

REPORT FOR THE HALF YEAR ENDED JUNE 30, 2018

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Corporate Information

Board of Directors

Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retd) - Chairman
Lt Gen Javed Iqbal, HI (M) (Retd)
Lt Gen Tariq Khan, HI (M) (Retd)
Mr. Qaiser Javed
Dr. Nadeem Inayat
Mr. Manzoor Ahmed - NIT Nominee
Mr. Kamal A. Chinoy
Mr. Syed Ahmed Iqbal Ashraf
Mr. Mushtaq Malik
Brig. Saleem Ahmed Moeen SI (Retd) *
Mr. Abid Sattar - President & Chief Executive

Board Audit Committee

Syed Ahmed Iqbal Ashraf - Chairman
Mr. Qaiser Javed
Dr. Nadeem Inayat
Mr. Manzoor Ahmed

Shariah Board

Mufti Muhammad Zahid - Chairman
Mufti Ismatullah - Member
Dr. Muhammad Tahir Mansoori - Resident Shariah Board Member

Auditors

A. F. Ferguson & Co
Chartered Accountants

Legal Advisors

RIAA, Barker Gillette
Advocates & Corporate Counselors

Company Secretary

Mr. Umar Shahzad

Registered Office

AWT Plaza, The Mall, P. O. Box No. 1084
Rawalpindi – 46000, Pakistan.
Tel: (92 51) 8092624
UAN: (92 51) 111 000 787
Fax: (92 51) 2857448
E-mail: ir@askaribank.com.pk

Registrar & Share Transfer Office

Central Depository Company of Pakistan Limited
Mezzanine Floor, South Tower, LSE Plaza
19-Khayaban-e-Aiwan-e-Iqbal, Lahore
Tel: Customer Support Services (Toll Free)
0800-CDCPL (23275)
Tel: (9242) 36362061-66
Fax: (92 42) 36300072
Email: info@cdcpak.com
Website: www.cdcpakistan.com



Entity Rating

Long Term: AA+
Short Term: A1+
By PACRA

Website

www.akbl.com.pk

Social Media

 /askaribankpakistan
 /askari_bank

* Appointed by the Board of Directors subject to Fit & Proper Clearance from the State Bank of Pakistan.

Directors' Review

Dear Shareholders

The Directors present the unaudited condensed interim unconsolidated financial statements for the quarter and six months ended June 30, 2018. The financial results are summarized as under:

	Rupees in million	
	June 30, 2018	June 30, 2017
Net mark-up and non fund income	11,860	11,323
Administrative and other expenses	(7,791)	(7,506)
Profit before provisions and taxation	4,069	3,817
Net reversal of provision against loans and investments	319	1,216
Profit before taxation	4,388	5,033
Taxation	(1,866)	(2,005)
Profit after taxation	2,522	3,028
Basic earning per share - Rupees	2.00	2.40

The Bank's profit before provisions and taxation for the half year ended June 30, 2018 was recorded at Rs. 4.07 billion, as against Rs. 3.82 billion, for the corresponding period last year, reflecting an increase of 7 percent. Profit after taxation declined by 17 percent, to Rs. 2.52 billion mainly due to decline in aggregate provision reversals compared to the corresponding period last year. Resultantly, earnings per share for the half year were reported at Rs. 2.00 as against Rs. 2.40 for the previous corresponding period.

Net mark-up income increased by 14 percent despite the adverse impact of maturities of high yielding government bonds on core revenues. Non fund incomes declined by 16 percent due to a 91 percent reduction in gain from sale of securities, mainly PIBs. However, contribution from business NFIs remained strong and increased by 49 percent driven by; a 21 percent improvement in fee, commission and brokerage revenue, and income from dealing in foreign currencies which increased to Rs. 944 million against Rs. 404 million for the same period last year. Administrative expenses were kept in check, increasing by 4 percent as against the corresponding period last year.

Customer deposits increased by 9 percent during the six months under review, closing at Rs. 573 billion as compared to Rs. 526 billion at year end 2017. The Bank maintained focus on re-profiling of deposits reflected by a 13 percent increase in aggregate current deposits. Gross advances were reported at Rs. 338 billion at June 30, 2018 showing an increase of 19 percent. Consequently, the Bank's ADR also improved from 54.1 percent to 58.9 percent at June 30, 2018.

During the current half year, the Bank issued its first ever additional Tier 1 capital in the form of listed, perpetual, unsecured, subordinated and non-cumulative debt instrument amounting to Rs. 6.0 billion. The issue was successfully closed subsequently to the half year end and the proceeds from this issue will contribute towards the additional Tier 1 capital and are aimed at supporting Bank's future growth of business.

The Bank's rating was maintained at 'AA+' (Double A Plus) for the long term and 'A1+' (A One Plus) for the short term by PACRA. The ratings reflect relative positioning of the bank, driven by AKBL's strong Sponsors, continuous improvement in cost of funds and asset quality supplemented by comfortable liquidity position.

We would like to thank our valued customers for their continued patronage and support, to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory authorities for their guidance, to our shareholders for the trust and confidence reposed in us, and to our staff who continue to contribute to the organization and hence enable us to perform consistently in a challenging business environment.

- sd -

Abid Sattar
President & Chief Executive

Rawalpindi
August 16, 2018

- sd -

Lt Gen Syed Tariq Nadeem Gilani
HI (M)(Retd)
Chairman, Board of Directors

ڈائریکٹرز کی جائزہ رپورٹ

عزیز محض داران،

ڈائریکٹرز غیر آڈٹ شدہ منصفہ عبوری غیر مدغم مالیاتی معلومات برائے اختتام ششماہی 30 جون 2018 پیش کرتے ہیں۔ مالیاتی نتائج کا خلاصہ درج ذیل ہے:

(روپے ملین میں)

30 جون 2017	30 جون 2018
11,323	11,860
(7,506)	(7,791)
3,817	4,069
1,216	319
5,033	4,388
(2,005)	(1,866)
3,028	2,522
2.40	2.00

