



First Women Bank Limited

First Women Bank Limited

**Condensed Interim Financial
Information (Unaudited)**

**For The Nine Months Period And
Quarter Ended 30 September 2017**



First Women Bank Limited

DIRECTORS' REPORT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 Nine Months Period ended 30 September 2017.

Economic Review:

Macroeconomic environment remains conducive to growth without impacting headline inflation. Delving deeper into FY18, manufacturing activity is expected to benefit from higher development spending, growing investments in CPEC-related projects, improvement in security condition, and the continued trend of stable and low cost of borrowing. Furthermore, an upbeat industrial outlook and a promising assessment of major crops are going to have positive spill over on the services sector. Based on current projections of agriculture sector growth, GDP growth is likely to reach the annual target of 6.0 percent for FY18 leading to an improved capacity to accommodate rising domestic demand. In particular, key constraints impeding the economy from achieving high growth - i.e. power supply and security situation - are gradually getting better.

Turning to inflation, average CPI inflation eased to 3.2 percent in Jul-Aug FY18 compared to 3.8 percent during the same period last year. As depicted by core inflation, changes in monetary aggregates also indicate growing demand in the economy. Although credit to private sector recorded a net seasonal retirement of Rs 80.6 billion during 1st July to 15th September FY18, its year-on-year growth has edged up to 21.1 percent on 15th September 2017- as compared to 7.7 percent on 16th September 2016, reflecting an increase of Rs 892 billion during the year. Led by historic low interest rates on the one hand and growing construction activity and consumer durables on the other, demand for credit picked up. At the same time, healthy deposit growth has improved supply of funds with the banking sector and market rates remained stable. These favourable conditions at the beginning of upcoming credit cycle bode well for healthy credit off take for yet another year and the credit expansion is likely to maintain its pace with better prospects for investment and business activities.

Pakistan Stock Exchange had witnessed sharp volatility over the last few months on account of current political uncertainty in the country and the local equity market took some respite in Sep-17 (KSE 100 Index up 2.92%MoM) after heavy battering in August 2017.

The State Bank of Pakistan (SBP), in its latest monetary policy review meeting, decided to keep policy rate unchanged at 5.75% stating that it expects headline inflation to remain well below FY18 target of 6%.



First Women Bank Limited

Financial Highlights:

Rupees in '000

<u>Profit & Loss Account for the Nine Months Period Ended.</u>				<u>Statement of Financial Position As at.</u>			
	September 2017	September 2016	Change (%)		30 September 2017	31 December 2016	Change (%)
Mark-up / return / interest earned	894,531	887,685	0.77%	Advances - Net	9,044,346	8,213,247	10.12%
Mark-up / return / interest expensed	(407,189)	(435,722)	-6.55%	Investments - Net	12,158,990	8,032,819	51.37%
Net mark-up / interest income	487,342	451,963	7.83%	Deposits	14,029,617	13,708,791	2.34%
Non Mark-up Income	93,866	146,427	-35.90%	Total Assets	23,597,195	18,520,564	27.41%
Total income	581,208	598,389	-2.87%	Total Liabilities	19,799,372	15,040,042	31.64%
Administrative expenses	(682,568)	(633,661)	7.72%	Borrowings	5,133,156	743,909	590.02%
Other provisions and charges	(1,333)	(26,004)	-94.87%	Share Capital	3,994,113	3,494,113	14.31%
(Loss) before reversal/provisions	(102,693)	(61,276)	67.59%	Reserves	307,717	307,717	0.00%
Reversals / (Provisions)	(36,439)	64,982	156.08%	Accumulated loss	(631,227)	(463,975)	36.05%
Loss before taxation	(139,132)	3,707	-3853.56%				
Taxation	(30,953)	35,143	-188.08%				
(Loss) / profit after taxation	(170,085)	38,850	-537.80%				
Earnings per share (rupees)	(0.45)	0.11	-509.09%				

