



HABIB METROPOLITAN BANK LTD.

[Subsidiary of Habib Bank AG Zurich]

Consolidated Accounts for the half year
and quarter ended 30 June 2019
(Un-audited)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	84,573,961	48,177,307
Balances with other banks	7	2,497,935	1,916,548
Lendings to financial institutions	8	21,148,260	11,984,795
Investments	9	394,061,389	341,284,168
Advances	10	282,830,487	236,112,844
Fixed assets	11	7,652,595	3,947,862
Intangible assets	12	111,143	163,645
Deferred tax assets	13	5,758,401	5,821,468
Other assets	14	46,092,456	29,430,741
		844,726,627	678,839,378
LIABILITIES			
Bills payable	15	14,363,746	12,173,407
Borrowings	16	152,098,303	53,008,774
Deposits and other accounts	17	591,722,296	542,839,457
Liabilities against assets subject to finance lease		—	—
Sub-ordinated debts		—	—
Deferred tax liabilities		—	—
Other liabilities	18	45,372,276	30,365,390
		803,556,621	638,387,028
NET ASSETS		41,170,006	40,452,350
REPRESENTED BY			
Share capital		10,478,315	10,478,315
Reserves		17,006,548	16,371,428
(Deficit) / surplus on revaluation of assets - net of tax	19	(6,120,154)	(5,562,129)
Unappropriated profit		16,438,390	15,950,329
		37,803,099	37,237,943
Non-controlling interest		3,366,907	3,214,407
		41,170,006	40,452,350
CONTINGENCIES AND COMMITMENTS		20	

The annexed notes 1 to 38 form an integral part of these consolidated condensed interim financial statements.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

SOHAIL HASAN
Director

TARIQ IKRAM
Director

MOHAMEDALI R. HABIB
Chairman

CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2019

	Note	30 June 2019		30 June 2018	
		Quarter ended	Half year ended	Quarter ended	Half year ended
Rupees in '000					
Mark-up / return / interest earned	22	16,853,190	31,019,780	10,103,963	20,031,259
Mark-up / return / interest expensed	23	(12,609,630)	(22,147,026)	(5,927,378)	(12,054,819)
Net mark-up / interest income		4,243,560	8,872,754	4,176,585	7,976,440
NON MARK-UP / INTEREST INCOME					
Fee and commission income	24	1,257,604	2,451,050	946,474	1,879,197
Dividend income		21,332	45,839	41,441	50,790
Foreign exchange income		901,088	1,358,716	468,598	739,575
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities	25	(730,259)	(719,681)	63,749	81,959
Other income	26	98,859	210,506	83,266	403,913
Total non-mark-up / interest income		1,548,624	3,346,430	1,603,528	3,155,434
Total Income		5,792,184	12,219,184	5,780,113	11,131,874
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	3,130,305	6,280,949	2,927,588	5,707,705
Workers welfare fund		51,847	113,676	49,520	98,980
Other charges	28	40,581	41,295	14,644	14,802
Total non-mark-up / interest expenses		(3,222,733)	(6,435,920)	(2,991,752)	(5,821,487)
Profit before provisions		2,569,451	5,783,264	2,788,361	5,310,387
(Provisions) / reversal and write offs - net	29	240,485	106,857	(331,711)	(429,132)
Extra ordinary / unusual items		—	—	—	—
PROFIT BEFORE TAXATION		2,809,936	5,890,121	2,456,650	4,881,255
Taxation	30	(1,053,705)	(2,530,380)	(1,020,450)	(1,807,360)
PROFIT AFTER TAXATION		1,756,231	3,359,741	1,436,200	3,073,895
PROFIT ATTRIBUTABLE TO:					
Equity shareholders of the holding company		1,680,570	3,201,002	1,378,556	2,954,726
Non-controlling interest		75,661	158,739	57,644	119,169
		1,756,231	3,359,741	1,436,200	3,073,895
Rupees					
Basic and diluted earnings per share	31	1.60	3.05	1.32	2.82

The annexed notes 1 to 38 form an integral part of these consolidated condensed interim financial statements.

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2019

	30 June 2019		30 June 2018	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation	1,756,231	3,359,741	1,436,200	3,073,895
Other comprehensive income				
Items that may be reclassified to profit and loss in subsequent periods:				
Movement in (deficit) on revaluation of investments - net of tax	(1,114,405)	(562,840)	(574,496)	(1,798,513)
Items that will not be reclassified to profit and loss in subsequent periods:				
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(2,460)	16,418	(26,818)	(15,472)
Total comprehensive income	639,366	2,813,319	834,886	1,259,910
Equity share holders of the holding company	581,369	2,660,819	783,481	1,165,309
Non-controlling interest	57,997	152,500	51,405	94,601
	639,366	2,813,319	834,886	1,259,910

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2019

	Reserves					Surplus / (deficit) on revaluation					
	Share capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Non-banking assets	Un-appropriated profit	Sub-total	Non-controlling interest	Total
	Rupees in '000										
Balance as at 1 January 2018	10,478,315	2,550,985	10,832,685	240,361	1,500,000	778,330	182,331	14,159,430	40,722,437	3,140,212	43,862,649
Profit after taxation	-	-	-	-	-	-	-	2,954,726	2,954,726	119,169	3,073,895
Other comprehensive income - net of tax	-	-	-	-	-	(1,703,912)	-	(15,472)	(1,719,384)	(94,601)	(1,813,985)
Total comprehensive income for the period	-	-	-	-	-	(1,703,912)	-	2,939,254	1,235,342	24,568	1,259,910
Transfer to statutory reserve	-	-	589,446	-	-	-	-	(589,446)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,424)	1,424	-	-	-
Transactions with owners, recorded directly in equity											
Cash dividend (Rs. 3.00 per share) for the year ended 31 December 2017	-	-	-	-	-	-	-	(3,143,494)	(3,143,494)	-	(3,143,494)
Balance as at 30 June 2018	10,478,315	2,550,985	11,422,131	240,361	1,500,000	(925,582)	180,907	13,367,168	38,814,285	3,164,780	41,979,065
Profit after taxation	-	-	-	-	-	-	-	3,225,051	3,225,051	121,959	3,347,010
Other comprehensive income - net of tax	-	-	-	-	-	(4,816,008)	-	14,615	(4,801,393)	155,368	(4,646,025)
Total comprehensive income for the period	-	-	-	-	-	(4,816,008)	-	3,239,666	(1,576,342)	277,327	(1,299,015)
Transfer to statutory reserve	-	-	657,951	-	-	-	-	(657,951)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,446)	1,446	-	-	-
Transactions with owners, recorded directly in equity											
Profit distribution by First Habib Modaraba (Rs. 1.25 per certificate) for the period ended 30 June 2018	-	-	-	-	-	-	-	-	-	(226,800)	(226,800)
Profit distribution by Habib Metropolitan Modaraba (Rs. 0.10 per certificate) for the period ended 30 June 2018	-	-	-	-	-	-	-	-	-	(900)	(900)
Balance as at 31 December 2018	10,478,315	2,550,985	12,080,082	240,361	1,500,000	(5,741,590)	179,461	15,950,329	37,237,943	3,214,407	40,452,350
Profit after taxation	-	-	-	-	-	-	-	3,201,002	3,201,002	158,739	3,359,741
Other comprehensive income - net of tax	-	-	-	-	-	(556,601)	-	16,418	(540,183)	(6,239)	(546,422)
Total comprehensive income for the period	-	-	-	-	-	(556,601)	-	3,217,420	2,660,819	152,500	2,813,319
Transfer to statutory reserve	-	-	635,120	-	-	-	-	(635,120)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,424)	1,424	-	-	-
Transactions with owners, recorded directly in equity											
Cash dividend (Rs. 2.00 per share) for the year ended 31 December 2018	-	-	-	-	-	-	-	(2,095,663)	(2,095,663)	-	(2,095,663)
Balance as at 30 June 2019	10,478,315	2,550,985	12,715,202	240,361	1,500,000	(6,298,191)	178,037	16,438,390	37,803,099	3,366,907	41,170,006

