

**FIRST WOMEN BANK LIMITED**  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF YEAR ENDED 30 JUNE 2018**



---

**First Women Bank Limited**

---

## **DIRECTORS' REPORT FOR THE HALF YEAR ENDED 30 JUNE 2018**

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 2018.

### **Economic Review:**

Pakistan has achieved a thirteen-year high growth rate of 5.8% in FY18 and the average CPI inflation was well below the 6% target. However, moving forward, the challenges to Pakistan's economy have further accentuated. First, the provisional SBP estimate for fiscal deficit in FY18 is 6.8% as opposed to 5.5% estimated in May 2018. The current account deficit has also increased to \$ 16.0 billion. This means that aggregate demand has proved to be higher than previously thought. Second, June (YoY) inflation clocked in at 5.2%, and the average headline inflation for FY19 is expected to cross the 6.0% annual target. Third, on the external front, though both exports and workers' remittances are performing better, the sheer size of imports continues to pressurize FX reserves. Pakistan's macros came under pressure during the period under review, impacted by heightened political uncertainty and essentially a spiralling current account deficit.

Given the challenges on the external account front, the State Bank of Pakistan, in its monetary policy statements announced on May 25, 2018 and July 14, 2018 increased the policy rate by 50 bps and 100 bps respectively, taking the benchmark rate to 7.50%. This marks the third rate hike in the current year, with a 25 bps rate also announced in Jan'18.

Banking sector deposits were reported at Rs. 13.06 trillion in Jun'18, a growth of 5.7% relative to Dec'17 levels. Banking sector advances for the same period closed at Rs. 6.90 trillion, 5.6% higher compared to Dec'17. Loan off take continues to be backed by private sector credit that grew by 10.9% over Dec'17 to reach Rs. 5.3 trillion at Jun'18. Non-performing loans for the banking industry rose by 1.3% against Dec'17, with the gross infection ratio improving by 10 bps to 8.3% (Dec'17: 8.4%).

In line with the industry, FWBL's gross advances portfolio grew by 6.24%, however the deposit growth remained almost stagnant as compare to Dec 17 level. Non-performing loan portfolio increased by 1.85% from Dec 17 and provision against loan losses increased by 1.62% with infection ratio of 15.81%.

### **Financial Performance**

On the gross markup income side, the Bank reported an increase of Rs. 71.74million (12.98%) whereas on the interest expense side, the Bank registered an increase of Rs. 40.54 million over corresponding period of last year. To supplement its net interest margins, the Bank remained focused on increasing its low cost deposit base and venture in higher-yielding assets. On the non-markup income front, the Bank reported a base of Rs. 65.57 million which is 10.53% lowered as compare to corresponding period last year mainly on



## First Women Bank Limited

account of not dealing in equity portfolio due to significant stock market volatility and as a result of the same bank discontinued its equity portfolio in the later part of the last year and no opportunity available for trading in debt securities due to frequent adjustments in interest rate scenario.

### Financial Highlights:

Profit & Loss Account for the Half Year Ended,				Statement of Financial Position As at,			
	June 2018	June 2017	Change (%)		30 June 2018	31 December 2017	Change (%)
Mark-up / return / interest earned	624,639	552,900	12.98%	Advances - Net	9,485,623	8,875,631	6.87%
Mark-up / return / interest expensed	(284,086)	(243,542)	16.65%	Investments - Net	12,461,074	13,587,722	-8.29%
Net mark-up / interest income	340,553	309,358	10.08%	Deposits	16,187,837	16,259,737	-0.44%
Non Mark-up Income	65,574	73,289	-10.53%	Total Assets	24,755,818	24,828,931	-0.29%
Total income	406,127	382,647	6.14%	Total Liabilities	21,103,177	21,046,720	0.03%
Administrative expenses	(454,800)	(453,557)	0.28%	Borrowings	4,191,549	3,903,832	7.37%
Other provisions and charges	(21)	(1,448)	-98.55%	Share Capital	3,994,113	3,994,113	0.00%
Loss before provisions	(48,743)	(72,358)	-32.64%	Reserves	307,717	307,717	0.00%
Provision against Loans & Advances	(21,971)	(11,397)	-92.78%	Accumulated loss	(772,746)	(695,455)	11.11%
Loss before taxation	(70,714)	(83,755)	-15.57%				
Taxation	(8,466)	(15,636)	-45.86%				
Loss after taxation	(79,180)	(99,391)	-20.34%				
Earnings per share (rupees)	(0.23)	(0.28)	-19.07%				

The bank booked loss before tax for the half year of Rs. 79.18 million which is 20.34% lower than corresponding period of last year. The bank has registered a slight growth in volumes – Yet the revenue remained subdued due to continuously reduced margins and increasing cost of compliance. The limited Branch network has resulted in high operational costs despite significant control over expenses. The bank's high cost operational structure – though controlled on YoY basis – and provision expense on non-performing loans continued to drag the performance. Owing to the cost efficient measures of the management, administrative expenses increased only by 0.28% during the half year 2018. The management is focusing to reduce its funding cost further; thereby improving its spreads. Meanwhile, given recent capital compliance with reduced MCR, bank still needs higher level of Capital to compete in the market with rising compliance standards & technology innovations.

Asset base of the bank is Rs.24.76 billion which is almost maintained at December 2017. Analysis of asset mix highlights that net investments decreased by 8.29% due to maturity of T-Bills, net advances have shown an increase of 6.87% mainly on account of commodity finance, while deposit portfolio maintained almost at the same level as of December 2017.

Bank has always encouraged providing financial support to women for promoting this important component of the economy. During the half year 2018, Bank has disbursed Rs. 90.55 million to female individuals and entities run by female entrepreneurs.



---

**First Women Bank Limited**

---

### **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 47.70%; 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.