مجموعی مارک اپ اور نان فنڈ آمدن

انتظامی اور دیگر اخراجات

پروڈیون ٹیکس سے قبل منافع

قرضوں اور سرمایہ کاری کے محض پروڈیون کی مجموعی ریورسل

قبل از ٹیکس منافع

ٹیکس

بعد از ٹیکس منافع

بنیادی آمدن فی حصص - روپے

بینک نے اختتام ششماہی 30 جون 2018 کی مدت میں 4.07 ارب روپے قبل از ٹیکس پروڈیون منافع کمایا جو کہ پچھلے سال اسی دورانیہ کی مدت میں 3.82 ارب روپے تھا اور 7 فیصد اضافے کی عکاسی کرتا ہے۔ بعد از ٹیکس منافع 17 فیصد کم کی مدت کے بعد 2.52 ارب روپے رہا جس کی بنیادی وجہ مجموعی پروڈیون ریورسل میں گزشتہ سال اسی دورانیہ کی مدت کے مقابلے میں کمی ہونا ہے۔ نتیجتاً نصف سال کے لیے آمدن فی حصص گزشتہ سال کی اسی دواہیہ کی مدت کے 2.40 روپے کے مقابلے میں 2.00 روپے رہی۔

بنیادی آمدن برائے پیداواری حکومتی بانڈز کی پیچورٹیز کے منفی اثرات کے باوجود مجموعی مارک اپ آمدن میں 14 فیصد اضافہ ہوا۔ نان فنڈ آمدن میں 16 فیصد کمی دیکھنے میں آئی، جس کی بنیادی وجہ سکیورٹیز خصوصاً PIBS کی فروخت میں 91 فیصد کم منافع ہے۔ تاہم کاروبار کی شرائط سے NFIs کی مضبوطی برقرار رہی اور اس میں 49 فیصد اضافہ ہوا؛ فیس، کمیشن اور بروکریج ریونیو اور غیر ملکی کرنسیوں میں تیار تیس سے حاصل ہونے والی آمدن میں گزشتہ سال کی اسی دورانیہ کی مدت کے 404 ملین روپے کے مقابلے میں 944 ملین روپے کے ساتھ 21 فیصد بہتری ہوئی۔ انتظامی اخراجات کو محدود رکھا گیا اور اس میں گزشتہ سال کی اسی مدت کے مقابلے میں 4 فیصد اضافہ ہوا۔

زیر جائزہ ششماہی مدت کے دوران صارفین کی طرف سے جمع کروائی گئی رقم میں 573 ارب روپے کے ساتھ 9 فیصد اضافہ ہوا جو کہ سال 2017 کے اختتام پر 526 ارب روپے تھیں۔ بینک نے ڈپازٹس کی ری پروفائلنگ پر توجہ مرکوز رکھی جو مجموعی کرنٹ ڈپازٹس میں 13 فیصد اضافے کی عکاس ہے۔ 30 جون 2018 کو مجموعی ایڈوائسز 338 ارب روپے تھے جو 19 فیصد اضافے کا مظہر ہیں۔ نتیجتاً 30 جون 2018 کو بینک کے ADR میں بھی 54.1 فیصد سے 58.9 فیصد بہتری آئی۔

روان نصف سال کے دوران، بینک نے پہلی بار 6.0 ارب روپے کے مندرجہ، مستقل، غیر محفوظ، تابع شدہ اور غیر مجموعی ڈیٹ انشرومنٹ کی صورت میں اضافی ٹیکس 1 کیپٹل جاری کیا۔ یہ اجراء نصف سال کی مدت کے بعد کامیابی سے مکمل ہو گیا اور اس سے حاصل کی گئی آمدن اضافی ٹیکس 1 کیپٹل میں شامل ہوگی اور اس کا مقصد مستقبل میں بینک کی کاروباری ترقی میں معاونت کرنا ہے۔

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی طرف سے مقرر کردہ بینک کی طویل معادلی ریٹنگ AA+ (ڈبل A پلس) اور مختصر معادلی ریٹنگ A1+ (A ون پلس) برقرار رکھی گئی۔ ریٹنگز بینک کی تقابلی پوزیشن کی عکاس ہے، جو عسکری بینک کے مضبوط سپانسرز، فنڈز کی لاگت میں مسلسل بہتری اور بہترین کیلویڈیٹی پوزیشن کے اضافے کے ساتھ اثاثوں کے معیار کے ذریعے حاصل ہوئی۔

ہم اپنے گراں قدر صارفین کی طرف سے مسلسل سرپرستی اور حمایت، سٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اتھارٹیز کی طرف سے رہنمائی، ہمارے حصص داران کا ہم پر یقین اور اعتماد اور ہمارے عمل کی انتظامی امور میں اپنی کاوشوں سے شراکت کا شکریہ ادا کرتے ہیں، جس سے ہمیں مقابلے کے کاروباری ماحول میں ثابت قدمی سے خدمات سرانجام دینے میں مدد ملی۔

دستخط

دستخط

لیفٹیننٹ جنرل سید طارق ندیم گیلانی

عابد ستار

ہدال امتیاز (ملفوظی) (ریٹائرڈ)

صدر روچینسا میگزین

چیرمین بورڈ آف ڈائریکٹرز

راولپنڈی

16 اگست 2018



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Askari Bank Limited
Report on review of Unconsolidated Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Askari Bank Limited (the Bank) as at June 30, 2018 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity and the notes to the financial information for the half year then ended (here in after referred to as the 'interim financial information'). Management is responsible for the preparation and presentation of these financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the three months ended June 30, 2018 and June 30, 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is S. Haider Abbas.

- sd -

Chartered Accountants
Islamabad: August 16, 2018

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan
Tel: +92 (51) 2273457-60/ 2604934-37; Fax: +92 (51) 2277924, 2206473; <www.pwc.com/pk>

Unconsolidated Condensed Interim Statement of Financial Position

As at June 30, 2018

		(Un-audited)	(Audited)
		June 30, 2018	December 31, 2017 Restated
	Note	(Rupees in thousand)	
Assets			
Cash and balances with treasury banks		51,028,948	44,239,325
Balances with other banks		3,531,820	3,193,835
Lendings to financial institutions		4,481,150	2,250,000
Investments	8	299,756,194	314,956,748
Advances	9	312,450,963	258,693,086
Operating fixed assets	10	10,492,975	10,728,827
Deferred tax assets	11	1,902,573	100,755
Assets held for sale		80,720	80,720
Other assets		21,891,102	22,465,073
		705,616,445	656,708,369
Liabilities			
Bills payable		12,470,060	10,769,262
Borrowings	12	66,178,142	71,587,311
Deposits and other accounts	13	573,186,621	525,808,308
Sub-ordinated loans	14	9,499,400	4,992,800
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		10,612,214	11,115,197
		671,946,437	624,272,878
Net assets		33,670,008	32,435,491
Represented by			
Share capital		12,602,602	12,602,602
Reserves		15,271,194	11,840,757
Unappropriated profit		2,140,270	2,849,878
		30,014,066	27,293,237
Surplus on revaluation of assets - net of tax	15	3,655,942	5,142,254
		33,670,008	32,435,491
Contingencies and Commitments	16		