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CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	30 June 2019	30 June 2018
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,890,121	4,881,255
Less: Dividend income		(45,839)	(50,790)
		5,844,282	4,830,465
Adjustments			
Depreciation on operating fixed assets		478,948	403,876
Depreciation on right-of-use assets		354,141	—
Depreciation on non-banking assets		5,577	6,377
Amortization		59,922	62,433
Mark-up / return / interest expensed on lease liability against right-of-use assets		228,766	—
Provisions and write offs excluding recovery of written off bad debts		(103,327)	476,981
Net gain on sale of fixed assets	29	(9,526)	(866)
Net gain on sale of non-banking assets	26	—	(202,282)
Net gain on sale of non-current assets held-for-sale	26	—	(35,042)
Provision against workers welfare fund		113,676	97,666
Provision against compensated absences		26,708	37,620
Provision against defined benefit plan		86,769	74,551
		1,241,654	921,314
		7,085,936	5,751,779
(Increase) / decrease in operating assets			
Lendings to financial institutions		(9,163,465)	1,129,755
Advances		(46,582,596)	(17,792,223)
Other assets (excluding current taxation and including non-banking assets)		(15,201,995)	(1,057,873)
		(70,948,056)	(17,720,341)
Increase / (decrease) in operating liabilities			
Bills payable		2,190,339	(6,373,176)
Borrowings from financial institutions		97,649,333	8,957,116
Deposits and other accounts		48,882,839	13,113,397
Other liabilities (excluding current taxation)		9,300,125	(1,301,145)
		158,022,636	14,396,192
		94,160,516	2,427,630
Payment against compensated absences		(16,347)	(23,420)
Contribution paid to defined benefit plan		(3,040)	(1,969)
Income tax paid		(2,559,449)	(2,006,262)
		91,581,680	395,979
Net cash flows from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(53,661,776)	9,068,152
Net investments in held-to-maturity securities		(8,850)	(19,429)
Dividend received		16,172	49,664
Investments in fixed assets	11.2	(746,848)	(358,425)
Investments in intangibles assets		(7,420)	(7,647)
Proceeds from sale of fixed assets		14,443	10,985
Proceeds from sale of non-banking assets		—	600,000
Proceeds from sale of non-current assets held-for-sale		—	250,000
		(54,394,279)	9,593,300
Net cash flows from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,297,826)	(3,116,266)
Payment of lease against right-of-use assets		(351,730)	—
		(1,649,556)	(3,116,266)
Net cash flows from financing activities			
Increase in cash and cash equivalents		35,537,845	6,873,013
Cash and cash equivalents at beginning of the period		46,905,159	41,673,028
Cash and cash equivalents at end of the period		82,443,004	48,546,041

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2019

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Habib Metropolitan Bank Limited (the holding company), Habib Metropolitan Financial Services Limited and Habib Metropolitan Modaraba Management Company (Private) Limited (wholly owned subsidiary companies) and First Habib Modaraba and Habib Metro Modaraba (Managed by Habib Metropolitan Modaraba Management Company (Private) Limited).

Holding Company

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The Bank operates 324 (31 December 2018: 322) branches, including 31 (31 December 2018: 31) Islamic banking branches and 30 (31 December 2018: 30) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the ultimate parent company with 51% shares in the holding company) which is incorporated in Switzerland. The registered office of the holding company is situated at Spencer's Building, I.I. Chundrigar Road, Karachi.

Subsidiary Companies

Habib Metropolitan Financial Services Limited - 100% holding

Habib Metropolitan Financial Services Limited was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the subsidiary company is located at 1st Floor, GPC 2, Block 5, Khokashan Clifton, Karachi. The subsidiary company is a corporate member of the Pakistan Stock Exchange Limited and engaged in equity brokerage services.

Habib Metropolitan Modaraba Management Company (Private) Limited - 100% holding

Habib Metropolitan Modaraba Management Company (Private) Limited (modaraba management company) was incorporated in Pakistan on 01 June 2015 as a private limited under the Companies Ordinance, 1984 (now Companies Act, 2017) and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the subsidiary company is located at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi.

First Habib Modaraba - 10% holding

First Habib Modaraba is a perpetual, multi-purpose modaraba having its registered office at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. It is listed on the Pakistan Stock Exchange and engaged in the business of leasing (Ijarah), Musharaka, Murabaha financing and other related business.

Habib Metro Modaraba - 70% holding

Habib Metro Modaraba (HMM) which is a perpetual, multi-purpose modaraba having its registered office at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. HMM's primary business activities are residual value car financing and provision of finance for solar power solutions on the basis of Ijarah / rental / musharaka or any other approved modes of financing. The holding company and the modaraba management company own 60% and 10% of the certificates of HMM respectively.

2. BASIS OF PRESENTATION

2.1 These consolidated condensed interim financial statements comprise the financial statements of the holding company and its subsidiary companies. The financial statements of the subsidiary companies have been prepared for the same reporting period as the holding company using consistent accounting policies.

2.2 Statement of Compliance

2.2.1 These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards 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 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP).

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

The SBP vide BSD Circular 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 consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning on or after 1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of Banks. The SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats.

2.2.2 The disclosures made in these consolidated condensed interim financial statements have been based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

3. SIGNIFICANT ACCOUNTING POLICY

The significant accounting policies and method of computation adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2018 except for changes explained in note 3.1 to these financial statements.

3.1 Amendments to approved accounting standards that are effective in the current period

3.1.1 IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). The impact of adoption of IFRS 16 is given in note 3.2 to these financial statements.

3.1.2 In addition, as mentioned in note 2.2.2 above, the disclosures and the presentations in the condensed interim financial statements are on a format prescribed by the State Bank of Pakistan vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34, "Interim Financial Reporting". Earlier upto 30 June 2018, the disclosures and presentations were in accordance with the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated 12 May 2004 and BPRD Circular Letter No. 5 dated 29 February 2016 and IAS 34 "Interim Financial Reporting". However the adoption of the new format has only resulted in certain additional disclosures and presentations. Corresponding figures have also been so presented.

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

3.2 Adoption of International Financial Reporting Standards (IFRS) 16 - Leases

3.2.1 On 1 January 2019, the Group adopted IFRS 16 Leases. This IFRS has introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 - Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date 1 January 2019 was 13.24 percent.

The impact of IFRS 16 on the Group is primarily where the Group is a lessee in property lease contracts. The Group has elected to adopt simplified approach on transition and has not restated comparative information. On 1 January 2019, the Group recognized a lease liability, being the remaining lease payments, including extension options where renewal is reasonably certain, discounted using the Group's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet has increased as a result of the recognition of lease liability and right-to-use assets as of 1 January 2019 was Rs. 3,487,447 thousand with no adjustment to retained earnings. The asset is presented in 'Fixed Assets' and the liability is presented in 'Other liabilities'. Also in relation to those leases under IFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expenses.

The Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Upto 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as asset in the statement of financial position. Payments or accruals under operating leases were recognised in profit and loss on a straight line basis over term of the lease.

The effect of this change in accounting policy is as follows:

	30 June 2019 Rupees in '000
Impact on Statement of Financial Position	
Increase in fixed assets - right-of-use assets	3,441,752
Decrease in other assets - advances, deposits, advance rent and other prepayments	(215,683)
Increase in other assets - advance taxation	53,981
	3,280,050
Increase in other liabilities - lease liability against right-of-use assets	(3,364,483)
Decrease in net assets	(84,433)

	Half year ended 30 June 2019 Rupees in '000
Impact on Profit and Loss account	
Increase in mark-up expense - lease liability against right-of-use assets	(228,766)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(354,141)
- Rent expense	444,493
Decrease in profit before tax	(138,414)
Decrease in tax	53,981
Decrease in profit after tax	(84,433)

3.2.2 In view of the application of above IFRS, the Group's accounting policy for right-of-use assets and its related lease liability is as follow:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group mainly leases properties for its operations. The Group recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3.3 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective in the current year.

