



First Women Bank Limited

First Women Bank Limited

Condensed Interim Financial Statements
(Unaudited)
For Half Year Ended 30 June 2017



DIRECTORS' REPORT FOR THE HALF YEAR ENDED 30 JUNE 2017

On behalf of the Board of Directors, I am pleased to present the Condensed Interim Financial Statements of First Women Bank Limited (the Bank) for the half year ended 30 June 2017.

Economic Review:

Pakistan's macroeconomic indicators continue to improve and solidify grounds for a sustained upward growth trajectory. In particular, key constraints impeding the economy from achieving high growth - i.e. power supply and security situation - are gradually getting better. In this backdrop, the government envisages a higher real GDP growth of 6.0 percent for FY18, compared to 5.3 percent recorded in FY17.

Inflation is expected to remain within the target of 6 percent amidst some pick up on the back of recovery in global prices of oil and other commodities, and push from domestic demand factors. Meanwhile, the credit expansion is likely to maintain its pace with better prospects for investment and business activities.

Pakistan's economy grew by 5.3 percent in FY17, up from 4.5 percent growth recorded in FY16. This acceleration was achieved on the back of a strong performance of agriculture and services sectors, which grew by 3.5 percent and 6.0 percent respectively in FY17, compared with 0.3 percent and 5.5 percent last year. The industrial sector posted a growth of 5.0 percent during FY17, compared with 5.8 percent last year. Keeping in view the delicate balance between macroeconomic risks and ongoing growth momentum, the policy rate was kept unchanged at 5.75 percent throughout the year FY17. The banking sector deposit book increased by Rs. 604.9 Billion during the FY17 (till March 2017), as well as the decline in net NPL to net loans from 2.8 percent in March 2015 to 1.6 percent by March 2017.

Pakistan Stock Exchange had witnessed sharp volatility over the last two months on account of uncertainty regarding the outcome of Supreme Court decision on Panama leaks. After attaining its peak closing during the last week of May 2017, the market had experienced a steep fall of more than 17% by second week of July 2017 as the increased political noise kept investors jittery thereby resulting in heavy selling which dragged the index down. Later after the announcement of decision market took some breather and has recovered by around 10%.



First Women Bank Limited

Financial Highlights:

Rupees in '000

	<u>Profit & Loss Account for the Six Months Period Ended,</u>			<u>Statement of Financial Position As at,</u>		
	June 2017	June 2016	Change (%)	30 June 2017	31 December 2016	Change (%)
Mark-up / return / interest earned	552,900	613,692	-9.91%			
Mark-up / return / interest expensed	(243,542)	(301,906)	-19.33%	Advances - Net	9,616,678	8,213,247 17.09%
Net mark-up / interest income	309,358	311,786	-0.78%	Investments - Net	9,360,965	8,032,819 16.53%
Non Mark-up Income	73,289	103,169	-28.96%	Deposits	17,017,465	13,708,791 24.14%
Total income	382,647	414,955	-7.79%	Total Assets	21,972,136	18,520,564 18.64%
Administrative expenses	(453,557)	(423,608)	7.07%	Total Liabilities	18,110,787	15,040,042 20.42%
Other provisions and charges	(1,448)	(25,878)	-94.40%	Share Capital	3,494,113	3,494,113 0.00%
(Loss) before reversal/provisions	(72,358)	(34,531)	109.55%	Advance against share capital	500,000	- 100.00%
Reversals / (Provisions)	(11,397)	3,331	442.15%	Reserves	307,717	307,717 0.00%
Loss before taxation	(83,755)	(31,200)	168.45%	Accumulated loss	(561,477)	(463,975) 21.01%
Taxation	(15,636)	65,676	-123.81%			
(Loss) / profit after taxation	(99,391)	34,476	-388.29%			
Earnings per share (rupees)	(0.28)	0.09	-405.83%			

Financial Performance

Financial results for the half year ended 30 June 2017 are showing a loss of Rs. 83.755 mainly on account of mark-up reversal and classification of already watch list clients, decline in the core mark-up income on advances and investment by 61 million as compared to June 2016. Deposits / borrowing costs have been reduced by 19.33% as compared to June 2016 as it declined by Rs. 58 million. The overall NRRF position despite stagnant mark-up regime has not declined as such viz e viz the mark-up income as the bank has been able reduce deposit costs significantly by shedding high cost deposits. However there is also a decline in other non mark-up income mainly on account gains on sale of securities which has shown a decline of 33 million as compared to the June 2016. As compared to June 2016, the Administrative expenses have grown by 7% mainly on account of salary increments, accrual of retirement benefits and other administrative expenses including rent of properties as well as travelling expenses (Travelling expenses increased mainly due to GEP activities against which the offset amount has booked in other income of the Bank). Despite increase the overall increase in administrative expenses is well within the budget set for the year 2017.

However the Gross Advances book has grown to Rs. 10.8 billion and has increased by 15% over December 2016 levels and on net basis has grown by 17%. Gross advances have shown an increase of Rs. 1.4 billion over December 2016 while the average advances have been maintained



First Women Bank Limited

at Rs. 9.6 billion. Non-performing loan portfolio (NPLs) has increased by Rs. 26.0 million i.e. by 1.3%, however, specific provision during the half year ended June 30, 2017 has also grown slightly on net basis by Rs. 10.336 million i.e. 0.8% on account recoveries as well as of availing FSV benefits. Total amount of FSV benefit utilized till June 2017 is Rs. 658 million (December 2016, Rs. 646 million)

The decline in mark-up income of 9.9% is observed mainly due to re-pricing of loan book in line with a slight reduction in policy rate; as well as due to decline in the overall investment portfolio in government securities, more specifically of that of Pakistan Investment Bonds which were realized during last quarter of 2016. Asset base of the bank has increased from Rs. 18.5 billion as of December 2016 to Rs. 21.9 billion mainly on account of increase in investments in Treasury Bills by Rs. 1.3 billion and Rs. 1.4 billion in advances mainly on account of commodity financing and further the enhanced liquidity owing to increase in deposits base to Rs. 17 billion from 13.7 billion as at December 2016, has allowed the bank to lend to financial institutions Rs. 447 million in June 2017. The CASA ratio is 61% with CA ratio improving to 29% from December 2016 level of 25%. To support the financial performance of the Bank the borrowing activities have been managed to address the short term liquidity needs and currently is curtailed to Rs. 382 million as compared to Rs 743 million as at December 2016.