Financial Performance

Financial results for the nine months period ended 30 September 2017 are showing a loss of Rs. 139.132 million mainly on account of mark-up reversal, classification of already watch list clients and decline in the non mark-up income by 52.56 million as compare to the period ended 30 September 2016. Deposits / borrowing costs have been reduced by 6.55% as compared to September 2016. The overall NRRFF position despite stagnant mark-up regime has increased by 7.83% or 35.38 million as the bank has been able to reduce deposit costs significantly by shedding high cost deposits and low cost borrowings. As compared to September 2016, the Administrative expenses have grown by 7.7% 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 due to GEP activities against which the offset amount has booked in other income of the Bank). Despite the increase, administrative expenses remained well within the budget already set for the year 2017.

Gross Advances book has grown to Rs. 10.32 billion and has increased by around 9% over December 2016 level and on net basis has grown by 10.12%, mainly on account of commodity and consumer financing amounting to Rs. 845 million and 83 million respectively. Non-performing loan portfolio (NPLs) has increased by Rs. 64.61 million i.e. by 3.3%, however, specific and general provision during the nine months period ended 30 September 2017 is Rs. 36.5 million on net basis.



First Women Bank Limited

Asset base of the bank has increased from Rs. 18.5 billion as of December 2016 to Rs. 23.6 billion due to increase in investments in Treasury Bills by Rs. 4.3 billion and Rs. 843 million in advances. The CASA ratio is 62.54% currently. To support the financial performance of the Bank the borrowing activities have been managed to address the short term liquidity needs and currently increased to Rs. 5.13 billion (Repo borrowing: Rs. 5.02 billion) 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.

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



First Women Bank Limited

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;

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: 27 October 2017

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

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
(Rupees in '000)			
Assets			
Cash and balances with treasury banks		1,249,150	1,081,532
Balances with other banks		95,722	112,042
Lendings to financial institutions	6	-	100,000
Investments - net	7	12,158,990	8,032,819
Advances - net	8	9,044,346	8,213,247
Operating fixed assets	9	325,759	337,077
Deferred tax assets - net	10	235,361	249,635
Other assets - net		487,867	394,212
		<u>23,597,195</u>	<u>18,520,564</u>
Liabilities			
Bills payable		332,436	214,155
Borrowings	11	5,133,156	743,909
Deposits and other accounts	12	14,029,617	13,708,791
Sub-ordinated loan		-	
Liabilities against assets subject to finance lease		-	
Deferred tax liabilities - net		-	
Other liabilities		304,163	373,187
		<u>19,799,372</u>	<u>15,040,042</u>
Net assets		<u><u>3,797,823</u></u>	<u><u>3,480,522</u></u>
Represented by			
Share capital		3,994,113	3,494,113
Reserves		307,717	307,717
Accumulated loss		(631,227)	(463,975)
		<u>3,670,603</u>	<u>3,337,855</u>
Surplus on revaluation of assets - net of tax	13	127,220	142,667
		<u><u>3,797,823</u></u>	<u><u>3,480,522</u></u>
Contingencies and commitments	14		

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
President and
Chief Executive

Tahira Raza
President and
Chief Executive

Ghulam Kazim Hosein
Director

Rukhsana Shah
Director

Sumaira K. Aslam
Director

First Women Bank Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the Nine Months period and quarter ended 30 September 2017

