

	30 June 2018	01 January 2018
	(Rupees in '000)	
Impact on Statement of Financial Position		
Advances	110,987	152,124
Investments	145,375	53,416
	<u>256,362</u>	<u>205,540</u>
Less: related deferred tax	(89,727)	(71,939)
	<u>166,635</u>	<u>133,601</u>

**Half year ended
30 June 2018
(Rupees in '000)**

Impact on Profit and Loss account

Profit after tax would have been higher by	<u>33,034</u>
	(Rupees)
Earnings per share would have been higher by	<u>0.03</u>

There would be no impact on the cash flow statement.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended 31 December 2017.



Note	30 June 2018 (Un-audited)			31 December 2017 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in '000)					
7. INVESTMENTS						
7.1 Investments by type						
Available for Sale Securities						
Market Treasury Bills	183,961,069	104,439,357	288,400,426	243,832,688	85,665,691	329,498,379
Pakistan Investment Bonds	42,257,559	-	42,257,559	37,599,811	-	37,599,811
Foreign Currency Bonds	3,297,605	-	3,297,605	3,232,531	-	3,232,531
Sukuk Bonds	14,825,822	-	14,825,822	13,284,768	-	13,284,768
Fully paid - up ordinary shares - Listed	4,570,805	-	4,570,805	4,670,838	-	4,670,838
Fully paid - up ordinary shares - Unlisted	104,236	-	104,236	46,759	-	46,759
Term finance certificates - Listed	152,819	-	152,819	302,729	-	302,729
Term finance certificates - Unlisted	1,199,990	-	1,199,990	1,242,857	-	1,242,857
Units of mutual funds	2,175,000	-	2,175,000	2,175,000	-	2,175,000
	252,544,905	104,439,357	356,984,262	306,387,981	85,665,691	392,053,672
Held to Maturity Securities						
	7.2					
Pakistan Investment Bonds	77,836,599	-	77,836,599	77,674,619	-	77,674,619
Foreign Currency Bonds	2,151,333	-	2,151,333	2,235,930	-	2,235,930
Sukuk Bonds	1,970,242	-	1,970,242	1,829,830	-	1,829,830
	81,958,174	-	81,958,174	81,740,379	-	81,740,379
Held for Trading Securities						
Fully paid - up ordinary shares - Listed	262,496	-	262,496	269,179	-	269,179
Associates						
Habib Sugar Mills Limited	182,690	-	182,690	182,690	-	182,690
Habib Asset Management Limited	81,000	-	81,000	60,000	-	60,000
First Habib Income Fund	150,000	-	150,000	150,000	-	150,000
First Habib Stock Fund	10,000	-	10,000	10,000	-	10,000
First Habib Cash Fund	150,000	-	150,000	150,000	-	150,000
First Habib Islamic Stock Fund	10,000	-	10,000	10,000	-	10,000
First Habib Islamic Income Fund	24,656	-	24,656	24,656	-	24,656
First Habib Asset Allocation Fund	100,000	-	100,000	100,000	-	100,000
	708,346	-	708,346	687,346	-	687,346
Subsidiaries						
AL Habib Capital Markets (Private) Limited	200,000	-	200,000	200,000	-	200,000
AL Habib Credit & Finance (Hong Kong) Limited	127	-	127	127	-	127
	200,127	-	200,127	200,127	-	200,127
Investments at cost	335,674,048	104,439,357	440,113,405	389,285,012	85,665,691	474,950,703
Less: Provision for diminution in the value of investments	(394,077)	-	(394,077)	(136,827)	-	(136,827)
Investments (net of provision)	335,279,971	104,439,357	439,719,328	389,148,185	85,665,691	474,813,876
(Deficit) / surplus on revaluation of held for trading securities - net	(6,123)	-	(6,123)	8,389	-	8,389
Surplus / (deficit) on revaluation of available for sale securities - net	293,258	(36,762)	256,496	1,307,676	(4,887)	1,302,789
	335,567,106	104,402,595	439,969,701	390,464,250	85,660,804	476,125,054

7.2 The aggregate market value of held to maturity securities as at 30 June 2018 amounted to Rs. 84,980 million (31 December 2017: Rs. 87,714 million).



	Note	(Un-audited) 30 June 2018 (Rupees in '000)	(Audited) 31 December 2017
8. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		340,502,696	253,710,670
– Outside Pakistan		29,542,832	22,497,572
		370,045,528	276,208,242
Islamic financing and related assets - gross	22.1.2	43,888,179	34,859,059
Net investment in finance lease			
– In Pakistan		18,417,006	15,352,023
– Outside Pakistan		–	–
		18,417,006	15,352,023
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		3,882,094	3,165,203
– Payable outside Pakistan		16,376,736	17,881,044
		20,258,830	21,046,247
Advances - gross		452,609,543	347,465,571
Provision against non - performing loans and advances			
– Specific provision	8.1	(4,114,257)	(4,399,564)
– General provision as per regulations	8.2	(326,523)	(233,096)
– General provision	8.3	(3,000,000)	(3,000,000)
		(7,440,780)	(7,632,660)
Advances - net of provisions		445,168,763	339,832,911

8.1 Advances include Rs. 5,112.475 million (31 December 2017: Rs. 5,288.599 million) which have been placed under non - performing status as detailed below:

Category of classification	30 June 2018 (Un-audited)								
	Classified advances		Provision required				Provision held		
	Domestic	Overseas	Domestic	Overseas	Total	Domestic	Overseas	Total	
Other assets especially mentioned	16,743	–	16,743	900	–	900	900	–	900
Substandard	284,802	–	284,802	70,612	–	70,612	70,646	–	70,646
Doubtful	1,472,101	–	1,472,101	722,110	–	722,110	722,110	–	722,110
Loss	2,407,790	931,039	3,338,829	2,389,562	931,039	3,320,601	2,389,562	931,039	3,320,601
	4,181,436	931,039	5,112,475	3,183,184	931,039	4,114,223	3,183,218	931,039	4,114,257



31 December 2017 (Audited)

	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	25,472	-	25,472	356	-	356	356	-	356
Substandard	151,761	-	151,761	37,171	-	37,171	37,171	-	37,171
Doubtful	1,406,425	-	1,406,425	689,214	-	689,214	689,214	-	689,214
Loss	2,720,279	984,662	3,704,941	2,688,161	984,662	3,672,823	2,688,161	984,662	3,672,823
	<u>4,303,937</u>	<u>984,662</u>	<u>5,288,599</u>	<u>3,414,902</u>	<u>984,662</u>	<u>4,399,564</u>	<u>3,414,902</u>	<u>984,662</u>	<u>4,399,564</u>

8.2 This general provision represents provision amounting to Rs. 215.536 million (31 December 2017: Rs. 233.096 million) as required by the Prudential Regulations issued by SBP and Rs. 110.987 (31 December 2017: nil) against requirement of IFRS 9 in overseas branches of the Bank.

8.3 In line with its prudent policies, the Bank also made 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 2018 amounts to Rs. 3,000 million (31 December 2017: Rs. 3,000 million).

(Un-audited)	(Audited)
30 June	31 December
2018	2017
(Rupees in '000)	

9. OPERATING FIXED ASSETS

Capital work - in - progress	1,901,423	1,046,851
Property and equipment	22,905,972	21,436,095
Intangible assets	196,794	70,356
	<u>25,004,189</u>	<u>22,553,302</u>

(Un-audited)
Half year ended

30 June	30 June
2018	2017
(Rupees in '000)	

9.1 The following additions were made during the period:

Leasehold land	643,311	117,052
Buildings on leasehold land	663,386	352,819
Improvements to leasehold buildings	125,943	183,411
Furniture and fixtures	117,261	90,221
Electrical, office and computer equipments	680,072	766,072
Vehicles	283,154	155,569
Intangible assets	181,397	39,806
	<u>2,694,524</u>	<u>1,704,950</u>

9.2 The written down value of fixed assets disposed off during the period are as follows:

Leasehold land	-	7,944
Buildings on leasehold land	-	2,029
Improvements to leasehold buildings	3,057	1,283
Furniture and fixtures	2,104	1,485
Electrical, office and computer equipments	2,925	1,633
Vehicles	4,230	3,928
	<u>12,316</u>	<u>18,302</u>



	(Un-audited) 30 June 2018	(Audited) 31 December 2017
10. BORROWINGS	Note	(Rupees in '000)
Secured		
Borrowings from SBP		
– Export refinance scheme	29,281,400	27,980,020
– Renewable energy	4,016,851	3,884,507
– Women entrepreneurship	600	–
– Modernisation of small and medium enterprises	39,408	–
– Long term financing for imported and locally manufactured plant and machinery	12,099,397	10,616,620
– Financing facility for storage of agricultural produce	41,124	55,917
	<u>45,478,780</u>	<u>42,537,064</u>
Repurchase agreement borrowings	104,360,620	85,619,654
	<u>149,839,400</u>	<u>128,156,718</u>
Unsecured		
Borrowings from financial institutions	6,871,335	5,159,685
Overdrawn nostros	435,960	183,473
	<u>7,307,295</u>	<u>5,343,158</u>
	<u>157,146,695</u>	<u>133,499,876</u>
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	122,229,115	133,509,284
Savings deposits	208,389,510	195,983,912
Current accounts - Remunerative	94,871,197	76,678,384
Current accounts - Non - remunerative	302,258,820	260,827,453
	<u>727,748,642</u>	<u>666,999,033</u>
Financial institutions		
Remunerative deposits	19,107,881	22,272,674
Non - remunerative deposits	1,939,331	3,304,469
	<u>21,047,212</u>	<u>25,577,143</u>
	<u>748,795,854</u>	<u>692,576,176</u>
12. SUB - ORDINATED LOANS - unsecured		
Term Finance Certificates (TFCs) - V - (Unquoted) 12.1	3,996,800	3,997,600
Term Finance Certificates (TFCs) - VI - (Unquoted) 12.2	7,000,000	7,000,000
	<u>10,996,800</u>	<u>10,997,600</u>



12.1 Term Finance Certificates - V - (Unquoted)

Total issue	Rupees 4,000 million
Rate	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	March 2026

12.2 Term Finance Certificates - VI - (Unquoted)

Total issue	Rupees 7,000 million
Rate	Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap
Redemption	No fixed or final redemption date
Tenor	Perpetual
Maturity	Perpetual

	(Un-audited) 30 June 2018 (Rupees in '000)	(Audited) 31 December 2017 Restated
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Fixed assets / non - banking assets	13.1 4,584,246	4,620,480
Available for sale investments	13.2 166,722	846,813
	4,750,968	5,467,293
13.1 Fixed assets / non - banking assets		
Balance at beginning of the period / year	5,753,655	3,740,327
Surplus on revaluation of the Bank's fixed assets / non - banking assets during the period / year	-	2,126,946
Disposal / adjustments	-	(14,910)
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(55,744)	(98,708)
	5,697,911	5,753,655
Related deferred tax liability on:		
Balance at beginning of the period / year	1,133,175	839,950
Revaluation of the Bank's fixed assets / non - banking assets during the period / year	-	327,822
Disposal / adjustments	-	(49)
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(19,510)	(34,548)
	(1,113,665)	(1,133,175)
	4,584,246	4,620,480



