



HABIB BANK
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CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

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

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

**President and
Chief Executive Officer**

Chief Financial Officer

Director

Director

Director

HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018

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

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

President and
Chief Executive Officer

Chief Financial Officer

Director

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018

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

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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Reserves					Total	
	Share capital	Exchange translation reserve	Capital		Revenue		
			Statutory reserve	Non-distributable capital reserve	General reserve		Unappropriated profit (restated)
------(Rupees in '000)-----							
Balance as at December 31, 2016	14,668,525	10,453,351	30,072,084	547,115	6,073,812	97,446,624	159,261,511
Effect of retrospective change in accounting policy	-	-	-	-	-	(803,615)	(803,615)
Balance as at December 31, 2016 (restated)	14,668,525	10,453,351	30,072,084	547,115	6,073,812	96,643,009	158,457,896
Comprehensive income for the period							
Profit after taxation for the six months ended June 30, 2017	-	-	-	-	-	14,998,523	14,998,523
Other comprehensive income							
- Effect of translation of net investment in foreign branches - net	-	54,038	-	-	-	-	54,038
	-	54,038	-	-	-	14,998,523	15,052,561
Transactions with owners, recorded directly in equity							
Final cash dividend - Rs 3.5 per share declared subsequent to the year ended December 31, 2016	-	-	-	-	-	(5,133,984)	(5,133,984)
1st interim cash dividend - Rs 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(10,267,968)	(10,267,968)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	19,717	19,717
Exchange translation realised on sale of Bank branches	-	(371,022)	-	-	-	-	(371,022)
Transferred to statutory reserve	-	-	1,499,853	-	-	(1,499,853)	-
Balance as at June 30, 2017 (restated)	14,668,525	10,136,367	31,571,937	547,115	6,073,812	99,893,428	162,891,184
Comprehensive income for the period							
Loss after taxation for the six months ended December 31, 2017 (restated)	-	-	-	-	-	(7,267,976)	(7,267,976)
Other comprehensive income / (loss)							
- Effect of translation of net investment in foreign branches - net	-	1,968,958	-	-	-	-	1,968,958
- Remeasurement loss on defined benefit obligations- net	-	-	-	-	-	(1,007,627)	(1,007,627)
	-	1,968,958	-	-	-	(8,275,603)	(6,306,645)
Transactions with owners, recorded directly in equity							
2nd interim cash dividend - Rs 3.5 per share	-	-	-	-	-	(5,133,984)	(5,133,984)
	-	-	-	-	-	(5,133,984)	(5,133,984)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	23,240	23,240
Exchange translation realised on sale of Bank branches	-	14,566	-	-	-	-	14,566
Transferred from statutory reserve	-	-	(793,413)	-	-	793,413	-
Balance as at December 31, 2017 (restated)	14,668,525	12,119,891	30,778,524	547,115	6,073,812	87,300,494	151,488,361
Comprehensive income for the period							
Profit after taxation for the six months ended June 30, 2018	-	-	-	-	-	7,570,053	7,570,053
Other comprehensive income							
- Effect of translation of net investment in foreign branches - net	-	2,859,402	-	-	-	-	2,859,402
- Remeasurement gain on defined benefit obligations - net	-	-	-	-	-	287,013	287,013
	-	2,859,402	-	-	-	7,857,066	10,716,468
Transactions with owners, recorded directly in equity							
Final cash dividend - Rs 1.0 per share declared subsequent to the year ended December 31, 2017	-	-	-	-	-	(1,466,852)	(1,466,852)
1st interim cash dividend - Rs 1.0 per share	-	-	-	-	-	(1,466,852)	(1,466,852)
	-	-	-	-	-	(2,933,704)	(2,933,704)
Transferred from surplus on revaluation of assets - net of tax	-	-	-	-	-	26,601	26,601
Transferred to statutory reserve	-	-	757,005	-	-	(757,005)	-
Balance as at June 30, 2018	14,668,525	14,979,293	31,535,529	547,115	6,073,812	91,493,452	159,297,726

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

**President and
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HABIB BANK LIMITED
CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018

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

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

**President and
Chief Executive Officer**

Chief Financial Officer

Director

Director

Director

HABIB BANK LIMITED

NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2018

1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking related services in Pakistan and overseas. The Bank's registered office is at Habib Bank Tower, 9th Floor, Jinnah Avenue, Islamabad and its principal office is at Habib Bank Plaza, I.I.Chundrigar Road, Karachi. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 1,703 (December 31, 2017: 1,703) branches inside Pakistan including 47 (December 31, 2017: 47) Islamic Banking Branches and 48 (December 31, 2017: 48) branches outside the country including in the Karachi Export Processing Zone (KEPZ). The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Bank and its registered office is in Geneva, Switzerland.