Minimum Capital Requirements

Minimum Capital Requirements (MCR) has been reset for the Bank by SBP, upon recommendation from Government of Pakistan (GoP), as disclosed in note 1.2 to the financial statements. Under the revised requirements, the Bank is required to maintain paid-up capital (net of losses) of Rs. 3 billion and Capital Adequacy Ratio (CAR) of 18% at all times.

It is pertinent to mention that the current CAR as per the Basel III requirement as implemented in Pakistan is 50.96%; this shows the bank capacity to undertake risks. However considering the level of capitalization; the bank has adopted a cautious approach towards lending into riskier assets, at the current level of capital, the bank has limited capacity to absorb any untoward shocks.

Credit Rating

PACRA has maintained the long-term rating of "A-" while the short-term entity rating is "A2". Bank's rating denotes that there is currently a low expectation of credit risk and the capacity for timely payment of financial commitments is considered strong.



First Women Bank Limited

Corporate Social Responsibility

We aim to conduct our business that creates value for our customers, clients, partners, shareholders and mostly important our society. We understand that being a good corporate citizen starts with serving responsibly. We have engrained this philosophy in our business operation, in our culture and in our business decisions.

Looking Ahead

Our long term strategy is to evolve our leading segments resulting in deeper market access and creating opportunities through new product development. It is our objective to actively contribute to the development of the economy that is seeking its true potential. Focus on women empowerment through alliances and linkages with different women oriented forums is also the main pillar of the long term strategy of the Bank. For the Bank, asset quality will remain a focus area while revitalizing its lending within the selected segments.

Appreciation and Acknowledgment

On behalf of the Board, I wish to place on record their sincere gratitude to the Government of Pakistan, Ministry of Finance, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their support and continued guidance. The bank recently received Rs. 500 million as advance against issue of capital from Ministry of Finance and the bank is completing the associated formalities for issuance of the shares to the Ministry / Government of Pakistan.

We also like to thank our outgoing Director, Mrs. Naheed Ishaq for the support and insights she had shared to allow us to move ahead and improve the overall governance structure of the bank. She has been replaced by Ms. Sumaira K. Aslam as nominee director by Federal Government; however she will join the Board after FPT clearance by SBP.

The Directors also thank and appreciate the support and confidence of our valued customers and business partners for their continued trust and patronage. We also have high expectations from the bank's management and staff to turn this Bank around as quickly as possible.

For and on behalf of the Board of Directors

Tahira Raza
President

Karachi

Date: 22 September 2017

Independent auditors' review report to the members of First Women Bank Limited

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **First Women Bank Limited** ("the Bank") as at 30 June 2017, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information 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 condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other Matter

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

Date: 22 September 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyr Pirani

First Women Bank Limited
Condensed Interim Statement of Financial Position
As at 30 June 2017

		30 June 2017 (Un-audited)	31 December 2016 (Audited)
	<i>Note</i>	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		1,329,364	1,081,532
Balances with other banks		227,774	112,042
Lendings to financial institutions	7	447,503	100,000
Investments	8	9,360,965	8,032,819
Advances	9	9,616,678	8,213,247
Operating fixed assets	10	332,847	337,077
Deferred tax asset - net	11	250,929	249,635
Other assets	12	406,076	394,212
		21,972,136	18,520,564
LIABILITIES			
Bills payable		365,351	214,155
Borrowings from financial institutions	13	382,953	743,909
Deposits and other accounts	14	17,017,465	13,708,791
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		345,018	373,187
		18,110,787	15,040,042
NET ASSETS		3,861,349	3,480,522
REPRESENTED BY			
Share capital	15.1	3,494,113	3,494,113
Advance against issuance of ordinary shares	15.2	500,000	-
Statutory reserve		307,717	307,717
Accumulated loss		(561,477)	(463,975)
		3,740,353	3,337,855
Surplus on revaluation of assets - net of deferred tax	16	120,996	142,667
		3,861,349	3,480,522
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
**President /
Chief Executive**

Tahira Raza
**President /
Chief Executive**

Ghulam Kazim Hosein
Director

Huma Baqai
Director

Rukhsana Shah
Director

First Women Bank Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the half year and quarter ended 30 June 2017

	Half year ended		Quarter ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
----- (Rupees in '000) -----				
Mark-up / return / interest earned	552,900	613,692	301,115	300,314
Mark-up / return / interest expensed	(243,542)	(301,906)	(120,413)	(150,386)
Net mark-up / interest income	309,358	311,786	180,702	149,928
(Provision) / reversal against non-performing loans and advances - net	(11,397)	3,331	(21,693)	24,818
Provision against diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
Net mark-up / interest income after provisions	297,961	315,117	159,009	174,746
Non-mark-up / interest income				
Fee, commission and brokerage income	35,140	25,432	24,827	14,304
Dividend income	5,673	4,240	2,378	843
Income from dealing in foreign currencies - net	9,591	8,490	6,925	3,432
Gain on sale / redemption of securities - net	16,350	49,979	1,769	17,070
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	(1,686)	117	(1,489)
Other income - net	6,535	16,714	(8,727)	9,143
Total non-mark-up / interest income	73,289	103,169	27,289	43,303
	371,250	418,286	186,298	218,049
Non-mark-up / interest expenses				
Administrative expenses	(453,557)	(423,608)	(235,741)	(212,165)
Other provisions / write offs	(1,441)	(4,011)	-	(638)
Other charges (SBP penalty)	(7)	(21,867)	-	(21,847)
Total non-mark-up / interest expenses	(455,005)	(449,486)	(235,741)	(234,650)
Extra ordinary / unusual items	-	-	-	-
Loss before taxation	(83,755)	(31,200)	(49,443)	(16,601)
Taxation - current	(6,277)	(7,101)	(3,325)	(3,419)
- deferred	(9,359)	72,777	2,663	37,941
	(15,636)	65,676	(662)	34,522
(Loss) / profit after taxation	(99,391)	34,476	(50,105)	17,921
----- (Rupees) -----				
Basic and diluted earnings per share	(0.28)	0.10	(0.14)	0.05

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

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First Women Bank Limited

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year and quarter ended 30 June 2017

	Half year ended		Quarter ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
----- (Rupees in '000) -----				
(Loss) / profit after taxation	(99,391)	34,476	(50,105)	17,921
Other comprehensive income				
Comprehensive income not reflected in equity				
<i>Items that may be reclassified to profit and loss account in subsequent periods</i>				
Net change in fair value of available-for-sale securities	(30,434)	(21,801)	(2,047)	10,779
Related deferred tax	10,652	7,630	717	(3,772)
	(19,782)	(14,171)	(1,330)	7,007
Total comprehensive income for the period	(119,173)	20,305	(51,435)	24,928