### **Corporate Social Responsibility**

FWBL is a socially responsible organization and believes in providing services and products that are valuable and constructive to the society at large and women in particular. Being a commercial bank with a mandate to serve women who still struggle for equal rights to health, education, security, decision making, asset ownership etc., FWBL is going an extra mile to serve this segment by developing special feature products and services to ensure sustainability of women owned businesses who many a times do not get a leveled playing field. To remain sustainable, under these circumstances bank has to work on volumes which is another challenge while dealing with the FWBL target market. Despite this the bank is committed to serve the society in ethically and socially responsible manner and contribute towards the national economy.

### **Looking Ahead**

We strive to elevate service quality standards that exceed our customer expectations, while driving cost efficiencies across branches and controlling offices. 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.



---

**First Women Bank Limited**

---

### **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. We value the efforts of our dedicated employees who are relentless in their commitment to better serving our customers. The Directors also thank and appreciate the support and confidence of our valued customers and business partners for their continued trust and patronage.

For and on behalf of the Board of Directors

Tahira Raza

President

Karachi

**Date: 28 August 2018**

**Independent auditors' review report  
To the members of First Women Bank Limited  
Report on review of Interim Financial Statements**

***Introduction***

We have reviewed the accompanying condensed interim statement of financial position of **First Women Bank Limited** ("the Bank") as at June 30, 2018, 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 and reporting standards as applicable in Pakistan for Interim Financial Reporting.

***Other Matter***

The figures for the quarters ended June 30, 2018 and June 30, 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: 28 August 2018**

**Karachi**

---

**KPMG Taseer Hadi & Co.  
Chartered Accountants  
Ayn Pirani**

First Women Bank Limited  
Condensed Interim Statement of Financial Position  
As at 30 June 2018

	30 June 2018 (Un-audited)	31 December 2017 (Audited)
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	1,749,098	1,438,429
Balances with other banks	91,131	62,606
Lendings to financial institutions	7      99,636	-
Investments	8      12,461,074	13,587,722
Advances	9      9,485,623	8,875,631
Operating fixed assets	10     309,710	323,546
Deferred tax asset - net	11     152,384	151,769
Other assets	12     407,162	389,228
	<b>24,755,818</b>	<b>24,828,931</b>
<b>LIABILITIES</b>		
Bills payable	339,067	530,291
Borrowings from financial institutions	13     4,191,549	3,903,832
Deposits and other accounts	14     16,187,837	16,259,737
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	384,674	402,360
	<b>21,103,127</b>	<b>21,096,220</b>
<b>NET ASSETS</b>	<b>3,652,691</b>	<b>3,732,711</b>
<b>REPRESENTED BY</b>		
Share capital	15     3,994,113	3,994,113
Statutory reserve	307,717	307,717
Accumulated loss	(772,746)	(695,455)
	<b>3,529,084</b>	<b>3,606,375</b>
Surplus on revaluation of assets - net of deferred tax	16     123,607	126,336
	<b>3,652,691</b>	<b>3,732,711</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	17	

The annexed notes 1 to 24 form an integral part of these condensed interim financial information.

Humaira Siddique  
**Chief Financial Officer**

Tahira Raza  
**President /  
Chief Executive**

Tahira Raza  
**President /  
Chief Executive**

Rukhsana Shah  
**Director**

Sumaira K. Aslam  
**Director**

Ghulam Kazim Hosein  
**Director**

**First Women Bank Limited**  
**Condensed Interim Profit and Loss Account (Un-audited)**  
*For the half year and quarter ended 30 June 2018*

	Half year ended		Quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
----- (Rupees in '000) -----				
Mark-up / return / interest earned	624,639	552,900	326,832	301,115
Mark-up / return / interest expensed	(284,086)	(243,542)	(160,785)	(120,413)
Net mark-up / return / interest income	340,553	309,358	166,047	180,702
Provision against non-performing loans and advances - net	(21,971)	(11,397)	(26,694)	(21,693)
Provision against diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
Net mark-up / return / interest income after provisions	318,582	297,961	139,353	159,009
<b>Non-mark-up / interest income</b>				
Fee, commission and brokerage income	38,562	35,140	20,987	24,827
Dividend income	4,239	5,673	-	2,378
Income from dealing in foreign currencies - net	16,663	9,591	9,785	6,925
Gain on sale / redemption of securities - net	63	16,350	28	1,769
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-	-	117
Other income - net	6,047	6,535	1,738	(8,727)
Total non-mark-up / interest income	65,574	73,289	32,538	27,289
	384,156	371,250	171,891	186,298
<b>Non-mark-up / interest expenses</b>				
Administrative expenses	(454,849)	(453,557)	(233,299)	(235,741)
Other provisions / write offs - net	-	(1,441)	-	-
Other charges (SBP penalty)	(21)	(7)	(1)	-
Total non-mark-up / interest expenses	(454,870)	(455,005)	(233,300)	(235,741)
Extra ordinary / unusual items	-	-	-	-
<b>Loss before taxation</b>	(70,714)	(83,755)	(61,409)	(49,443)
Taxation - current	(8,628)	(6,277)	(4,520)	(3,325)
- deferred	162	(9,359)	(1,271)	2,663
<b>Loss after taxation</b>	(8,466)	(15,636)	(5,791)	(662)
	(79,180)	(99,391)	(67,200)	(50,105)
----- (Rupees) -----				
Basic and diluted earnings per share	(0.23)	(0.28)	(0.19)	(0.14)

The annexed notes 1 to 24 form an integral part of these condensed interim financial information.