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

2 STATEMENT OF COMPLIANCE

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

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

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

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

3 ACCOUNTING POLICIES

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

3.1 Change in accounting policies

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

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

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

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

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

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

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

4 ACCOUNTING ESTIMATES

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

5 FINANCIAL RISK MANAGEMENT

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

6 INVESTMENTS

	Note	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rupees in '000) -----							
Investments by type							
Held-for-trading (HFT)							
<i>Federal Government securities</i>							
- Market Treasury Bills		190,232,041	115,414	190,347,455	47,907,444	-	47,907,444
- Pakistan Investment Bonds		5,206,539	-	5,206,539	17,918,321	-	17,918,321
- Sukuks		-	-	-	1,999,062	-	1,999,062
<i>Fully paid-up ordinary shares</i>							
- Listed companies		176,874	-	176,874	274,651	-	274,651
<i>Overseas Government securities</i>		125,385	-	125,385	149,311	-	149,311
		195,740,839	115,414	195,856,253	68,248,789	-	68,248,789
Held-to-maturity (HTM)	6.1						
<i>Federal Government securities</i>							
- Market Treasury Bills		-	-	-	-	-	-
- Pakistan Investment Bonds		185,102,492	-	185,102,492	229,596,422	-	229,596,422
- Government of Pakistan US Dollar Bonds		122,775	-	122,775	1,177,868	-	1,177,868
<i>Debentures and corporate debt instruments</i>							
- Listed		9,134,303	-	9,134,303	6,899,728	-	6,899,728
- Unlisted		20,379,574	-	20,379,574	18,078,775	-	18,078,775
<i>Overseas Government securities</i>		10,055,397	-	10,055,397	14,604,085	-	14,604,085
		224,794,541	-	224,794,541	270,356,878	-	270,356,878
Available-for-sale (AFS)							
<i>Federal Government securities</i>							
- Market Treasury Bills		396,473,487	80,923,530	477,397,017	328,211,635	131,244,262	459,455,897
- Pakistan Investment Bonds		143,566,635	108,659,483	252,226,118	238,386,542	134,373,604	372,760,146
- Government of Pakistan US Dollar Bonds		1,631,221	-	1,631,221	1,487,595	-	1,487,595
- Sukuks		78,748,380	-	78,748,380	83,205,706	-	83,205,706
<i>Fully paid-up ordinary shares</i>							
- Listed companies		16,636,844	-	16,636,844	19,661,232	-	19,661,232
- Unlisted companies		3,356,164	-	3,356,164	2,711,847	-	2,711,847
<i>Debentures and corporate debt instruments</i>							
- Listed		3,918,870	12,612,665	16,531,535	283,688	15,378,666	15,662,354
- Unlisted	6.3	13,596,500	-	13,596,500	14,086,144	-	14,086,144
<i>Overseas Government securities</i>		6,970,837	-	6,970,837	3,868,899	-	3,868,899
<i>National Investment Trust units</i>		11,113	-	11,113	11,113	-	11,113
<i>Real Estate Investment Trust units</i>		55,000	-	55,000	154,000	-	154,000
<i>Preference shares</i>		97,500	-	97,500	97,500	-	97,500
		665,062,551	202,195,678	867,258,229	692,165,901	280,996,532	973,162,433
Investment in subsidiary companies		13,945,202	-	13,945,202	13,945,202	-	13,945,202
Investment in associates and joint venture	6.1	12,668,035	-	12,668,035	12,322,188	-	12,322,188
		1,112,211,168	202,311,092	1,314,522,260	1,057,038,958	280,996,532	1,338,035,490
Provision for diminution in the value of investments	6.2	(1,764,859)	-	(1,764,859)	(1,503,051)	-	(1,503,051)
		1,110,446,309	202,311,092	1,312,757,401	1,055,535,907	280,996,532	1,336,532,439
Deficit on revaluation of held-for-trading securities		(53,209)	(34)	(53,243)	(73,326)	-	(73,326)
(Deficit) / surplus on revaluation of available-for-sale securities	11.2	(3,676,277)	(1,113,177)	(4,789,454)	(900,806)	224,364	(676,442)
Total investments (net of provision)		<u>1,106,716,823</u>	<u>201,197,881</u>	<u>1,307,914,704</u>	<u>1,054,561,775</u>	<u>281,220,896</u>	<u>1,335,782,671</u>