	(Un-audited) 30 June 2018 (Rupees in '000)	(Audited) 31 December 2017
13.2 Available for sale investments		
Federal Government Securities	612,601	2,073,431
Fully paid - up ordinary shares	(323,804)	(734,971)
Term finance certificates, sukuk bonds and foreign currency bonds	(20,544)	34,984
Units of mutual funds	(11,757)	(70,655)
	<u>256,496</u>	<u>1,302,789</u>
Related deferred tax liability	(89,774)	(455,976)
	<u>166,722</u>	<u>846,813</u>
	(Un-audited) 30 June 2018 (Rupees in '000)	(Audited) 31 December 2017
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Financial guarantees issued favouring:		
– Financial institutions	3,019,384	1,344,595
– Others	5,526,640	5,272,122
	<u>8,546,024</u>	<u>6,616,717</u>
14.2 Transaction - related contingent liabilities		
Guarantees issued favouring:		
– Government	48,149,662	37,130,448
– Financial institutions	628,054	541,247
– Others	14,463,016	16,370,016
	<u>63,240,732</u>	<u>54,041,711</u>
14.3 Trade - related contingent liabilities		
Letters of credit	111,384,708	107,446,195
Acceptances	34,759,443	25,082,185
	<u>146,144,151</u>	<u>132,528,380</u>
14.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	5,095,248	9,565,312



	(Un-audited) 30 June 2018	(Audited) 31 December 2017
	(Rupees in '000)	
14.5 Commitments in respect of forward exchange contracts		
Purchase	59,511,733	46,725,785
Sale	29,616,133	24,439,627
The maturities of above contracts are spread over the period upto one year.		
14.6 Commitments for the acquisition of operating fixed assets	1,079,847	1,110,065
14.7 Claims against the Bank not acknowledged as debts	4,718,920	4,718,920

14.8 Other contingencies

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2016. The income tax assessments of the Bank are completed upto tax year 2015.

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

Deputy Commissioner Inland Revenue has finalised audit of Tax Year 2014 (Accounting Year 2013) by disallowing certain expenses resulting 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 (ACIR) has finalised audit of Tax Year 2015 (Accounting Year 2014) by disallowing certain expenses resulting an impact of Rs. 301.855 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non - performing loans, other provisions and amortisation 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.

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		Quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	(Rupees in '000)		(Rupees in '000)	
		Restated		Restated
15. MARK-UP / RETURN / INTEREST EARNED				
On loans and advances to:				
Customers	11,418,078	8,656,873	6,354,600	4,580,391
Financial institutions	145,149	107,692	77,366	58,044
	<u>11,563,227</u>	<u>8,764,565</u>	<u>6,431,966</u>	<u>4,638,435</u>
On investments:				
Available for sale securities	10,954,624	10,331,336	5,262,947	5,054,839
Held to maturity securities	4,646,082	5,454,104	2,363,169	2,767,397
	<u>15,600,706</u>	<u>15,785,440</u>	<u>7,626,116</u>	<u>7,822,236</u>
On deposits with financial institutions	140,470	72,656	59,707	34,776
On securities purchased under resale agreements	83,154	29,689	63,191	13,841
On call money lendings	186	24	87	24
	<u>27,387,743</u>	<u>24,652,374</u>	<u>14,181,067</u>	<u>12,509,312</u>
16. MARK-UP / RETURN / INTEREST EXPENSED				
Deposits	10,441,264	9,369,195	5,266,263	4,828,955
Sub-ordinated loans	410,000	135,768	208,287	68,584
Repurchase agreement borrowings	771,926	1,782,676	373,641	761,471
Borrowings from SBP	455,074	320,877	231,940	167,101
Other borrowings	382,909	303,385	207,716	146,919
	<u>12,461,173</u>	<u>11,911,901</u>	<u>6,287,847</u>	<u>5,973,030</u>
17. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation	4,201,012	4,411,283	2,113,432	2,106,472
	(Number of shares in thousands)			
Weighted average number of ordinary shares	1,111,425	1,111,425	1,111,425	1,111,425
	(Rupees)			
Basic and diluted earnings per share	3.78	3.97	1.90	1.90
			(Un-audited)	
			Half year ended	
			30 June 2018	30 June 2017
			(Rupees in '000)	
18. CASH AND CASH EQUIVALENTS				
Cash and balances with treasury banks			69,455,649	59,009,601
Balances with other banks			2,262,172	2,863,487
Overdrawn nostros			(435,960)	(159,058)
			<u>71,281,861</u>	<u>61,714,030</u>



19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		30 June 2018 (Un-audited)						Fair value				
		Carrying amount										
Note		Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities	Total	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												
		(TBills + PIBs + Sukuk Bonds + FC Bonds)	341,917,704	-	-	-	-	341,917,704	-	341,917,704	-	341,917,704
		Foreign Currency Bonds - Others	1,332,423	-	-	-	-	1,332,423	-	1,332,423	-	1,332,423
		Sukuk Bonds - Others	735,860	-	-	-	-	735,860	-	735,860	-	735,860
		Fully paid - up ordinary shares - Listed	4,004,001	256,373	-	-	-	4,260,374	4,260,374	-	-	4,260,374
		Units of mutual funds	2,163,243	-	-	-	-	2,163,243	2,163,243	-	-	2,163,243
		Term Finance Certificates - Listed	153,744	-	-	-	-	153,744	153,744	-	-	153,744
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks												
		- Balances with other banks	-	-	-	-	69,455,649	69,455,649	-	-	-	-
- Investments												
Federal Government Securities												
		(PIBs + Sukuk Bonds + FC Bonds + TFC)	4,575,000	-	81,854,512	-	-	86,429,512	-	89,451,525	-	89,451,525
	19.1	Foreign Currency Bonds - Others	-	-	-	-	-	-	-	-	-	-
	19.1	Sukuk Bonds - Others	1,666,180	-	103,662	-	-	1,769,842	-	-	-	-
	19.1	Fully paid - up ordinary shares - Unlisted	98,536	-	-	-	-	98,536	-	-	-	-
	19.1	Term Finance Certificates - Unlisted	199,990	-	-	-	-	199,990	-	-	-	-
Associates												
		Listed shares	-	-	-	-	182,690	182,690	381,320	-	-	381,320
		Mutual funds	-	-	-	-	444,656	444,656	438,071	-	-	438,071
	19.1	Unlisted shares	-	-	-	-	81,000	81,000	-	-	-	-
	19.1	Subsidiaries - Unlisted shares	-	-	-	-	200,127	200,127	-	-	-	-
- Advances												
	19.1	- Other assets	-	-	-	445,168,763	-	445,168,763	-	-	-	-
	19.1		-	-	-	13,214,349	-	13,214,349	-	-	-	-
			356,846,681	256,373	81,958,174	445,168,763	85,840,643	970,070,634	7,396,752	433,437,512	-	440,834,264
Financial liabilities not measured at fair value												
- Bills payable												
	19.1		-	-	-	-	(21,278,525)	(21,278,525)	-	-	-	-
- Borrowings												
	19.1		-	-	-	-	(157,146,695)	(157,146,695)	-	-	-	-
- Deposits and other accounts												
	19.1		-	-	-	-	(748,795,654)	(748,795,654)	-	-	-	-
- Sub -ordinated loans												
	19.1		-	-	-	-	(10,996,800)	(10,996,800)	-	-	-	-
- Other liabilities												
	19.1		-	-	-	-	(13,090,240)	(13,090,240)	-	-	-	-
			-	-	-	-	(951,308,114)	(951,308,114)	-	-	-	-
			356,846,681	256,373	81,958,174	445,168,763	85,840,643	18,762,520	7,396,752	433,437,512	-	440,834,264
Off - balance sheet financial instruments measured at fair value												
Forward purchase of foreign exchange contracts												
			-	-	-	-	59,511,733	59,511,733	-	61,689,660	-	61,689,660
Forward sale of foreign exchange contracts												
			-	-	-	-	(29,616,133)	(29,616,133)	-	(28,847,963)	-	(28,847,963)
Off - balance sheet financial instruments not measured at fair value												
Commitment to extend credit												
	19.1		-	-	-	-	5,085,248	5,085,248	-	-	-	-



31 December 2017 (Audited)

	Carrying amount						Total	Fair value			Total
	Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities (Rupees in '000)		Level 1	Level 2	Level 3	
On - balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
Federal Government Securities											
(TBills + PIBs + Sukuk Bonds + FC Bonds)	378,089,463	-	-	-	-	-	378,089,463	-	378,089,463	-	378,089,463
Foreign Currency Bonds - Others	1,481,389	-	-	-	-	-	1,481,389	-	1,481,389	-	1,481,389
Sukuk Bonds - Others	835,983	-	-	-	-	-	835,983	-	835,983	-	835,983
Fully paid - up ordinary shares - Listed	3,804,740	277,568	-	-	-	-	4,082,308	4,082,308	-	-	4,082,308
Units of mutual funds	2,104,346	-	-	-	-	-	2,104,346	2,104,346	-	-	2,104,346
Term Finance Certificates - Listed	305,599	-	-	-	-	-	305,599	305,599	-	-	305,599
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	-	60,096,155	-	60,096,155	-	-	-	-
- Balances with other banks	-	-	-	-	4,691,917	-	4,691,917	-	-	-	-
- Investments											
Federal Government Securities											
(PIBs + Sukuk Bonds + FC Bonds + TFC)	4,717,857	-	81,345,190	-	-	-	86,063,047	-	87,316,724	-	87,316,724
Foreign Currency Bonds - Others	19.1	-	275,289	-	-	-	275,289	-	-	-	-
Sukuk Bonds - Others	19.1	1,739,198	119,900	-	-	-	1,859,098	-	-	-	-
Fully paid - up ordinary shares - Unlisted	19.1	41,059	-	-	-	-	41,059	-	-	-	-
Term Finance Certificates - Unlisted	19.1	100,000	-	-	-	-	100,000	-	-	-	-
Associates											
Listed shares	-	-	-	-	182,690	-	182,690	334,903	-	-	334,903
Mutual funds	-	-	-	-	444,656	-	444,656	428,347	-	-	428,347
Unlisted shares	19.1	-	-	-	60,000	-	60,000	-	-	-	-
Subsidiaries - Unlisted shares	19.1	-	-	-	200,127	-	200,127	-	-	-	-
- Advances	19.1	-	-	339,832,911	-	-	339,832,911	-	-	-	-
- Other assets	19.1	-	-	-	13,248,124	-	13,248,124	-	-	-	-
	393,219,634	277,568	81,740,379	339,832,911	78,923,669	-	893,994,161	7,255,503	467,723,559	-	474,979,062
Financial liabilities not measured at fair value											
- Bills payable	19.1	-	-	-	-	(19,663,349)	(19,663,349)	-	-	-	-
- Borrowings	19.1	-	-	-	-	(133,499,876)	(133,499,876)	-	-	-	-
- Deposits and other accounts	19.1	-	-	-	-	(692,576,176)	(692,576,176)	-	-	-	-
- Sub -ordinated loans	19.1	-	-	-	-	(10,997,600)	(10,997,600)	-	-	-	-
- Other liabilities	19.1	-	-	-	-	(11,961,992)	(11,961,992)	-	-	-	-
	-	-	-	-	-	(868,698,993)	(868,698,993)	-	-	-	-
	393,219,634	277,568	81,740,379	339,832,911	78,923,669	(868,698,993)	25,295,168	7,255,503	467,723,559	-	474,979,062
Off - balance sheet financial instruments measured at fair value											
Forward purchase of foreign exchange contracts	-	-	-	-	-	46,725,785	46,725,785	-	46,579,198	-	46,579,198
Forward sale of foreign exchange contracts	-	-	-	-	-	(24,439,627)	(24,439,627)	-	(23,677,714)	-	(23,677,714)
Off - balance sheet financial instruments not measured at fair value											
Commitment to extent credit	19.1	-	-	-	-	9,565,312	9,565,312	-	-	-	-

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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

19.1 The Bank has not disclosed the fair values for these financial assets and liabilities, as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.