There are various standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not effective in the current year. These are not likely to have material effect on the Group's financial statements except for the following:

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on the recognition and derecognition of financial instruments from IAS 39. The Securities and Exchange Commission of Pakistan vide its notification dated 14 February 2019 modified the effective date for implementation of IFRS 9 as 'reporting period/ year ending on or after 30 June 2019 (earlier application is permitted)'. State Bank of Pakistan has also informed the holding company that keeping in view the implementation challenges of IFRS 9 and representations by the banking industry, it has been decided that IFRS 9 is not applicable on the interim financials for the period ending 30 June 2019 for banks/DFIs/MFBs. Accordingly, the requirements of IFRS 9 have not been considered in the preparation of these financial statements. The holding company is in the process of assessing the full impact of this standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as that applied in the preparation of the audited consolidated financial statements for the year ended 31 December 2018.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2018.

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		11,975,485	7,657,684
Foreign currencies		5,640,999	2,013,643
		<u>17,616,484</u>	<u>9,671,327</u>
With State Bank of Pakistan in			
Local currency current account		38,619,250	20,272,479
Foreign currency current account		171,861	244,068
Foreign currency deposit accounts			
– cash reserve account		4,988,664	4,151,971
– special cash reserve account		14,792,972	12,370,079
		<u>58,572,747</u>	<u>37,038,597</u>
With National Bank of Pakistan in			
Local currency current account		2,915,101	1,443,318
National Prize Bonds		5,469,629	24,065
		<u>84,573,961</u>	<u>48,177,307</u>
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		91,041	94,703
In deposit accounts		1,259,652	1,008,359
		<u>1,350,693</u>	<u>1,103,062</u>
Outside Pakistan			
In current accounts		1,147,242	813,486
		<u>2,497,935</u>	<u>1,916,548</u>
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		–	3,000,000
Repurchase agreement lendings (Reverse Repo)		2,993,889	4,184,795
Bai-muajjal receivable with the State Bank of Pakistan	8.1	12,654,371	–
Letter of placement		1,000,000	3,800,000
Islamic placement - musharaka	8.2	4,500,000	1,000,000
		<u>21,148,260</u>	<u>11,984,795</u>

8.1 These will mature upto 18 March 2020 and the maturity amount is Rs. 13,691,477 thousand.

8.2 These placements carrying rates ranging between 11.10% to 11.70% per annum with maturity upto 29 July 2019.

9. INVESTMENTS

9.1 Investments by types

	30 June 2019 (Un-Audited)				31 December 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Available-for-sale securities								
Federal government securities	361,916,098	—	(9,706,508)	352,209,590	307,914,359	—	(8,965,828)	298,948,531
Shares	881,585	(307,280)	83,654	657,959	885,410	(273,810)	104,095	715,695
Non-government debt securities	4,695,596	(133,777)	(21,314)	4,540,505	5,031,734	(138,428)	16,532	4,909,838
Mutual funds	417,571	(8,654)	(23,781)	385,136	417,571	(5,753)	38,937	450,755
	367,910,850	(449,711)	(9,667,949)	357,793,190	314,249,074	(417,991)	(8,806,264)	305,024,819
Held-to-maturity securities								
Federal government securities	36,268,199	—	—	36,268,199	36,259,349	—	—	36,259,349
Non-government debt securities	—	—	—	—	—	—	—	—
	36,268,199	—	—	36,268,199	36,259,349	—	—	36,259,349
Total Investments	404,179,049	(449,711)	(9,667,949)	394,061,389	350,508,423	(417,991)	(8,806,264)	341,284,168

30 June 2019 31 December 2018
(Un-Audited) (Audited)
————— Rupees in '000 —————

9.1.1 Investments given as collateral

Federal government securities

Market treasury bills	91,763,229	3,443,636
Pakistan investment bonds	10,077,716	9,165,995
	101,840,945	12,609,631

9.2 Provision for diminution in value of investments

9.2.1 Opening balance	417,991	537,372
Charge for the period / year	36,370	100,021
Reversal for the period / year	(4,650)	(14,442)
Net charge for the period / year	31,720	85,579
Reversal on disposal	—	(198,028)
Investment written off	—	(6,932)
Closing balance	449,711	417,991

9.2.2 Particulars of provision against debt securities

Category of classification	30 June 2019 (Un-Audited)		31 December 2018 (Audited)	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
Domestic				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<u>133,777</u>	<u>133,777</u>	<u>138,428</u>	<u>138,428</u>
	<u>133,777</u>	<u>133,777</u>	<u>138,428</u>	<u>138,428</u>

Exposure amounting to Rs. 25,677 thousand (31 December 2018: Rs. 59,913 thousand) relating to term finance certificates of Pakistan International Airlines Corporation Limited, which is government guaranteed script, has not been classified as non-performing investment as per the relaxation given by the SBP.

- 9.3** The market value of securities classified as held-to-maturity is Rs. 31,985,798 thousand (31 December 2018: Rs. 32,847,389 thousand).

10. ADVANCES

Note	Performing		Non-Performing		Total	
	30 June 2019 (Un-Audited)	31 December 2018 (Audited)	30 June 2019 (Un-Audited)	31 December 2018 (Audited)	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
	Rupees in '000					
Loans, cash credits, running finances, etc.						
In Pakistan	210,592,918	172,288,376	14,217,097	14,710,168	224,810,015	186,998,544
Islamic financing and related assets	30,944,288	27,084,790	441,197	503,972	31,385,485	27,588,762
Bills discounted and purchased	40,895,008	35,620,461	2,155,701	2,465,767	43,050,709	38,086,228
Advances - gross	282,432,214	234,993,627	16,813,995	17,679,907	299,246,209	252,673,534
Provision against non-performing advances						
-specific	-	-	(14,942,200)	(15,324,500)	(14,942,200)	(15,324,500)
-general	(1,473,522)	(1,236,190)	-	-	(1,473,522)	(1,236,190)
	<u>(1,473,522)</u>	<u>(1,236,190)</u>	<u>(14,942,200)</u>	<u>(15,324,500)</u>	<u>(16,415,722)</u>	<u>(16,560,690)</u>
Advances - net of provisions	<u>280,958,692</u>	<u>233,757,437</u>	<u>1,871,795</u>	<u>2,355,407</u>	<u>282,830,487</u>	<u>236,112,844</u>

- 10.1** It includes loans and advances of First Habib Modaraba and Habib Metro Modaraba amounting to Rs. 9,718,947 thousand and Rs. 196,907 thousand respectively. Furthermore, it includes the Islamic banking operations of the holding company amounting to Rs. 21,469,631 thousand as disclosed in note 36.3 to these consolidated condensed interim financial statements.

10.2 Particulars of advances - gross

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
	Rupees in '000	
In local currency	271,385,525	223,055,631
In foreign currencies	<u>27,860,684</u>	<u>29,617,903</u>
	<u>299,246,209</u>	<u>252,673,534</u>

- 10.3** Advances include Rs. 16,813,995 thousand (31 December 2018: Rs. 17,679,907 thousand) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2019 (Un-Audited)		31 December 2018 (Audited)	
	Non-performing loans	Provision	Non-performing loans	Provision
	Rupees in '000			
Domestic				
Substandard	179,179	22,740	259,378	17,562
Doubtful	335,609	58,817	127,952	2,136
Loss	16,299,207	14,860,643	17,292,577	15,304,802
	<u>16,813,995</u>	<u>14,942,200</u>	<u>17,679,907</u>	<u>15,324,500</u>

- 10.3.1** Exposure amounting to Rs. 5,302,737 thousand relating to certain facilities of Power Holding (Private) Limited, has not been classified as non-performing as the SBP has allowed a relaxation from Regulation - 8 of the Prudential Regulation. The above exposure is fully guaranteed by the Government of Pakistan and does not required any provision.