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

6.1 The market value of investment classified as held-to-maturity and investment in listed associates

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

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

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

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

	Note	(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017 (Rupees in '000)
7 ADVANCES			
Loans, cash credits, running finances, etc.			
- In Pakistan		702,664,896	628,791,839
- Outside Pakistan		91,706,060	100,618,431
		<u>794,370,956</u>	<u>729,410,270</u>
Net investment in finance lease - in Pakistan		17,688,671	17,127,661
Islamic financing and related assets	20.1.2	94,371,958	84,408,003
Bills discounted and purchased			
- Payable in Pakistan		21,251,880	16,751,077
- Payable outside Pakistan		21,877,377	16,540,552
		43,129,257	33,291,629
Advances - gross		<u>949,560,842</u>	<u>864,237,563</u>
Provision against advances			
- Specific	7.2	(60,306,174)	(60,792,948)
- General		(2,907,757)	(2,755,637)
		(63,213,931)	(63,548,585)
Advances - net of provision		<u>886,346,911</u>	<u>800,688,978</u>

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

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

Category of classification	June 30, 2018 (Unaudited)								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- Rupees in '000 -----								
Other assets especially mentioned	1,162,757	-	1,162,757	-	-	-	1,162,757	-	1,162,757
Substandard	2,584,598	1,750,606	4,335,204	1,194,573	210,475	1,405,048	1,390,025	1,540,131	2,930,156
Doubtful	1,222,682	660,506	1,883,188	611,341	313,607	924,948	611,341	346,899	958,240
Loss	42,433,268	17,119,314	59,552,582	41,368,838	16,607,340	57,976,178	1,064,430	511,974	1,576,404
	<u>47,403,305</u>	<u>19,530,426</u>	<u>66,933,731</u>	<u>43,174,752</u>	<u>17,131,422</u>	<u>60,306,174</u>	<u>4,228,553</u>	<u>2,399,004</u>	<u>6,627,557</u>

Category of classification	December 31, 2017 (Audited)								
	Non-performing advances			Provision required and held			Net non-performing advances		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- Rupees in '000 -----								
Other assets especially mentioned	1,025,320	32,434	1,057,754	-	-	-	1,025,320	32,434	1,057,754
Substandard	2,872,439	794,075	3,666,514	1,159,974	166,073	1,326,047	1,712,465	628,002	2,340,467
Doubtful	1,534,738	1,022,442	2,557,180	767,369	417,505	1,184,874	767,369	604,937	1,372,306
Loss	44,823,375	14,932,806	59,756,181	43,688,631	14,593,396	58,282,027	1,134,744	339,410	1,474,154
	<u>50,255,872</u>	<u>16,781,757</u>	<u>67,037,629</u>	<u>45,615,974</u>	<u>15,176,974</u>	<u>60,792,948</u>	<u>4,639,898</u>	<u>1,604,783</u>	<u>6,244,681</u>

7.2 **Particulars of provision against advances**

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

7.3 General provision represents provision amounting to Rs 1,499.653 (December 31, 2017: Rs 1,405.701 million) against consumer finance portfolio. General provision also includes Rs 1,408.104 (December 31, 2017: Rs 1,349.936 million) pertaining to overseas locations to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

7.4 These represent non-performing advances for agriculture finance which have been classified as loss, are fully provided and are in default for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