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Director

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First Women Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended 30 June 2017

	Note	Share capital	Advance against issuance of share capital	Statutory reserve	Accumulated loss	Total
(Rupees in '000)						
Balance as at 01 January 2016		2,894,113	-	294,768	(489,622)	2,699,259
Total comprehensive income for the half year ended 30 June 2016						
- Profit after tax for half year ended 30 June 2016		-	-	-	34,476	34,476
Transfer to statutory reserve		-	-	17,580	(17,580)	-
Transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of tax (incremental depreciation for the period)		-	-	-	1,510	1,510
Transaction with owners						
Issue of shares against cash		600,000	-	-	-	600,000
Balance as at 30 June 2016		3,494,113	-	312,348	(471,216)	3,335,245
Total comprehensive income for the half year ended 31 December 2016						
- Loss after tax for the for the half year ended 31 December 2016		-	-	-	(23,154)	(23,154)
- Other comprehensive income		-	-	-	24,255	24,255
		-	-	-	1,101	1,101
Transfer to statutory reserve		-	-	(4,631)	4,631	-
Transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of tax (incremental depreciation for the period)		-	-	-	1,509	1,509
Balance as at 31 December 2016		3,494,113	-	307,717	(463,975)	3,337,855
Total comprehensive income for the half year ended 30 June 2017						
- Profit after tax for the half year ended 30 June 2017		-	-	-	(99,391)	(99,391)
Transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of tax (incremental depreciation for the period)		-	-	-	1,889	1,889
Transaction with owners						
Advance against issuance of ordinary shares	15.2	-	500,000	-	-	500,000
Balance as at 30 June 2017		3,494,113	500,000	307,717	(561,477)	3,740,353

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

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First Women Bank Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended 30 June 2017

	<i>Note</i>	30 June 2017	30 June 2016
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(83,755)	(31,200)
Less: dividend income		(5,673)	(4,240)
		(89,428)	(35,440)
<i>Adjustments for non-cash charges</i>			
Depreciation		23,175	33,091
Amortization		3,045	3,574
Provision / (reversal) against non-performing loans and advances - net		11,397	(3,331)
Gain on sale / redemption of securities - net		(16,350)	(49,979)
Unrealized loss on revaluation of investments classified as held for trading		-	1,686
Gain on disposal of operating fixed assets		(2,046)	(2,162)
		19,221	(17,121)
		(70,207)	(52,561)
(Increase) / decrease in operating assets			
Lendings to financial institutions		(347,503)	(198,442)
Advances		(1,414,829)	(765,880)
Others assets (excluding advance taxation)		(38,880)	60,768
		(1,801,212)	(903,554)
(Decrease) / increase in operating liabilities			
Bills payable		151,197	150,410
Borrowings from financial institutions		(360,956)	(2,181,695)
Deposits and other accounts		3,308,674	383,871
Other liabilities (excluding current taxation)		(28,169)	(89,306)
		3,070,746	(1,736,720)
<i>Net cash flow from operating activities</i>		1,199,327	(2,692,835)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments		(1,331,578)	2,198,787
Dividend income		15,759	4,167
Investments in operating fixed assets		(21,990)	(7,150)
Sale proceeds of property and equipment disposed off		2,046	2,162
<i>Net cash flow from investing activities</i>		(1,335,763)	2,197,966
CASH FLOW FROM FINANCING ACTIVITIES			
Advance against issuance of ordinary shares - <i>Net cash flow form financing activities</i>		500,000	600,000
Increase in cash and cash equivalents		363,564	105,131
Cash and cash equivalents at beginning of the period		1,193,574	1,237,305
Cash and cash equivalents at end of the period	18	1,557,138	1,342,436

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

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First Women Bank Limited

Notes to the Condensed Interim Financial Information (Un-audited)

For the half year ended 30 June 2017

1. STATUS AND NATURE OF BUSINESS

1.1 First Women Bank Limited ("the Bank") was incorporated under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on 21 November 1989 in Pakistan as an unquoted public limited company and commenced operations on 02 December 1989. The Bank is engaged in commercial banking and related services. The registered office of the Bank is situated at ground floor, S.T.S.M. Foundation Building, Civil Lines, Karachi. The Bank operates a network of forty two branches as at 30 June 2017 (31 December 2016: forty two branches). The short term and long term credit ratings of the Bank rated by PACRA in June 2017 are 'A2' and 'A-' respectively, with stable outlook. The Bank is controlled by Government of Pakistan through Ministry of Finance.

1.2 Being a public sector Bank, and in terms of the State Bank of Pakistan prescribed minimum capital requirements vide its letter reference BPRD/BA&CP/627/32/2014 dated 01 January 2014, the Bank is required to have a minimum paid up capital (net of losses) (MCR) of Rs. 3 billion and capital adequacy ratio of 18% at all times, subject to the condition that MCR level shall remain enforced until the Bank remains a public sector entity, the Bank will not be allowed to pay dividend until its paid up capital and reserves reach Rs. 6 billion and the per party exposure limit of the Bank will be 50% of the prudential regulations limits until the Bank's paid up capital and reserves reach Rs. 6 billion.

As of 30 June 2017, the Bank's MCR (representing paid up capital net of accumulated losses) was Rs. 3.432 billion, including during the period's contribution by the Government of Pakistan of Rs. 500 million on account of its equity in the Bank for which return of allotment of shares was filed with the Securities and Exchange Commission of Pakistan on 18 May 2017 and arrangements are being made for issuance of share certificates to the GoP (refer note 15.2 to this condensed interim financial information).

2. BASIS OF PRESENTATION

The disclosures made in these condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated 19 May 2004, and the requirements of International Accounting Standard 34 "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and the unconsolidated interim financial information should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2016.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (the SBP) has issued various circulars from time to time. Permissible forms of trade related mode of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon.

3. STATEMENT OF COMPLIANCE

3.1 This condensed interim financial information of the Bank for the six months period ended on 30 June 2017 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its press release dated 20 July 2017, this condensed interim financial information has been prepared in accordance with the provisions of repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 July 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017.