10.4 Particulars of provision against advances

	30 June 2019 (Un-Audited)			31 December 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	15,324,500	1,236,190	16,560,690	16,168,582	257,841	16,426,423
Charge for the year	507,537	237,332	744,869	936,036	978,349	1,914,385
Reversals	(879,916)	—	(879,916)	(1,482,574)	—	(1,482,574)
Net charge / (reversal) for the year	(372,379)	237,332	(135,047)	(546,538)	978,349	431,811
Amount written off	(9,921)	—	(9,921)	(297,544)	—	(297,544)
Closing balance	<u>14,942,200</u>	<u>1,473,522</u>	<u>16,415,722</u>	<u>15,324,500</u>	<u>1,236,190</u>	<u>16,560,690</u>

- 10.4.1** General provision includes provision of Rs. 6,226 thousand (31 December 2018: Rs. 5,134 thousand) made against consumer portfolio and Rs. 95 thousand (31 December 2018: Rs. 35 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

10.4.2 Particulars of provision against advances

	30 June 2019 (Un-Audited)			31 December 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	14,509,486	1,473,522	15,983,008	14,952,295	1,236,190	16,188,485
In foreign currencies	432,714	—	432,714	372,205	—	372,205
	<u>14,942,200</u>	<u>1,473,522</u>	<u>16,415,722</u>	<u>15,324,500</u>	<u>1,236,190</u>	<u>16,560,690</u>

10.4.3 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing loans

During the current period, the holding company availed additional forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing loans and advances by Rs. 93,551 thousand (31 December 2018: 628,190 thousand). Further, as of 30 June 2019, had the benefit of FSVs (including those availed into previous years) not been taken by the holding company, the specific provision against non-performing advances would have been higher by Rs. 1,569,606 thousand (31 December 2018: Rs. 2,096,898 thousand) and accumulated profit would have been lower by Rs. 1,020,244 thousand (31 December 2018: Rs. 1,362,983 thousand). This amount of Rs. 1,020,244 thousand (31 December 2018: Rs. 1,362,983 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
		Rupees in '000	
11. FIXED ASSETS			
Capital work-in-progress	11.1	118,461	142,460
Property and equipment		4,092,382	3,805,402
Right-of-use assets	3.2.1	3,441,752	—
		7,652,595	3,947,862
11.1 Capital work-in-progress			
Civil works		81,691	22,739
Equipment		31,950	110,420
Advance to suppliers		4,820	9,301
		118,461	142,460
		Half year ended	
		30 June 2019 (Un-Audited)	30 June 2018
		Rupees in '000	
11.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress (transfer to fixed assets) / additions - net		(23,999)	83,525
Property and equipment			
Building on leasehold land		149,102	—
Furniture and fixture		30,124	24,219
Electrical office and computer equipment		460,452	180,264
Vehicles		32,936	35,863
Lease hold improvement		98,233	34,554
		770,847	274,900
Total		746,848	358,425
11.3 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		40	89
Electrical office and computer equipment		457	1,191
Vehicles		4,420	6,553
Lease hold improvement		—	2,286
Total		4,917	10,119

30 June 2019	31 December 2018
(Un-Audited)	(Audited)
Rupees in '000	

12. INTANGIBLE ASSETS

Computer software

111,143	163,645
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The following additions have been made to intangible assets during the period:

Half year ended	
30 June 2019	30 June 2018
(Un-Audited)	
Rupees in '000	

12.1 Additions:

- directly purchased

7,420	7,647
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30 June 2019	31 December 2018
(Un-Audited)	(Audited)
Rupees in '000	

13. DEFERRED TAX ASSETS

Deductible temporary differences

Provision for diminution in value of investments

157,399	146,297
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Provision for non-performing
and off - balance sheet

2,334,439	2,746,495
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Provision against other assets

198	198
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Deficit on revaluation of investments

3,396,679	3,097,834
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Deferred liability on defined benefit plan

61,866	71,680
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Others

1,104	1,494
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5,951,685	6,063,998
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Taxable temporary differences

Surplus on revaluation of non-banking assets

(95,866)	(96,632)
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Accelerated depreciation

(97,418)	(145,898)
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(193,284)	(242,530)
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Net deferred tax asset

5,758,401	5,821,468
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	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
Rupees in '000			
14. OTHER ASSETS			
Income / mark-up / profit accrued in local currency - net of provision		10,104,764	8,244,570
Income / mark-up / profit accrued in foreign currencies - net of provision		30,936	29,916
Advances, deposits, advance rent and other prepayments		561,599	765,427
Advance taxation (payments less provision)		918,799	537,724
Non-banking assets acquired in satisfaction of claims		484,119	487,505
Branch adjustment account		120	63
Mark to market gain on forward foreign exchange contracts		17,460,204	4,206,429
Acceptances		15,792,147	14,429,148
Receivable from the SBP against encashment of government securities		189,273	114,055
Advance against vehicles for diminishing musharaka		—	78,126
Stationery and stamps on hand		68,845	62,789
Dividend receivable		30,436	769
Others		387,989	408,805
		46,029,231	29,365,326
Provision against other assets	14.1	(210,678)	(210,678)
Other assets (net of provision)		45,818,553	29,154,648
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	273,903	276,093
		46,092,456	29,430,741
14.1 Provision held against other assets			
Operational loss		210,000	210,000
Other receivable		678	678
		210,678	210,678
15. BILLS PAYABLE			
In Pakistan		14,363,746	12,173,407

30 June 2019 (Un-Audited) 31 December 2018 (Audited)
Rupees in '000

16. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan		
Under export refinance scheme	31,171,116	24,196,093
Under long term financing facility - renewable energy	962,784	962,784
Under long term financing facility - locally manufactured plant and machinery	8,935,332	6,730,915
	41,069,232	31,889,792
Repurchase agreement borrowings (Repo)	16.1 101,732,435	12,658,729
Due against bills rediscounting	3,243,466	3,310,164
	146,045,133	47,858,685

Unsecured

Call borrowing	—	300,000
Certificate of investment	1,199,278	1,411,393
Murabaha financing	225,000	250,000
Overdrawn nostro accounts	4,623,199	3,183,003
Overdrawn local bank accounts	5,693	5,693
	6,053,170	5,150,089
	152,098,303	53,008,774

16.1 These carry mark-up rates ranging between 12.25 % to 12.42 % per annum and will mature upto 26 July 2019.

17. DEPOSITS AND OTHER ACCOUNTS

	30 June 2019 (Un-Audited)			31 December 2018 (Audited)		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	Rupees in '000					
Customers						
Current accounts (non-remunerative)	148,677,524	29,703,316	178,380,840	120,602,372	23,351,234	143,953,606
Savings deposits	129,857,516	20,980,758	150,838,274	122,954,951	17,173,301	140,128,252
Term deposits	180,757,525	50,502,155	231,259,680	179,602,186	43,693,831	223,296,017
Others	9,470,460	1,012	9,471,472	7,984,099	906	7,985,005
	468,763,025	101,187,241	569,950,266	431,143,608	84,219,272	515,362,880
Financial institutions						
Current deposits (non-remunerative)	1,187,214	975,870	2,163,084	1,489,569	942,405	2,431,974
Savings deposits	11,929,036	—	11,929,036	24,109,273	70	24,109,343
Term deposits	7,675,000	4,910	7,679,910	931,000	4,260	935,260
	20,791,250	980,780	21,772,030	26,529,842	946,735	27,476,577
	489,554,275	102,168,021	591,722,296	457,673,450	85,166,007	542,839,457