20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Half year ended 30 June 2018 (Un-audited)			
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
Total income	14,740,327	26,849,650	(10,887,489)	30,702,488
Total expenses	(12,677,869)	(21,828,074)	10,887,489	(23,618,454)
Net income	2,062,458	5,021,576	-	7,084,034
	As at 30 June 2018 (Un-audited)			
Segment assets (net of provisions)	776,119,798	892,119,701	(666,515,520)	1,001,723,979
Segment non - performing loans	49,906	5,062,569	-	5,112,475
Segment provision required	44,546	4,069,677	-	4,114,223
Segment liabilities	767,400,394	854,524,296	(666,515,520)	955,409,170
Segment return on assets (ROA) (%)*	1.90%	3.01%		
Segment cost of funds (%)*	1.65%	2.55%		
	Half year ended 30 June 2017 (Un-audited)			
	Retail Banking	Commercial Banking	Inter Segment Elimination	Total
	(Rupees in '000)			
	Restated			
Total income	11,843,849	26,642,301	(8,927,895)	29,558,255
Total expenses	(9,987,602)	(20,981,485)	8,927,895	(22,041,192)
Net income	1,856,247	5,660,816	-	7,517,063
	As at 30 June 2017 (Un-audited)			
Segment assets (net of provisions)	671,007,648	759,202,607	(599,812,285)	830,397,970
Segment non - performing loans	52,107	5,628,308	-	5,680,415
Segment provision required	44,360	4,710,411	-	4,754,771
Segment liabilities	665,964,378	721,092,770	(599,812,285)	787,244,863
Segment return on assets (ROA) (%)*	1.77%	3.51%		
Segment cost of funds (%)*	1.50%	2.91%		

*These percentages have been computed based on closing assets / liabilities figures.



21. RELATED PARTY TRANSACTIONS

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

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

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

	30 June 2018 (Un-audited)					Total
	Subsidiaries	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Retirement Benefit Funds	
Deposits						
At beginning of the period	41,933	4,021,911	821,526	580,986	1,412,440	6,878,796
Placements during the period	2,349,839	53,355,399	2,017,373	1,179,496	17,909,107	76,811,214
Withdrawals during the period	(2,350,422)	(54,794,724)	(2,064,586)	(1,021,060)	(18,765,480)	(78,996,272)
At end of the period	41,350	2,582,586	774,313	739,422	556,067	4,693,738
Advances						
At beginning of the period	-	1,775,142	977	51,929	-	1,828,048
Given during the period	2,417,617	16,107,069	17,202	31,917	-	18,573,805
Repaid during the period	(2,417,617)	(16,775,583)	(17,603)	(31,865)	-	(19,242,668)
At end of the period	-	1,106,628	576	51,981	-	1,159,185
Investments						
At beginning of the period	200,127	688,576	-	-	-	888,703
Investments made during the period	-	21,000	-	-	-	21,000
Investments adjusted during the period	-	(1,230)	-	-	-	(1,230)
At end of the period	200,127	708,346	-	-	-	908,473
Contingencies and commitments	-	1,674,781	-	-	-	1,674,781
31 December 2017 (Audited)						
Deposits						
At beginning of the year	14,314	2,777,378	556,559	451,090	842,775	4,642,116
Placements during the year	1,354,102	80,970,167	3,448,955	1,991,843	13,064,423	100,829,490
Withdrawals during the year	(1,326,483)	(79,725,634)	(3,183,988)	(1,861,947)	(12,494,758)	(98,592,810)
At end of the year	41,933	4,021,911	821,526	580,986	1,412,440	6,878,796
Advances						
At beginning of the year	-	1,391,233	210	49,060	-	1,440,503
Given during the year	8,646,598	36,708,154	24,105	88,844	-	45,467,701
Repaid during the year	(8,646,598)	(36,324,245)	(23,338)	(85,975)	-	(45,080,156)
At end of the year	-	1,775,142	977	51,929	-	1,828,048
Investments						
At beginning of the year	200,127	562,690	-	-	-	762,817
Investments made during the year	-	126,230	-	-	-	126,230
Investments adjusted during the year	-	(344)	-	-	-	(344)
At end of the year	200,127	688,576	-	-	-	888,703
Contingencies and commitments	-	1,358,895	-	-	-	1,358,895



Half year ended 30 June 2018 (Un-audited)

	Subsidiaries	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)					
Other assets	21,817	-	-	-	-	21,817
Other liabilities	243	-	-	-	-	243
Purchase of securities	-	21,000	-	-	-	21,000
Purchase of mutual funds	-	-	-	-	-	-
Sale of securities	-	177,560	-	-	6,291,609	6,469,169
Loss on sale of securities and mutual funds	-	-	-	-	16	16
Mark - up earned	34	38,596	-	1,502	-	40,132
Mark - up expensed	450	77,036	16,109	12,994	30,794	137,383
Bank charges and commission	1	3,704	8	18	-	3,731
Salaries and allowances	-	-	-	202,426	-	202,426
Bonus	-	-	-	19,751	-	19,751
Contribution to defined contribution plan	-	-	-	8,935	-	8,935
Contribution to defined benefit plan	-	-	-	31,480	-	31,480
Staff provident fund	-	-	-	-	220,536	220,536
Staff gratuity fund	-	-	-	-	156,000	156,000
Directors' fee	-	-	18,725	-	-	18,725
Insurance claim received	-	11,873	-	-	-	11,873
Insurance premium paid	-	122,964	-	-	-	122,964
Dividend income	-	16,477	-	-	-	16,477
Rental income	1,050	-	-	-	-	1,050
Rental paid	-	-	-	-	-	-
Commission expensed	1,572	-	-	-	-	1,572
Donation	-	1,500	-	-	-	1,500
Other expensed	-	480	-	-	-	480
Other income	395	93	-	-	74	562

Half year ended 30 June 2017 (Un-audited)

	Subsidiaries	Associates	Non Executive Directors	Key Management Personnel	Retirement Benefit Funds	Total
	(Rupees in '000)					
Other assets	20,751	-	-	-	-	20,751
Other liabilities	280	-	-	-	-	280
Purchase of securities	-	1,230	-	-	-	1,230
Purchase of mutual funds	-	25,000	-	-	-	25,000
Sale of securities	-	63,105	-	-	1,000,096	1,063,201
Loss on sale of securities and mutual funds	-	-	-	-	-	-
Mark - up earned	232	33,305	3	1,880	-	35,420
Mark - up expensed	536	70,802	16,903	10,479	34,844	133,564
Bank charges and commission	1	4,699	15	20	-	4,735
Salaries and allowances	-	-	-	182,512	-	182,512
Bonus	-	-	-	15,194	-	15,194
Contribution to defined contribution plan	-	-	-	6,049	-	6,049
Contribution to defined benefit plan	-	-	-	14,410	-	14,410
Staff provident fund	-	-	-	-	186,851	186,851
Staff gratuity fund	-	-	-	-	127,500	127,500
Directors' fee	-	-	16,550	-	-	16,550
Insurance claim received	-	10,306	-	-	-	10,306
Insurance premium paid	-	166,332	-	-	-	166,332
Dividend income	-	44,821	-	-	-	44,821
Rental income	1,050	-	-	-	-	1,050
Rental paid	-	7,258	-	-	-	7,258
Commission expensed	1,566	-	-	-	-	1,566
Donation	-	-	-	-	-	-
Other expensed	-	2,970	-	-	-	2,970
Other income	492	91	-	-	52	635



22. ISLAMIC BANKING BUSINESS

22.1 The Bank is operating 57 (31 December 2017: 53) Islamic Banking branches in Pakistan. The statement of financial position of these branches as at 30 June 2018 is as follows:

	(Un-audited) 30 June 2018	(Audited) 31 December 2017
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	3,048,432	2,554,000
Balances with and due from financial institutions	13,647	957,424
Investments	22.1.1 12,180,784	11,333,912
Islamic financing and related assets	22.1.2 43,866,672	34,843,979
Operating fixed assets	278,665	248,825
Other assets	2,516,985	538,108
	61,905,185	50,476,248
LIABILITIES		
Bills payable	46,301	30,694
Due to financial institutions	4,791,740	4,301,041
Deposits and other accounts	41,639,474	37,867,252
Current accounts	15,955,124	12,981,414
Saving accounts	11,985,375	11,145,642
Term deposits	6,280,629	7,123,780
Others	935,073	973,928
Deposits from financial institutions - remunerative	6,482,157	5,635,540
Deposits from financial institutions - non - remunerative	1,116	6,948
Due to Head office	6,934,576	1,319,226
Other liabilities	2,461,449	1,570,087
	(55,873,540)	(45,088,300)
NET ASSETS	6,031,645	5,387,948
REPRESENTED BY:		
Islamic banking fund	5,700,000	5,000,000
Unremitted profit	400,294	422,821
	6,100,294	5,422,821
Deficit on revaluation of assets	(68,649)	(34,873)
	6,031,645	5,387,948
22.1.1 Investments		
Sukuk bonds	12,039,368	11,205,550
Fully paid - up ordinary shares - Listed	87,200	73,497
Mutual funds	74,310	73,965
Investments	12,200,878	11,353,012
Less: Provision for diminution in the value of investments	(20,094)	(19,100)
Investments (net of provision)	12,180,784	11,333,912