This would require change in accounting policy relating to surplus on revaluation of land and building (note 16) to bring it in line with the requirements of IAS 16 - Property, plant and equipment. Accordingly, as of 30 June 2017, this would result in increase in equity by Rs. 120.996 million (31 December 2016: Rs. 142.667 million).

3.2 The SBP, vide BSD Circular letter No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O No. 411(1)/2008 dated 28 April 2008, 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP. Further, segment information has been disclosed in accordance with SBP's prescribed format as per BSD Circular No. 04 dated 17 February 2006 which prevails over the requirements specified in IFRS 8.

3.3 This condensed interim financial information are un-audited but subject to 'limited scope review by the external auditors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank as at and for the year ended 31 December 2016.

5. ESTIMATES

The basis for accounting estimates adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank as at and for the year ended 31 December 2016.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements of the Bank as at and for the year ended 31 December 2016.

7. LENDINGS TO FINANCIAL INSTITUTIONS	<i>Note</i>	30 June 2017 (Un-audited)	31 December 2016 (Audited)
(Rupees in '000)			
Secured - local currency			
Repurchase agreement lending	7.1	447,503	-
Call lending - related party		-	100,000
Term lendings	7.2	<u>139,089</u>	<u>139,089</u>
		586,592	239,089
Provision against term lendings	7.2	<u>(139,089)</u>	<u>(139,089)</u>
		447,503	100,000

7.1 This represents short-term lending to a financial institution secured against the government securities and carries mark-up at the rate of 6.1% (31 December 2016: Nil) per annum. It had matured on 4 July 2017. Market value of the instrument held as a security as of 30 June 2017 amounted to Rs. 447.802 million.

7.2 This represents financing to two financial institutions that matured on 31 December 2012. Due to default in repayments, full provision has been made against this amount.

8. INVESTMENTS

Investments by types

	Note	30 June 2017 (Un-audited)			31 December 2016 (Audited)		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----							
Available-for-sale securities							
- Market Treasury Bills	8.1	8,991,350	248,658	9,240,008	7,248,144	598,280	7,846,424
- Pakistan Investment Bonds		118	-	118	126	-	126
- Term Finance Certificates (TFCs)		11,673	-	11,673	12,380	-	12,380
- Preference shares of a listed company (fully provided)		10,000	-	10,000	10,000	-	10,000
- Ordinary shares of listed companies		127,189	-	127,189	161,478	-	161,478
- Ordinary shares of an unlisted company		954	-	954	954	-	954
		9,141,284	248,658	9,389,942	7,433,082	598,280	8,031,362
Investments at cost		9,141,284	248,658	9,389,942	7,433,082	598,280	8,031,362
Provision for diminution in the value of investments		(17,781)	-	(17,781)	(17,781)	-	(17,781)
Investments - net of provisions		9,123,503	248,658	9,372,161	7,415,301	598,280	8,013,581
Deficit on revaluation of available-for-sale securities - net	16.2	(11,191)	(5)	(11,196)	19,255	(17)	19,238
Investments at revalued amount		9,112,312	248,653	9,360,965	7,434,556	598,263	8,032,819

8.1 Market value of securities given as collateral against investments amounted to Rs. 248.653 million (31 December 2016: Rs. 598.263 million).

	Note	30 June 2017	31 December 2016
		(Un-audited)	(Audited)
----- (Rupees in '000) -----			
9. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		10,893,499	9,478,671
Bills discounted and purchased (excluding treasury bills)			
In Pakistan		-	-
		10,893,499	9,478,671
Provision against non-performing loans and advances			
Specific provision	9.2 & 9.3	(1,267,129)	(1,256,793)
General provision	9.3	(9,692)	(8,631)
		(1,276,821)	(1,265,424)
Advances - net of provision		9,616,678	8,213,247
9.1 Particulars of advances (gross)			
In local currency		10,893,499	9,478,671
In foreign currencies		-	-
		10,893,499	9,478,671

9.2 Advances include Rs. 1,989.062 million (31 December 2016: Rs. 1,963.210 million) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2017 (Un-audited)			31 December 2016 (Audited)		
	Total domestic classified advances	Specific provision required	Specific provision held	Total domestic classified advances	Specific provision required	Specific provision held
----- (Rupees in '000) -----						
Other assets especially mentioned*	33	-	-	58	-	-
Substandard	417	105	105	10,642	1,359	1,359
Doubtful	126,933	-	-	103,031	749	749
Loss	1,861,679	1,267,024	1,267,024	1,849,479	1,254,685	1,254,685
	1,989,062	1,267,129	1,267,129	1,963,210	1,256,793	1,256,793

* The other assets especially mentioned category pertains to advances to small enterprises.

9.3 Particulars of provision against non-performing loans and advances

	30 June 2017 (Un-audited)			31 December 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	1,256,793	8,631	1,265,424	1,277,954	5,152	1,283,106
Charge for the period / year	40,075	1,416	41,491	225,810	5,581	231,391
Reversals	(29,739)	(355)	(30,094)	(246,956)	(2,102)	(249,058)
	10,336	1,061	11,397	(21,146)	3,479	(17,667)
Write offs against provision	-	-	-	(15)	-	(15)
Closing balance	1,267,129	9,692	1,276,821	1,256,793	8,631	1,265,424

- 9.4 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the State Bank of Pakistan, the Bank has availed the benefit of Forced Sale Value (FSV) against the non-performing advances. During the half year ended 30 June 2017, total FSV benefit taken resulted in decrease in loss before tax of Rs. 11,257 million (31 December 2016: Rs. 475,592 million). Had the benefit under the said circular not been taken by the Bank, specific provision against non - performing advances as of the period end would have been higher by Rs. 658,125 million (31 December 2016: Rs. 646,868 million). The FSV benefit recognized will not be available for the distribution of cash and stock dividend to shareholders.
- 9.5 As per the Prudential Regulations issued for the Corporate / Commercial Banking vide BPRD Circular No. 06 of 2014 dated 26 June 2014, the cumulative FSV benefit recognized in respect of customers under Corporate / Commercial Banking is amounting to Rs. 423,477 million (31 December 2016: Rs. 459.5 million) is not available for distribution of cash or stock dividend / bonus to employees.
- 9.6 General provision represents provision against consumer loans maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes provision against Small Enterprise Financing maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio as required under the Prudential Regulations issued by SBP.