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
Rupees in '000			
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		8,018,506	6,520,736
Mark-up / return / interest payable in foreign currencies		277,720	362,013
Unearned commission and income on bills discounted		189,296	190,533
Accrued expenses		1,221,115	785,163
Acceptances		15,792,147	14,429,148
Unclaimed dividend		905,562	107,725
Mark to market loss on forward foreign exchange contracts		11,155,193	3,549,157
Provision for compensated absences		219,225	208,864
Deferred liability on defined benefit plan		260,875	202,404
Provision against off-balance sheet obligations	18.1	113,716	113,716
Workers' welfare fund		1,065,495	952,940
Charity fund balance		493	291
Excise duty payable		1,062	1,003
Locker deposits		792,753	764,223
Advance against diminishing musharaka		122,899	98,166
Advance rental for ijarah		1,806	2,259
Security deposits against leases / ijarah		666,742	657,958
Sundry creditors		655,989	673,480
Lease liability against right-of-use assets	3.2.1	3,364,483	—
Withholding tax / duties		272,203	339,235
Others		274,996	406,376
		45,372,276	30,365,390
18.1 Provision against off-balance sheet obligations			
Opening balance		113,716	113,716
Charge for the period / year		—	—
Closing balance		113,716	113,716
The above represents provision against certain letters of credit and guarantees.			
19. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS			
(Deficit) / surplus on revaluation of			
- Non-banking assets		273,903	276,093
- Available-for-sale securities	9.1	(9,667,949)	(8,806,264)
		(9,394,046)	(8,530,171)
Less: Deferred tax on (deficit) / surplus on revaluation of			
- Non-banking assets		95,866	96,632
- Available-for-sale securities		(3,396,679)	(3,097,834)
		3,300,813	3,001,202
		(6,093,233)	(5,528,969)
Surplus / (deficit) pertaining to non-controlling interest		(26,921)	(33,160)
		(6,120,154)	(5,562,129)

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
		Rupees in '000	
20. CONTINGENCIES AND COMMITMENTS			
Guarantees	20.1	61,408,275	53,215,390
Commitments	20.2	409,794,815	323,117,101
Other contingent liabilities	20.3	25,401,940	24,476,694
		496,605,030	400,809,185
20.1 Guarantees			
Financial Guarantees		5,978,479	3,931,150
Performance Guarantees		26,817,595	32,514,435
Other guarantees		28,612,201	16,769,805
		61,408,275	53,215,390
20.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		76,815,611	89,700,969
Commitments in respect of:			
Forward exchange contracts	20.2.1	328,079,236	230,915,612
Operating leases	20.2.2	–	99,427
Forward lendings	20.2.3	4,779,226	2,267,933
Acquisition of operating fixed assets		120,742	133,160
		409,794,815	323,117,101
20.2.1 Commitments in respect of forward exchange contracts			
Purchase		188,802,754	136,568,523
Sale		139,276,482	94,347,089
		328,079,236	230,915,612
20.2.2 Commitments in respect of operating leases			
Not later than one year		–	99,427
Later than one year and not later than five years		–	–
		–	99,427

20.2.3 Commitments in respect of forward lendings

The Group has made commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn, except for:

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
———— Rupees in '000 ————			
Commitments in respect of syndicate financing		4,440,923	1,887,433
Commitments in respect of financing transaction		338,303	380,500
		<u>4,779,226</u>	<u>2,267,933</u>

20.3 Other contingent liabilities

Claims against bank not acknowledged as debt		25,295,884	24,370,638
Foreign Exchange repatriation case	20.3.1	106,056	106,056
		<u>25,401,940</u>	<u>24,476,694</u>

20.3.1 Foreign exchange repatriation case

While adjudicating foreign exchange repatriation cases of exporters, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has adjudicated penalty of Rs. 106,056 thousand, arbitrarily on the holding company. The holding company has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgment. The Honorable High Court has granted relief to holding company by way of interim orders. Based on merits of the appeals management is confident that these appeals shall be decided in favor of the holding company and therefore no provision has been made against the impugned penalty.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The holding company deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per the holding company's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised mark-to-market gains and losses on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

These products are offered to the holding company's customers to protect from unfavourable movements in foreign currencies. The holding company hedges such exposures in the inter-bank foreign exchange market.

These positions are reviewed on a regular basis by the holding company's Asset and Liability Committee (ALCO).

22. MARK-UP / RETURN / INTEREST EARNED

	Half year ended	
	30 June 2019	30 June 2018
	(Un-Audited)	
	Rupees in '000	
Loans and advances	12,189,407	5,932,161
Investments	15,547,492	13,702,609
Lendings to financial institutions	3,228,384	374,697
Balance with other banks	54,497	21,792
	<u>31,019,780</u>	<u>20,031,259</u>

23. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	17,657,399	9,421,410
Borrowings	2,337,529	2,110,632
Foreign currency swap cost	1,923,332	522,777
Lease liability against right-of-use assets	228,766	-
	<u>22,147,026</u>	<u>12,054,819</u>

24. FEE & COMMISSION INCOME

Branch banking customer fees	122,805	135,375
Credit related fees	30,292	23,492
Card related fees	178,408	126,200
Commission on trade	1,760,757	1,282,701
Commission on guarantees	228,739	195,907
Commission on remittances including home remittances	14,931	14,255
Commission on bancassurance	57,548	40,554
Others	57,570	60,713
	<u>2,451,050</u>	<u>1,879,197</u>

25. GAIN / (LOSS) ON SECURITIES

Realised		
Federal government securities	(725,310)	16,529
Mutual funds and shares	5,629	65,430
	<u>(719,681)</u>	<u>81,959</u>

26. OTHER INCOME

Rent on properties	17,023	10,908
Gain on sale of fixed assets - net	9,526	907
Recovery of charges from customers	132,244	100,341
Incidental and service charges	42,723	45,565
Gain on sale of ijarah assets - net	6,973	7,095
Gain on sale of non-banking assets - net	-	202,282
Gain on sale of non-current assets held-for-sale - net	-	35,042
Staff notice period and other recoveries	2,017	1,773
	<u>210,506</u>	<u>403,913</u>

27. OPERATING EXPENSES

Total compensation expense

Half year ended	
30 June 2019	30 June 2018
(Un-Audited)	
Rupees in '000	

2,944,548 2,787,581

Property expense

Rent & taxes

Insurance

Utilities cost

Security

Repair & maintenance

Depreciation

156,996	533,320
2,490	2,088
169,538	146,232
231,856	216,377
180,658	190,640
549,820	171,879
1,291,358	1,260,536

Information technology expenses

Software maintenance

Hardware maintenance

Depreciation

Amortisation

Network charges

56,601	15,912
68,954	61,340
71,448	54,149
59,922	62,433
97,170	75,296
354,095	269,130

Other operating expenses

Directors' fees and allowances

Fees and allowances to shariah board

Legal & professional charges

Outsourced services costs

Travelling & conveyance

NIFT and clearing charges

Depreciation

Depreciation - non-banking assets

Training & development

Postage & courier charges

Communication

Subscription

Brokerage & commission

Stationery & printing

Marketing, advertisement & publicity

Management fee

Insurance

Donations

Auditors' remuneration

Others

5,698	6,648
5,137	4,158
78,282	68,895
128,716	113,911
120,713	83,950
39,212	37,287
211,821	177,591
5,577	6,377
12,852	9,776
45,355	39,630
51,182	47,957
79,442	70,468
33,829	51,571
113,656	91,140
71,489	155,272
202,554	174,791
254,681	83,232
50,820	46,040
10,199	10,192
169,733	111,572
1,690,948	1,390,458