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

- sd -
Chief Financial Officer

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)

For the half year ended June 30, 2018

	Note	For the half year ended		For the quarter ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		(Rupees in thousand)			
Mark-up / return / interest earned		19,120,494	17,641,247	9,987,133	8,977,538
Mark-up / return / interest expensed		10,187,990	9,806,254	5,283,729	4,936,711
Net mark-up / interest income		8,932,504	7,834,993	4,703,404	4,040,827
Reversal of provision against non-performing loans and advances - net	9.1	(481,831)	(1,069,513)	(91,078)	(715,018)
Impairment loss on available for sale investments		-	30,047	-	18,749
Provision / (reversal of provision) for diminution in the value of investments - net		163,065	(23,020)	290,576	(10,519)
Reversal of provision against assets held for sale		-	(153,958)	-	(153,958)
Bad debts written off directly		-	-	-	-
		(318,766)	(1,216,444)	199,498	(860,746)
Net mark-up / interest income after provisions		9,251,270	9,051,437	4,503,906	4,901,573
Non mark-up / interest income					
Fee, commission and brokerage income		1,471,360	1,214,059	779,235	638,213
Dividend income		114,718	170,585	77,320	152,551
Income from dealing in foreign currencies		943,945	404,048	619,932	225,343
Gain on sale of securities - net		134,477	1,522,131	41,574	1,004,815
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net		-	-	-	-
Other income		263,312	176,809	172,918	147,754
Total non mark-up / interest income		2,927,812	3,487,632	1,690,979	2,168,676
		12,179,082	12,539,069	6,194,885	7,070,249
Non mark-up / interest expenses					
Administrative expenses		7,703,608	7,406,011	3,888,195	3,875,857
Other provisions / write offs		-	-	-	-
Other charges		87,620	100,490	42,387	55,070
Total non mark-up / interest expenses		7,791,228	7,506,501	3,930,582	3,930,927
		4,387,854	5,032,568	2,264,303	3,139,322
Extraordinary / unusual items		-	-	-	-
Profit before taxation		4,387,854	5,032,568	2,264,303	3,139,322
Taxation - current		1,233,947	946,439	511,524	189,033
- prior years		1,700,489	243,344	1,700,489	243,344
- deferred		(1,068,201)	815,170	(1,089,102)	909,800
		1,866,235	2,004,953	1,122,911	1,342,177
Profit after taxation		2,521,619	3,027,615	1,141,392	1,797,145
Basic earnings per share - Rupees		2.00	2.40	0.91	1.43

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

- sd -
Chief Financial Officer

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended June 30, 2018

	For the half year ended		For the quarter ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(Rupees in thousand)			
Profit after taxation	2,521,619	3,027,615	1,141,392	1,797,145
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss account				
Exchange difference on translation of net investment in Wholesale Bank Branch	76,235	1,558	75,072	70
Items that will not be reclassified to profit and loss account				
Remeasurement of defined benefit plan	27,220	(137,842)	27,220	(137,842)
Related tax on remeasurement of defined benefit plan	(9,527)	48,245	(9,527)	48,245
Remeasurement of defined benefit plan - net of tax	17,693	(89,597)	17,693	(89,597)
Comprehensive income - transferred to statement of changes in equity	2,615,547	2,939,576	1,234,157	1,707,618
Components of comprehensive income not reflected in equity				
Items that are or may be reclassified subsequently to profit and loss account				
Deficit on revaluation of available for sale securities - net of tax	(1,380,124)	(120,172)	(517,807)	(553,229)
Total comprehensive income	<u>1,235,423</u>	<u>2,819,404</u>	<u>716,350</u>	<u>1,154,389</u>

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

- sd -
Chief Financial Officer

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2018

	June 30, 2018	June 30, 2017
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	4,387,854	5,032,568
Less: dividend income	(114,718)	(170,585)
	<u>4,273,136</u>	<u>4,861,983</u>
Adjustments:		
Depreciation / amortization	607,593	926,028
Reversal of provision against non-performing advances - net	(481,831)	(1,069,513)
Impairment loss on available for sale investments	-	30,047
Provision / (reversal of provision) for diminution in the value of investments - net	163,065	(23,020)
Reversal of provision against assets held for sale	-	(153,958)
Charge for defined benefit plan	176,889	147,826
Gain on sale of assets held for sale	-	(216,000)
Loss on sale of operating fixed assets	1,046	3,090
	<u>466,762</u>	<u>(355,500)</u>
	<u>4,739,898</u>	<u>4,506,483</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,981,150)	6,316,319
Advances	(53,371,698)	(25,351,081)
Other assets (excluding advance taxation)	567,041	583,734
	<u>(55,785,807)</u>	<u>(18,451,028)</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,700,798	2,307,507
Borrowings	(5,409,169)	(46,320,262)
Deposits and other account	47,378,313	53,137,499
Other liabilities (excluding current taxation)	(152,621)	(139,529)
	<u>43,517,321</u>	<u>8,985,215</u>
	<u>(7,528,588)</u>	<u>(4,959,330)</u>
Cash generated from operations		
Payment made to defined benefit plan	(489,526)	(350,884)
Income tax paid	(2,812,049)	(2,252,412)
Net cash outflow from operating activities	<u>(10,830,163)</u>	<u>(7,562,626)</u>
Cash flow from investing activities		
Net investments in available for sale securities	15,166,141	13,348,922
Net investments in held to maturity securities	(2,251,921)	1,285
Dividend received	94,007	86,261
Additions in operating fixed assets - net of adjustments	(383,279)	(722,160)
Sale proceeds of assets held for sale	-	551,000
Sale proceeds on disposal of operating fixed assets	10,492	12,031
Net cash inflow from investing activities	<u>12,635,440</u>	<u>13,277,339</u>
Cash flow from financing activities		
Receipts / payments against sub-ordinated loans	4,506,600	(1,000)
Dividends paid	(10,504)	(1,867,550)
Net cash inflow / (outflow) from financing activities	<u>4,496,096</u>	<u>(1,868,550)</u>
Exchange difference on translation of net investment in Wholesale Bank Branch	76,235	1,558
	<u>6,377,608</u>	<u>3,847,721</u>
Increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	48,183,160	48,413,889
Cash and cash equivalents at end of the period	<u>54,560,768</u>	<u>52,261,610</u>
Cash and cash equivalents at end of the period		
Cash and balances with treasury banks	51,028,948	47,661,566
Balances with other banks	3,531,820	4,600,044
	<u>54,560,768</u>	<u>52,261,610</u>