Humaira Siddique  
**Chief Financial Officer**

Tahira Raza  
**President /  
Chief Executive**

Tahira Raza  
**President /  
Chief Executive**

Rukhsana Shah  
**Director**

Sumaira K. Aslam  
**Director**

Gholam Kazim Hosein  
**Director**



First Women Bank Limited  
 Condensed Interim Statement of Comprehensive Income (Un-audited)  
 For the half year and quarter ended 30 June 2018

	Half year ended		Quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
----- (Rupees in '000) -----				
<b>Loss after taxation</b>	<b>(79,180)</b>	(99,391)	<b>(67,200)</b>	(50,105)
<b>Other comprehensive income</b>				
<b>Comprehensive income not reflected in equity</b>				
<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	16.2 (1,292)	(30,434)	7,783	(2,047)
Related deferred tax	452	10,652	(2,724)	717
	<b>(840)</b>	(19,782)	<b>5,059</b>	(1,330)
<b>Total comprehensive loss during the period - net of tax</b>	<b>(80,019)</b>	(119,173)	<b>(62,141)</b>	(51,435)

The annexed notes 1 to 24 form an integral part of these condensed interim financial information.

Humaira Siddique  
**Chief Financial Officer**

Tahira Raza  
**President /  
 Chief Executive**

Tahira Raza  
**President /  
 Chief Executive**

Rukhsana Shah  
**Director**

Sumaira K. Aslam  
**Director**

Gholam Kazim Hosein  
**Director**

First Women Bank Limited  
Condensed Interim Statement of Changes in Equity (Un-audited)  
For the half year ended 30 June 2018

	Note	Share capital	Advance against issuance of share capital	Statutory reserve	Accumulated loss	Total
----- (Rupees in '000) -----						
Balance as at 01 January 2017		3,494,113	-	307,717	(463,975)	3,337,855
<b>Total comprehensive income / ( loss) for the half year ended 30 June 2017</b>						
- Loss 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
<b>Transaction with owners</b>						
Advance against issuance of ordinary shares		-	500,000	-	-	500,000
Balance as at 30 June 2017		3,494,113	500,000	307,717	(561,477)	3,740,353
<b>Total comprehensive income for the half year ended 31 December 2017</b>						
- Loss after tax for the for the half year ended 31 December 2017		-	-	-	(138,647)	(138,647)
- Other comprehensive income		-	-	-	2,780	2,780
		-	-	-	(135,867)	(135,867)
Transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of tax (incremental depreciation for the period)		-	-	-	1,889	1,889
<b>Transaction with owners</b>						
Advance against issuance of ordinary shares		500,000	(500,000)	-	-	-
<b>Balance as at 31 December 2017</b>		3,994,113	-	307,717	(695,455)	3,606,375
<b>Total comprehensive income / (loss) for the half year ended 30 June 2018</b>						
- Loss after tax for the half year ended 30 June 2018		-	-	-	(79,180)	(79,180)
Transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of tax (incremental depreciation for the period)		-	-	-	1,889	1,889
<b>Balance as at 30 June 2018</b>		<b>3,994,113</b>	<b>-</b>	<b>307,717</b>	<b>(772,746)</b>	<b>3,529,084</b>

The annexed notes 1 to 24 form an integral part of these condensed interim financial information.

Humaira Siddique  
Chief Financial Officer

Tahira Raza  
President /  
Chief Executive

Tahira Raza  
President /  
Chief Executive

Rukhsana Shah  
Director

Sumaira K. Aslam  
Director

Ghulam Kazim Hosein  
Director

First Women Bank Limited  
Condensed Interim Cash Flow Statement (Un-audited)  
For the half year ended 30 June 2018

	Note	30 June 2018	30 June 2017
(Rupees in '000)			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(70,714)	(83,755)
Less: dividend income		(4,239)	(5,673)
		<u>(74,953)</u>	<u>(89,428)</u>
<i>Adjustments for non-cash charges</i>			
Depreciation		19,261	23,175
Amortization		4,332	3,045
Provision against non-performing loans and advances - net		21,971	11,397
Gain on sale / redemption of securities - net		(63)	(16,350)
Gain on disposal of operating fixed assets		(47)	(2,046)
		<u>45,454</u>	<u>19,221</u>
		<u>(29,499)</u>	<u>(70,207)</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(99,636)	(347,503)
Advances		(631,963)	(1,414,829)
Others assets (excluding advance taxation)		(27,015)	(38,880)
		<u>(758,614)</u>	<u>(1,801,212)</u>
(Decrease) / increase in operating liabilities			
Bills payable		(191,223)	151,197
Borrowings from financial institutions		287,717	(360,956)
Deposits and other accounts		(71,900)	3,308,674
Other liabilities (excluding current taxation)		(17,687)	(28,169)
		<u>6,907</u>	<u>3,070,746</u>
		<u>(781,206)</u>	<u>1,199,327</u>
<i>Net cash flow from operating activities</i>		<u>(781,206)</u>	<u>1,199,327</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments		1,125,871	(1,331,578)
Dividend income		4,239	15,759
Investments in operating fixed assets		(9,756)	(21,990)
Sale proceeds of property and equipment disposed off		46	2,046
<i>Net cash flow from investing activities</i>		<u>1,120,400</u>	<u>(1,335,763)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Advance against issuance of ordinary shares - <i>Net cash flow form financing activities</i>		-	500,000
		-	500,000
<b>Increase in cash and cash equivalents</b>		<b>339,194</b>	<b>363,564</b>
Cash and cash equivalents at beginning of the period		<u>1,501,035</u>	<u>1,193,574</u>
Cash and cash equivalents at end of the period	18	<u><u>1,840,229</u></u>	<u><u>1,557,138</u></u>

The annexed notes 1 to 24 form an integral part of these condensed interim financial information.

Humaira Siddique  
Chief Financial Officer

Tahira Raza  
President /  
Chief Executive

Tahira Raza  
President /  
Chief Executive

Rukhsana Shah  
Director

Sumaira K. Aslam  
Director

Gholam Kazim Hosein  
Director

# First Women Bank Limited

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

For the half year ended 30 June 2018

### 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 2018 (31 December 2017: forty two branches). The short term and long term credit ratings of the Bank rated by PACRA in June 2018 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 2018, the Bank's MCR (representing paid up capital net of accumulated losses) was Rs. 3.221 billion.