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

	June 30, 2018 (Unaudited)					
	Balance at the beginning of the period	Loans granted / transferred in during the period	Repayments / transferred out during the period	Balance at the end of the period	Maximum total amount of advances including temporary advances outstanding**	Limit sanctioned during the period
----- (Rupees in '000) -----						
Debts due by Directors or Executives of the Bank or any of them either severally or jointly with any other persons:						
- in respect of Directors	-	-	-	-	-	-
- in respect of Executives* (other than Key Management Personnel)	2,819,039	1,163,745	(1,654,928)	2,327,856	2,442,939	873,577
- in respect of Key Management Personnel	142,108	91,600	(95,296)	138,412	213,884	55,607
Debts due by companies or firms in which the Directors of the Bank are interested as directors partners, advisors or in the case of private companies as members	15,991,842	111,885,849	(105,905,129)	21,972,562	23,806,516	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	605,113	2,094,445	(2,071,682)	627,876	605,125	-

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

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

	December 31, 2017 (Audited)					
	Balance at the beginning of the year	Loans granted / transferred in during the year	Repayments / transferred out during the year	Balance at the end of the year	Maximum total amount of advances including temporary advances outstanding**	Limit sanctioned during the year
----- (Rupees in '000) -----						
Debts due by Directors or Executives of the Bank or any of them either severally or jointly with any other persons:						
- in respect of Directors	-	-	-	-	-	-
- in respect of Executives* (other than Key Management Personnel)	2,876,769	771,450	(829,180)	2,819,039	3,099,210	771,450
- in respect of Key Management Personnel	38,221	175,367	(71,480)	142,108	204,016	162,585
Debts due by companies or firms in which the Directors of the Bank are interested as directors, partners, advisors or in the case of private companies as members	10,404,154	169,816,908	(164,229,220)	15,991,842	25,397,530	12,573,928
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	2,685,681	263,742	(2,344,310)	605,113	2,663,766	13,893

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

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

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

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

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

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

8.3 Disposal of operating fixed assets

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

	Tangible fixed assets		
	Furniture, fixtures and office equipment	394,512	119,788
	Leasehold Improvements	124,691	18,884
	Vehicles	16,868	3,272
		<u>536,071</u>	<u>141,944</u>

		(Unaudited) June 30, 2018	(Audited) December 31, 2017
		(Rupees in '000)	
9	BORROWINGS		
	Secured		
	Borrowings from the SBP under		
	- Export refinance scheme	25,696,174	26,343,510
	- Long term financing facility	10,516,512	9,852,123
	- Refinance facility for modernization of SMEs	26,167	9,500
		36,238,853	36,205,133
	Repurchase agreement borrowings	200,177,673	279,802,790
		236,416,526	316,007,923
	Unsecured		
	- Call money borrowings	24,790,000	11,385,000
	- Overdrawn nostro accounts	744,396	1,540,136
	- Borrowings of overseas branches	28,233,357	28,348,800
	- Other long term borrowings	41,552,042	38,204,351
		95,319,795	79,478,287
		<u>331,736,321</u>	<u>395,486,210</u>

9.1 This includes the following:

9.1.1 A loan from the International Finance Corporation amounting to US\$ 150 million (December 31, 2017: US\$ 150 million). The principal amount is payable in six equal half yearly installments from June 2022 to December 2024. Interest at LIBOR+5% is payable bi-annually from June 2015.

9.1.2 A loan from the China Development Bank amounting to US\$ 192 million (December 31, 2017: US\$196 million). The principal amount is payable in six installments from December 2017 to June 2020. Interest at LIBOR+2.45% is payable semi annually commencing from June 15, 2017.