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

- sd -
Chief Financial Officer

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the half year ended June 30, 2018

	(Rupees in thousand)						
	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Revenue Reserves		Total
					General reserve	Unappropriated profit	
Balance as at January 01, 2017							
- as previously reported	12,602,602	93,511	234,669	6,755,314	1,587,192	4,084,206	25,357,494
Effect of retrospective change in accounting policy with respect to accounting for surplus on revaluation of fixed assets	-	-	-	-	-	(107,658)	(107,658)
Balance as at January 01, 2017 - as restated	12,602,602	93,511	234,669	6,755,314	1,587,192	3,976,548	25,249,836
Transfer to General reserve:	-	-	-	-	3,976,548	(3,976,548)	-
Total comprehensive income for the half year ended June 30, 2017							
Net profit for the half year ended June 30, 2017	-	-	-	-	-	3,027,615	3,027,615
Other comprehensive income related to equity	-	1,558	-	-	-	(89,597)	(88,039)
	-	1,558	-	-	-	2,938,018	2,939,576
Transfer to Statutory reserve	-	-	-	605,523	-	(605,523)	-
Transaction with owners, recorded directly in equity							
Final dividend 2016: Rs. 1.5 per share	-	-	-	-	(1,890,390)	-	(1,890,390)
Balance as at June 30, 2017	12,602,602	95,069	234,669	7,360,837	3,673,350	2,332,495	26,299,022
Total comprehensive income for the half year ended December 31, 2017							
Net profit for the half year ended December 31, 2017	-	-	-	-	-	2,240,272	2,240,272
Other comprehensive income related to equity	-	28,778	-	-	-	(24,399)	4,379
	-	28,778	-	-	-	2,215,873	2,244,651
Transfer to Statutory reserve	-	-	-	448,054	-	(448,054)	-
Transfer from surplus on revaluation of assets to unappropriated profit	-	-	-	-	-	9,824	9,824
Transaction with owners, recorded directly in equity							
Interim dividend 2017: Re. 1 per share	-	-	-	-	-	(1,260,260)	(1,260,260)
Balance as at December 31, 2017	12,602,602	123,847	234,669	7,808,891	3,673,350	2,849,878	27,293,237
Transfer to General reserve	-	-	-	-	2,849,878	(2,849,878)	-
Total comprehensive income for the half year ended June 30, 2018							
Net profit for the half year ended June 30, 2018	-	-	-	-	-	2,521,619	2,521,619
Other comprehensive income related to equity	-	76,235	-	-	-	17,693	93,928
	-	76,235	-	-	-	2,539,312	2,615,547
Transfer to Statutory reserve	-	-	-	504,324	-	(504,324)	-
Transfer from surplus on revaluation of assets to unappropriated profit	-	-	-	-	-	105,282	105,282
Balance as at June 30, 2018	12,602,602	200,082	234,669	8,313,215	6,523,228	2,140,270	30,014,066

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

- sd -
Chief Financial Officer

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

1. STATUS AND NATURE OF BUSINESS

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Pakistan Stock Exchange. The registered office of the Bank is situated at AWT Plaza, the Mall, Rawalpindi. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on June 30, 2018. The ultimate parent of the Bank is Fauji Foundation. The Bank has 516 branches (December 31, 2017: 516 branches); 515 in Pakistan and Azad Jammu and Kashmir, including 91 (December 31, 2017: 91) Islamic Banking branches, 43 (December 31, 2017: 43) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

2. BASIS OF MEASUREMENT

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention as modified for certain investments which are carried at fair value, non-banking assets acquired in satisfaction of claims, freehold and leasehold land which are shown at revalued amounts and staff retirement gratuity and compensated absences which are carried at present value of defined benefit obligations net of fair value of plan assets.

3. STATEMENT OF COMPLIANCE

These unconsolidated condensed interim financial statements for the half year ended June 30, 2018 are un-audited and have been prepared in accordance with the requirements of the International Accounting Standard 34, 'Interim Financial Reporting', and the requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962 and the provisions of and directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the provisions of and directives issued under the Companies Act, 2017 and the Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instrument: Recognition and Measurement' (IAS 39) and International Accounting Standard 40, 'Investment Property' (IAS 40), for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' (IFRS 7), has not been made applicable for banks. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

4. BASIS OF PRESENTATION

These unconsolidated condensed interim financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan vide BSD circular letter no. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34) and do not include all the information as required in the annual financial statements. Accordingly, these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2017.

These unconsolidated condensed interim financial statements are separate financial statements of the Bank in which the investment in subsidiaries are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which is done in consolidated condensed interim financial statements.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. One permissible form of trade-related modes of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure to these unconsolidated condensed interim financial statements.

These unconsolidated condensed interim financial statements are presented in Pak Rupee which is the Bank's functional and presentation currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2017 except for the following:

Consequent to the enactment of the Companies Act, 2017 (the Act), the Bank has changed its accounting policy for treatment of deficit on revaluation of fixed assets wherein any decrease in carrying amount of fixed asset as a result of revaluation is charged to profit and loss account, however the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Previously, any decrease in the carrying amount of fixed assets was netted off against surplus on revaluation of any other fixed assets. Had the accounting policy not been changed, the surplus on revaluation of fixed assets would have been lower by Rs. 107,658 thousand and unappropriated profit would have been higher by the same amount. The change in accounting policy has been accounted for retrospectively and the corresponding figures have been restated. Since the impact of the above change in accounting policy is considered immaterial, the Bank has not presented the third statement of financial position for the year prior to last year. The effect of the restatement has been disclosed in note 15.2 to these unconsolidated condensed interim financial statements.

Amendments and interpretations to approved accounting standards effective from January 1, 2018 are not expected to have a material impact on these unconsolidated condensed interim financial statements.