### 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 12 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 condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2017.

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

### 3. STATEMENT OF COMPLIANCE

- 3.1** These condensed interim financial information of the Bank have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- 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;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives prevail.

**3.2** SBP, vide BSD Circular 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 condensed interim financial information. 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.

**3.4** The Companies Ordinance, 1984 was repealed after the enactment of the Companies Act, 2017, on 30 May 2017. SECP vide its Circular No. 23 of 2017, dated 04 October 2017 allowed all those companies whose financial year closed on or before 31 December 2017, required to prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. Accordingly, these condensed interim financial statements have been prepared in accordance with Companies Act, 2017. Change to the significant accounting policy, as a result of the enactment of the Companies Act, 2017, has been detailed in note 4.1.

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

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

- **IFRS 9 'Financial Instruments' - effective date: 01 July 2018**

The Bank is currently awaiting instructions from the SBP as applicability of IAS 39 was deferred by the SBP till further instructions. However, the SBP has instructed banks to prepare potential qualitative and quantitative impact assessments as a result of adoption of IFRS 9 using the performa financial statements for the year ended 31 December 2017. The Bank is required to submit its impact assessment to the SBP in due course of time.

- **IFRS 15 'Revenue from contracts with customers' - effective date: 01 July 2018**

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

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

- **IFRS 16 'Leases' - effective date: 01 January 2019**

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

As at the reporting date, the Bank has non-cancellable operating lease commitments. However, the Bank is currently in the process of assessing the potential impacts of changes as a result of adoption of IFRS 16.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after 1 January 2019 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim financial information.

**3.6 Standards, interpretations and amendments to approved accounting standards that are effective in the current year**

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after 1 January 2018 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim financial statements.

**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 2017, except for the following:

**4.1 Surplus on revaluation of fixed assets - net of deferred tax**

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets was being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation was credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets was adjusted against the balance in the surplus account. With effect from January 1, 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies

Act, 2017. Accordingly the management has changed the accounting policy to bring accounting of revaluation surplus on fixed assets in accordance with IAS 16 "Property, plant and equipment". The management of the Bank believes that the impact of change in accounting policy is not material, therefore no adjustments are being made in these condensed interim financial information. The effect of change would be increase in the balance of surplus of revaluation of fixed assets by Rs. 4.857 million and the increase in the balance of accumulated loss with the same amount

## 5. BASIS OF MEASUREMENT

5.1 These condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets are stated at revalued amounts and certain investments financial instruments available for sale are stated at fair values.

### 5.2 Judgements and estimates

The preparation of these condensed interim financial information in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements of the Bank for the year ended 31 December 2017.

## 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 2017.

		<b>30 June 2018</b>	31 December 2017
	<i>Note</i>	<b>(Un-audited)</b>	(Audited)
		----- <b>(Rupees in '000)</b> -----	
<b>7. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
<b>Secured - local currency</b>			
Repurchase agreement lending	7.1	<b>99,636</b>	-
Term lendings	7.2	<b>139,089</b>	139,089
		<b>238,725</b>	139,089
Provision against term lendings	7.2	<b>(139,089)</b>	(139,089)
		<b>99,636</b>	-

7.1 This represent short term lending to a financial institution secured against the government security and carries markup at the rate of 6.8% (31 December 2017: Nil) per annum. It had matured on 03 July 2018.

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 2018 (Un-audited)			31 December 2017 (Audited)		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----							
<b>Available-for-sale securities</b>							
- Market Treasury Bills	8.1	8,371,109	4,087,428	12,458,537	9,803,039	3,780,147	13,583,186
- Pakistan Investment Bonds		118	-	118	118	-	118
- Term Finance Certificates (TFCs)		10,612	-	10,612	11,319	-	11,319
- Preference shares of a listed company (fully provided)		10,000	-	10,000	10,000	-	10,000
- Ordinary shares of an unlisted company		954	-	954	954	-	954
		<b>8,392,793</b>	<b>4,087,428</b>	<b>12,480,221</b>	<b>9,825,430</b>	<b>3,780,147</b>	<b>13,605,577</b>
<b>Investments at cost</b>		<b>8,392,793</b>	<b>4,087,428</b>	<b>12,480,221</b>	<b>9,825,430</b>	<b>3,780,147</b>	<b>13,605,577</b>
Provision for diminution in the value of investments		(17,781)	-	(17,781)	(17,781)	-	(17,781)
<b>Investments - net of provisions</b>		<b>8,375,012</b>	<b>4,087,428</b>	<b>12,462,440</b>	<b>9,807,649</b>	<b>3,780,147</b>	<b>13,587,796</b>
Deficit / (Surplus) on revaluation of available-for-sale securities - net	16.2	(515)	(851)	(1,366)	(111)	37	(74)
<b>Investments at revalued amount</b>		<b>8,374,497</b>	<b>4,086,577</b>	<b>12,461,074</b>	<b>9,807,538</b>	<b>3,780,184</b>	<b>13,587,722</b>

8.1 Market value of securities given as collateral against borrowing mentioned in note 13.3, amounted to Rs. 4,086.577 million (31 December 2017: Rs. 3,780.184 million).