	(Un-audited) 30 June 2018	(Audited) 31 December 2017
	(Rupees in '000)	
22.1.2 Islamic financing and related assets		
Murabaha	5,879,800	6,034,031
Net book value of assets / investments in ijarah under IFAS 2	2,305,485	2,132,197
Running musharakah	4,568,796	2,223,124
Diminishing musharakah	12,839,864	10,082,423
Musawama	2,401,724	3,245,401
Istisna	2,103,427	1,644,298
Export refinance murabaha	1,113,575	881,335
Export refinance istisna	3,041,360	3,634,300
Export refinance musharakah	80,000	-
Qard - e - Hasanah	1,683	-
Gross financing	34,335,714	29,877,109
Advance against murabaha	1,252,869	1,559,959
Advance against ijarah	771,543	500,808
Advance against diminishing musharakah	2,873,687	2,064,649
Advance against istisna	1,640,390	856,534
Advance against export refinance murabaha	219,039	-
Advance against musawama	977,042	-
Advance against export refinance istisna	760,500	-
Bills discounted	1,057,395	-
Islamic financing and related assets - gross	43,888,179	34,859,059
Less: Provisions		
Specific provision	(2,805)	(478)
General provision	(18,702)	(14,602)
	(21,507)	(15,080)
Islamic financing and related assets - net of provision	43,866,672	34,843,979
22.1.2.1 Islamic mode of financing		
Financings / inventory / receivables	34,335,714	29,877,109
Advances	9,552,465	4,981,950
Less: provisions	(21,507)	(15,080)
	43,866,672	34,843,979
22.2 The profit and loss account of the Bank's Islamic Banking branches for the half year ended 30 June 2018 is as follows:		
	(Un-audited) Half year ended	
	30 June 2018	30 June 2017
	(Rupees in '000)	
Profit / return on financing and placements earned	1,570,781	944,319
Profit / return on deposits and other dues expensed	(672,375)	(406,506)
	898,406	537,813
Provision against non - performing loans and advances	(6,427)	(4,760)
Provision for diminution in the value of investments	(994)	-
	(7,421)	(4,760)
Net spread earned	890,985	533,053
OTHER INCOME		
Fees, commission and brokerage income	85,003	49,641
Income from dealing in foreign currencies	25,940	14,428
Gain on sale of securities	-	537
Dividend income	3,528	8,900
Other income	18,447	12,401
	132,918	85,907
OTHER EXPENSES		
Administrative expenses	(623,609)	(433,669)
PROFIT BEFORE TAXATION	400,294	185,291



	(Un-audited) Half year ended	
	30 June 2018	30 June 2017
	(Rupees in '000)	
22.3 Remuneration to Shariah Board	3,274	3,211
	(Un-audited) 30 June 2018	(Audited) 31 December 2017
	(Rupees in '000)	
22.4 CHARITY FUND		
Opening balance	6,464	2,738
Additions during the period / year	4,543	6,464
Payment / utilisation during the period / year		
Health	-	(948)
Social welfare	(500)	(1,790)
	(500)	(2,738)
Closing balance	10,507	6,464

The non - shariah compliant income identified during the period / year is transferred to the charity account.

23. LIQUIDITY RISK

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

	(Un-audited)		(Audited)
	30 June 2018	31 March 2018	31 December 2017
	(Total Adjusted Value) (Rupees in '000)		
23.1 Liquidity Coverage Ratio			
Total HQLA	336,865,043	386,491,343	333,948,742
Total Net Cash Flows	108,655,797	98,391,220	89,343,417
Liquidity Coverage Ratio (%)	310%	393%	374%
Minimum Requirement (%)	90%	90%	90%



	(Un-audited) 30 June 2018 (Total Weighted Value) (Rupees in '000)	(Audited) 31 December 2017
23.2 Net Stable Funding Ratio		
Total Available Stable Funding (ASF)	663,574,076	619,656,418
Total Required Stable Funding (RSF)	426,883,461	330,145,360
Net Stable Funding Ratio (%)	<u><u>155%</u></u>	<u><u>188%</u></u>
Minimum Requirement (%)	<u><u>100%</u></u>	<u><u>100%</u></u>

24. GENERAL

24.1 Comparative information has been re - classified, re - arranged or additionally incorporated in these unconsolidated condensed interim financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current period.

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

24.3 Figures of the profit and loss account for the quarters ended 30 June 2018 and 30 June 2017 have not been subjected to limited scope review by the auditors.

25. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 16 August 2018.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ARSHAD NASAR
Director

ABBAS D. HABIB
Chairman



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	(Un-audited) 30 June 2018	(Audited) 31 December 2017
Note	(Rupees in '000)	
		Restated
ASSETS		
Cash and balances with treasury banks	69,455,698	60,096,169
Balances with other banks	2,279,222	4,732,856
Lendings to financial institutions	-	-
Investments - net	7 440,367,626	476,472,185
Advances - net	8 445,168,809	339,832,995
Operating fixed assets	9 25,015,409	22,565,133
Deferred tax assets - net	-	-
Other assets - net	19,938,069	15,848,222
	1,002,224,833	919,547,560
LIABILITIES		
Bills payable	21,278,525	19,663,349
Borrowings	10 157,146,695	133,499,876
Deposits and other accounts	11 748,758,677	692,534,323
Sub-ordinated loans	12 10,996,800	10,997,600
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	2,059,347	2,521,855
Other liabilities	15,228,631	14,052,177
	955,468,675	873,269,180
NET ASSETS	46,756,158	46,278,380
REPRESENTED BY:		
Share capital	11,114,254	11,114,254
Reserves	13,783,590	12,979,937
Unappropriated profit	16,865,455	16,502,297
Equity attributable to the shareholders of the Holding company	41,763,299	40,596,488
Non-controlling interest	112,571	113,897
Total equity	41,875,870	40,710,385
Surplus on revaluation of assets - net of tax	13 4,880,288	5,567,995
	46,756,158	46,278,380
CONTINGENCIES AND COMMITMENTS	14	

The annexed notes 1 to 25 form an integral part of these consolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ARSHAD NASAR
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018**

Note	Half year ended		Quarter ended	
	30 June 2018	30 June 2017 Restated	30 June 2018 (Rupees in '000) Restated	30 June 2017 Restated
Mark-up / return / interest earned	15 27,392,157	24,659,600	14,183,428	12,513,013
Mark-up / return / interest expensed	16 (12,460,720)	(11,911,364)	(6,287,647)	(5,972,605)
Net mark-up / return / interest income	14,931,437	12,748,236	7,895,781	6,540,408
Reversal / (provision) against non-performing loans and advances - net	268,977	(128,743)	(1,557)	(331,169)
Provision for diminution in the value of investments	(196,614)	-	(196,614)	-
Bad debts written-off directly	-	-	-	-
Net mark-up / return / interest income after provisions	15,003,800	12,619,493	7,697,610	6,209,239
NON MARK-UP / INTEREST INCOME				
Fees, commission and brokerage income	2,024,714	1,598,902	1,099,663	778,922
Dividend income	161,613	215,542	110,949	160,807
Income from dealing in foreign currencies	645,186	253,970	403,174	172,414
Gain / (loss) on sale / redemption of securities - net	41,691	2,367,892	(5,019)	1,597,611
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	(14,512)	(10,621)	(3,368)	3,303
Share of profit from associates	33,020	25,734	29,945	15,459
Other income	463,153	510,879	221,801	194,002
Total non mark-up / interest income	3,354,865	4,962,298	1,857,145	2,922,518
	18,358,665	17,581,791	9,554,755	9,131,757
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	(11,147,714)	(9,681,187)	(5,779,647)	(4,913,076)
Other reversals / (provisions) / write-offs	41,691	(7,325)	17,943	(28,176)
Other charges	(150,359)	(343,494)	(79,711)	(269,168)
Total non mark-up / interest expenses	(11,256,382)	(10,032,006)	(5,841,415)	(5,210,420)
Extra-ordinary / unusual items	7,102,283	7,549,785	3,713,340	3,921,337
	-	-	-	-
PROFIT BEFORE TAXATION	7,102,283	7,549,785	3,713,340	3,921,337
Taxation - Current	(2,911,249)	(2,898,310)	(1,658,646)	(1,561,720)
- Prior years	-	(503,224)	-	(503,224)
- Deferred	22,542	277,478	89,671	257,455
	(2,888,707)	(3,124,056)	(1,568,975)	(1,807,489)
PROFIT AFTER TAXATION	4,213,576	4,425,729	2,144,365	2,113,848
Attributable to:				
Shareholders of the Holding company	4,214,902	4,418,455	2,144,035	2,111,433
Non-controlling interest	(1,326)	7,274	330	2,415
	4,213,576	4,425,729	2,144,365	2,113,848
			(Rupees)	
Basic and diluted earnings per share attributable to equity holders of the Holding company	17 3.79	3.98	1.93	1.90

The annexed notes 1 to 25 form an integral part of these consolidated condensed interim financial statements.

ASHAR HUSAIN MANSOOR ALI KHAN SYED MAZHAR ABBAS ARSHAD NASAR ABBAS D. HABIB
Chief Financial Officer Chief Executive Director Director Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018**

	Half year ended		Quarter ended	
	30 June 2018	30 June 2017 (Rupees in '000) Restated	30 June 2018	30 June 2017 Restated
Profit after taxation for the period	4,213,576	4,425,729	2,144,365	2,113,848
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss account</i>				
Exchange differences on translation of net investment in foreign operations	383,552	5,439	193,344	(2,522)
<i>Items that will not be reclassified to profit or loss account subsequently</i>	-	-	-	-
Comprehensive income transferred to equity	4,597,128	4,431,168	2,337,709	2,111,326
Components of comprehensive income not reflected in equity				
Deficit arising on revaluation of available for sale securities	(1,018,442)	(2,528,669)	(772,722)	(1,905,538)
Related tax charge	366,969	891,340	276,667	662,657
	(651,473)	(1,637,329)	(496,055)	(1,242,881)
Surplus on revaluation of fixed assets	-	2,101,378	-	2,101,378
Related tax charge	-	(322,703)	-	(322,703)
	-	1,778,675	-	1,778,675
Total comprehensive income	3,945,655	4,572,514	1,841,654	2,647,120
Attributable to:				
Shareholders of the Holding company	3,948,971	4,568,202	1,849,400	2,646,401
Non-controlling interest	(3,316)	4,312	(7,746)	719
	3,945,655	4,572,514	1,841,654	2,647,120

The annexed notes 1 to 25 form an integral part of these consolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ARSHAD NASAR
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018**

	Note	30 June 2018 (Rupees in '000)	30 June 2017 Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,102,283	7,549,785
Less: Dividend income		(161,613)	(215,542)
		6,940,670	7,334,243
Adjustments for:			
Depreciation		1,034,936	917,985
Amortisation		59,320	53,344
(Reversal) / provision against non-performing loans and advances - net		(268,977)	128,743
Provision for diminution in the value of investments		196,614	-
Gain on sale of operating fixed assets		(62,312)	(87,229)
Gain on sale / redemption of securities - net		(41,691)	(2,367,892)
Unrealised loss on held for trading securities		14,512	10,621
Charge for defined benefit plan		156,000	127,500
Charge for compensated absences		42,544	18,485
Share of profit from associates		(33,020)	(25,734)
(Reversal) / provision against off - balance sheet items		(41,640)	5,000
Other charges		-	149,912
		1,056,286	(1,069,265)
		7,996,956	6,264,978
Decrease in operating assets			
Advances - net		(105,218,960)	(49,110,804)
Other assets - (excluding advance taxation)		(2,874,509)	(1,179,229)
		(108,093,469)	(50,290,033)
Increase in operating liabilities			
Bills payable		1,615,176	2,467,803
Borrowings		23,394,332	6,434,813
Deposits and other accounts		56,224,354	68,164,747
Other liabilities		902,807	2,938,354
		82,136,669	80,005,717
		(17,959,844)	35,980,662
Income tax paid		(4,136,254)	(3,248,990)
Net cash (used in) / generated from operating activities		(22,096,098)	32,731,672
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		34,900,810	(17,717,940)
Net investments in associates		(4,523)	19,820
Dividend received		164,308	130,090
Investments in operating fixed assets		(3,549,878)	(2,025,861)
Sale proceeds from disposal of operating fixed assets		74,628	105,531
Net cash generated from / (used in) investing activities		31,585,345	(19,488,360)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of sub-ordinated loans		(800)	(800)
Dividend paid		(3,218,591)	(3,836,038)
Net cash used in financing activities		(3,219,391)	(3,836,838)
Exchange differences on translation of net investment in foreign operations		383,552	5,439
Increase in cash and cash equivalents		6,653,408	9,411,913
Cash and cash equivalents at beginning of the period		64,645,552	52,365,549
Cash and cash equivalents at end of the period	18	71,298,960	61,777,462

The annexed notes 1 to 25 form an integral part of these consolidated condensed interim financial statements.