6. ACCOUNTING ESTIMATES

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

7. FINANCIAL RISK MANAGEMENT

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

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

8. INVESTMENTS

Investments by types:

Available for sale securities

	June 30, 2018 - (Un-audited)			December 31, 2017 - (Audited)		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
Market Treasury Bills	119,415,130	33,005,213	152,420,343	101,156,523	28,801,009	129,957,532
Pakistan Investment Bonds	112,799,616	2,625,524	115,425,140	136,643,765	17,556,510	154,200,275
Fully paid ordinary shares / units	4,757,813	-	4,757,813	4,546,851	-	4,546,851
Units of open end mutual funds	1,275,794	-	1,275,794	1,600,876	-	1,600,876
Fully paid preference shares	27,314	-	27,314	27,314	-	27,314
Term Finance Certificates	4,649,279	-	4,649,279	5,747,142	-	5,747,142
Sukuk Certificates	14,105,138	627,665	14,732,803	12,768,137	-	12,768,137
Commercial Papers	389,280	-	389,280	375,075	-	375,075
Foreign Government Bonds	-	249,889	249,889	228,590	-	228,590
Government of Pakistan Euro Bonds	931,029	-	931,029	573,033	-	573,033
	258,350,393	36,508,291	294,858,684	263,667,306	46,357,519	310,024,825

Held to maturity securities

Government of Pakistan Euro Bonds	1,003,396	2,304,310	3,307,706	1,318,629	1,706,222	3,024,851
Sukuk Certificates	3,513,615	1,804,046	5,317,661	2,294,387	1,054,208	3,348,595
	4,517,011	4,108,356	8,625,367	3,613,016	2,760,430	6,373,446

Investments at cost

	262,867,404	40,616,647	303,484,051	267,280,322	49,117,949	316,398,271
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Provision for diminution in the value of investments

	(2,205,345)	-	(2,205,345)	(2,042,279)	-	(2,042,279)
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Investments - net of provisions

	260,662,059	40,616,647	301,278,706	265,238,043	49,117,949	314,355,992
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(Deficit) / surplus on revaluation of available for sale securities - net

	(1,502,753)	(19,759)	(1,522,512)	399,719	201,037	600,756
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Total investments

	259,159,306	40,596,888	299,756,194	265,637,762	49,318,986	314,956,748
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(Un-audited)
June 30,
2018

(Audited)
December 31,
2017

9. ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan	263,892,525	223,766,645
Outside Pakistan	7,011,271	7,688,190

Islamic financing and related assets - note A - 1 of Annexure

Net investment in finance lease - In Pakistan

	270,903,796	231,454,835
	43,991,142	34,755,797
	8,427,076	8,652,030

Bills discounted and purchased (excluding treasury bills)

Payable in Pakistan	6,703,729	3,516,094
Payable outside Pakistan	7,589,973	5,960,914
	14,293,702	9,477,008

Advances - gross

Provision for non-performing advances - note 9.1

Specific provision	(24,368,173)	(24,962,069)
General provision	(287,596)	(236,940)
General provision against consumer loans	(508,984)	(447,575)
	(25,164,753)	(25,646,584)

Advances - net of provision

	312,450,963	258,693,086
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Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

9.1 Particulars of provision against non-performing advances

	June 30, 2018 - (Un - audited)				December 31, 2017 - (Audited)			
	Specific	General	Consumer Financing - General	Total	Specific	General	Consumer Financing - General	Total
(Rupees in thousand)								
Opening balance	24,962,069	236,940	447,575	25,646,584	26,353,791	236,944	368,599	26,959,334
Charge for the period / year	975,896	51,389	61,409	1,088,694	891,105	37,450	90,267	1,018,822
Reversal for the period / year	(1,569,792)	(733)	-	(1,570,525)	(2,159,610)	(37,454)	(11,291)	(2,208,355)
Net (reversal) / charge for the period / year	(593,896)	50,656	61,409	(481,831)	(1,268,505)	(4)	78,976	(1,189,533)
Amounts charged off - agri loans	-	-	-	-	(123,217)	-	-	(123,217)
Closing balance	<u>24,368,173</u>	<u>287,596</u>	<u>508,984</u>	<u>25,164,753</u>	<u>24,962,069</u>	<u>236,940</u>	<u>447,575</u>	<u>25,646,584</u>

9.2 The net Forced Sale Value (FSV) benefit already availed has been reduced by Rs. 82,934 thousand, which has resulted in an increased charge for specific provision for the period by the same amount. Had the FSV benefit not reduced, before and after tax profit for the period would have been higher by Rs. 82,934 thousand (2017: Rs. 219,497 thousand) and Rs. 53,907 thousand (2017: Rs. 142,673 thousand) respectively. Further, at June 30, 2018, cumulative net of tax benefit of FSV is Rs. 666,296 thousand (December 31, 2017: Rs. 720,203 thousand) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for payment of cash or stock dividend.

9.3 The Bank has availed the relaxation of Rs. 102,460 thousand (December 31, 2017: Rs. 102,460 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.

9.4 Advances include Rs. 26,519,585 thousand (December 31, 2017: Rs. 26,753,027 thousand) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2018 - (Un-audited)				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in thousand)				
Other Assets Especially					
Mentioned - note 9.4.1	140,122	-	140,122	-	-
Substandard	553,490	-	553,490	107,316	107,316
Doubtful	931,893	-	931,893	434,020	434,020
Loss	24,894,080	-	24,894,080	23,826,837	23,826,837
	26,519,585	-	26,519,585	24,368,173	24,368,173
Category of classification	December 31, 2017 - (Audited)				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in thousand)				
Other Assets Especially					
Mentioned - note 9.4.1	137,409	-	137,409	-	-
Substandard	118,878	-	118,878	15,600	15,600
Doubtful	701,369	-	701,369	280,067	280,067
Loss	25,795,371	-	25,795,371	24,666,402	24,666,402
	26,753,027	-	26,753,027	24,962,069	24,962,069

9.4.1 This represents classification made for Agricultural, Mortgage and Small Entities finances.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
		(Rupees in thousand)	
10. OPERATING FIXED ASSETS			
Capital work-in-progress		157,800	160,636
Property and equipment	10.1	9,622,447	9,764,664
Intangibles	10.2	737,132	827,931
		10,359,579	10,592,595
Provision against operating fixed assets		(24,404)	(24,404)
		<u>10,492,975</u>	<u>10,728,827</u>
10.1 Property and equipment			
Book value at beginning of the period / year		9,764,664	9,851,669
Cost of additions / revaluation during the period / year		378,569	1,260,980
Book value of deletions / transfers during the period / year		(11,538)	(22,131)
Depreciation charge for the period / year		(509,760)	(1,326,435)
Book value of adjustments during the period / year		512	581
Book value at end of the period / year		<u>9,622,447</u>	<u>9,764,664</u>
10.2 Intangibles			
Book value at beginning of the period / year		827,931	922,212
Cost of additions during the period / year		7,034	102,195
Amortization charge for the period / year		(97,833)	(196,476)
Book value at end of the period / year		<u>737,132</u>	<u>827,931</u>
11. DEFERRED TAX ASSETS			
Deferred (credits) / debits arising due to:			
Accelerated tax depreciation and amortization		(354,053)	(375,702)
Provision against non-performing advances			
- excess of 1% of total advances		-	450,177
- prior year charge on NPLs disallowance - note 11.1		1,496,729	-
- classified in sub-standard category		71,278	71,278
		1,213,954	145,753
Surplus on revaluation of available for sale securities		532,879	(210,265)
Actuarial losses		155,740	165,267
		<u>1,902,573</u>	<u>100,755</u>