	Nine months period ended		Quarter ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	------(Rupees in '000) -----			
Mark-up / return / interest earned	894,531	887,685	341,631	273,993
Mark-up / return / interest expensed	(407,189)	(435,722)	(163,647)	(133,816)
Net mark-up / return / interest income	487,342	451,963	177,984	140,177
Provision for / (reversal) against non-performing loans and advances - net	(36,439)	35,143	(25,042)	31,812
Reversal against diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	(36,439)	35,143	(25,042)	31,812
Net mark-up / interest income after provisions	450,903	487,106	152,942	171,989
Non-mark-up / interest income				
Fee, commission and brokerage income	48,390	39,879	13,250	14,447
Dividend income	5,779	8,530	106	4,290
Income / (loss) from dealing in foreign currencies	14,201	11,786	4,610	3,296
Gain on sale / redemption of securities - net	6,182	62,194	(10,168)	12,215
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	(1,560)	-	126
Other income	19,314	25,598	12,777	8,884
Total non-mark-up / interest income	93,866	146,427	20,575	43,258
	544,769	633,533	173,519	215,247
Non-mark-up / interest expenses				
Administrative expenses	(682,568)	(633,661)	(229,011)	(210,053)
Other provisions / write off	(1,315)	(3,937)	126	74
Other charges	(18)	(22,067)	(11)	(200)
Total non-mark-up / interest expenses	(683,901)	(659,665)	(228,896)	(210,179)
Extra ordinary / unusual item	-	-	-	-
(Loss) / profit before taxation	(139,132)	(26,132)	(55,376)	5,068
Taxation - current year	(9,884)	(10,237)	(3,607)	(3,136)
- prior years	-	-	-	-
- deferred	(21,069)	75,219	(11,711)	2,441
	(30,953)	64,982	(15,318)	(695)
(Loss) / profit after taxation	(170,085)	38,850	(70,694)	4,373
Accumulated loss brought forward	(463,975)	(489,622)	(561,477)	(471,216)
Transferred to statutory reserve	-	(25,350)	-	(7,770)
Transfer from surplus on revaluation of operating fixed assets - net of tax	2,833	2,264	944	755
	(461,142)	(512,708)	(560,533)	(478,231)
Accumulated loss carried forward	(631,227)	(473,858)	(631,227)	(473,858)
Basic and diluted earnings per share - after tax	(0.45)	0.11	(0.17)	0.01

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

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Tahira Raza
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Ghulam Kazim Hosein
Director

Rukhsana Shah
Director

Sumaira K. Aslam
Director

First Women Bank Limited

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the Nine Months period and quarter ended 30 September 2017

	Nine months period ended		Quarter ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	----- (Rupees in '000) -----			
(Loss) / profit after tax for the period	(170,085)	38,850	(70,694)	4,373
Other comprehensive income				
<i>Components of comprehensive income not reflected in equity</i>				
Net change in fair value of available-for-sale securities	(19,410)	(21,045)	11,024	756
Related deferred tax	6,796	7,366	(3,856)	(264)
	(12,614)	(13,679)	7,168	492
Total comprehensive income for the period	<u>(182,699)</u>	<u>25,171</u>	<u>(63,526)</u>	<u>4,865</u>

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First Women Bank Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the Nine Months period ended 30 September 2017

30 September 2017 30 September 2016
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation	(139,132)	(26,132)
Dividend income	(5,779)	(8,530)
	(144,911)	(34,662)

Adjustments for non-cash charges

Depreciation	34,057	49,819
Amortization of intangible assets	4,703	4,183
(Provision) / reversal against non-performing loans and advances - net	(36,439)	35,143
Gain on sale / redemption of securities - net	(6,182)	(62,194)
Unrealized loss on revaluation of investments classified as held for trading	-	1,560
Gain on sale of operating fixed assets - net	(2,103)	(4,775)
	(5,964)	23,736
	(150,875)	(10,926)

Increase in operating assets

Lendings to financial institutions	100,000	(200,000)
Advances - gross	(794,660)	(888,523)
Others assets (excluding advance taxation)	(110,011)	7,994
	(804,671)	(1,080,529)

Increase / (Decrease) in operating liabilities

Bills payable	118,281	73,002
Borrowings	4,389,247	(2,079,612)
Deposits and other accounts	320,826	28,152
Other liabilities	(69,024)	(113,931)
	4,759,330	(2,092,389)
	3,803,784	(3,183,844)

Income tax paid

	-	-
<i>Net cash generated / (used in) operating activities</i>	3,803,784	(3,183,844)

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments made	(4,132,604)	2,743,836
Dividend income received	5,457	4,285
Disposal proceeds of operating fixed assets	2,130	4,947
Purchase of operating fixed assets	(27,469)	(21,657)
<i>Net cash (used in) / generated from investing activities</i>	(4,152,486)	2,731,411