10. **OPERATING FIXED ASSETS**

	For the six months period ended 30 June 2017		
	Additions	Disposals	
		Cost	Accumulated depreciation
	----- (Rupees in '000) -----		
Building improvements	531	-	-
Furniture and fixtures	2,155	225	225
Office equipment and computer	26,399	136	136
Vehicles	735	3,331	3,331
Software	2,513	-	-
	<u>32,333</u>	<u>3,692</u>	<u>3,692</u>

Above additions include Rs. 10,344 million transferred from capital work in progress.

	<i>Note</i>	30 June	31 December
		2017	2016
11. DEFERRED TAX ASSET		(Un-audited)	(Audited)
		(Rupees in '000)	
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets		(39,673)	(40,691)
Deficit / (surplus) on revaluation of available for sale securities		3,919	(6,733)
		<u>(35,754)</u>	<u>(47,424)</u>
Deductible temporary differences on:			
Accelerated tax depreciation		31,354	31,246
Provision against non-performing loans and advances		148,706	157,104
Losses brought forward	<i>11.2</i>	106,623	108,709
		<u>286,683</u>	<u>297,059</u>
		<u>250,929</u>	<u>249,635</u>

- 11.1 In recording the deferred tax asset, estimates of the Bank's future taxable profits are taken into account, which are on the basis of the projections prepared by the Bank. The management has recorded deferred tax asset based on the financial projections indicating absorption of deferred tax asset over a number of future years through reversals as a result of recoveries from borrowers and absorption of remaining deferred tax asset against future taxable profits. The financial projections involve certain key assumptions such as deposits composition, interest rates, growth of deposits and advances, investment returns and potential provision / reversals against assets. Any significant change in the key assumptions may have an effect on the absorption of the deferred tax asset.
- 11.2 This includes deferred tax of Rs. 74.37 million (31 December 2016: Rs. 65.51 million) recorded on unabsorbed tax depreciation and amortization.
- 11.3 Decrease in deferred tax asset during the current period amounting to Rs. 9.359 million has been recognised in the profit and loss account, while increase in deferred tax asset of Rs. 10.653 million on deficit on revaluation of available-for-sale investments have been recognised in the other comprehensive income.

11.4 As a matter of abundant caution, the Bank has not recognized deferred tax asset on deductible temporary differences (representing taxable business losses) of Rs. 85.45 million (31 December 2016: Rs. 44.57 million) on taxable losses of Rs. 244.16 million (31 December 2016: Rs. 127.35 million).

12. OTHER ASSETS	30 June 2017 (Un-audited)	31 December 2016 (Audited)
	(Rupees in '000)	
Income/ Mark-up accrued in local currency	139,078	126,862
Income/ Mark-up accrued in foreign currency	757	757
Advances, deposits and prepayments	54,449	32,404
Advance taxation (net of provisions)	136,090	142,367
Receivable from defined benefit plan	44,167	57,832
Receivable from the Government of Pakistan against the encashment of Government instruments	30,433	12,294
Suspense account (fully provided)	3,253	3,253
Branch adjustment account	3,311	4,733
Dividend receivable	978	11,064
ATM settlement account	-	5,893
Unrealized gain on forward foreign exchange contracts	150	-
Others	3,831	7,174
	<u>416,497</u>	<u>404,633</u>
Provision against other assets	<u>(10,421)</u>	<u>(10,421)</u>
	<u>406,076</u>	<u>394,212</u>

13. BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

Borrowings from State Bank of Pakistan (SBP) under			
- Export refinance scheme	13.1	134,340	145,839
Repurchase agreement borrowing- from SBP	13.2	248,613	598,070
		<u>382,953</u>	<u>743,909</u>

13.1 The Bank has entered into arrangement for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the arrangement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. This carries mark-up rate of 3% to 4.5% per annum (31 December 2016: 3% to 4.5% per annum). These borrowings are repayable up to September 2024.

13.2 This carries mark-up of 6.25% (31 December 2016: 5.9%) per annum. It had matured on 7 July 2017 (31 December 2016: 6 January 2017).

14. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits		1,287,067	1,990,482
Savings deposits		5,454,377	5,488,724
Current (saving cum current) accounts - remunerative		5,103,707	2,651,561
Current accounts - non remunerative		4,856,274	3,391,291
Call deposits		65,909	93,069
Sundry deposits	14.1	248,424	91,974
		<u>17,015,758</u>	<u>13,707,101</u>

Financial institutions

Remunerative deposits		-	1,500
Non-remunerative deposits		1,707	190
		<u>1,707</u>	<u>1,690</u>
		<u>17,017,465</u>	<u>13,708,791</u>

14.1 Sundry deposits consist of margin account balances of Rs. 248.424 million (31 December 2016: Rs. 86.562 million).

14.2 Particulars of deposits	30 June 2017 (Un-audited)	31 December 2016 (Audited)
	(Rupees in '000)	
In local currency	16,563,578	13,262,694
In foreign currencies	453,887	446,097
	<u>17,017,465</u>	<u>13,708,791</u>

15. SHARE CAPITAL

15.1 The shareholding structure is as follows:

30 June 2017 (Un-audited)	31 December 2016 (Audited)		30 June 2017 (Un-audited)	31 December 2016 (Audited)
(Number of shares)			(Percentage of shareholding)	
280,088,793	280,088,793	1) Federal Government of Pakistan through Ministry of Finance	80.16	80.16
23,095,324	23,095,324	2) MCB Bank Limited	6.61	6.61
23,095,324	23,095,324	3) Habib Bank Limited	6.61	6.61
7,734,927	7,734,927	4) Allied Bank Limited	2.21	2.21
7,698,441	7,698,441	5) National Bank of Pakistan	2.21	2.21
7,698,441	7,698,441	6) UBL Bank Limited	2.20	2.20
<u>349,411,250</u>	<u>349,411,250</u>		<u>100.00</u>	<u>100.00</u>

15.2 During the period, Government of Pakistan (GoP) to Ministry of Finance, contributed Rs. 500 million on account of equity by GoP in the Bank. Under section 86 of the Companies Ordinance, 1984, right shares were offered for subscription to all the shareholders in proportion to their shareholding as at 10 March 2017. However, since none of the other shareholders had responded and right shares were not subscribed by them, therefore in view of the powers vested under Section 86(7) of the Companies Ordinance, 1984, the Board of Directors through a resolution dated 02 May 2017 approved the allotment of the shares of Rs. 500 million to the Federal Government of Pakistan through the Ministry of Finance. Accordingly, return of allotment (form 'A') was filed with the Securities and Exchange Commission of Pakistan on 18 May 2017 indicating the Bank's paid up capital at Rs. 3,994.113 million. Arrangements are being made for the issuance of share certificates to the GoP. For these reasons, above contribution of Rs. 500 million has been classified as advance against the issuance of ordinary shares in the Condensed Interim Statement of Financial Position (as Bank's equity and part of MCR).

16. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX (Rupees in '000)

Surplus arising on revaluation (net of tax) of:

- Operating fixed assets	16.1	128,273	130,162
- Available-for-sale securities	16.2	(7,277)	12,505
		<u>120,996</u>	<u>142,667</u>

16.1 Surplus on revaluation of operating fixed assets - net of tax

As at 01 January	170,853	143,072
Transferred to accumulated loss in respect of:		
- Incremental depreciation charged during the period / year - net of tax	(1,889)	(3,019)
- Related deferred tax liability	(1,018)	(1,625)
Revaluation reversal during the period / year	-	32,425
	<u>(2,907)</u>	<u>27,781</u>
	167,946	170,853
<i>Less: deferred tax liability:</i>		
- As at 01 January	40,691	30,884
- On incremental depreciation charged during the period / year	(1,018)	(1,625)
Revaluation surplus during the period / year	-	11,432
	<u>39,673</u>	<u>40,691</u>
	<u>128,273</u>	<u>130,162</u>

16.2 (Deficit) / Surplus on revaluation of available-for-sale securities - net of tax	30 June 2017 (Un-audited) (Rupees in '000)	31 December 2016 (Audited)
Federal Government securities	(1,145)	661
Shares of listed companies / units of mutual funds / preference shares	(10,051)	18,577
	(11,196)	19,238
Related deferred tax asset - net	3,919	(6,733)
	(7,277)	12,505

17. CONTINGENCIES AND COMMITMENTS

17.1 Transaction-related contingent liabilities

Guarantees in favour of:

- Government	606,514	581,934
- Others	54,392	496,262
	660,906	1,078,196

17.2 Trade-related contingent liabilities

Letter of credit and acceptances - others	245,618	338,471
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17.3 Commitment for the acquisition of operating fixed assets

Capital commitment for fixed assets	4,718	7,617
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17.4 Commitments in respect of forward foreign exchange contracts

Purchase	336,084	567,134
Sale	20,720	281,748

17.5 Commitments in respect of lendings

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

17.6 Tax related contingencies

17.6.1 Return for the tax year 2016 (financial year ended 31 December 2015) has been filed which is deemed to have been assessed under Section 120 of the Income Tax Ordinance, 2001 (unless selected for audit).

17.6.2 While finalizing the assessments for tax years from 1997 to 2000 and from 2004 to 2008 (financial years ended from 31 December 1996 to 31 December 1998 and from 31 December 2003 to 31 December 2007 respectively), the tax authorities, from time to time, made certain disallowances against nostro account balances, apportionment of expenses, interest suspended etc., against which appeals were filed by the Bank at the Appellate Tribunal Inland Revenue (ATIR). The ATIR vide its order dated 31 May 2012 decided all the matters (except disallowance of nostro balances, interest suspended and apportionment of expenses) for tax years from 2004 to 2008 in favour of the Bank against which CIR had filed an appeal in the Sindh High Court (SHC) which is pending for hearing. Further, the matter of nostro balances written off was remanded back by 'ATIR to the CIR whereas the matter of apportionment of expenses have been disallowed against which the Bank has filed an appeal in SHC, which is pending adjudication. In case of adverse decisions, additional charge

to the Bank would be Rs. 14.174 million. However, the management is confident that the decision in appeals would be in its favour and as such no provision is required to be made against the above amount in these condensed interim financial information.

17.6.3 The Additional Commissioner Inland Revenue (ACIR), has amended the assessment orders for the tax years 2010, 2011 and 2012 and Deputy Commissioner Inland Revenue (ICIR) has amended the assessment order for tax year 2013 (financial years ended 31 December 2009 to 31 December 2012) respectively from time to time under Sections 122 (4) and 122 (5A) of the Income Tax Ordinance, 2001. Demands aggregated to Rs. 40.195 million on account of certain disallowances have been made relating to these tax years. The Bank filed appeal before the Commissioner Inland Revenue (Appeals) who has decided all matters in favour of the Bank except the matter of workers welfare fund against which the Bank is in the process of filing appeals at higher forums. The management believes that the matter will ultimately be decided in the favour of the Bank. Accordingly, no provision has been made against the said claims of Rs. 7.5 million in these condensed interim financial information.

17.6.4 In 2012, the Deputy Commissioner Inland Revenue (DCIR) has raised demands aggregating to Rs. 13.477 million on account of Federal Excise Duty (FED) on fee, commission and brokerage income of the Bank for the period from 01 January 2009 to 31 December 2011. The Bank has filed appeals against the said orders before Commissioner Inland Revenue (Appeals), who has remanded the case back to the DCIR for proper scrutiny of the facts.

In 2014, the Deputy Commissioner Inland Revenue (DCIR) issued Order-In-Original for the recovery of short payment of Rs. 12.304 million on account of FED on fee, commission and brokerage income, income from dealing in foreign currencies and other income of the Bank for the year ended 31 December 2012. The Bank filed appeal against the said order before Commissioner Inland Revenue (Appeals) who maintained the said demand of DCIR against which the bank has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication.

Provision against the above claims have not been made as the Bank is confident of the decisions in its favour.

17.6.5 In 2015, the Deputy Commissioner Inland Revenue (DCIR) issued order under Sections 161 and 205 of the Income Tax Ordinance, 2001 raising the demand of Rs. 7.071 million (inclusive of default surcharge) on account of the non-deduction of tax on certain payments during the tax year 2014. The Bank has filed appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. Management is confident that this matter will ultimately be decided in the favour of the Bank. Accordingly, no provision is required to be made in this regard in these condensed financial information.