11.1 This represents deferred tax on provision for NPLs classified prior to enactment of the seventh schedule of Income Tax ordinance 2001 which NPLs are disallowed consequent to the order of Islamabad High Court through its order dated March 13, 2018.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
12. BORROWINGS		
In Pakistan - local currency		
Secured		
Borrowings from the State Bank of Pakistan:		
- Export refinance scheme	10,891,099	12,029,461
- Long term financing facility	5,164,799	4,673,546
- Financing facility for storage of agricultural produce	7,500	9,167
- Renewable energy financing facility	236,526	126,427
	<u>16,299,924</u>	<u>16,838,601</u>
Repo borrowings		
- State Bank of Pakistan	25,703,548	40,522,945
- Financial Institutions	13,189,368	8,622,609
	<u>38,892,916</u>	<u>49,145,554</u>
Unsecured		
- Call borrowings	9,085,665	5,599,688
	<u>64,278,505</u>	<u>71,583,843</u>
Outside Pakistan - foreign currencies		
- Overdrawn nostro accounts - unsecured	1,899,637	3,468
	<u>66,178,142</u>	<u>71,587,311</u>
13. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	86,351,668	81,535,107
Savings deposits	315,504,565	291,527,935
Current accounts - remunerative	604,716	751,535
Current accounts - non-remunerative	162,911,945	143,681,714
Special exporters' account	181,444	150,636
Margin accounts	3,286,919	3,514,747
Others	1,271,543	1,163,372
Financial institutions		
Remunerative deposits	2,654,714	2,817,279
Non-Remunerative deposits	419,107	665,983
	<u>573,186,621</u>	<u>525,808,308</u>
14. SUB-ORDINATED LOANS		
Term finance certificates - IV	-	997,600
Term finance certificates - V	3,994,400	3,995,200
Term finance certificates - VI (ADT - 1) - note 14.1	5,505,000	-
	<u>9,499,400</u>	<u>4,992,800</u>

14.1 This represents amount received upto June 30, 2018 against issuance of term finance certificates (TFC VI - ADT 1) of Rs. 6 billion issued on July 3, 2018 and is admissible against tier 1 capital of the Bank as at June 30, 2018 as approved by SBP through its letter dated July 26, 2018.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

	(Un-audited) June 30, 2018	(Audited) December 31, 2017 Restated
15. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	(Rupees in thousand)	
Surplus on revaluation of:		
Operating fixed assets	2,940,128	2,940,128
Non banking assets acquired in satisfaction of claims - note 15.1	1,705,447	1,811,635
Available for sale investments		
i) Federal Government securities	(1,109,617)	1,503,492
ii) Listed shares	(470,805)	(981,249)
iii) Units of open end mutual funds	61,126	51,259
iv) Other securities	(3,216)	27,254
	(1,522,512)	600,756
Related deferred tax	532,879	(210,265)
	(989,633)	390,491
	<u>3,655,942</u>	<u>5,142,254</u>

15.1 Non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at beginning of the period / year	1,811,635	1,617,860
Recognised during the period / year	-	203,599
Realised on disposal during the period / year	(103,662)	(3,278)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(1,620)	(6,546)
Adjustment during the period	(906)	-
Surplus on revaluation as at end of the period / year	<u>1,705,447</u>	<u>1,811,635</u>

15.2 Prior period effect of change in accounting policy for revaluation of operating fixed assets

The effect of restatement consequent to change in accounting policy as stated in note 5 to these unconsolidated condensed interim financial statements is summarized below:

	(Audited) December 31, 2017 Restated	(Audited) December 31, 2016 Restated
Statement of Financial Position	(Rupees in thousand)	
Increase in surplus on revaluation of operating fixed assets	107,658	107,658
Decrease in unappropriated profit at year end	<u>107,658</u>	<u>107,658</u>

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
16. CONTINGENCIES AND COMMITMENTS	(Rupees in thousand)	
16.1 Direct credit substitutes		
i) Government	3,418,614	416,852
ii) Others	6,002,493	10,884,649
	<u>9,421,107</u>	<u>11,301,501</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
16.2 Transaction-related contingent liabilities		
Money for which the Bank is contingently liable:		
Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings	1,058,218	671,079
Contingent liability in respect of guarantees given, favouring:		
i) Government	137,189,655	101,289,688
ii) Banks and other financial institutions	612,443	8,480,982
iii) Others	27,213,245	31,580,906
	165,015,343	141,351,576
	166,073,561	142,022,655
These include guarantees amounting to Rs. 1,526,647 thousand (December 31, 2017: Rs. 1,564,564 thousand) against which the Bank is contesting court proceedings and these are not likely to result in any liability against the Bank.		
	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
16.3 Trade-related contingent liabilities	211,032,705	173,128,678
16.4 Other Contingencies		
These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank	916,105	778,013
16.5 Commitments in respect of forward lending		
Commitment against "Repo" transactions		
Purchase and resale agreements	4,513,683	1,515,752
Sale and repurchase agreements	38,960,558	49,250,012
16.6 Commitments in respect of forward Repo		
Forward sale and repurchase agreements	5,000,000	-
16.7 Commitments in respect of forward exchange contracts		
Purchase	28,579,950	26,354,478
Sale	9,855,026	9,083,720
The above commitments have maturities falling within one year		
16.8 Commitments for acquisition of operating fixed assets	70,156	119,195
16.9 Commitments to extend credit		
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 except for	15,242,908	14,826,508

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
16.10 Other commitments		
This represents participation in the equity of Pakistan Mortgage Refinance Company Limited	-	281,640
16.11 Bills For Collection		
Payable in Pakistan	4,368,412	4,502,306
Payable outside Pakistan	20,713,394	15,768,120
	<u>25,081,806</u>	<u>20,270,426</u>

17. TAX STATUS

- (i) The Bank has filed tax returns for and up to tax year 2017 (year ended 31 December 2016). The assessments for and up to tax year 2017 were amended by the tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income.