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

		(Unaudited) June 30, 2018 (Rupees in '000)	(Audited) December 31, 2017
10 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Current accounts - non-remunerative		733,173,573	682,227,276
Savings accounts		883,154,635	864,002,017
Fixed deposits		295,315,833	288,149,686
		<u>1,911,644,041</u>	<u>1,834,378,979</u>
Financial institutions			
Current accounts - non-remunerative		5,006,243	4,607,043
Savings accounts		94,584,066	59,294,770
Fixed deposits		2,919,577	1,230,643
		<u>102,509,886</u>	<u>65,132,456</u>
		<u>2,014,153,927</u>	<u>1,899,511,435</u>
		(Unaudited) June 30, 2018	(Audited) December 31, 2017
		(Rupees in '000)	(Restated)
11 SURPLUS ON REVALUATION OF ASSETS - net of deferred tax			
Surplus / (deficit) arising on revaluation of assets - net of deferred tax, on			
- Operating fixed assets	11.1	21,348,495	21,372,465
- Investments	11.2	(3,113,145)	(439,687)
- Non-banking assets acquired in satisfaction of claims	11.3	291,391	282,820
Surplus on revaluation of assets - net of deferred tax		<u>18,526,741</u>	<u>21,215,598</u>
11.1 Surplus on revaluation of operating fixed assets			
Surplus as at the beginning of the period / year		22,509,067	12,598,958
Surplus recognised during the period / year		-	9,960,433
Transferred from surplus on revaluation of non-banking assets		3,227	15,504
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(26,431)	(42,789)
Related deferred tax liability on incremental depreciation charged during the period / year		<u>(14,232)</u>	<u>(23,039)</u>
		22,471,631	22,509,067
Less: related deferred tax liability on			
- Revaluation as at the beginning of the period / year		1,136,602	693,788
- Revaluation recognised during the period / year		-	460,427
- Amount transferred from surplus on revaluation of non-banking assets		766	5,426
- Incremental depreciation charged during the period / year		<u>(14,232)</u>	<u>(23,039)</u>
		1,123,136	1,136,602
		<u>21,348,495</u>	<u>21,372,465</u>
		(Unaudited) June 30, 2018	(Audited) December 31, 2017
		(Rupees in '000)	
11.2 Surplus / (deficit) on revaluation of investments			
Market Treasury Bills		(144,616)	(81,235)
Pakistan Investment Bonds		(3,063,063)	569,841
Government of Pakistan US Dollar Bonds		(26,481)	38,635
Sukuks		(62,390)	485,521
Listed equity securities		(1,565,258)	(1,794,580)
National Investment Trust units		38,534	36,190
Real Estate Investment Trust units		9,500	-
Overseas Government securities		8,307	4,460
Other debt instruments		16,013	64,726
		<u>(4,789,454)</u>	<u>(676,442)</u>
Related deferred tax asset		1,676,309	236,755
		<u>(3,113,145)</u>	<u>(439,687)</u>

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
11.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus as at the beginning of the period / year	283,667	690,381
Surplus recognised / (reversed) during the period / year	11,249	(390,952)
Transferred to surplus on revaluation of operating fixed assets during the period / year	(3,227)	(15,504)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax	(170)	(168)
Related deferred tax liability on incremental depreciation charged during the period / year	(91)	(90)
	291,428	283,667
Less: related deferred tax liability on		
- Revaluation as at beginning of the period / year	847	6,203
- Revaluation recognised during the period / year	47	160
- Amount transferred to surplus on revaluation of operating fixed assets during the period / year	(766)	(5,426)
- Incremental depreciation charged during the period / year	(91)	(90)
	37	847
	<u>291,391</u>	<u>282,820</u>
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes - financial guarantees		
Guarantees in favour of		
- Government	337,292	273,782
- Financial institutions	996,919	441,000
- Others	48,497,166	38,462,882
	<u>49,831,377</u>	<u>39,177,664</u>
12.2 Transaction-related contingent liabilities		
Guarantees in favour of		
- Government	462,552	269,851
- Financial institutions	73,616	1,713,959
- Others	112,591,815	122,433,335
	<u>113,127,983</u>	<u>124,417,145</u>
12.3 Trade-related contingent liabilities		
Letters of credit in favour of		
- Government	29,676,239	49,835,960
- Financial institutions	3,583,872	5,340,244
- Others	92,836,434	78,286,626
	<u>126,096,545</u>	<u>133,462,830</u>
12.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>28,917,372</u>	<u>28,314,434</u>
12.4.1 These mainly represent counter claims by borrowers for damages, claims filed by former employees of the Bank and other relief and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these condensed interim unconsolidated financial statements.		
12.4.2 The matter relating to the Bank's New York Branch has been disclosed in Note 29 to the annual unconsolidated financial statements of the Bank for the year ended December 31, 2017. There is no further update on the same.		
12.5 Commitments to extend credit		
The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

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

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

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

14 MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

On

- Deposits	24,524,188	21,280,990
- Securities sold under repurchase agreement borrowings	6,610,182	7,270,523
- Other short-term borrowings	1,530,221	898,700
- Long-term borrowings	1,555,937	942,409
	34,220,528	30,392,622

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

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

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Valuation techniques used in the determination of fair values within level 2 and level 3

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Debentures and corporate debt instruments	Investment in debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in debt securities denominated in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.
Overseas Government securities	The fair values of Overseas Government securities are determined on the basis of rates taken from Bloomberg / Reuters.
Units of mutual funds	The fair values of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.
Derivatives	The Bank enters into derivatives contracts with various counterparties. Derivatives that are valued using valuation techniques with market observable inputs are mainly interest rate swaps, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly, a qualitative disclosure of sensitivity has not been presented in these condensed interim unconsolidated financial statements.