9. ADVANCES	Note	30 June 2018	31 December 2017
		(Un-audited)	(Audited)
----- (Rupees in '000) -----			
Loans, cash credits, running finances, etc.			
In Pakistan		10,761,125	10,129,162
Bills discounted and purchased (excluding treasury bills)			
In Pakistan		-	-
		<b>10,761,125</b>	<b>10,129,162</b>
Provision against non-performing loans and advances			
Specific provision	9.2 & 9.3	(1,266,761)	(1,246,569)
General provision	9.3	(8,741)	(6,962)
		<b>(1,275,502)</b>	<b>(1,253,531)</b>
Advances - net of provision		<b>9,485,623</b>	<b>8,875,631</b>
<b>9.1 Particulars of advances (gross)</b>			
In local currency		10,761,125	10,129,162
In foreign currencies		-	-
		<b>10,761,125</b>	<b>10,129,162</b>

9.2 Advances include Rs. 1,701.084 million (31 December 2017: Rs. 1,670.104 million) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2018 (Un-audited)			31 December 2017 (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*	2,747	102	102	1,261	-	-
Substandard	162,299	15,305	15,305	-	-	-
Doubtful	-	-	-	100,253	8,489	8,489
Loss	1,536,038	1,251,354	1,251,354	1,568,590	1,238,080	1,238,080
	<b>1,701,084</b>	<b>1,266,761</b>	<b>1,266,761</b>	<b>1,670,104</b>	<b>1,246,569</b>	<b>1,246,569</b>

\* 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 2018 (Un-audited)			31 December 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	1,246,569	6,962	1,253,531	1,256,793	8,631	1,265,424
Charge for the period / year	39,567	1,779	41,346	127,479	3,490	130,969
Reversals	(19,375)	-	(19,375)	(113,456)	(5,159)	(118,615)
	<b>20,192</b>	<b>1,779</b>	<b>21,971</b>	<b>14,023</b>	<b>(1,669)</b>	<b>12,354</b>
Write offs against provision	-	-	-	(24,136)	-	(24,136)
Reversal against provision as per the court order	-	-	-	(111)	-	(111)
Closing balance	<b>1,266,761</b>	<b>8,741</b>	<b>1,275,502</b>	<b>1,246,569</b>	<b>6,962</b>	<b>1,253,531</b>



- 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 2018, erosion in FSV benefit has resulted in increase in loss before tax by Rs. 62.147 million (year ended 31 December 2017: Rs. 274.594 million). Had the benefit under the said circular not been taken by the Bank, specific provision against non - performing advances as at the period end would have been higher by Rs. 310.126 million (31 December 2017: Rs. 372.274 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 amounting to Rs. 172.799 million (31 December 2017: Rs. 192.847 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. No general provision against the secured Small Enterprise Financing has been maintained as allowed by SBP vide IH&SMEFD Circular No. 09 dated 22 December 2017.

At 30 June 2018, Rs. 179.899 million (31 December 2017: Rs. 169.056 million) was outstanding against Prime Minister Youth Business Loan. These loans carry mark-up at KIBOR + 500bps per annum. No General provision against Prime Minister Youth Business Loan has been maintained as allowed by SBP vide its IH & SMEFD Circular No. 1 of 2016 dated 25 February 2016.

10. OPERATING FIXED ASSETS	For the six months period ended 30 June 2018			For the six months period ended 30 June 2017		
	Additions	Disposals		Additions	Disposals	
		Cost	Accumulated depreciation		Cost	Accumulated depreciation
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Building improvements	79	-	-	531	-	-
Furniture and fixtures	461	52	52	2,155	225	225
Office equipment and computer	4,988	358	358	26,399	136	136
Vehicles	2,697	-	-	735	3,331	3,331
Software	322	-	-	2,513	-	-
	<u>8,547</u>	<u>410</u>	<u>410</u>	<u>32,333</u>	<u>3,692</u>	<u>3,692</u>

Above additions include Rs.2.776 million transferred from capital work in progress.

11. DEFERRED TAX ASSET	Note	30 June	31 December
		2018	2017
		(Un-audited)	(Audited)
		----- (Rupees in '000) -----	
<b>Taxable temporary differences on:</b>			
Surplus on revaluation of operating fixed assets		<u>(37,638)</u>	<u>(38,656)</u>
		<u>(37,638)</u>	<u>(38,656)</u>
<b>Deductible temporary differences on:</b>			
Provision against non-performing loans and advances		<u>97,265</u>	97,265
Accelerated tax depreciation		<u>26,829</u>	27,684
Deficit on revaluation of available for sale securities		<u>478</u>	26
Unabsorbed depreciation/ Amortization		<u>65,450</u>	65,450
		<u>190,022</u>	190,425
		<u>152,384</u>	<u>151,769</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 the 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 As a matter of abundant caution, the Bank has not recognized deferred tax asset of Rs. 194 million, 43 million and Rs. 28 million on deductible temporary differences representing taxable business losses of Rs 554 million, loan losses of Rs. 124 million and unabsorbed tax depreciation of Rs 79 million pertaining to the period ended 30 June 2018

12. OTHER ASSETS	30 June	31 December
	2018	2017
	(Un-audited)	(Audited)
	----- (Rupees in '000) -----	
Income/ Mark-up accrued in local currency	<u>192,197</u>	152,611
Income/ Mark-up accrued in foreign currency	<u>757</u>	757
Advances, deposits and prepayments	<u>50,452</u>	66,636
Advance taxation (net of provisions)	<u>124,464</u>	133,090
Receivable from defined benefit plan	<u>19,046</u>	33,748
Receivable from the Government of Pakistan against the encashment of Government instruments	<u>3,029</u>	3,190
Suspense account (fully provided)	<u>2,004</u>	3,250
ATM settlement account	<u>11,531</u>	4,091
Stationery and stamps on hand	<u>788</u>	925
Unrealized gain on forward foreign exchange contracts	<u>10,977</u>	560
Others	<u>887</u>	791
	<u>416,132</u>	399,649
Provision against other assets	<u>(8,970)</u>	(10,421)
	<u>407,162</u>	<u>389,228</u>

13. BORROWINGS FROM FINANCIAL INSTITUTIONS	Note	30 June 2018 (Un-audited)	31 December 2017 (Audited)
		------(Rupees in '000)-----	

**Secured**

Borrowings from State Bank of Pakistan (SBP) under

- Export refinance scheme	13.1	25,500	37,700
- Revised SBP Financing Scheme for Renewable Energy	13.2	80,957	87,184
Repurchase agreement borrowing- from SBP	13.3	<u>4,085,092</u>	<u>3,778,948</u>
		<u><u>4,191,549</u></u>	<u><u>3,903,832</u></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 1% per annum (2017: 1% per annum). These borrowings are repayable up to September 2018.