Total

6,280,949 5,707,705

		Half year ended	
	Note	30 June 2019	30 June 2018
		(Un-Audited)	
		Rupees in '000	
28. OTHER CHARGES			
Penalties imposed by the SBP		41,295	14,802
29. PROVISIONS & WRITE OFFS - NET			
Provision for diminution in value of investments - net	9.2.1	31,720	24,481
Provision / (reversal) of provision against loan & advances - net	10.4	(135,047)	493,750
Reversal of provision against other assets		—	(41,250)
Recovery of written off bad debts		(3,530)	(47,849)
		(106,857)	429,132
30. TAXATION			
Current		1,877,826	1,726,060
Prior year		300,548	—
Deferred		352,006	81,300
		2,530,380	1,807,360
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit attributable to equity shareholders of the holding company		3,201,002	2,954,726
		Number in '000	
Weighted average number of ordinary shares		1,047,831	1,047,831
		(Rupees)	
Basic and diluted earnings per share		3.05	2.82

32. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investments classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

32.1 Fair value of financial assets

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

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

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

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

The table below analyses 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 2019 (Un-Audited)				
		Carrying / Notional value	Fair value			Total
			Level 1	Level 2	Level 3	
		Rupees in '000				
Financial assets measured at fair value						
- Investments						
- Available-for-sale securities						
	Federal government securities	352,209,590	–	352,209,590	–	352,209,590
	Sukuk certificates and bonds	1,404,035	–	1,404,035	–	1,404,035
	Ordinary shares of listed companies	609,201	609,201	–	–	609,201
	Mutual funds and REIT certificates	385,136	370,256	14,880	–	385,136
	Listed term finance certificates	3,110,793	–	3,110,793	–	3,110,793
	Unlisted term finance certificates	25,677	–	25,677	–	25,677

Financial assets not measured at fair value - disclosed but not measured at fair value

- Cash and balances with treasury banks	84,573,961	-	-	-	-
- Balances with other banks	2,497,935	-	-	-	-
- Lendings to financial institutions	21,148,260	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	36,268,199	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	48,759	-	-	-	-
- Advances	282,830,487	-	-	-	-
- Other assets	43,995,748	-	-	-	-
	<u>829,107,781</u>	<u>979,457</u>	<u>356,764,975</u>	<u>-</u>	<u>357,744,432</u>

Off-balance sheet financial instruments measured at fair value

- Forward purchase of foreign exchange contracts	<u>205,395,842</u>	<u>-</u>	<u>205,395,842</u>	<u>-</u>	<u>205,395,842</u>
- Forward sale of foreign exchange contracts	<u>128,988,404</u>	<u>-</u>	<u>128,988,404</u>	<u>-</u>	<u>128,988,404</u>

On balance sheet financial instruments

	31 December 2018 (Audited)				
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	298,948,531	—	298,948,531	—	298,948,531
Sukuk certificates and bonds	1,492,667	—	1,492,667	—	1,492,667
Ordinary shares of listed companies	687,775	687,775	—	—	687,775
Mutual funds and REIT certificates	450,755	435,855	14,900	—	450,755
Listed term finance certificates	3,357,258	—	3,357,258	—	3,357,258
Unlisted term finance certificates	59,913	—	59,913	—	59,913

**Financial assets not measured
at fair value**

- Cash and balances with treasury banks	48,177,307	—	—	—	—
- Balances with other banks	1,916,548	—	—	—	—
- Lendings to financial institutions	11,984,795	—	—	—	—
- Investments					
- Held-to-maturity securities					
Federal government securities	36,259,349	—	—	—	—
Certificates of investments	—	—	—	—	—
- Available-for-sale securities					
Ordinary shares of unlisted companies	27,920	—	—	—	—
- Advances	236,112,844	—	—	—	—
- Other assets	27,511,818	—	—	—	—
	<u>666,987,480</u>	<u>1,123,630</u>	<u>303,873,269</u>	<u>—</u>	<u>304,996,899</u>

**Off-balance sheet financial
instruments measured at fair value**

- Forward purchase of foreign exchange contracts	<u>140,141,186</u>	<u>—</u>	<u>140,141,186</u>	<u>—</u>	<u>140,141,186</u>
- Forward sale of foreign exchange contracts	<u>97,365,720</u>	<u>—</u>	<u>97,365,720</u>	<u>—</u>	<u>97,365,720</u>

Valuation techniques used in determination of fair valuation of financial instruments within level 2.

Debt securities	The fair value is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuters.
Forward contracts	The fair values are derived using forward exchange rates applicable to their respective remaining maturities.
Mutual funds	The fair value is determined based on the net asset values published at the close of each business day.

33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	30 June 2019 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit & Loss				
Net mark-up / return / profit	15,315,745	(10,153,225)	3,710,234	8,872,754
Inter segment revenue - net	(11,264,033)	10,690,727	573,306	-
Non mark-up / return / interest income	(924,843)	165,785	4,105,488	3,346,430
Total income	3,126,869	703,287	8,389,028	12,219,184
Segment direct expenses	(146,729)	(193,320)	(1,963,385)	(2,303,434)
Inter segment expense allocation	(2,136,613)	(251,219)	(1,744,654)	(4,132,486)
Total expenses	(2,283,342)	(444,539)	(3,708,039)	(6,435,920)
Provisions	(31,718)	1,202	137,373	106,857
Profit before tax	811,809	259,950	4,818,362	5,890,121
Balance Sheet				
Cash & bank balances	1,147,347	47,179,260	38,745,289	87,071,896
Investments	394,061,389	-	-	394,061,389
Lendings to financial institutions	21,148,260	-	-	21,148,260
Advances - performing	-	3,412,664	279,019,550	282,432,214
Advances - non-performing	-	7,633	16,806,362	16,813,995
Provision against advances	-	(12,975)	(16,402,747)	(16,415,722)
Net inter segment lending	-	284,200,661	-	284,200,661
Others	9,343,992	50,929	50,219,674	59,614,595
Total assets	425,700,988	334,838,172	368,388,128	1,128,927,288
Borrowings	109,604,793	-	42,493,510	152,098,303
Subordinated debt	-	-	-	-
Deposits & other accounts	(94,562)	330,250,211	261,566,647	591,722,296
Net inter segment borrowing	274,785,681	-	9,414,980	284,200,661
Others	235,070	4,587,961	54,912,991	59,736,022
Total liabilities	384,530,982	334,838,172	368,388,128	1,087,757,282
Equity	41,170,006	-	-	41,170,006
Total equity & liabilities	425,700,988	334,838,172	368,388,128	1,128,927,288
Contingencies & commitments	328,079,236	-	168,525,794	496,605,030

30 June 2018 (Un-Audited)

	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit & Loss				
Net mark-up / return / profit	11,554,334	(1,421,635)	(2,156,259)	7,976,440
Inter segment revenue - net	(9,726,739)	2,065,473	7,661,266	-
Non mark-up / return / interest income	(159,210)	105,411	3,209,233	3,155,434
Total income	1,668,385	749,249	8,714,240	11,131,874
Segment direct expenses	(122,464)	(50,773)	(1,928,048)	(2,101,285)
Inter segment expense allocation	(2,243,163)	(58,485)	(1,418,554)	(3,720,202)
Total expenses	(2,365,627)	(109,258)	(3,346,602)	(5,821,487)
Provisions	(24,477)	(3,300)	(401,355)	(429,132)
Profit before tax	(721,719)	636,691	4,966,283	4,881,255

31 December 2018 (Audited)

Balance Sheet				
Cash & bank balances	1,209,795	24,672,447	24,211,613	50,093,855
Investments	341,284,168	-	-	341,284,168
Lendings to financial institutions	11,984,795	-	-	11,984,795
Advances - performing	-	3,167,829	231,825,798	234,993,627
Advances - non-performing	-	6,649	17,673,258	17,679,907
Provision against advances	-	(11,773)	(16,548,917)	(16,560,690)
Net inter segment lending	-	254,934,343	48,738,775	303,673,118
Others	12,852,393	52,983	26,458,340	39,363,716
Total assets	367,331,151	282,822,478	332,358,867	982,512,496
Borrowings	19,457,589	-	33,551,185	53,008,774
Subordinated debt	-	-	-	-
Deposits & other accounts	-	279,208,331	263,631,126	542,839,457
Net inter segment borrowing	303,673,118	-	-	303,673,118
Others	3,748,094	3,614,147	35,176,556	42,538,797
Total liabilities	326,878,801	282,822,478	332,358,867	942,060,146
Equity	40,452,350	-	-	40,452,350
Total equity & liabilities	367,331,151	282,822,478	332,358,867	982,512,496
Contingencies & commitments	230,915,612	-	169,893,573	400,809,185

34. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationships with its ultimate parent company, associates, companies with common directorship, key management personnel, directors and employees' retirement benefit plans.