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

Fair Value Measurement

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

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

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

17 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the six months ended June 30, 2018 (Unaudited)						
Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total	
----- (Rupees in million) -----						
Net mark-up income - external	(4,607)	10,662	30,616	2,308	(1,285)	37,694
Inter-segment revenue / (expense) - net	30,718	(7,327)	(25,565)	-	2,174	-
Non-funded income	6,435	1,713	808	908	(1,337)	8,527
Total Income	32,546	5,048	5,859	3,216	(448)	46,221
Total expenses including provision	13,549	(464)	549	7,838	11,954	33,426
Inter-segment administrative cost	8,492	1,238	239	890	(10,859)	-
Total expenses including provision	22,041	774	788	8,728	1,095	33,426
Profit / (loss) before tax	10,505	4,274	5,071	(5,512)	(1,543)	12,795
Segment return on assets %	0.74%	0.98%	0.47%	-2.78%	-0.67%	-
Segment cost of funds %	2.77%	5.20%	5.21%	1.86%	0.69%	-
As at June 30, 2018 (Unaudited)						
Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total	
----- (Rupees in million) -----						
Segment assets (gross of provision)	527,710	564,587	1,273,331	206,784	132,395	2,704,807
Segment non-performing advances	7,801	39,377	-	19,530	226	66,934
Segment provision held (including general provision)	6,837	38,217	1,136	18,848	849	65,887
Inter-segment assets / (liabilities)	1,156,219	(195,181)	(1,046,599)	31,942	53,619	-
Segment liabilities and equity	1,677,092	331,189	225,596	219,878	185,165	2,638,920
For the six months ended June 30, 2017 (Unaudited)						
Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total	
----- (Rupees in million) -----						
Net mark-up income - external	(3,899)	9,001	30,958	3,876	(490)	39,446
Inter-segment revenue / (expense) - net	27,716	(6,019)	(23,617)	-	1,920	-
Non-funded income	6,224	1,404	2,637	1,977	2,122	14,364
Total Income	30,041	4,386	9,978	5,853	3,552	53,810
Total expenses including provision	12,646	(213)	1,073	5,558	8,664	27,728
Inter-segment administrative cost	6,066	885	172	635	(7,758)	-
Total expenses including provision	18,712	672	1,245	6,193	906	27,728
Profit / (loss) before tax	11,329	3,714	8,733	(340)	2,646	26,082
Segment return on assets %	0.88%	1.06%	0.80%	-0.13%	1.46%	-
Segment cost of funds %	2.65%	4.83%	5.04%	1.35%	0.27%	-
As at December 31, 2017 (Audited)						
Branch banking	Corporate banking	Treasury	International banking	Head Office / Others	Total	
----- (Rupees in million) -----						
Segment assets (gross of provision)	510,273	477,658	1,295,184	227,413	118,408	2,628,936
Segment non-performing advances	7,592	42,465	-	16,782	199	67,038
Segment provision held (including general provision)	6,933	40,516	872	16,810	746	65,877
Inter-segment assets / (liabilities)	1,062,311	(130,699)	(978,849)	23,854	23,383	-
Segment liabilities and equity	1,565,651	306,443	315,463	234,457	141,045	2,563,059

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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18 RELATED PARTY TRANSACTIONS