	30 June 2017 (Un-audited)	31 December 2016 (Audited)
	(Rupees in '000)	
17.7 Other contingencies		
Claims against the Bank not acknowledged as debt	-	-
	<u> </u>	<u> </u>
18. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	1,329,364	1,081,532
Balances with other banks	227,774	112,042
	<u>1,557,138</u>	<u>1,193,574</u>

19. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationships with associated undertakings, employee benefits, directors and key management personnel and companies with common directors. Transactions with key management personnel are in accordance with their terms of employment. Contributions to and accruals in respect of staff retirement benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. Other transactions are at agreed rates. The details of transactions and balances with related parties, except as disclosed elsewhere in this condensed interim financial information, are as follows:

19.1. Balances as at period / year end	President and directors		Associated Undertakings		Other key management personnel		Other related parties	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2017 (Unaudited)	31 December 2016 (Audited)
(Rupees in '000)								
Deposits								
Balance at beginning of the period / year	5,643	6,607	-	-	3,313	2,679	5,312	9,518
Deposited / adjustments during the period / year	16,217	41,385	-	-	35,657	50,477	486,369	874,315
Withdrawn during the period / year	(16,523)	(42,349)	-	-	(29,246)	(49,843)	(314,201)	(878,521)
Balance at end of the period / year	5,337	5,643	-	-	9,724	3,313	177,480	5,312
Advances (secured)								
Balance at beginning of the period / year	-	-	-	-	30,722	31,869	-	-
Loans granted during the period / year	-	-	-	-	6,490	5,348	-	-
Repayments / adjustments during the period / year	-	-	-	-	(2,460)	(6,495)	-	-
Balance at end of the period / year	-	-	-	-	34,752	30,722	-	-
Mark-up payable in local currency	28	34	-	-	62	31	367	138
Mark-up receivable in local currency	-	-	-	-	475	416	-	-
Bank balance	-	-	301,353	196,223	-	-	-	-
Investment in listed shares of related parties - available-for-sale	-	-	47,077	47,680	-	-	-	-
Investment in National Institutional Facilitation Technologies (Private) Limited	-	-	954	954	-	-	-	-
Lendings to financial institutions	-	-	-	100,000	-	-	-	-
Salary payable	7,015	4,852	-	-	-	-	-	-
Net receivable from defined benefit plan	-	-	-	-	-	-	44,167	57,832
Payable against gratuity scheme	6,247	5,153	-	-	-	-	-	-
Contingencies & Commitments - Foreign exchange contracts								
- Purchase	-	-	105,147	389,602	-	-	-	-
- Sell	-	-	-	262,488	-	-	-	-
19.2. Transactions during the period								
	From 1 January 2017 to 30 June 2017 (Unaudited)	From 1 January 2016 to 30 June 2016 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited)	From 1 January 2016 to 30 June 2016 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited)	From 1 January 2016 to 30 June 2016 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited)	From 1 January 2016 to 30 June 2016 (Unaudited)
(Rupees in '000)								
Mark-up / return / interest expensed	28	39	-	-	62	31	367	165
Deposits carry mark-up rate at 0% to 3.75% (30 June 2016: 0.05% to 3.75) per annum.								
Mark-up / return / interest earned	-	-	-	-	533	545	-	-
Advances carry profit rates ranging from 0% to 5% per annum (30 June 2016: 0% to 5%) per annum.								
Lendings to financial institutions	-	-	2,063,562	8,088,952	-	-	-	-
Borrowings from financial institutions	-	-	2,174,466	6,356,279	-	-	-	-
Investments purchased - available-for-sale	-	-	42,024	13,990	-	-	-	-
Investments purchased - held for trading	-	-	5,494	11,225	-	-	-	-
Investments sold - available-for-sale	-	-	40,206	4,274	-	-	-	-
Investments sold - held for trading	-	-	5,336	9,918	-	-	-	-
Interest income on lendings to financial institutions	-	-	427	1,799	-	-	-	-
Interest expense on borrowings	-	-	510	636	-	-	-	-
Dividend income	-	-	2,037	444	-	-	-	-
Contribution to retirement benefit plans	937	937	-	-	-	-	13,665	14,028
Charges paid to National Institutional Facilitation Technologies (Private) Limited	-	-	1,671	1,704	-	-	-	-
Advance against issuance of ordinary shares to Federal Government of Pakistan	-	-	-	-	-	-	500,000	600,000
Remuneration of key management personnel	13,785	14,484	-	-	27,084	27,279	-	-
Director's meeting fee	1,888	1,842	-	-	-	-	-	-
Related parties by virtue of common directorship and GoP holdings								

The Government of Pakistan directly 80.16% of the Bank's issued share capital and is entitled to appoint members of the Board. The Bank, therefore, considers that the GoP is in a position to exercise control over it and therefore regards the GoP and its various bodies as related parties for the purpose of the disclosures in respect of related parties.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions includes lending to, deposits from and provision of other bankin services to Government-related entities. These transactions are at agreed rate.

As at the Statement of Financial Position date, the significant loans and advances, deposits and contingencies relating to Government-related entities amount to Rs. 4,650 million, Rs. 6,286 million and Rs. 606 million respectively.