First Women Bank Limited
 Condensed Interim Cash Flow Statement (Un-audited)
 For the Nine Months period ended 30 September 2017

30 September 30 September
2017 2016
 (Rupees in '000)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds against issue of shares	<u>500,000</u>	<u>600,000</u>
<i>Net cash generated from financing activities</i>	500,000	600,000
Increase in cash and cash equivalents	151,298	147,567
Cash and cash equivalents at beginning of the period	<u>1,193,574</u>	<u>1,237,305</u>
Cash and cash equivalents at end of the period	<u>1,344,872</u>	<u>1,384,872</u>

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First Women Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the Nine Months period ended 30 September 2017

	Share capital	Statutory reserve	Accumulated loss	Total
	----- (Rupees in '000) -----			
Balance as at 1 January 2016	2,894,113	294,768	(489,622)	2,699,259
Changes in equity for the nine months period ended 30 September 2016				
Transaction with owners				
Issue of shares against cash	600,000	-	-	600,000
<i>Total comprehensive income for the nine months period ended 30 September 2016</i>				
Profit after tax for the nine months period ended 30 September 2016	-	-	38,850	38,850
Other Comprehensive income	-	-	-	-
	-	-	38,850	38,850
Transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of tax	-	-	2,264	2,264
Transferred to statutory reserve	-	25,350	(25,350)	-
Balance as at 30 September 2016	3,494,113	320,118	(473,858)	3,340,373
Changes in equity for the three months period ended 31 December 2016				
Transaction with owners				
Issue of shares against cash	-	-	-	-
<i>Total comprehensive income for the three months period ended ' 31 December 2016</i>				
Loss after tax for the three months period ended 31 December 2016	-	-	(27,528)	(27,528)
Other Comprehensive income	-	-	24,255	24,255
	-	-	(3,273)	(3,273)
Transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of tax	-	-	755	755
Transferred to statutory reserve	-	(12,401)	12,401	-
Balance as at 31 December 2016	3,494,113	307,717	(463,975)	3,337,855
Changes in equity for the nine months period ended 30 September 2017				
Transaction with owners				
Issue of shares against cash	500,000	-	-	500,000
<i>Total comprehensive income for the nine months period ended 30 September 2017</i>				
Profit after tax for the nine months period ended 30 September 2017	-	-	(170,085)	(170,085)
Other Comprehensive income	-	-	-	-
	-	-	(170,085)	(170,085)
Transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of tax	-	-	2,833	2,833
Transferred to statutory reserve	-	-	-	-
Balance as at 30 September 2017	3,994,113	307,717	(631,227)	3,670,603

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

For the Nine Months period ended 30 September 2017

1. STATUS AND NATURE OF BUSINESS

- 1.1 First Women Bank Limited ("the Bank") was incorporated under the Companies Ordinance, 1984 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 September 2017 (31 December 2016: forty two branches). The short term and long term credit ratings of the Bank rated by PACRA June 2017 are 'A2' and 'A-' respectively.
- 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 September 2017, the Bank's MCR (representing paid up capital net of accumulated losses) was Rs. 3.363 billion.

2. BASIS OF PREPARATION

This condensed interim financial information of the Bank for the period ended 30 September 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 SBP has deferred the applicability of IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for Banking Companies through BSD Circular letter no. 10, dated 26 August 2002. Further, according to the notification of SECP dated 28 April 2008, the 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 this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The disclosures made in this condensed interim financial information has been limited based on the format prescribed by the SBP vide BSD circular letter no. 2 of 12 May 2004 and IAS 34 - "Interim Financial Reporting" and do not include all the information required in annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2016.

This condensed interim financial information is being submitted to the members in accordance with the requirement of section 245 of Companies Ordinance 1984.

3. 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.

4. 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.

5. 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 for the year ended 31 December 2016.