ASHAR HUSAIN <i>Chief Financial Officer</i>	MANSOOR ALI KHAN <i>Chief Executive</i>	SYED MAZHAR ABBAS <i>Director</i>	ARSHAD NASAR <i>Director</i>	ABBAS D. HABIB <i>Chairman</i>
--	--	--------------------------------------	---------------------------------	-----------------------------------



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018**

	Attributable to the shareholders of the Holding Company								
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves			Sub Total	Non- controlling Interest	Total
Special Reserve				General Reserve	Unappro- -priated Profit				
	(Rupees in '000)								
Balance as at 01 January 2017 - audited	11,114,254	11,037,478	244,933	126,500	540,000	13,043,606	36,106,771	114,215	36,220,986
Effect of retrospective change in accounting policy of surplus on revaluation of fixed assets - net of tax (note 5.1)	-	(49,885)	-	-	-	(199,542)	(249,427)	-	(249,427)
Balance as at 01 January 2017 - restated	11,114,254	10,987,593	244,933	126,500	540,000	12,844,064	35,857,344	114,215	35,971,559
Total comprehensive income for the half year ended 30 June 2017:									
Profit after tax - restated	-	-	-	-	-	4,418,455	4,418,455	7,274	4,425,729
Other comprehensive income	-	-	5,439	-	-	-	5,439	-	5,439
	-	-	5,439	-	-	4,418,455	4,423,894	7,274	4,431,168
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	28,166	28,166	-	28,166
Transfer to statutory reserve - restated	-	504,459	-	-	-	(504,459)	-	-	-
Transaction with owners, record directly in equity									
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	(3,889,989)	(3,889,989)	-	(3,889,989)
Balance as at 30 June 2017 - restated	11,114,254	11,492,052	250,372	126,500	540,000	12,896,237	36,419,415	121,489	36,540,904
Total comprehensive income for the half year ended 31 December 2017:									
Profit after tax	-	-	-	-	-	4,087,121	4,087,121	(7,592)	4,079,529
Other comprehensive income	-	-	162,038	-	-	(108,080)	53,958	-	53,958
	-	-	162,038	-	-	3,979,041	4,141,079	(7,592)	4,133,487
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	35,994	35,994	-	35,994
Transfer to statutory reserve	-	408,975	-	-	-	(408,975)	-	-	-
Balance as at 31 December 2017 - restated	11,114,254	11,901,027	412,410	126,500	540,000	16,502,297	40,596,488	113,897	40,710,385
Effect of change in accounting policy of impairment of financial assets (note 5.2)	-	-	-	-	-	(133,601)	(133,601)	-	(133,601)
Balance as at 01 January 2018 - restated	11,114,254	11,901,027	412,410	126,500	540,000	16,368,696	40,462,887	113,897	40,576,784
Total comprehensive income for the half year ended 30 June 2018:									
Profit after tax	-	-	-	-	-	4,214,902	4,214,902	(1,326)	4,213,576
Other comprehensive income	-	-	383,552	-	-	-	383,552	-	383,552
	-	-	383,552	-	-	4,214,902	4,598,454	(1,326)	4,597,128
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	36,234	36,234	-	36,234
Transfer to statutory reserve	-	420,101	-	-	-	(420,101)	-	-	-
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	16,865,455	41,763,299	112,571	41,875,870

The annexed notes 1 to 25 form an integral part of these consolidated condensed interim financial statements.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ARSHAD NASAR
Director

ABBAS D. HABIB
Chairman



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018**

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
- AL Habib Credit & Finance (Hong Kong) 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 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 644 branches (31 December 2017: 605 branches), 36 sub - branches (31 December 2017: 45 sub - branches) and 04 representative offices (31 December 2017: 03 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2017: 03 overseas branches) and 57 Islamic Banking branches (31 December 2017: 53 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. 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.

1.4 AL Habib Credit & Finance (Hong Kong) Limited is a wholly owned subsidiary of the Bank. It is a limited liability company incorporated and domiciled in Hong Kong. The Company has not commenced operations.

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (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 the Companies Act, 2017.

2.2 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 are disclosed in note 22.



3. STATEMENT OF COMPLIANCE

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

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

Wherever 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 IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives prevail.

3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, International Financial Reporting Standard (IFRS) - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. 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 of various circulars issued by SBP.

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

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

- **IFRS 9 'Financial Instruments' - effective date: 1 July 2018**

The Bank is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions. However, SBP has instructed banks to prepare



potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performance financial statements for the year ended 31 December 2017. The Bank is required to submit its impact assessment to SBP in due course of time. For overseas branches, the Bank has adopted IFRS 9 in respect of provision for impairment as more fully explained in note 5.2.

- IFRS 15 'Revenue from contracts with customers' - effective date: 1 July 2018

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 'Revenue' which covers contracts for goods and services and IAS 11 'Construction Contracts' which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. A new five - step process has been introduced which must be applied before revenue can be recognised. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Group is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of the standard.

- IFRS 16 'Leases' - effective date: 1 January 2019

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short - term and low - value leases. The accounting for lessors will not significantly change.

The Group is currently in the process of assessing the potential impacts of changes as a result of adoption of IFRS 16.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets and non - banking assets acquired in satisfaction of claims are stated at revalued amounts, certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value and staff retirement benefits are carried at present value.

4.2 Functional and presentation currency

These consolidated condensed interim financial statements are presented in Pak Rupees which is the Group's functional currency and presentation currency.

4.3 Accounting estimates and assumptions

The preparation of these consolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that effect the application



of policies and reported amounts of assets and liabilities, income and expenses. The areas where assumptions and estimates are significant to these consolidated condensed interim financial statements are the same as those disclosed in the annual financial statements of the Group for the year ended 31 December 2017.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for preparation of these consolidated condensed interim financial statements are same as those applied in the preparation of annual financial statements of the Group for the year ended 31 December 2017 except as follows:

5.1 Surplus on revaluation of fixed assets - net of deferred tax

The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by SECP vide Circular No. 23 dated 4 October 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from 1 January 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in Note 5.7 of the annual consolidated financial statements), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular property is now to be accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but is to be taken to the profit and loss account as an impairment.

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

	31 December 2017	01 January 2017
	(Rupees in '000)	
Impact on Statement of Financial Position		
Surplus on revaluation of fixed assets - net of deferred tax	397,965	249,427
Unappropriated profit	358,168	199,542
Statutory reserves	39,797	49,885



5.2 Impairment on financial assets

As per the accounting policy of the Bank, the provision against financial assets of overseas branches is made as per the requirement of the respective regulators. During the current period, IFRS 9 'Financial Instruments' became applicable for overseas branches of the Bank. Accordingly, in respect of such branches, the Bank has changed its accounting policy and has followed the requirements of IFRS 9, while determining the provisioning requirements against financial assets. Under this standard, provision against financial assets is determined under expected credit loss model. Previously, this was determined under the incurred loss model. Accordingly, on adoption of IFRS 9, an additional provision of Rs. 205.54 million is recognised as at 31 December 2017 which was adjusted in the opening retained earnings as allowed under IFRS 9 and permitted by SBP. The impact of the said changes on these consolidated condensed interim financial statements are as follows:

	30 June 2018	01 January 2018
	(Rupees in '000)	
Impact on Statement of Financial Position		
Advances	110,987	152,124
Investments	145,375	53,416
	<u>256,362</u>	<u>205,540</u>
Less: related deferred tax	<u>(89,727)</u>	<u>(71,939)</u>
	<u>166,635</u>	<u>133,601</u>
	Half year ended 30 June 2018 (Rupees in '000)	
Impact on Profit and Loss account		
Profit after tax would have been higher by	<u>33,034</u>	
	(Rupees)	
Earnings per share would have been higher by	<u>0.03</u>	

There would be no impact on the cash flow statement.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended 31 December 2017.



Note	30 June 2018 (Un-audited)			31 December 2017 (Audited)		
	Held by Group	Given as Collateral	Total	Held by Group	Given as Collateral	Total
	(Rupees in '000)					
7. INVESTMENTS						
7.1 Investments by type						
Available for Sale Securities						
Market Treasury Bills	183,961,069	104,439,357	288,400,426	243,832,688	85,665,691	329,498,379
Pakistan Investment Bonds	42,257,559	-	42,257,559	37,599,811	-	37,599,811
Foreign Currency Bonds	3,297,605	-	3,297,605	3,232,531	-	3,232,531
Sukuk Bonds	14,825,822	-	14,825,822	13,284,768	-	13,284,768
Fully paid - up ordinary shares - Listed	4,678,197	-	4,678,197	4,798,712	-	4,798,712
Fully paid - up ordinary shares - Unlisted	104,236	-	104,236	46,759	-	46,759
Term finance certificates - Listed	152,819	-	152,819	302,729	-	302,729
Term finance certificates - Unlisted	1,199,990	-	1,199,990	1,242,857	-	1,242,857
Units of mutual funds	2,175,000	-	2,175,000	2,175,000	-	2,175,000
	252,652,297	104,439,357	357,091,654	306,515,855	85,665,691	392,181,546
Held to Maturity Securities	7.2					
Market Treasury Bills	154,071	-	154,071	129,049	-	129,049
Pakistan Investment Bonds	77,836,599	-	77,836,599	77,674,619	-	77,674,619
Foreign Currency Bonds	2,151,333	-	2,151,333	2,235,930	-	2,235,930
Sukuk Bonds	1,970,242	-	1,970,242	1,829,830	-	1,829,830
	82,112,245	-	82,112,245	81,869,428	-	81,869,428
Held for Trading Securities						
Fully paid - up ordinary shares - Listed	262,496	-	262,496	269,179	-	269,179
Associates						
Habib Sugar Mills Limited	508,930	-	508,930	467,138	-	467,138
Habib Asset Management Limited	85,613	-	85,613	67,543	-	67,543
First Habib Income Fund	146,091	-	146,091	142,286	-	142,286
First Habib Stock Fund	8,977	-	8,977	8,549	-	8,549
First Habib Cash Fund	147,349	-	147,349	143,535	-	143,535
First Habib Islamic Stock Fund	8,815	-	8,815	8,433	-	8,433
First Habib Islamic Income Fund	25,926	-	25,926	25,370	-	25,370
First Habib Asset Allocation Fund	100,905	-	100,905	100,175	-	100,175
	1,032,606	-	1,032,606	963,029	-	963,029
Investments at cost	336,059,644	104,439,357	440,499,001	389,617,491	85,665,691	475,283,182
Less: Provision for diminution in the value of investments	(396,631)	-	(396,631)	(141,241)	-	(141,241)
Investments (net of provision)	335,663,013	104,439,357	440,102,370	389,476,250	85,665,691	475,141,941
(Deficit) / surplus on revaluation of held for trading securities - net	(6,123)	-	(6,123)	8,389	-	8,389
Surplus / (deficit) on revaluation of available for sale securities - net	308,141	(36,762)	271,379	1,326,742	(4,887)	1,321,855
Total Investments	335,965,031	104,402,595	440,367,626	390,811,381	85,660,804	476,472,185

7.2 The aggregate market value of held to maturity securities as at 30 June 2018 amounted to Rs. 85,134 million (31 December 2017: Rs. 87,843 million).