**13.2** The Bank has entered into arrangement for financing with the State Bank of Pakistan (SBP) under Revised SBP Financing Scheme for Renewable Energy. 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% per annum (2017: 3% per annum). These borrowings are repayable up to September 2024.

**13.3** This carries mark-up of 6.54% (31 December 2017: 5.83%) per annum. It had matured on 6 July 2018 (31 December 2017: 5 January 2018).

**14. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits		697,698	1,130,596
Savings deposits		5,704,168	5,737,051
Current (saving cum current) accounts - remunerative		5,079,767	5,867,524
Current accounts - non remunerative		4,357,451	3,229,346
Call deposits		37,376	53,852
Sundry deposits	14.1	<u>311,345</u>	<u>241,336</u>
		<u>16,187,805</u>	<u>16,259,705</u>

**Financial institutions**

Remunerative deposits	-	-
Non-remunerative deposits	32	32
	<u>32</u>	<u>32</u>
	<u>16,187,837</u>	<u>16,259,737</u>

**14.1** Sundry deposits consist of margin account balances of Rs. 311.345 million (31 December 2017: Rs. 241.336 million).

14.2 Particulars of deposits	30 June 2018 (Un-audited)	31 December 2017 (Audited)
	(Rupees in '000)	
In local currency	15,626,590	15,709,565
In foreign currencies	<u>561,247</u>	<u>550,172</u>
	<u>16,187,837</u>	<u>16,259,737</u>

## 15. SHARE CAPITAL

The shareholding structure is as follows:

30 June 2018 (Un-audited) (Number of shares)	31 December 2017 (Audited)		30 June 2018 (Un-audited) (Percentage of shareholding)	31 December 2017 (Audited)
		1) Federal Government of Pakistan through Ministry of Finance	<b>82.64</b>	82.64
<b>330,088,793</b>	330,088,793	2) MCB Bank Limited	<b>5.78</b>	5.78
<b>23,095,324</b>	23,095,324	3) Habib Bank Limited	<b>5.78</b>	5.78
<b>23,095,324</b>	23,095,324	4) Allied Bank Limited	<b>1.94</b>	1.94
<b>7,734,927</b>	7,734,927	5) National Bank of Pakistan	<b>1.93</b>	1.93
<b>7,698,441</b>	7,698,441	6) UBL Bank Limited	<b>1.93</b>	1.93
<b>7,698,441</b>	7,698,441		<b>1.93</b>	1.93
<b>399,411,250</b>	<b>399,411,250</b>		<b>100.00</b>	100.00

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

## 16. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus arising on revaluation (net of tax) of:

- Operating fixed assets	16.1	<b>124,495</b>	126,384
- Available-for-sale securities	16.2	<b>(888)</b>	(48)
		<b>123,607</b>	126,336

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

As at 01 January	<b>165,040</b>	170,853
	<b>165,040</b>	170,853

Transferred to accumulated loss in respect of:

- Incremental depreciation charged during the period / year - net of tax	<b>(1,889)</b>	(3,778)
- Related deferred tax liability	<b>(1,018)</b>	(2,035)
	<b>(2,907)</b>	(5,813)
	<b>162,133</b>	165,040

Less: *deferred tax liability*:

- As at 01 January	<b>38,656</b>	40,691
- On incremental depreciation charged during the period / year	<b>(1,018)</b>	(2,035)
	<b>37,638</b>	38,656
	<b>124,495</b>	126,384

### 16.2 (Deficit) / Surplus on revaluation of available-for-sale securities - net of tax

Federal Government securities	<b>(1,366)</b>	(74)
Shares of listed companies / units of mutual funds / preference shares	-	-
	<b>(1,366)</b>	(74)

Related deferred tax asset - net	<b>478</b>	26
	<b>(888)</b>	(48)

<b>17. CONTINGENCIES AND COMMITMENTS</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>17.1 Transaction-related contingent liabilities</b>	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>(Rupees in '000)</b>	
Guarantees in favour of:		
- Government	<b>422,568</b>	686,665
- Others	<b>379,543</b>	67,119
	<b>802,111</b>	753,784
<b>17.2 Trade-related contingent liabilities</b>		
Letter of credit and acceptances - others	<b>784,932</b>	148,000
<b>17.3 Commitment for the acquisition of operating fixed assets</b>		
Capital commitment for fixed assets	<b>4,958</b>	8,897
<b>17.4 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	<b>245,957</b>	309,781
Sale	<b>2,557</b>	-
<b>Commitments in respect of forward Swaps</b>		
Purchase	<b>175,138</b>	17,895
Sale	<b>17,278</b>	17,606
<b>17.5 Commitments in respect of lendings</b>		
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.		
<b>17.6 Tax related contingencies</b>		
<b>17.6.1</b> The current tax represents minimum tax under Section 113 of the Income Tax Ordinance, 2001.		
<b>17.6.2</b> Income tax return up to tax year 2017 (financial year ended 31 December 2016) has been filed which is deemed to have been assessed under Section 120 of the Income Tax Ordinance, 2001 (unless selected for audit).		
<b>17.6.3</b> 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 financial statements.

- 17.6.4** In 2012, the Deputy Commissioner Inland Revenue (DCIR) had raised demand 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. Appellate Tribunal has remanded back the case for de-novo proceedings.

Provision against the above claim has not been made as the Bank is confident of a decision in its favour.