20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

For the six months period ended and as of 30 June 2017 (Un-audited)						
Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Inter-segment elimination	Total	
----- (Rupees in '000) -----						
Total income	224,895	278,850	76,104	253,706	(207,366)	626,189
Total expenses	(226,004)	(451,479)	(208,066)	(31,761)	207,366	(709,944)
Income tax expense	-	-	-	-	-	(15,636)
Net income	<u>(1,109)</u>	<u>(172,629)</u>	<u>(131,962)</u>	<u>221,945</u>	<u>-</u>	<u>(99,391)</u>
Segment assets - gross	8,441,645	10,627,137	2,891,394	11,254,202	(10,362,136)	22,852,242
Advance tax	-	-	-	-	-	136,095
Deferred tax assets	-	-	-	-	-	250,929
Total assets	<u>8,441,645</u>	<u>10,627,137</u>	<u>2,891,394</u>	<u>11,254,202</u>	<u>(10,362,136)</u>	<u>23,239,266</u>
Segment non performing loans	<u>1,227,730</u>	<u>-</u>	<u>761,332</u>	<u>-</u>	<u>-</u>	<u>1,989,062</u>
Segment specific provision required	<u>804,253</u>	<u>-</u>	<u>462,876</u>	<u>-</u>	<u>-</u>	<u>1,267,129</u>
Segment liabilities	<u>3,976,577</u>	<u>10,610,761</u>	<u>13,218,601</u>	<u>666,984</u>	<u>(10,362,136)</u>	<u>18,110,787</u>
Segment return on assets	<u>2.77%</u>	<u>2.84%</u>	<u>3.29%</u>	<u>2.25%</u>	<u>-</u>	<u>2.95%</u>
Segment cost of funds	<u>1.21%</u>	<u>4.25%</u>	<u>1.57%</u>	<u>5.62%</u>	<u>-</u>	<u>3.95%</u>
For the six months period ended and as of 30 June 2016 (Un-audited)						
Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Inter-segment elimination	Total	
----- (Rupees in '000) -----						
Total income	233,426	355,708	81,372	221,441	(175,086)	716,861
Total expenses	266,386	490,452	131,368	34,941	(175,086)	748,061
Income tax expense	-	-	-	-	-	(65,676)
Net income	<u>(32,960)</u>	<u>(134,744)</u>	<u>(49,996)</u>	<u>186,500</u>	<u>-</u>	<u>34,476</u>
Segment assets - gross	7,622,229	10,020,043	2,677,087	9,971,938	(9,283,020)	21,008,277
Advance tax	-	-	-	-	-	149,198
Deferred tax assets	-	-	-	-	-	343,986
Total assets	<u>7,622,229</u>	<u>10,020,043</u>	<u>2,677,087</u>	<u>9,971,938</u>	<u>(9,283,020)</u>	<u>21,501,461</u>
Segment non performing loans	<u>891,178</u>	<u>-</u>	<u>1,062,572</u>	<u>-</u>	<u>-</u>	<u>1,953,750</u>
Segment specific provision required	<u>842,987</u>	<u>-</u>	<u>430,585</u>	<u>-</u>	<u>-</u>	<u>1,273,572</u>
Segment liabilities	<u>2,769,884</u>	<u>9,782,182</u>	<u>12,973,988</u>	<u>533,704</u>	<u>(9,283,020)</u>	<u>16,776,738</u>
Segment return on assets	<u>6.77%</u>	<u>7.92%</u>	<u>6.73%</u>	<u>5.71%</u>	<u>-</u>	<u>7.89%</u>
Segment cost of funds	<u>3.09%</u>	<u>10.19%</u>	<u>4.00%</u>	<u>16.43%</u>	<u>-</u>	<u>9.32%</u>

Above disclosure of the business segment is as per the format of the financial information issued by the State Bank of Pakistan.

21. FAIR VALUE MEASUREMENT

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

On balance sheet financial instruments

	30 June 2017							
	Carrying Value				Fair value			Total
	Held for trading	Available for sale	Loans and receivables	Financial liabilities	Level 1	Level 2		
(Rupees in '000)								
Financial assets measured at fair value								
Investments								
- Market Treasury Bills	-	9,238,841	-	-	9,238,841	-	9,238,841	9,238,841
- Pakistan Investment Bonds	-	141	-	-	141	-	141	141
- Shares of listed companies	-	117,135	-	-	117,135	117,135	-	117,135
Other assets	241	-	-	-	241	-	241	241
Financial assets not measured at fair value								
Investments								
- Term Finance Certificates	-	3,891	-	-	3,891	-	-	-
- Shares of an unlisted company	-	954	-	-	954	-	-	-
Cash and balances with treasury banks	-	-	1,329,364	-	1,329,364	-	-	-
Balances with other banks	-	-	227,774	-	227,774	-	-	-
Lending to financial instruments	-	-	447,503	-	447,503	-	-	-
Advances	-	-	9,616,678	-	9,616,678	-	-	-
Other assets	-	-	219,443	-	219,443	-	-	-
	241	9,360,962	11,840,762	-	21,201,965			
Financial liabilities measured at fair value								
Other liabilities	150	-	-	-	150	-	150	150
Financial liabilities not measured at fair value								
Bills payable	-	-	-	(365,351)	(365,351)	-	-	-
Borrowings	-	-	-	(382,953)	(382,953)	-	-	-
Deposits and other accounts	-	-	-	(17,017,465)	(17,017,465)	-	-	-
Other liabilities	-	-	-	(242,341)	(242,341)	-	-	-
	150	-	-	(18,008,110)	(18,007,960)			

Off-balance sheet financial instruments

	Contract Price	Fair Value
Forward purchase of foreign exchange	335,863	336,084
Forward sale of foreign exchange	20,591	20,720

On balance sheet financial instruments

31 December 2016

	Carrying Value				Fair value			
	Held for trading	Available for sale	Loans and receivables	Financial liabilities	Total	Level 1	Level 2	Total
------(Rupees in '000)-----								
Financial assets measured at fair value								
Investments								
- Market Treasury Bills	-	7,847,063	-	-	7,847,063	-	7,847,063	7,847,063
- Pakistan Investment Bonds	-	148	-	-	148	-	148	148
- Shares of listed companies	-	180,055	-	-	180,055	180,055	-	180,055
Financial assets not measured at fair value								
Investments								
- Term Finance Certificates	-	4,599	-	-	4,599	-	-	-
- Shares of an unlisted company	-	954	-	-	954	-	-	-
Cash and balances with treasury banks	-	-	1,081,532	-	1,081,532	-	-	-
Balances with other banks	-	-	112,042	-	112,042	-	-	-
Lending to financial instruments	-	-	100,000	-	100,000	-	-	-
Advances	-	-	8,213,247	-	8,213,247	-	-	-
Other assets	-	-	152,889	-	152,889	-	-	-
	-	8,032,819	9,659,710	-	17,692,529			
Financial liabilities measured at fair value								
Other liabilities	6,472	-	-	-	6,472	-	6,472	6,472
Financial liabilities not measured at fair value								
Bills payable	-	-	-	214,155	214,155	-	-	-
Borrowings	-	-	-	743,909	743,909	-	-	-
Deposits and other accounts	-	-	-	13,708,791	13,708,791	-	-	-
Other liabilities	-	-	-	290,844	290,844	-	-	-
	6,472	-	-	14,957,699	14,964,171			

Off-balance sheet financial instruments

	Contract Price	Fair Value
Forward purchase of foreign exchange	573,663	567,134
Forward sale of foreign exchange	281,805	281,748

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Valuation techniques used in determination of fair values are as follows:

Shares of listed companies

The fair value of the shares of listed companies is determined using the rates quoted on Pakistan Stock Exchange.

Government securities

The fair value of the Federal Government Securities is determined using the PKRV rates available on MUFAP website.

Forward exchange contracts

The fair value of the forward exchange contracts is determined using the PKRV forward rates applicable to their respective PKRV quoted on MUFAP website.

22. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Bank in their meeting held on 22 September 2017.

23. GENERAL

Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
**President /
Chief Executive**

Tahira Raza
**President /
Chief Executive**

Gholam Kazim Hosein
Director

Huma Baqai
Director

Rukhsana Shah
Director