	Note	(Un-audited) 30 June 2018 (Rupees in '000)	(Audited) 31 December 2017
8. ADVANCES			
Loans, cash credits, running finances, etc.			
– In Pakistan		340,502,742	253,710,754
– Outside Pakistan		29,542,832	22,497,572
		370,045,574	276,208,326
Islamic financing and related assets - gross	22.1.2	43,888,179	34,859,059
Net investment in finance lease			
– In Pakistan		18,417,006	15,352,023
– Outside Pakistan		–	–
		18,417,006	15,352,023
Bills discounted and purchased (excluding market treasury bills)			
– Payable in Pakistan		3,882,094	3,165,203
– Payable outside Pakistan		16,376,736	17,881,044
		20,258,830	21,046,247
Advances - gross		452,609,589	347,465,655
Provision against non - performing loans and advances			
– Specific provision	8.1	(4,114,257)	(4,399,564)
– General provision as per regulations	8.2	(326,523)	(233,096)
– General provision	8.3	(3,000,000)	(3,000,000)
		(7,440,780)	(7,632,660)
Advances - net of provisions		445,168,809	339,832,995

8.1 Advances include Rs. 5,112.475 million (31 December 2017: Rs. 5,288.599 million) which have been placed under non - performing status as detailed below:

Category of classification	30 June 2018 (Un-audited)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned	16,743	–	16,743	900	–	900	900	–	900
Substandard	284,802	–	284,802	70,612	–	70,612	70,646	–	70,646
Doubtful	1,472,101	–	1,472,101	722,110	–	722,110	722,110	–	722,110
Loss	2,407,790	931,039	3,338,829	2,389,562	931,039	3,320,601	2,389,562	931,039	3,320,601
	4,181,436	931,039	5,112,475	3,183,184	931,039	4,114,223	3,183,218	931,039	4,114,257



31 December 2017 (Audited)

	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	25,472	-	25,472	356	-	356	356	-	356
Substandard	151,761	-	151,761	37,171	-	37,171	37,171	-	37,171
Doubtful	1,406,425	-	1,406,425	689,214	-	689,214	689,214	-	689,214
Loss	2,720,279	984,662	3,704,941	2,688,161	984,662	3,672,823	2,688,161	984,662	3,672,823
	<u>4,303,937</u>	<u>984,662</u>	<u>5,288,599</u>	<u>3,414,902</u>	<u>984,662</u>	<u>4,399,564</u>	<u>3,414,902</u>	<u>984,662</u>	<u>4,399,564</u>

- 8.2** This general provision represents provision amounting to Rs. 215.536 million (31 December 2017: Rs. 233.096 million) as required by the Prudential Regulations issued by SBP and Rs. 110.987 (31 December 2017: nil) against requirement of IFRS 9 in overseas branches of the Bank.
- 8.3** In line with its prudent policies, the Bank also made 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 2018 amounts to Rs. 3,000 million (31 December 2017: Rs. 3,000 million).

	(Un-audited)	(Audited)
	30 June	31 December
	2018	2017
	(Rupees in '000)	

9. OPERATING FIXED ASSETS

Capital work - in - progress	1,901,423	1,046,851
Property and equipment	22,914,469	21,444,697
Intangible assets	199,517	73,585
	<u>25,015,409</u>	<u>22,565,133</u>

(Un-audited)
Half year ended

30 June	30 June
2018	2017

(Rupees in '000)

- 9.1** The following additions were made during the period:

Leasehold land	643,311	117,052
Buildings on leasehold land	663,386	352,819
Improvements to leasehold buildings	125,943	183,411
Furniture and fixtures	117,436	90,451
Electrical, office and computer equipments	680,629	766,473
Vehicles	283,154	155,569
Intangible assets	181,447	39,806
	<u>2,695,306</u>	<u>1,705,581</u>

- 9.2** The written down value of fixed assets disposed off during the period are as follows:

Leasehold land	-	7,944
Buildings on leasehold land	-	2,029
Improvements to leasehold buildings	3,057	1,283
Furniture and fixtures	2,104	1,485
Electrical, office and computer equipments	2,925	1,633
Vehicles	4,230	3,928
	<u>12,316</u>	<u>18,302</u>



	(Un-audited) 30 June 2018	(Audited) 31 December 2017
Note	(Rupees in '000)	
10. BORROWINGS		
Secured		
Borrowings from SBP		
– Export refinance scheme	29,281,400	27,980,020
– Renewable energy	4,016,851	3,884,507
– Women entrepreneurship	600	–
– Modernisation of small and medium enterprises	39,408	–
– Long term financing for imported and locally manufactured plant and machinery	12,099,397	10,616,620
– Financing facility for storage of agricultural produce	41,124	55,917
	<u>45,478,780</u>	<u>42,537,064</u>
Repurchase agreement borrowings	104,360,620	85,619,654
	<u>149,839,400</u>	<u>128,156,718</u>
Unsecured		
Borrowings from financial institutions	6,871,335	5,159,685
Overdrawn nostros	435,960	183,473
	<u>7,307,295</u>	<u>5,343,158</u>
	<u>157,146,695</u>	<u>133,499,876</u>
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	122,229,115	133,509,284
Savings deposits	208,389,510	195,983,912
Current accounts - Remunerative	94,871,197	76,678,384
Current accounts - Non - remunerative	302,258,820	260,827,453
	<u>727,748,642</u>	<u>666,999,033</u>
Financial institutions		
Remunerative deposits	19,106,203	22,230,821
Non - remunerative deposits	1,903,832	3,304,469
	<u>21,010,035</u>	<u>25,535,290</u>
	<u>748,758,677</u>	<u>692,534,323</u>
12. SUB - ORDINATED LOANS - unsecured		
Term Finance Certificates (TFCs) - V - (Unquoted) 12.1	3,996,800	3,997,600
Term Finance Certificates (TFCs) - VI - (Unquoted) 12.2	7,000,000	7,000,000
	<u>10,996,800</u>	<u>10,997,600</u>



12.1 Term Finance Certificates - V - (Unquoted)

Total issue	Rupees 4,000 million
Rate	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Tenor	10 years
Maturity	March 2026

12.2 Term Finance Certificates - VI - (Unquoted)

Total issue	Rupees 7,000 million
Rate	Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap
Redemption	No fixed or final redemption date
Tenor	Perpetual
Maturity	Perpetual

	(Un-audited) 30 June 2018 (Rupees in '000)	(Audited) 31 December 2017 Restated
	Note	
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Fixed assets / non - banking assets	13.1 4,584,246	4,620,480
Available for sale investments	13.2 296,042	947,515
	<u>4,880,288</u>	<u>5,567,995</u>
13.1 Fixed assets / non - banking assets		
Balance at beginning of the period / year	5,753,655	3,740,327
Surplus on revaluation of the Bank's fixed assets / non - banking assets during the period / year	-	2,126,946
Disposal / adjustments	-	(14,910)
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(55,744)	(98,708)
	<u>5,697,911</u>	<u>5,753,655</u>
Related deferred tax liability on:		
Balance at beginning of the period / year	1,133,175	839,950
Revaluation of the Bank's fixed assets / non - banking assets during the period / year	-	327,822
Disposal / adjustments	-	(49)
Transfer to unappropriated profit in respect of incremental depreciation charged during the period / year	(19,510)	(34,548)
	<u>(1,113,665)</u>	<u>(1,133,175)</u>
	<u>4,584,246</u>	<u>4,620,480</u>



	(Un-audited) 30 June 2018 (Rupees in '000)	(Audited) 31 December 2017
13.2 Available for sale investments		
Federal Government Securities	612,601	2,073,431
Fully paid - up ordinary shares	(308,921)	(715,905)
Term finance certificates, sukuk bonds, foreign currency bonds and others	92,450	115,944
Units of mutual funds	(11,757)	(70,655)
	<u>384,373</u>	<u>1,402,815</u>
Related deferred tax liability	(88,331)	(455,300)
	<u>296,042</u>	<u>947,515</u>
	(Un-audited) 30 June 2018 (Rupees in '000)	(Audited) 31 December 2017
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Financial guarantees issued favouring:		
– Financial institutions	3,019,384	1,344,595
– Others	5,526,640	5,272,122
	<u>8,546,024</u>	<u>6,616,717</u>
14.2 Transaction - related contingent liabilities		
Guarantees issued favouring:		
– Government	48,149,662	37,130,448
– Financial institutions	628,054	541,247
– Others	14,463,016	16,370,016
	<u>63,240,732</u>	<u>54,041,711</u>
14.3 Trade - related contingent liabilities		
Letters of credit	111,384,708	107,446,195
Acceptances	34,759,443	25,082,185
	<u>146,144,151</u>	<u>132,528,380</u>
14.4 Commitments in respect of forward lending		
Commitments to extend credit (excluding commitments that are unilaterally cancellable)	5,095,248	9,565,312



	(Un-audited) 30 June 2018	(Audited) 31 December 2017
	(Rupees in '000)	
14.5 Commitments in respect of forward exchange contracts		
Purchase	59,511,733	46,725,785
Sale	29,616,133	24,439,627
The maturities of above contracts are spread over the period upto one year.		
14.6 Commitments for the acquisition of operating fixed assets	1,080,386	1,110,895
14.7 Claims against the Bank not acknowledged as debts	4,718,920	4,718,920

14.8 Other contingencies

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2016. The income tax assessments of the Bank are completed upto tax year 2015.

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

Deputy Commissioner Inland Revenue has finalised audit of Tax Year 2014 (Accounting Year 2013) by disallowing certain expenses resulting 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 (ACIR) has finalised audit of Tax Year 2015 (Accounting Year 2014) by disallowing certain expenses resulting an impact of Rs. 301.855 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non - performing loans, other provisions and amortisation 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.