Contributions in respect of employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries & allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

	30 June 2019 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	157,116	64,260	–	–	–	221,376
Advances						
Opening balance	890	2,820,520	115,507	–	–	2,936,917
Addition during the period	–	12,807,414	68,751	–	–	12,876,165
Repaid during the period	(328)	(12,263,871)	(8,113)	–	–	(12,272,312)
Closing balance	562	3,364,063	176,145	–	–	3,540,770
Other assets						
Mark-up / return / interest accrued	–	14,692	–	–	–	14,692
Prepayments / advance deposits / Other receivable	–	13,562	–	–	–	13,562
	–	28,254	–	–	–	28,254
Borrowings						
Opening balance	8,823	–	–	–	–	8,823
Borrowings during the period	1,489	–	–	–	–	1,489
Settled during the period	(8,823)	–	–	–	–	(8,823)
Closing balance	1,489	–	–	–	–	1,489
Deposits						
Opening balance	396,056	16,199,005	163,874	731,175	3,689,624	21,179,734
Received during the period	6,567,482	881,181,568	1,375,638	1,687,237	4,839,209	895,651,134
Withdrawn during the period	(6,496,125)	(881,539,490)	(1,169,296)	(1,574,963)	(4,981,311)	(895,761,185)
Closing balance	467,413	15,841,083	370,216	843,449	3,547,522	21,069,683
Other liabilities						
Mark-up / return / interest payable	–	366,957	2,121	5,369	724,852	1,099,299
Management fee payable for technical and consultancy services*	163,731	–	–	–	–	163,731
Payable against purchase of securities	23,047	–	–	–	–	23,047
Other payables	–	7,873	–	–	260,875	268,748
	186,778	374,830	2,121	5,369	985,727	1,554,825
Contingencies & commitments						
Transaction-related contingent liabilities	–	8,183,769	–	–	–	8,183,769
Trade-related contingent liabilities	–	355,802	–	–	–	355,802
	–	8,539,571	–	–	–	8,539,571

* Management fee is as per the agreement with the ultimate parent company.

31 December 2018 (Audited)

	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	112,023	44,688	–	–	–	156,711
Advances						
Opening balance	2,204	1,704,636	172,585	–	–	1,879,425
Addition during the year	–	74,713,838	47,080	–	–	74,760,918
Repaid during the year	(1,314)	(73,597,954)	(104,158)	–	–	(73,703,426)
Closing balance	890	2,820,520	115,507	–	–	2,936,917
Other assets						
Mark-up / return / interest accrued	–	17,113	–	–	–	17,113
Prepayments / advance deposits /						
Other Receivable	–	6,293	–	–	–	6,293
Receivable against purchase of securities	9,174	–	–	–	–	9,174
	9,174	23,406	–	–	–	32,580
Borrowings						
Opening balance	–	–	–	–	–	–
Borrowings during the year	8,823	–	–	–	–	8,823
Settled during the year	–	–	–	–	–	–
Closing balance	8,823	–	–	–	–	8,823
Deposits						
Opening balance	731,705	21,061,604	168,539	675,958	2,404,120	25,041,926
Received during the year	8,548,305	1,648,037,662	600,685	2,393,366	6,166,560	1,665,746,578
Withdrawn during the year	(8,883,954)	(1,652,900,261)	(605,350)	(2,338,149)	(4,881,056)	(1,669,608,770)
Closing balance	396,056	16,199,005	163,874	731,175	3,689,624	21,179,734
Other liabilities						
Mark-up / return / interest payable	–	351,586	1,295	3,205	633,330	989,416
Management fee payable for						
technical and consultancy services *	115,344	–	–	–	–	115,344
Other payables	–	6,391	–	–	202,404	208,795
	115,344	357,977	1,295	3,205	835,734	1,313,555
Contingencies & commitments						
Transaction-related contingent liabilities	–	7,531,999	–	–	–	7,531,999
Trade-related contingent liabilities	–	1,999,428	–	–	–	1,999,428
Commitment against operating leases	–	1,681	–	–	–	1,681
	–	9,533,108	–	–	–	9,533,108

* Management fee is as per the agreement with the ultimate parent company.

Transactions during the period

	For the half year ended 30 June 2019 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
Income					
Mark-up / return / interest earned	430	71,462	5,051	–	–
Fee and commission income	2,658	108,329	–	20	–
Rent income	2,809	–	–	–	–
Expense					
Mark-up / return / interest expensed	–	745,491	11,755	32,030	212,944
Commission / brokerage / bank charges paid	273	613	–	–	–
Salaries and allowances	–	–	252,000	–	–
Directors' fees and allowances	–	–	–	5,698	–
Charge to defined benefit plan	–	–	–	–	86,769
Contribution to defined contribution plan	–	–	–	–	98,098
Operating lease rentals / rent expenses	–	6,963	–	–	–
Insurance premium expenses	–	6,328	–	–	–
Maintenance, electricity, stationery & entertainment	–	45,075	–	–	–
Management fee expense for technical and consultancy services *	202,554	–	–	–	–
Donation	–	7,960	–	–	–
Professional / other charges	–	1,564	–	–	–

* Management fee is as per the agreement with the ultimate parent company.

Transactions during the period

	For the half year ended 30 June 2018 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Income						
Mark-up / return / interest earned	2,049	27,423	3,653	–	–	33,125
Fee and commission income	3,562	81,013	–	14	–	84,589
Rent income	2,808	–	–	–	–	2,808
Expenses						
Mark-up / return / interest expensed	–	520,636	3,780	15,667	122,526	662,609
Commission / brokerage / bank charges paid	632	599	–	–	–	1,231
Salaries and allowances	–	–	156,539	–	–	156,539
Directors' fees and allowances	–	–	–	6,648	–	6,648
Charge to defined benefit plan	–	–	–	–	76,520	76,520
Contribution to defined contribution plan	–	–	–	–	92,180	92,180
Operating lease rentals / rent expenses	–	6,533	–	–	–	6,533
Insurance premium expenses	–	5,738	–	–	–	5,738
Maintenance, electricity, stationery & entertainment	–	36,278	–	–	–	36,278
Management fee expense for technical and consultancy services *	174,791	–	–	–	–	174,791
Donation	–	11,738	–	–	–	11,738

* Management fee is as per the agreement with the ultimate parent company.