- 17.6.5** Deputy Commissioner Inland Revenue (DCIR) has issued orders under Sections 161 and 205 of the Income Tax Ordinance, 2001 raising the total demands of Rs. 7.071 million, Rs 85.094 and Rs 32.776 million on account of the non-deduction of tax on profit payments on certain deposits for the tax years 2014, 2015 and 2016 respectively. 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 favour of the Bank as it is of the view that profit payments on such deposits are exempt from withholding of taxes. Accordingly, the management consider that no provision is required to be made in this regard in these financial statements.

	<b>30 June 2018 (Un-audited)</b>	<b>31 December 2017 (Audited)</b>
	<b>(Rupees in '000)</b>	
<b>17.7 Other contingencies</b>		
Claims against the Bank not acknowledged as debt	-	-
<b>18. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	<b>1,749,098</b>	1,438,429
Balances with other banks	<b>91,131</b>	62,606
	<b><u>1,840,229</u></b>	<u>1,501,035</u>

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationships with associated undertakings, employee benefits, directors and key management personnel, Bank's shareholders 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 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	(Rupees in '000)							
<b>Deposits</b>								
Balance at beginning of the period / year	6,409	5,643	-	-	10,241	3,313	565,048	5,312
Deposited / adjustments during the period / year	20,499	33,177	-	-	36,109	77,411	2,538,290	1,466,546
Withdrawn during the period / year	(19,761)	(32,411)	-	-	(35,065)	(70,483)	(3,098,251)	(906,810)
<b>Balance at end of the period / year</b>	<b>7,147</b>	<b>6,409</b>	<b>-</b>	<b>-</b>	<b>11,285</b>	<b>10,241</b>	<b>5,087</b>	<b>565,048</b>
<b>Advances (secured)</b>								
Balance at beginning of the period / year	-	-	-	-	30,366	30,722	-	-
Loans granted during the period / year	-	-	-	-	2,697	12,062	-	-
Repayments / adjustments during the period / year	-	-	-	-	(5,999)	(12,418)	-	-
<b>Balance at end of the period / year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,064</b>	<b>30,366</b>	<b>-</b>	<b>-</b>
Mark-up payable in local currency	10	27	-	-	62	104	534	295
Mark-up receivable in local currency	-	-	-	-	573	562	-	-
Bank balance	-	-	338,476	136,224	-	-	-	-
Investment in National Institutional Facilitation Technologies (Private) Limited	-	-	954	954	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-
Salary payable	13,624	10,495	-	-	-	-	-	-
Net receivable from defined benefit plan	-	-	-	-	-	-	19,046	33,748
Payable against gratuity scheme	7,966	7,185	-	-	-	-	-	-
Contingencies & Commitments								
- Foreign exchange contracts	-	-	328,523	309,781	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-
- Sell	-	-	-	-	-	-	-	-
<b>19.2 Transactions during the period</b>								
	From 1 January 2018 to 30 June 2018	From 1 January 2017 to 31 December 2017	From 1 January 2018 to 30 June 2018	From 1 January 2017 to 31 December 2017	From 1 January 2018 to 30 June 2018	From 1 January 2017 to 31 December 2017	From 1 January 2018 to 30 June 2018	From 1 January 2017 to 31 December 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Rupees in '000)							
<b>Mark-up / return / interest expensed</b>	<b>10</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>62</b>	<b>62</b>	<b>655</b>	<b>367</b>
Deposits carry mark-up rate at 0% to 4% (30 June 2017: 0.05% to 3.75) per annum.								
<b>Mark-up / return / interest earned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>487</b>	<b>533</b>	<b>-</b>	<b>-</b>
Advances carry profit rates ranging from 0% to 18.5% per annum (30 June 2017: 0% to 18.5%) per annum								
Lendings to financial institutions	-	-	3,912,917	2,063,562	-	-	-	-
Borrowings from financial institutions	-	-	13,908,983	2,174,466	-	-	-	-
Investments purchased - available-for-sale - Listed Shares	-	-	-	42,024	-	-	-	-
Investments sold - available-for-sale - Listed Shares	-	-	-	40,206	-	-	-	-
Interest income on lendings to financial institutions	-	-	5,451	427	-	-	-	-
Interest expense on borrowings	-	-	4,394	510	-	-	-	-
Dividend income	-	-	4,239	2,037	-	-	-	-
Contribution to retirement benefit plans	937	937	-	-	-	-	14,702	13,665
Charges paid to National Institutional Facilitation Technologies (Private) Limited	-	-	1,839	1,671	-	-	-	-
Advance against issuance of ordinary shares to Federal Government of Pakistan	-	-	-	-	-	-	-	500,000
Remuneration of key management personnel	12,844	13,785	-	-	23,395	27,084	-	-
Director's meeting fee	1,425	1,888	-	-	-	-	-	-

### Related parties by virtue of common directorship and GoP holdings

The Government of Pakistan directly 82.64% 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 banking services to Government-related entities. These transactions are at agreed terms.

As at the Statement of Financial Position date, the significant loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 4,700 million, Rs. 5,737 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 2018 (Un-audited)					
Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Inter-segment elimination	Total
(Rupees in '000)					
Total income	245,471	298,773	98,378	242,455	690,213
Total expenses	(210,519)	(467,127)	(247,327)	(30,818)	(760,927)
Income tax expense	-	-	-	-	(8,466)
Net income	34,952	(168,354)	(148,949)	211,637	(79,180)
Segment assets - gross	8,014,232	13,571,504	3,215,840	10,413,107	25,745,732
Advance tax	-	-	-	-	124,464
Deferred tax assets	-	-	-	-	152,384
Total assets	8,014,232	13,571,504	3,215,840	10,413,107	26,022,580
Segment non performing loans	1,080,835	-	620,249	-	1,701,084
Segment specific provision against non performing loans	815,411	-	451,350	-	1,266,761
Segment liabilities	746,586	13,544,563	15,632,332	648,596	21,103,126
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	626,189
Total expenses	(226,004)	(451,479)	(208,066)	(31,761)	(709,944)
Income tax expense	-	-	-	-	(15,636)
Net income	(1,109)	(172,629)	(131,962)	221,945	(99,391)
Segment assets - gross	8,441,645	10,627,137	2,891,394	11,254,202	22,852,242
Advance tax	-	-	-	-	136,095
Deferred tax assets	-	-	-	-	250,929
Total assets	8,441,645	10,627,137	2,891,394	11,254,202	23,239,266
Segment non performing loans	1,227,730	-	761,332	-	1,989,062
Segment specific provision against non performing loans	804,253	-	462,876	-	1,267,129
Segment liabilities	3,976,577	10,610,761	13,218,601	666,984	18,110,787

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

## 21. RISK MANAGEMENT

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.