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		Quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	(Rupees in '000)			
		Restated		Restated
15. MARK-UP / RETURN / INTEREST EARNED				
On loans and advances to:				
Customers	11,418,084	8,656,873	6,354,603	4,580,383
Financial institutions	145,115	107,497	77,351	58,027
	11,563,199	8,764,370	6,431,954	4,638,410
On investments:				
Available for sale securities	10,954,624	10,338,463	5,262,947	5,058,416
Held to maturity securities	4,650,419	5,454,104	2,365,498	2,767,397
	15,605,043	15,792,567	7,628,445	7,825,813
On deposits with financial institutions	140,575	72,950	59,751	34,925
On securities purchased under resale agreements	83,154	29,689	63,191	13,841
On call money lendings	186	24	87	24
	27,392,157	24,659,600	14,183,428	12,513,013
16. MARK-UP / RETURN / INTEREST EXPENSED				
Deposits	10,440,811	9,368,658	5,266,063	4,828,530
Sub-ordinated loans	410,000	135,768	208,287	68,584
Repurchase agreement borrowings	771,926	1,782,676	373,641	761,471
Borrowings from SBP	455,074	320,877	231,940	167,101
Other borrowings	382,909	303,385	207,716	146,919
	12,460,720	11,911,364	6,287,647	5,972,605
17. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY				
Profit after taxation - attributable to equity holders of the Holding company	4,214,902	4,418,455	2,144,035	2,111,433
	(Number of shares in thousands)			
Weighted average number of ordinary shares	1,111,425	1,111,425	1,111,425	1,111,425
	(Rupees)			
Basic and diluted earnings per share	3.79	3.98	1.93	1.90
			(Un-audited)	
			Half year ended	
			30 June	30 June
			2018	2017
			(Rupees in '000)	
18. CASH AND CASH EQUIVALENTS				
Cash and balances with treasury banks		69,455,698	59,009,622	
Balances with other banks		2,279,222	2,926,898	
Overdrawn nostros		(435,960)	(159,058)	
		71,298,960	61,777,462	



19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		30 June 2018 (Un-audited)											
		Carrying amount					Fair value						
Note		Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets	Other financial liabilities	Total	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													
		(TBills + PIBs + Sukuk Bonds + FC Bonds)	341,917,704	-	-	-	-	341,917,704	-	341,917,704	-	341,917,704	
		Foreign Currency Bonds - Others	1,332,423	-	-	-	-	1,332,423	-	1,332,423	-	1,332,423	
		Sukuk Bonds - Others	735,860	-	-	-	-	735,860	-	735,860	-	735,860	
		Fully paid - up ordinary shares - Listed	4,123,722	256,373	-	-	-	4,380,095	4,380,095	-	-	4,380,095	
		Units of mutual funds	2,163,243	-	-	-	-	2,163,243	2,163,243	-	-	2,163,243	
		Term Finance Certificates - Listed	153,744	-	-	-	-	153,744	153,744	-	-	153,744	
Financial assets not measured at fair value													
- Cash and bank balances with treasury banks													
			-	-	-	69,455,698	-	69,455,698	-	-	-	-	
- Balances with other banks													
			-	-	-	2,279,222	-	2,279,222	-	-	-	-	
- Lendings to financial institutions													
			-	-	-	-	-	-	-	-	-	-	
- Investments													
Federal Government Securities													
		(TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)	4,575,000	-	82,008,583	-	-	86,583,583	-	91,530,625	-	91,530,625	
	19.1	Foreign Currency Bonds - Others	-	-	-	-	-	-	-	-	-	-	
	19.1	Sukuk Bonds - Others	1,666,180	-	103,662	-	-	1,769,842	-	-	-	-	
	19.1	Fully paid - up ordinary shares - Unlisted	98,536	-	-	-	-	98,536	-	-	-	-	
	19.1	Term Finance Certificates - Unlisted	199,990	-	-	-	-	199,990	-	-	-	-	
Associates													
		Listed shares	-	-	-	508,930	-	508,930	508,930	-	-	508,930	
		Mutual funds	-	-	-	438,063	-	438,063	438,063	-	-	438,063	
	19.1	Unlisted shares	-	-	-	85,613	-	85,613	-	-	-	-	
- Advances													
	19.1		-	-	-	445,168,809	-	445,168,809	-	-	-	-	
- Other assets													
	19.1		-	-	-	13,261,764	-	13,261,764	-	-	-	-	
			356,966,402	256,373	82,112,245	445,168,809	86,029,290	970,533,119	7,644,075	435,516,612	-	443,160,687	
Financial liabilities not measured at fair value													
- Bills payable													
	19.1		-	-	-	-	(21,278,525)	(21,278,525)	-	-	-	-	
- Borrowings													
	19.1		-	-	-	-	(157,146,695)	(157,146,695)	-	-	-	-	
- Deposits and other accounts													
	19.1		-	-	-	-	(748,758,677)	(748,758,677)	-	-	-	-	
- Sub -ordinated loans													
	19.1		-	-	-	-	(10,996,800)	(10,996,800)	-	-	-	-	
- Other liabilities													
	19.1		-	-	-	-	(13,192,861)	(13,192,861)	-	-	-	-	
			-	-	-	-	(951,373,558)	(951,373,558)	-	-	-	-	
			356,966,402	256,373	82,112,245	445,168,809	86,029,290	970,533,119	7,644,075	435,516,612	-	443,160,687	
Off - balance sheet financial instruments measured at fair value													
Forward purchase of foreign exchange contracts													
			-	-	-	-	59,511,733	59,511,733	-	61,689,660	-	61,689,660	
Forward sale of foreign exchange contracts													
			-	-	-	-	(29,616,133)	(29,616,133)	-	(29,616,133)	-	(29,616,133)	
Off - balance sheet financial instruments not measured at fair value													
Commitment to extent credit													
	19.1		-	-	-	-	5,085,248	5,085,248	-	-	-	-	



31 December 2017 (Audited)

	Note	Carrying amount					Total	Fair value			Total
		Available for sale	Held for trading	Held to maturity	Loans and receivables	Other financial assets		Other financial liabilities (Rupees in '000)	Level 1	Level 2	
On - balance sheet financial instruments											
Financial assets measured at fair value											
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds)											
		378,089,463	-	-	-	-	378,089,463	-	378,089,463	-	378,089,463
Foreign Currency Bonds - Others											
		1,461,389	-	-	-	-	1,461,389	-	1,461,389	-	1,461,389
Sukuk Bonds - Others											
		835,983	-	-	-	-	835,983	-	835,983	-	835,983
Fully paid - up ordinary shares - Listed											
		3,947,296	277,568	-	-	-	4,224,864	4,224,834	-	-	4,224,834
Units of mutual funds											
		2,104,346	-	-	-	-	2,104,346	2,104,346	-	-	2,104,346
Term Finance Certificates - Listed											
		305,599	-	-	-	-	305,599	305,599	-	-	305,599
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks											
		-	-	-	-	60,096,169	-	-	-	-	-
- Balances with other banks											
		-	-	-	-	4,732,856	-	-	-	-	-
- Lendings to financial institutions											
		-	-	-	-	-	-	-	-	-	-
- Investments											
Federal Government Securities (TBills + PIBs + Sukuk Bonds + FC Bonds + TFC)											
		4,717,857	-	81,474,239	-	-	86,192,096	-	87,316,853	-	87,316,853
Foreign Currency Bonds - Others											
19.1		-	-	275,289	-	-	275,289	-	-	-	-
Sukuk Bonds - Others											
19.1		1,738,198	-	119,900	-	-	1,858,098	-	-	-	-
Fully paid - up ordinary shares - Unlisted											
19.1		41,059	-	-	-	-	41,059	-	-	-	-
Term Finance Certificates - Unlisted											
19.1		100,000	-	-	-	-	100,000	-	-	-	-
Associates											
Listed shares											
		-	-	-	-	467,138	-	467,138	-	-	467,138
Mutual funds											
		-	-	-	-	428,348	-	428,348	-	-	428,348
Unlisted shares											
19.1		-	-	-	-	67,543	-	-	-	-	-
- Advances											
19.1		-	-	-	339,832,995	-	339,832,995	-	-	-	-
- Other assets											
19.1		-	-	-	-	13,342,993	-	-	-	-	-
		393,362,160	277,568	81,869,428	339,832,995	79,135,047	894,477,198	7,530,265	467,723,688	-	475,253,953
Financial liabilities not measured at fair value											
- Bills payable											
19.1		-	-	-	-	(19,663,349)	(19,663,349)	-	-	-	-
- Borrowings											
19.1		-	-	-	-	(133,499,876)	(133,499,876)	-	-	-	-
- Deposits and other accounts											
19.1		-	-	-	-	(692,534,323)	(692,534,323)	-	-	-	-
- Sub -ordinated loans											
19.1		-	-	-	-	(10,987,600)	(10,987,600)	-	-	-	-
- Other liabilities											
19.1		-	-	-	-	(12,103,913)	(12,103,913)	-	-	-	-
		-	-	-	-	(868,799,061)	(868,799,061)	-	-	-	-
		393,362,160	277,568	81,869,428	339,832,995	79,135,047	25,678,137	7,530,265	467,723,688	-	475,253,953
Off - balance sheet financial instruments measured at fair value											
Forward purchase of foreign exchange contracts											
		-	-	-	-	46,725,785	46,725,785	-	48,578,198	-	48,578,198
Forward sale of foreign exchange contracts											
		-	-	-	-	(24,439,627)	(24,439,627)	-	(23,677,714)	-	(23,677,714)
Off - balance sheet financial instruments not measured at fair value											
Commitment to extent credit											
19.1		-	-	-	-	9,565,312	9,565,312	-	-	-	-

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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

19.1 The Group has not disclosed the fair values for these financial assets and liabilities, as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.



20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Half year ended 30 June 2018 (Un-audited)				Total
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000)	Inter Segment Elimination	
Total income	14,740,327	26,867,330	29,902	(10,890,537)	30,747,022
Total expenses	(12,677,869)	(21,828,717)	(28,690)	10,890,537	(23,644,739)
Net income	2,062,458	5,038,613	1,212	-	7,102,283
	As at 30 June 2018 (Un-audited)				
Segment assets (net of provisions)	776,119,798	892,382,422	424,712	(666,702,099)	1,002,224,833
Segment non - performing loans	49,906	5,062,569	-	-	5,112,475
Segment provision required	44,456	4,069,767	-	-	4,114,223
Segment liabilities	767,400,394	854,511,246	259,134	(666,702,099)	955,468,675
Segment return on assets (ROA) (%)*	1.90%	3.01%	7.04%		
Segment cost of funds (%)*	1.65%	2.55%	11.07%		

AL Habib Credit & Finance (Hong Kong) Limited has not commenced operations.

	Half year ended 30 June 2017 (Un-audited)				Total
	Retail Banking	Commercial Banking	Retail Brokerage (Rupees in '000) Restated	Inter Segment Elimination	
Total income	11,843,849	26,636,028	72,565	(8,930,544)	29,621,898
Total expenses	(9,987,602)	(20,979,938)	(35,117)	8,930,544	(22,072,113)
Net income	1,856,247	5,656,090	37,448	-	7,549,785
	As at 30 June 2017 (Un-audited)				
Segment assets (net of provisions)	671,007,648	759,418,423	427,526	(599,990,795)	830,862,802
Segment non - performing loans	52,107	5,628,308	-	-	5,680,415
Segment provision required	44,360	4,710,411	-	-	4,754,771
Segment liabilities	665,964,378	721,095,185	231,067	(599,990,795)	787,299,835
Segment return on assets (ROA) (%)*	1.77%	3.51%	16.97%		
Segment cost of funds (%)*	1.50%	2.91%	15.20%		

*These percentages have been computed based on closing assets / liabilities figures.