	<i>Note</i>	30 September 2017 (Un-audited)	31 December 2016 (Audited)
(Rupees in '000)			
6. LENDINGS TO FINANCIAL INSTITUTIONS			
Secured - local currency			
Call lending - related party	6.1	-	100,000
Term lendings		139,089	139,089
		139,089	239,089
Provision against term lendings		(139,089)	(139,089)
		-	100,000

7. INVESTMENTS - NET

Investments by types

	<i>Note</i>	30 September 2017 (Un-audited)			31 December 2016 (Audited)		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in '000)							
Held for trading							
- Ordinary shares of listed companies		-	-	-	-	-	-
Available-for-sale							
- Market Treasury Bills	7.1	5,891,336	6,263,216	12,154,552	7,248,144	598,280	7,846,424
- Pakistan Investment Bonds		118	-	118	126	-	126
- Term Finance Certificates		11,319	-	11,319	12,380	-	12,380
- Units of mutual funds		-	-	-	-	-	-
- Preference shares of a listed company		10,000	-	10,000	10,000	-	10,000
- Ordinary shares of unlisted companies		954	-	954	954	-	954
- Ordinary shares of listed companies		-	-	-	161,478	-	161,478
		5,913,727	6,263,216	12,176,943	7,433,082	598,280	8,031,362
Investments at cost		5,913,727	6,263,216	12,176,943	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		5,895,946	6,263,216	12,159,162	7,415,301	598,280	8,013,581
Deficit on revaluation of held for trading securities - net		-	-	-	-	-	-
Surplus on revaluation of available-for-sale securities - net	13.2	(402)	230	(172)	19,255	(17)	19,238
Investments at revalued amount		5,895,544	6,263,446	12,158,990	7,434,556	598,263	8,032,819

7.1 Market value of securities given as collateral against investments amounted to Rs.230.426 million (December 2016: 17 million).

30 September 31 December
2017 2016
(Un-audited) (Audited)
(Rupees in '000)

8. ADVANCES - NET

Loans, cash credits, running finances, etc. In Pakistan		10,321,962	9,478,671
Foreign bills discounted and purchased (excluding treasury bills) payable in Pakistan		-	-
		10,321,962	9,478,671
Provision against non-performing loans and advances			
Specific provision	8.2 & 8.3	(1,267,698)	(1,256,793)
General provision	8.3	(9,918)	(8,631)
		(1,277,616)	(1,265,424)
Advances - net of provision		9,044,346	8,213,247

8.1 Particulars of advances (gross)

In local currency	10,321,962	9,478,671
In foreign currencies	-	-
	10,321,962	9,478,671

8.2 Advances include Rs. 2,027.819 million (31 December 2016: Rs. 1,963.210 million) which have been placed under the non-performing status as detailed below:

Category of classification	30 September 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	108,821	7	7	58	-	-
Substandard	404	101	101	10,642	1,359	1,359
Doubtful	126,933	-	-	103,031	749	749
Loss	1,791,661	1,267,590	1,267,590	1,849,479	1,254,685	1,254,685
	2,027,819	1,267,698	1,267,698	1,963,210	1,256,793	1,256,793

8.3 Particulars of provision against non-performing loans and advances

	30 September 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	98,885	2,988	101,873	225,810	5,581	231,391
Reversals	(63,731)	(1,703)	(65,434)	(246,956)	(2,102)	(249,058)
	35,154	1,285	36,439	(21,146)	3,479	(17,667)
Write offs against provision	(24,136)	-	(24,136)	(15)	-	(15)
Reversal against provision as per court order	(111)	-	(111)	-	-	-
Closing balance	1,267,699	9,916	1,277,616	1,256,793	8,631	1,265,424

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 nine months period ended 30 September 2017, total FSV benefit taken resulted in decrease in loss before tax of Rs. 59.331 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. 587.537 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.

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. 366.660 million (31 December 2016: Rs. 459.5 million) is not available for distribution of cash or stock dividend / bonus to employees.