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

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

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

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

	As at June 30, 2018 (Unaudited)						Other related parties
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	
	----- (Rupees in '000) -----						
Statement of financial position							
Deposits	172,658	25,428	6,833,554	852,265	2,429,698	-	781,288
Maximum deposits during the period	232,076	50,672	8,614,881	1,320,432	10,769,550	-	2,896,068
Borrowings	-	-	1,458,744	759,358	2,186,950	1,214,972	-
Investments	-	-	-	17,590,118	12,532,370	135,665	6,030,725
Provision for diminution in the value of investments	-	-	-	-	-	-	(18,980)
Nostro balances	-	-	244,010	755,150	10,353	6,562	-
Advances	-	138,412	3,298,158	627,876	1,500,000	-	24,315,687
Provision against advances	-	-	-	-	-	-	(1,726,437)
Mark-up receivable	-	363	28,728	12,243	13,213	-	305,187
Other receivable	-	-	51	78,468	232,299	-	26,550
Mark-up payable	1,023	74	103,273	34,313	12,194	7,673	2,324
Other payable	-	-	15,868	-	24,891	-	2,443,935
Contingencies and Commitments							
Letters of credit	-	-	472,826	-	-	-	10,913,419
Letters of guarantee	-	-	219,555	106,525	-	-	705,938
Forward purchase of government securities	-	-	14,131,224	-	-	-	11,407,338
Forward sale of government securities	-	-	-	-	-	-	2,154,567
Interest rate swaps	-	-	1,596,197	-	1,500,000	-	-
Others							
Securities held as custodian	-	8,395	17,938,710	404,607	26,718,750	-	17,229,950

	For the six months ended June 30, 2018 (Unaudited)						Other related parties
	Directors	Key Management Personnel	Group Entities	Subsidiary companies	Associates	Joint venture	
	----- (Rupees in '000) -----						
Profit and loss account							
Mark-up income	-	7,206	147,959	120,887	118,479	-	659,965
Fee and commission income	-	-	104	-	1,287,852	-	11,541
Dividend income	-	-	-	-	513,089	-	36,162
Gain on sale of securities - net	-	-	-	-	255,787	-	-
Mark-up expense	3,454	154	176,146	152,463	190,569	12,778	24,181
Salaries and allowances	-	612,348	-	-	-	-	-
Contribution to provident and benevolent fund	-	7,339	-	-	-	-	-
Net charge for defined benefit / contribution plans	-	-	-	-	-	-	2,237,482
Non-Executive Directors' fees	28,800	-	-	-	-	-	-
Other (loss) / income	-	-	(7,137)	24,275	(1,996)	-	-
Other expenses	-	-	21,056	-	1	-	408,954
Insurance premium expense	-	-	-	-	597,712	-	-

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

**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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19 LIQUIDITY STANDARDS

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

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

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

20 ISLAMIC BANKING BUSINESS

20.1 Statement of financial position	Note	(Unaudited) June 30, 2018	(Audited) December 31, 2017
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		10,155,982	7,475,822
Due from financial institutions		600,000	1,614,839
Investments		100,420,283	104,616,358
Islamic financing and related assets - net	20.1.2	94,259,759	84,297,519
Due from Head Office		8,309,348	66,226
Deferred tax asset		21,837	-
Other assets		<u>2,238,522</u>	<u>1,022,451</u>
		216,005,731	199,093,215
LIABILITIES			
Bills payable		9,056	7,037
Due to financial institutions		22,467,000	24,798,000
Deposits and other accounts	20.1.3	182,017,587	163,448,909
Deferred tax liability		-	172,401
Other liabilities		<u>1,272,911</u>	<u>1,433,836</u>
		205,766,554	189,860,183
NET ASSETS		<u>10,239,177</u>	<u>9,233,032</u>
REPRESENTED BY			
Islamic Banking Fund		250,000	250,000
Reserves		-	4,584
Unappropriated profit		<u>10,029,731</u>	<u>8,662,859</u>
		10,279,731	8,917,443
(Deficit) / surplus on revaluation of investments - net of deferred tax		<u>(40,554)</u>	<u>315,589</u>
		<u>10,239,177</u>	<u>9,233,032</u>

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

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

20.1.3 Deposits and other accounts

Current accounts	52,723,392	48,389,707
Savings accounts	102,270,427	87,258,027
Term deposits	21,111,293	13,731,808
Deposits from financial institutions - non - remunerative	95,995	105,001
Deposits from financial institutions - remunerative	5,816,480	13,964,366
	<u>182,017,587</u>	<u>163,448,909</u>

20.2 Profit and Loss account

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

Other income

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

20.3 Remuneration to Shariah Advisor / Board

	<u>3,960</u>	<u>3,180</u>
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**NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

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

21 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

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

22 GENERAL

Comparative figures have been rearranged and reclassified for comparison purposes.

23 DATE OF AUTHORISATION FOR ISSUE

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

**President and
Chief Executive Officer**

Chief Financial Officer

Director

Director

Director