21. RELATED PARTY TRANSACTIONS

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

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

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

	30 June 2018 (Un-audited)				Total
	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	
Deposits					
At beginning of the period	4,021,911	821,526	580,986	1,412,440	6,836,863
Placements during the period	53,355,399	2,017,373	1,179,496	17,909,107	74,461,375
Withdrawals during the period	(54,794,724)	(2,064,586)	(1,021,060)	(18,765,480)	(76,645,850)
At end of the period	2,582,586	774,313	739,422	556,067	4,652,388
Advances					
At beginning of the period	1,775,142	977	51,929	-	1,828,048
Given during the period	16,107,069	17,202	31,917	-	16,156,188
Repaid during the period	(16,775,583)	(17,603)	(31,865)	-	(16,825,051)
At end of the period	1,106,628	576	51,981	-	1,159,185
Investments					
At beginning of the period	964,259	-	-	-	964,259
Investments made during the period	21,000	-	-	-	21,000
Investments adjusted during the period	47,347	-	-	-	47,347
At end of the period	1,032,606	-	-	-	1,032,606
Contingencies and commitments	1,674,781	-	-	-	1,674,781
31 December 2017 (Audited)					
Deposits					
At beginning of the year	2,777,378	556,559	451,090	842,775	4,627,802
Placements during the year	80,970,167	3,448,955	1,991,843	13,064,423	99,475,388
Withdrawals during the year	(79,725,634)	(3,183,988)	(1,861,947)	(12,494,758)	(97,266,327)
At end of the year	4,021,911	821,526	580,986	1,412,440	6,836,863
Advances					
At beginning of the year	1,391,233	210	49,060	-	1,440,503
Given during the year	36,708,154	24,105	88,844	-	36,821,103
Repaid during the year	(36,324,245)	(23,338)	(85,975)	-	(36,433,558)
At end of the year	1,775,142	977	51,929	-	1,828,048
Investments					
At beginning of the year	830,393	-	-	-	830,393
Investments made during the year	126,230	-	-	-	126,230
Investments adjusted during the year	7,636	-	-	-	7,636
At end of the year	964,259	-	-	-	964,259
Contingencies and commitments	1,358,895	-	-	-	1,358,895



Half year ended 30 June 2018 (Un-audited)

	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Other assets	90	-	-	-	90
Other liabilities	966	-	-	-	966
Purchase of securities	21,000	-	-	-	21,000
Purchase of mutual funds	-	-	-	-	-
Sale of securities	177,560	-	-	6,291,609	6,469,169
Loss on sale of securities and mutual funds	-	-	-	16	16
Mark - up earned	38,596	-	1,502	-	40,098
Mark - up expensed	77,036	16,109	12,994	30,794	136,933
Bank charges and commission	3,704	8	18	-	3,730
Salaries and allowances	-	-	208,589	-	208,589
Bonus	-	-	19,751	-	19,751
Contribution to defined contribution plan	-	-	9,345	-	9,345
Contribution to defined benefit plan	-	-	31,480	-	31,480
Staff provident fund	-	-	-	220,536	220,536
Staff gratuity fund	-	-	-	156,000	156,000
Directors' fee	-	18,725	-	-	18,725
Insurance claim received	11,873	-	-	-	11,873
Insurance premium paid	124,248	-	-	-	124,248
Dividend income	16,477	-	-	-	16,477
Rental paid	-	-	-	-	-
Brokerage and advisory income	413	-	-	-	413
Donation	1,500	-	-	-	1,500
Other expensed	480	-	-	-	480
Other income	93	-	-	74	167

Half year ended 30 June 2017 (Un-audited)

	Associates	Non Executive Directors	Key Management Personnel (Rupees in '000)	Retirement Benefit Funds	Total
Other assets	48	-	-	-	48
Other liabilities	11,529	-	-	-	11,529
Purchase of securities	1,230	-	-	-	1,230
Purchase of mutual funds	25,000	-	-	-	25,000
Sale of securities	63,105	-	-	1,000,096	1,063,201
Loss on sale of securities and mutual funds	-	-	-	-	-
Mark - up earned	33,305	3	1,880	-	35,188
Mark - up expensed	70,802	16,903	10,479	34,844	133,028
Bank charges and commission	4,699	15	20	-	4,734
Salaries and allowances	-	-	189,125	-	189,125
Bonus	-	-	15,194	-	15,194
Contribution to defined contribution plan	-	-	6,489	-	6,489
Contribution to defined benefit plan	-	-	14,410	-	14,410
Staff provident fund	-	-	-	188,003	188,003
Staff gratuity fund	-	-	-	127,500	127,500
Directors' fee	-	16,550	-	-	16,550
Insurance claim received	10,306	-	-	-	10,306
Insurance premium paid	167,414	-	-	-	167,414
Dividend income	44,821	-	-	-	44,821
Rental paid	7,258	-	-	-	7,258
Brokerage and advisory income	476	-	8	-	484
Donation	-	-	-	-	-
Other expensed	2,970	-	-	-	2,970
Other income	91	-	-	52	143



22. ISLAMIC BANKING BUSINESS

22.1 The Bank is operating 57 (31 December 2017: 53) Islamic Banking branches in Pakistan. The statement of financial position of these branches as at 30 June 2018 is as follows:

	Note	(Un-audited) 30 June 2018 (Rupees in '000)	(Audited) 31 December 2017
ASSETS			
Cash and balances with treasury banks		3,048,432	2,554,000
Balances with and due from financial institutions		13,647	957,424
Investments	22.1.1	12,180,784	11,333,912
Islamic financing and related assets	22.1.2	43,866,672	34,843,979
Operating fixed assets		278,665	248,825
Other assets		2,516,985	538,108
		61,905,185	50,476,248
LIABILITIES			
Bills payable		46,301	30,694
Due to financial institutions		4,791,740	4,301,041
Deposits and other accounts		41,639,474	37,867,252
Current accounts		15,955,124	12,981,414
Saving accounts		11,985,375	11,145,642
Term deposits		6,280,629	7,123,780
Others		935,073	973,928
Deposits from financial institutions - remunerative		6,482,157	5,635,540
Deposits from financial institutions - non - remunerative		1,116	6,948
Due to Head office		6,934,576	1,319,226
Other liabilities		2,461,449	1,570,087
		(55,873,540)	(45,088,300)
NET ASSETS		6,031,645	5,387,948
REPRESENTED BY:			
Islamic banking fund		5,700,000	5,000,000
Unremitted profit		400,294	422,821
		6,100,294	5,422,821
Deficit on revaluation of assets		(68,649)	(34,873)
		6,031,645	5,387,948
22.1.1 Investments			
Sukuk bonds		12,039,368	11,205,550
Fully paid - up ordinary shares - Listed		87,200	73,497
Mutual funds		74,310	73,965
Investments		12,200,878	11,353,012
Less: Provision for diminution in the value of investments		(20,094)	(19,100)
Investments (net of provision)		12,180,784	11,333,912



	(Un-audited) 30 June 2018	(Audited) 31 December 2017
	(Rupees in '000)	
22.1.2 Islamic financing and related assets		
Murabaha	5,879,800	6,034,031
Net book value of assets / investments in ijarah under IFAS 2	2,305,485	2,132,197
Running musharakah	4,568,796	2,223,124
Diminishing musharakah	12,839,864	10,082,423
Musawama	2,401,724	3,245,401
Istisna	2,103,427	1,644,298
Export refinance murabaha	1,113,575	881,335
Export refinance istisna	3,041,360	3,634,300
Export refinance musharakah	80,000	-
Qard - e - Hasanah	1,683	-
Gross financing	<u>34,335,714</u>	<u>29,877,109</u>
Advance against murabaha	1,252,869	1,559,959
Advance against ijarah	771,543	500,808
Advance against diminishing musharakah	2,873,687	2,064,649
Advance against istisna	1,640,390	856,534
Advance against export refinance murabaha	219,039	-
Advance against musawama	977,042	-
Advance against export refinance istisna	760,500	-
Bills discounted	1,057,395	-
Islamic financing and related assets - gross	<u>43,888,179</u>	<u>34,859,059</u>
Less: Provisions		
Specific provision	(2,805)	(478)
General provision	(18,702)	(14,602)
	<u>(21,507)</u>	<u>(15,080)</u>
Islamic financing and related assets - net of provision	<u>43,866,672</u>	<u>34,843,979</u>
22.1.2.1 Islamic mode of financing		
Financings / inventory / receivables	34,335,714	29,877,109
Advances	9,552,465	4,981,950
Less: provisions	(21,507)	(15,080)
	<u>43,866,672</u>	<u>34,843,979</u>
22.2	The profit and loss account of the Bank's Islamic Banking branches for the half year ended 30 June 2018 is as follows:	
	(Un-audited) Half year ended	
	30 June 2018	30 June 2017
	(Rupees in '000)	
Profit / return on financing and placements earned	1,570,781	944,319
Profit / return on deposits and other dues expensed	(672,375)	(406,506)
	<u>898,406</u>	<u>537,813</u>
Provision against non - performing loans and advances	(6,427)	(4,760)
Provision for diminution in the value of investments	(994)	-
	<u>(7,421)</u>	<u>(4,760)</u>
Net spread earned	<u>890,985</u>	<u>533,053</u>
OTHER INCOME		
Fees, commission and brokerage income	85,003	49,641
Income from dealing in foreign currencies	25,940	14,428
Gain on sale of securities	-	537
Dividend income	3,528	8,900
Other income	18,447	12,401
	<u>132,918</u>	<u>85,907</u>
OTHER EXPENSES		
Administrative expenses	(623,609)	(433,669)
PROFIT BEFORE TAXATION	<u>400,294</u>	<u>185,291</u>



	(Un-audited) Half year ended	
	30 June 2018	30 June 2017
	(Rupees in '000)	
22.3 Remuneration to Shariah Board	3,274	3,211
	(Un-audited) 30 June 2018	(Audited) 31 December 2017
	(Rupees in '000)	
22.4 CHARITY FUND		
Opening balance	6,464	2,738
Additions during the period / year	4,543	6,464
Payment / utilisation during the period / year		
Health	-	(948)
Social welfare	(500)	(1,790)
	(500)	(2,738)
Closing balance	10,507	6,464

The non - shariah compliant income identified during the period / year is transferred to the charity account.

23. LIQUIDITY RISK

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

	(Un-audited)		(Audited)
	30 June 2018	31 March 2018	31 December 2017
	(Total Adjusted Value) (Rupees in '000)		
23.1 Liquidity Coverage Ratio			
Total HQLA	336,865,043	386,491,343	333,948,742
Total Net Cash Flows	108,655,797	98,391,220	89,343,417
Liquidity Coverage Ratio (%)	310%	393%	374%
Minimum Requirement (%)	90%	90%	90%



	(Un-audited) 30 June 2018 (Total Weighted Value) (Rupees in '000)	(Audited) 31 December 2017
23.2 Net Stable Funding Ratio		
Total Available Stable Funding (ASF)	663,574,076	619,656,418
Total Required Stable Funding (RSF)	426,883,461	330,145,360
Net Stable Funding Ratio (%)	155%	188%
Minimum Requirement (%)	100%	100%

24. GENERAL

24.1 Comparative information has been re - classified, re - arranged or additionally incorporated in these consolidated condensed interim financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current period.

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

25. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 16 August 2018.

ASHAR HUSAIN
Chief Financial Officer

MANSOOR ALI KHAN
Chief Executive

SYED MAZHAR ABBAS
Director

ARSHAD NASAR
Director

ABBAS D. HABIB
Chairman