The SBP vide circular 10 of 2016 has revised the Prudential Regulations for consumer financing. In the revised Regulations, SBP has specified that general provision against consumer financing should be maintained at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages range from 1% to 2.5% for secured portfolio and 4% to 7% for unsecured portfolio. Previously, the Regulations required provision to be maintained at 1.5% for secured portfolio and 5% for unsecured portfolio. 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.

9. OPERATING FIXED ASSETS

During the period, additions and disposals (at cost) of operating fixed assets and software amounted to Rs. 39.221 million (30 September 2016: Rs. 15.208 million) and Rs. 4.387 million (30 September 2016: Rs. 17.282 million) respectively. During the period transfer from capital work in progress to fixed assets amounted to Rs. 11.752 million.

	Additions	Disposals	
		Cost	Accumulated depreciation
	----- (Rupees in '000) -----		
Building improvements	726	-	-
Furniture and fixtures	2,543	657	630
Office equipment and computer	30,455	399	399
Vehicles	735	3,331	3,331
Software	4,762	-	-
	<u>39,221</u>	<u>4,387</u>	<u>4,360</u>
	<i>Note</i>	30 September 2017	31 December 2016
		(Un-audited)	(Audited)
		(Rupees in '000)	
10. DEFERRED TAX ASSET - NET			
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets		(39,164)	(40,691)
Surplus on revaluation of available for sale securities	13.2	-	(6,733)
		<u>(39,164)</u>	<u>(47,424)</u>
Deductible temporary differences on:			
Provision against non-performing loans and advances		144,686	157,104
Deficit on revaluation on investments		60	-
Accelerated tax depreciation		29,762	31,246
Tax losses		100,016	108,709
		<u>274,525</u>	<u>297,059</u>
		<u>235,361</u>	<u>249,635</u>

	<i>Note</i>	30 September 2017	31 December 2016
		(Un-audited)	(Audited)
		(Rupees in '000)	
11. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under			
- Export refinance scheme	<i>11.1</i>	113,998	145,839
Repurchase agreement borrowings	<i>11.2</i>	5,019,158	598,070
		<u>5,133,156</u>	<u>743,909</u>

11.1 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.

11.2 This carries mark-up of 5.78% (31 December 2016: 5.9%) per annum. These borrowings are repayable on 6 October 2017. (31 December 2016: 6 January 2017).

12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits		1,202,583	1,990,482
Savings deposits		5,486,197	5,488,724
Current (saving cum current) accounts - remunerative		3,617,452	2,651,561
Current accounts - non remunerative		3,286,777	3,391,291
Call deposits		59,295	93,069
Sundry deposits	<i>12.1</i>	375,612	91,974
		<u>14,027,916</u>	<u>13,707,101</u>

Financial institutions

Remunerative deposits		-	1,500
Non-remunerative deposits		1,701	190
		<u>1,701</u>	<u>1,690</u>
		<u>14,029,617</u>	<u>13,708,791</u>

12.1 Sundry deposits include margin account balances of Rs.372.162 million (31 December 2016: Rs. 86.562 million).

12.2 Particulars of deposits

In local currency		13,546,031	13,262,694
In foreign currencies		483,586	446,097
		<u>14,029,617</u>	<u>13,708,791</u>