21.1 Liquidity Coverage Ratio	(Unaudited)	(Unaudited)	(Audited)
	30 June 2018	31 March 2018	31 December 2017
----- Total Adjusted Value -----			
----- (Rupees in '000) -----			
Total HQLA	8,370,953	7,817,879	9,174,645
Total Net Cash Outflows	3,338,974	2,937,704	3,871,042
<b>Liquidity Coverage Ratio (%)</b>	<b>251%</b>	266%	237%
<b>Minimum Requirement (%)</b>	<b>90%</b>	90%	90%
21.2 Net Stable Funding Ratio	(Unaudited)	(Audited)	
	30 June 2018	31 December 2017	
----- Total Weighted Value -----			
----- (Rupees in '000) -----			
Total Available Stable Funding (ASF)	14,187,064	14,401,483	
Total Required Stable Funding (RSF)	5,825,324	5,912,991	
<b>Net Stable Funding Ratio (%)</b>	<b>244%</b>	244%	
<b>Minimum Requirement (%)</b>	<b>100.00%</b>	100.00%	

## 22. 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 2018						
	Carrying Value			Total	Fair value		
	Available for sale	Loans and receivables	Financial liabilities			Level 1	Level 2
----- (Rupees in '000) -----							
<b>Financial assets measured at fair value</b>							
Investments							
- Market Treasury Bills	12,457,159	-	-	12,457,159	-	12,457,159	12,457,159
- Pakistan Investment Bonds	130	-	-	130	-	130	130
Other assets	-	10,977	-	10,977	-	10,977	10,977
<b>Financial assets not measured at fair value</b>							
Investments							
- Term Finance Certificates	2,830	-	-	2,830	-	-	-
- Shares of an unlisted company	954	-	-	954	-	-	-
Cash and balances with treasury banks	-	1,749,098	-	1,749,098	-	-	-
Balances with other banks	-	91,131	-	91,131	-	-	-
Lending to financial instruments	-	99,636	-	99,636	-	-	-
Advances	-	9,485,623	-	9,485,623	-	-	-
Other assets	-	208,302	-	208,302	-	-	-
	<b>12,461,073</b>	<b>11,644,767</b>	-	<b>24,105,840</b>			
<b>Financial liabilities measured at fair value</b>							
Other liabilities	-	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>							
Bills payable	-	-	(339,067)	(339,067)	-	-	-
Borrowings	-	-	(4,191,549)	(4,191,549)	-	-	-
Deposits and other accounts	-	-	(16,187,837)	(16,187,837)	-	-	-
Other liabilities	-	-	(253,152)	(253,152)	-	-	-
	-	-	<b>(20,971,605)</b>	<b>(20,971,605)</b>			
<b>Off-balance sheet financial instruments</b>				<b>Contract Price</b>	<b>Fair Value</b>		
Forward purchase of foreign exchange				<u>409,797</u>	<u>421,096</u>		
Forward sale of foreign exchange				<u>19,513</u>	<u>19,835</u>		



**On balance sheet financial instruments**

	31 December 2017						
	Carrying Value				Fair value		
	Available for sale	Loans and receivables	Financial liabilities	Total	Level 1	Level 2	Total
----- (Rupees in '000) -----							
<b>Financial assets measured at fair value</b>							
Investments							
- Market Treasury Bills	13,583,094	-	-	13,583,094	-	13,583,094	13,583,094
- Pakistan Investment Bonds	136	-	-	136	-	136	136
<b>Financial assets not measured at fair value</b>							
Investments							
- Term Finance Certificates	3,538	-	-	3,538	-	-	-
- Shares of an unlisted company	954	-	-	954	-	-	-
Cash and balances with treasury banks	-	1,438,429	-	1,438,429	-	-	-
Balances with other banks	-	62,606	-	62,606	-	-	-
Lending to financial instruments	-	-	-	-	-	-	-
Advances	-	8,875,631	-	8,875,631	-	-	-
Other assets	-	161,377	-	161,377	-	-	-
	<u>13,587,722</u>	<u>10,538,043</u>	<u>-</u>	<u>24,125,765</u>			
<b>Financial liabilities measured at fair value</b>							
Other liabilities	-	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>							
Bills payable	-	-	530,291	530,291	-	-	-
Borrowings	-	-	3,903,832	3,903,832	-	-	-
Deposits and other accounts	-	-	16,259,737	16,259,737	-	-	-
Other liabilities	-	-	299,049	299,049	-	-	-
	<u>-</u>	<u>-</u>	<u>20,992,909</u>	<u>20,992,909</u>			

**Off-balance sheet financial instruments**

	Contract Price	Fair Value
Forward purchase of foreign exchange	<u>327,107</u>	<u>327,676</u>
Forward sale of foreign exchange	<u>17,597</u>	<u>17,606</u>

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.

**23. 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 28 August 2018.

**24. GENERAL**

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

Humaira Siddique  
**Chief Financial Officer**

Tahira Raza  
**President /  
Chief Executive**

Tahira Raza  
**President /  
Chief Executive**

Rukhsana Shah  
**Director**

Sumaira K. Aslam  
**Director**

Gholam Kazim Hosein  
**Director**