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>10,478,315</u>	<u>10,478,315</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) capital	<u>35,722,868</u>	<u>34,907,701</u>
Eligible Additional Tier 1 (ADT 1) capital	<u>—</u>	<u>—</u>
Total eligible tier 1 capital	<u>35,722,868</u>	<u>34,907,701</u>
Eligible tier 2 capital	<u>1,312,821</u>	<u>915,322</u>
Total eligible capital (tier 1 + tier 2)	<u>37,035,689</u>	<u>35,823,023</u>
Risk Weighted Assets (RWAs):		
Credit risk	<u>269,434,791</u>	<u>235,418,319</u>
Market risk	<u>1,248,501</u>	<u>1,571,342</u>
Operational risk	<u>36,732,186</u>	<u>36,732,186</u>
Total	<u>307,415,478</u>	<u>273,721,847</u>
CET 1 capital adequacy ratio	<u>11.62%</u>	<u>12.75%</u>
Tier 1 capital adequacy ratio	<u>11.62%</u>	<u>12.75%</u>
Total capital adequacy ratio	<u>12.05%</u>	<u>13.09%</u>
Minimum capital requirements prescribed by SBP		
Common equity tier 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.90%	11.90%
Simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively have been used in the capital adequacy calculation.		
Leverage Ratio (LR):		
Eligible tier-1 capital	<u>35,722,868</u>	<u>34,907,701</u>
Total exposures	<u>1,008,410,787</u>	<u>830,913,057</u>
Leverage ratio	<u>3.54%</u>	<u>4.20%</u>

36. ISLAMIC BANKING BUSINESS

The holding company is operating 31 (31 December 2018: 31) islamic banking branches and 219 (31 December 2018: 216) islamic banking windows at the end of the period / year.

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		3,343,631	3,340,608
Balances with other banks		–	–
Due from financial institutions	36.1	17,154,371	1,000,000
Investments	36.2	9,887,722	21,312,705
Islamic financing and related assets - net	36.3	21,051,009	17,715,168
Fixed assets	36.4	568,197	82,121
Intangible assets		–	–
Due from head office		1,241,435	1,056,134
Other assets		2,026,938	1,605,849
Total assets		55,273,303	46,112,585
LIABILITIES			
Bills payable		579,265	657,934
Due to financial institutions		2,779,895	1,864,574
Deposits and other accounts	36.5	46,474,756	38,684,214
Due to head office		–	–
Subordinated debt		–	–
Other liabilities	36.4	1,813,191	1,473,908
		51,647,107	42,680,630
NET ASSETS		3,626,196	3,431,955
REPRESENTED BY			
Islamic banking fund		3,004,001	3,003,472
Reserves		–	–
Surplus / (deficit) on revaluation of assets		10,266	(17,981)
Unappropriated profit	36.9	611,929	446,464
		3,626,196	3,431,955
CONTINGENCIES AND COMMITMENTS	36.6		

The profit and loss account of the holding company's islamic banking branches for the period ended 30 June 2019 is as follows:

	Note	Half year ended	
		30 June 2019	30 June 2018
		(Un-Audited)	
		Rupees in '000	
Profit / return earned	36.7	2,233,982	1,269,522
Profit / return expensed	36.8	(1,391,970)	(855,760)
Net profit / return		842,012	413,762
Other income			
Fee and commission income		72,800	68,018
Dividend income		—	—
Foreign exchange income		19,146	13,311
Income / (loss) from derivatives		—	—
Gain / (loss) on securities		415	(22)
Other income		10,467	8,238
Total other income		102,828	89,545
Total income		944,840	503,307
Other expenses			
Operating expenses		332,699	292,201
Workers welfare fund		—	—
Other charges		85	107
Total other expenses		332,784	292,308
Profit / (loss) before provisions		612,056	210,999
Provisions and write offs - net		(127)	(9,150)
Profit / (loss) before taxation		611,929	201,849

36.1 Due from financial institutions

	30 June 2019 (Un-Audited)			31 December 2018 (Audited)		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	Rupees in '000					
Unsecured						
Musharaka	4,500,000	—	4,500,000	1,000,000	—	1,000,000
Bai-muajjal receivable from State Bank of Pakistan	12,654,371	—	12,654,371	—	—	—
	17,154,371	—	17,154,371	1,000,000	—	1,000,000

36.2 Investments by segments:

	30 June 2019 (Un-Audited)				31 December 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Federal government securities:								
– Ijarah sukuk	–	–	–	–	11,313,145	–	(26,794)	11,286,351
– Bai-muajjal	3,608,688	–	–	3,608,688	3,608,688	–	–	3,608,688
	3,608,688	–	–	3,608,688	14,921,833	–	(26,794)	14,895,039
Non government debt securities								
– Listed	5,469,285	–	4,334	5,473,619	5,537,142	–	3,805	5,540,947
– Unlisted	799,483	–	5,932	805,415	871,711	–	5,008	876,719
	6,268,768	–	10,266	6,279,034	6,408,853	–	8,813	6,417,666
Total investments	9,877,456	–	10,266	9,887,722	21,330,686	–	(17,981)	21,312,705

36.3 Islamic financing and related assets - net

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
	Rupees in '000	
Ijarah	375,998	398,097
Murabaha	5,971,349	5,906,879
Working capital musharaka	3,325,244	2,533,380
Diminishing musharaka	4,032,551	3,532,275
Istisna	707,659	1,029,204
Export refinance murabaha	452,709	497,902
Export refinance istisna	663,759	923,713
Al-bai financing	481,071	316,194
Advances against:		
Ijarah	164,578	123,988
Murabaha	831,656	349,302
Diminishing musharaka	1,203,926	596,470
Istisna	1,301,164	1,064,759
Export refinance murabaha	62,648	127,507
Export refinance istisna	1,319,540	326,288
Inventory related to		
Al-bai goods	381,141	240,116
Istisna goods	194,638	167,589
Gross islamic financing and related assets	21,469,631	18,133,663
Provision against non-performing islamic financings	(418,622)	(418,495)
Islamic financing and related assets - net of provision	21,051,009	17,715,168

36.4 Fixed assets and other liabilities

At 30 June 2019, fixed asset included right-of-use assets of Rs. 514,220 thousand and other liabilities included related lease liability of Rs 510,956 thousand more fully explained in note 3.2.1.

36.5 Deposits

Customers

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
	Rupees in '000	
Current deposits	10,699,451	8,363,646
Savings deposits	17,988,564	18,287,455
Term deposits	10,400,920	10,834,638
	39,088,935	37,485,739

Financial Institutions

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
Current deposits	12,072	2,054
Savings deposits	848,749	756,421
Term deposits	6,525,000	440,000
	7,385,821	1,198,475
	46,474,756	38,684,214

36.6 Contingencies and commitments

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
Guarantees	1,149,819	1,893,613
Commitments	3,335,895	3,362,786
	4,485,714	5,256,399

Half year ended

36.7 Profit / return earned of financing, investments and placement

Profit earned on:

	30 June 2019 (Un-Audited)	30 June 2018 (Un-Audited)
Financing	883,347	438,479
Investments	934,253	711,871
Placements	416,382	119,172
	2,233,982	1,269,522

36.8 Profit on deposits and other dues expensed

	30 June 2019 (Un-Audited)	30 June 2018 (Un-Audited)
Deposits and other accounts	1,328,808	837,354
Due to financial institutions	28,491	18,406
Discount expense on lease liability against right-of-use assets	34,671	—
	1,391,970	855,760

30 June 2019	31 December 2018
(Un-Audited)	(Audited)
Rupees in '000	

36.9 Unappropriated profit

Opening balance	446,464	283,058
Add: Islamic banking profit for the period	611,929	446,464
Less: Transferred to head office	(446,464)	(283,058)
Closing balance	611,929	446,464

37. GENERAL

37.1 The figures have been rounded off to nearest thousand rupees, unless otherwise stated.

37.2 Corresponding figures have been re-classified, re-arranged or additionally incorporated in these consolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation in accordance with the revised forms of quarterly financial statements of the Banks' issued by the SBP through its BPRD Circular letter No. 05 of 2019. Further, incremental depreciation on surplus arising on revaluation of non-banking assets of Rs. 1,424 thousand (30 June 2018 : Rs 1,424 thousand) earlier included in statement of comprehensive income has been included directly in the statement of changes in equity for a more appropriate presentation.

38. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on 22 August 2019 by the Board of Directors of the holding company.

FUZAIL ABBAS
Chief Financial Officer

MOHSIN A. NATHANI
President &
Chief Executive Officer

SOHAIL HASAN
Director

TARIQ IKRAM
Director

MOHAMEDALI R. HABIB
Chairman

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