	<i>Note</i>	30 September 2017 (Un-audited) (Rupees in '000)	31 December 2016 (Audited)
13. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of tax			
Surplus / (deficit) arising on revaluation (net of tax) of:			
- Operating fixed assets	13.1	127,329	130,162
- Available-for-sale securities	13.2	(109)	12,505
		<u>127,220</u>	<u>142,667</u>
13.1 Surplus on revaluation of operating fixed assets - net of tax			
Surplus on revaluation of operating fixed assets as at 01 January		170,853	143,072
Transferred to accumulated loss representing incremental depreciation charged during the period / year - net of tax		(2,833)	(3,019)
Related deferred tax liability		(1,526)	(1,625)
Revaluation reversal during the period		-	32,425
		<u>(4,359)</u>	<u>27,781</u>
		166,494	170,853
<i>Deferred tax liability on:</i>			
Revaluation surplus at 01 January		40,691	30,884
Incremental depreciation charged during the period / year		(1,526)	(1,625)
Revaluation surplus during the period / year		-	11,432
		<u>39,165</u>	<u>40,691</u>
		<u>127,329</u>	<u>130,162</u>
13.2 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax			
Federal Government securities		(192)	661
Units / certificates of mutual funds - net		20	18,577
		<u>(172)</u>	<u>19,238</u>
Related deferred tax liability		63	(6,733)
		<u>(109)</u>	<u>12,505</u>
14. CONTINGENCIES AND COMMITMENTS			
14.1 Transaction-related contingent liabilities			
Guarantees in favour of:			
Government		593,583	581,934
Others		55,017	496,262
		<u>648,600</u>	<u>1,078,196</u>
14.2 Trade-related contingent liabilities			
Letter of credit and acceptances on behalf of:			
Government		-	-
Others		342,319	338,471
		<u>342,319</u>	<u>338,471</u>
14.3 Commitment for the acquisition of operating fixed assets			
Capital commitment for tangible assets		6,466	7,617
14.4 Commitments in respect of forward foreign exchange contracts			
Purchase		106,014	-
Sale		-	157,542
14.5 Commitments in respect of forward swaps			
Purchase		443,248	567,134
Sale		231,246	124,206

14.6 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.

14.7 Tax related contingencies

14.7.1 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).

14.7.2 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.

14.7.3 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.

14.7.4 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. Appellate Tribunal has remanded back the case for de-novo proceedings.

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

14.7.5 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.

14.8 Other contingencies

Claims against the Bank not acknowledged as debt

15. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks

Balances with other banks

	30 September 2017 (Un-audited) (Rupees in '000)	31 December 2016 (Audited)
	-	-
	1,249,150	1,081,532
	95,722	112,042
	1,344,872	1,193,574

16. 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:

16.1. Balances as at period / year end	President and directors		Associated Undertakings		Other key management personnel		Other related parties	
	30 September 2017 (Unaudited)	31 December 2016 (Audited)	30 September 2017 (Unaudited)	31 December 2016 (Audited)	30 September 2017 (Unaudited)	31 December 2016 (Audited)	30 September 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	23,876	41,385	-	-	62,972	50,477	716,348	874,315
Withdrawn during the period / year	(25,220)	(42,349)	-	-	(49,738)	(49,843)	(697,655)	(878,521)
Balance at end of the period / year	4,299	5,643	-	-	16,548	3,313	24,005	5,312
Advances (secured)								
Balance at beginning of the period / year	-	-	-	-	30,722	31,869	-	-
Loans granted during the period / year	-	-	-	-	11,445	5,348	-	-
Repayments / adjustments during the period / year	-	-	-	-	(5,502)	(6,495)	-	-
Balance at end of the period / year	-	-	-	-	36,665	30,722	-	-
Mark-up payable in local currency	9	34	-	-	50	31	125	138
Mark-up receivable in local currency	-	-	-	-	579	416	-	-
Bank balance	-	-	61,991	88,707	-	-	-	-
Balances with other banks	-	-	94,786	107,516	-	-	-	-
Investment in listed shares of related parties - available-for-sale	-	-	-	47,680	-	-	-	-
Investment in National Institutional Facilitation Technologies (Private) Limited	-	-	954	954	-	-	-	-
Lendings to financial institutions	-	-	-	100,000	-	-	-	-
Salary payable	8,930	4,852	-	-	-	-	-	-
Net receivable from defined benefit plan	-	-	-	-	-	-	37,567	57,832
Payable against gratuity scheme	6,716	5,153	-	-	-	-	-	-
Contingencies & Commitments - Foreign exchange contracts								
- Purchase	-	-	318,130	389,602	-	-	-	-
- Sell	-	-	211,021	262,488	-	-	-	-

16.2. Transactions during the period

	From 1 January 2017 to 30 September 2017 (Unaudited)	From 1 January 2016 to 30 September 2016 (Unaudited)	From 1 January 2017 to 30 September 2017 (Unaudited)	From 1 January 2016 to 30 September 2016 (Unaudited)	From 1 January 2017 to 30 September 2017 (Unaudited)	From 1 January 2016 to 30 September 2016 (Unaudited)	From 1 January 2017 to 30 September 2017 (Unaudited)	From 1 January 2016 to 30 September 2016 (Unaudited)
	(Rupees in '000)							
Mark-up / return / interest expensed	37	56	-	-	111	40	492	235
Deposits carry mark-up rate at 0% to 3.75% (30 September 2016: 0.05% to 3.75) per annum.								
Mark-up / return / interest earned	-	-	-	-	882	641	-	-
Advances carry profit rates ranging from 0% to 18.5% per annum (30 September 2016: 0% to 5%) per annum.								
Lendings to financial institutions	-	-	3,587,031	11,233,301	-	-	-	-
Borrowings from financial institutions	-	-	5,454,720	6,752,607	-	-	-	-
Interest income on lendings to financial institutions	-	-	675	2,397	-	-	-	-
Interest expense on borrowings	-	-	1,037	668	-	-	-	-
Dividend income	-	-	2,133	994	-	-	-	-
Contribution to retirement benefit plans	1,406	1,406	-	-	-	-	20,265	21,042
Charges paid to National Institutional Facilitation Technologies (Private) Limited	-	-	2,585	2,618	-	-	-	-
Issue of shares to Federal Government of Pakistan through Ministry of Finance	-	-	-	-	-	-	500,000	600,000
Remuneration of key management personnel	20,292	19,707	-	-	41,696	40,378	-	-
Director's meeting fee	2,203	1,515	-	-	-	-	-	-

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 rate.

17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

For the nine months period ended and as of 30 September 2017 (Un-audited)						
Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Inter-segment elimination	Total	
----- (Rupees in '000) -----						
Total income	337,008	444,063	134,116	389,368	(316,158)	988,397
Total expenses	(324,128)	(722,630)	(346,261)	(50,669)	316,158	(1,127,529)
Income tax	-	-	-	-	-	(30,953)
Net income	12,880	(278,567)	(212,144)	338,699	-	(170,085)
Segment assets - gross	7,737,877	12,924,086	3,092,210	8,616,640	(7,873,769)	24,497,044
Advance tax	-	-	-	-	-	132,488
Deferred tax asset	-	-	-	-	-	235,361
Total assets	7,737,877	12,924,086	3,092,210	8,616,640	(7,873,769)	24,864,893
Segment non performing loans	1,282,901	-	744,918	-	-	2,027,819
Segment specific provision required	807,492	-	460,207	-	-	1,267,698
Segment liabilities	2,178,347	12,896,417	11,965,223	633,154	(7,873,769)	19,799,372
For the nine months period ended and as of 30 September 2016 (Un-audited)						
Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Inter-segment elimination	Total	
----- (Rupees in '000) -----						
Total income	284,668	498,086	178,194	347,818	(274,654)	1,034,112
Total expenses	(164,321)	(696,697)	(421,413)	(52,467)	274,654	(1,060,244)
Income tax	-	-	-	-	-	64,982
Net income	120,347	(198,611)	(243,219)	295,351	-	38,850
Segment assets - gross	6,397,506	9,560,229	4,016,059	9,339,201	(8,686,808)	20,626,187
Advance tax	-	-	-	-	-	146,062
Deferred tax asset	-	-	-	-	-	346,165
Total assets	6,397,506	9,560,229	4,016,059	9,339,201	(8,686,808)	21,118,414
Segment non performing loans	1,418,846	-	761,989	-	-	2,180,835
Segment specific provision required	808,515	-	432,812	-	-	1,241,327
Segment liabilities	233,756	9,294,026	15,105,186	474,910	(8,686,808)	16,421,070

18. 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 27 October 2017.

19. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
**President and
Chief Executive**

Tahira Raza
**President and
Chief Executive**

Gholam Kazim Hosein
Director

Rukhsana Shah
Director

Sumaira K. Aslam
Director