Tax payments made in relation to the matters currently pending are being carried forward as receivable, as management is confident of their realization as and when the appeals are decided.

- (ii) Consequent upon the amalgamation with and into the Bank, the outstanding tax issues relating to Askari Leasing Limited (ALL) are as follows:

Tax returns of ALL have been filed for and up to tax year 2010. The returns for the tax years 2003 to 2010 were amended by the tax authorities mainly in the matter of admissibility of initial allowance claimed on leased vehicles. On appeals filed by ALL, partial relief was provided by the CIR(A) by allowing initial allowance on commercial vehicles. Re-assessment has not yet been carried out by the tax department. A tax demand is however not likely to arise after re-assessment.

For and up to the assessment years 2002-2003, reference applications filed by the tax authorities in the matter of computation of lease income are pending decisions by the High Court. However the likelihood of an adverse decision is considered low due to a favourable decision of the High Court in a parallel case.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Bank as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5 to annual financial statements.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

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

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

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

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs) and determined by valuers on the panel of Pakistan Bank's Association.

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and non-banking assets acquired in satisfaction of claims.

	June 30, 2018 - (Un-audited)		
	Level 1	Level 2	Level 3
	(Rupees in thousand)		
Financial assets:			
Available for sale securities			
Market Treasury Bills	-	152,402,884	-
Pakistan Investment Bonds	-	114,420,625	-
Fully paid ordinary shares / units	3,454,680	-	300,000
Units of open end mutual funds	-	1,336,920	-
Fully paid preference shares	66,720	-	-
Term Finance Certificates	236,017	3,336,008	-
Sukuk Certificates	497,840	13,662,305	-
Commercial Papers	-	-	389,280
Foreign Government Bonds	-	238,438	-
Government of Pakistan Euro Bonds	-	899,110	-
	<u>4,255,257</u>	<u>286,296,290</u>	<u>689,280</u>
Non-financial assets:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	-	-	4,897,385
Other assets			
Non-banking assets acquired in satisfaction of claims	-	-	5,096,317
	<u>-</u>	<u>-</u>	<u>9,993,702</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

	December 31, 2017- (Audited)		
	Level 1	Level 2	Level 3
	(Rupees in thousand)		
Financial assets:			
Available for sale securities			
Market Treasury Bills	-	129,956,900	-
Pakistan Investment Bonds	-	155,714,864	-
Fully paid ordinary shares / units	3,384,942	-	18,360
Units of open end mutual funds	-	1,652,135	-
Fully paid preference shares	66,720	-	-
Term Finance Certificates	703,899	3,770,651	-
Sukuk Certificates	575,400	11,674,521	-
Commercial Papers	-	-	375,075
Foreign Government Bonds	-	228,426	-
Government of Pakistan Euro Bonds	-	571,409	-
	<u>4,730,961</u>	<u>303,568,906</u>	<u>393,435</u>
Non-financial assets:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	-	-	4,789,727
Other assets			
Non-banking assets acquired in satisfaction of claims	-	-	5,001,571
	<u>-</u>	<u>-</u>	<u>9,791,298</u>

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the period.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
(Rupees in thousand)							
For the half year ended June 30, 2018 - (Un-audited)							
Total income	87,287	9,657,232	1,057,099	11,132,953	82,810	30,925	22,048,306
Total expenses	8,131	8,712,289	885,820	8,043,617	7,714	2,881	17,660,452
Net income	79,156	944,943	171,279	3,089,336	75,096	28,044	4,387,854
For the half year ended June 30, 2017 - (Un-audited)							
Total income	145,894	10,719,044	779,587	9,366,734	92,232	25,388	21,128,879
Total expenses	15,655	8,966,624	770,103	6,331,308	9,897	2,724	16,096,311
Net income	130,239	1,752,420	9,484	3,035,426	82,335	22,664	5,032,568
As at June 30, 2018 - (Un-audited)							
Segment Assets (Gross)	94,094	347,397,246	20,842,115	365,010,802	89,268	33,337	733,466,862
Segment Non Performing Loans	-	-	2,138,105	24,381,480	-	-	26,519,585
Segment Provision Required	-	1,228,468	2,464,333	24,157,616	-	-	27,850,417
Segment Liabilities	1,078	36,553,061	309,181	635,081,713	1,022	382	671,946,437
Segment return on net assets (%)	0.01	1.42	0.16	1.63	0.01	0.00	
Segment cost of funds (%)	0.00	1.34	0.14	1.24	0.00	0.00	
As at June 30, 2017 - (Un-audited)							
Segment Assets (Gross)	160,534	322,608,147	17,383,228	317,697,687	101,487	27,936	657,979,019
Segment Non Performing Loans	-	-	2,249,084	25,053,593	-	-	27,302,677
Segment Provision Required	-	1,459,875	2,398,724	24,408,158	-	-	28,266,757
Segment Liabilities	1,997	29,033,910	284,660	566,884,120	1,263	348	596,206,298
Segment return on net assets (%)	0.02	1.72	0.12	1.50	0.01	0.00	
Segment cost of funds (%)	0.00	1.52	0.13	1.07	0.00	0.00	

20. RELATED PARTY TRANSACTIONS

Fauji Consortium comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited ("the Parent") holds 71.91% (December 31, 2017: 71.91%) of the Bank's share capital at the period end. The Bank has related party relationships with entities under common directorship, its directors, key management personnel and their relatives, entities over which the directors are able to exercise significant influence and employees' funds.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

Details of transactions with related parties during the half year and balances as at June 30, 2018, are as follows:

	June 30, 2018 - (Un-audited)						December 31, 2017 - (Audited)					
	Parent	Key management personnel	Directors	Companies with common directorship, having equity under 20%	Subsidiary	Other Related Parties	Parent	Key management personnel	Directors	Companies with common directorship, having equity under 20%	Subsidiary	Other Related Parties
Balances outstanding as at												
- Advances												
- Secured	4,109,199	360,757	47,000	4,099,549	-	-	781,073	390,847	-	3,797,303	-	-
- Un-secured	-	8,539	782	-	-	-	-	6,408	695	-	-	-
- Mark-up receivable	10,216	58,638	2,636	71,257	-	-	-	56,346	-	27,229	-	-
- Deposits - in local currency	10,847,876	111,722	9,837	4,519,959	14,273	4,101,765	5,674,098	160,366	27,047	6,452,719	3,251	3,042,573
- Deposits - in foreign currencies	195,007	33,048	1,349	794,737	-	-	96,617	26,222	1,954	757,299	-	-
- Sub-ordinated loans	-	-	-	24,965	-	-	-	-	-	24,975	-	-
- Mark-up payable - in local currency	22,080	1,886	31	17,714	-	4,267	20,193	1,515	18	11,038	-	6,513
- Mark-up payable - in foreign currencies	246	56	-	3,064	-	-	458	77	2	5,560	-	-
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	3,234,242	-	-	1,332,131	-	-	50,000	-	-	1,878,456	-	-
- Investments in shares / units	-	-	-	466,472	-	-	-	-	-	162,561	-	-
- Security deposits receivable	3,600	-	-	-	-	-	3,600	-	-	-	-	-
- Security deposits payable	494	287	-	114,048	-	-	494	504	-	59,772	-	-
- Assets held for sale - net of provision	-	-	-	-	80,720	-	-	-	-	-	80,720	-
- Contribution payable to employees' funds	-	-	-	-	-	94,338	-	-	-	-	-	489,526
Transactions during the half year ended												
- Mark-up / interest earned	23,317	6,253	1,948	148,756	-	-	16,928	5,614	-	144,749	-	-
- Net mark-up / interest expensed	274,560	2,602	206	269,636	-	93,046	127,407	2,736	237	196,519	144	47,551
- Contributions to employees' funds	-	-	-	-	-	253,938	-	-	-	-	-	275,571
- Rent of property / service charges paid	10,141	-	-	-	-	-	10,169	-	-	-	-	-
- Rent received	-	-	-	749	-	-	-	-	-	-	-	-
- Dividend received	-	-	-	4,132	-	-	-	-	-	-	-	-
- Remuneration and allowances paid	-	223,591	-	-	-	2,040	-	216,605	-	-	-	1,981
- Post employment benefits	-	12,268	-	-	-	-	-	14,691	-	-	-	-
- Fee, commission and brokerage income	42	-	-	10,697	-	-	40	-	-	1,249	-	-
- Fee, commission and brokerage paid	-	-	-	236	-	-	-	-	-	46	-	-
- Dividend paid	-	-	-	-	-	-	1,359,423	133	2	-	-	11,745
- Fees and other expenses paid	-	-	2,644	-	-	-	-	250	2,388	-	-	-
- Gain on sale of assets held for sale	-	-	-	-	-	-	-	-	-	-	216,000	-

In addition to above, rent free sub-branch is operating at FFC head office, Sona Tower.

21. Basel III Liquidity Standards

	(Un-audited) June 30, 2018	(Un-audited) March 31, 2018	(Audited) December 31, 2017
Liquidity Coverage Ratio (Monthly Average)	175.99%	196.33%	184.74%
Net Stable Funding Ratio	208.41%	209.83%	220.45%

22. RECLASSIFICATION OF COMPARATIVE FIGURES

There has been no significant reclassification in these unconsolidated condensed interim financial statements except an amount of Rs. 94,872 thousand for the period ended June 30, 2017, which has been reclassified from other income to fee, commission and brokerage income.

23. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors on August 16, 2018.

- sd -
Chief Financial Officer

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman

Islamic Banking Business - Statement of Financial Position

As at June 30, 2018

Annexure

(1 of 4)

The Bank is operating 94 Islamic banking branches including 3 Sub branches at June 30, 2018 (December 31, 2017: 94 Islamic banking branches including 3 Sub branches).

	Note	(Un-audited) June 30, 2018 (Rupees in thousand)	(Audited) December 31, 2017
ASSETS			
Cash and balances with treasury banks		3,064,688	2,996,103
Balances with other banks		349,355	1,162,958
Due from financial institutions		-	750,000
Investments		6,631,356	6,733,697
Islamic financing and related assets	A - 1	43,608,184	34,395,936
Operating fixed assets		606,629	654,384
Other assets		1,290,934	1,022,482
Total Assets		55,551,146	47,715,560
LIABILITIES			
Bills payable		994,353	775,764
Due to Financial Institutions		6,090,768	2,410,152
Deposits and other accounts			
-Current Accounts		14,364,736	12,978,198
-Saving Accounts	A - 2	18,651,941	17,205,872
-Term Deposits		6,153,666	5,824,785
-Others		577,177	497,568
-Deposit from Financial Institutions - remunerative		845,646	1,139,554
-Deposits from Financial Institutions - non-remunerative		3,887	4,797
Due to Head Office		2,618,060	1,868,060
Other liabilities		1,727,192	1,519,444
		52,027,426	44,224,194
Net Assets		3,523,720	3,491,366
REPRESENTED BY			
Islamic Banking Fund		4,100,000	4,100,000
Accumulated losses		(535,709)	(616,817)
		3,564,291	3,483,183
(Deficit) / surplus on revaluation of assets		(40,571)	8,183
		3,523,720	3,491,366
Remuneration to Shariah Board during the period / year			
		2,040	3,965
A - 1 Islamic Financing and Related Assets			
Murabaha		4,605,136	4,968,620
Ijara		4,585,916	4,522,339
Musharaka		17,279,932	8,606,677
Diminishing Musharaka		8,587,123	8,678,560
Salam		5,634,072	5,498,419
Istisna		2,840,137	2,370,613
Other Islamic Modes		458,826	110,569
		43,991,142	34,755,797
Total provision		(382,958)	(359,861)
	A - 1.1	43,608,184	34,395,936

A - 1.1 Islamic Mode of Financing

(Rupees in thousand)

June 30, 2018 - (Un-audited)							
	Murabaha	Ijara	Musharaka	Diminishing Musharaka	Salam	Istisna	Total
Financing	3,411,967	4,169,770	17,279,932	8,532,040	4,920,144	2,678,426	41,056,550
Advance	1,193,169	416,146	-	55,083	-	-	1,664,398
Inventory	-	-	-	-	713,928	161,711	875,639
Receivables against Sale of Salam / Istisna Inventory	-	-	-	-	-	394,555	394,555
	4,605,136	4,585,916	17,279,932	8,587,123	5,634,072	2,840,137	43,991,142
Provision	(81,834)	(122,788)	-	(165,958)	(12,378)	-	(382,958)
Total	4,523,302	4,463,128	17,279,932	8,421,165	5,621,694	2,840,137	43,608,184

December 31, 2017 - (Audited)							
	Murabaha	Ijara	Musharaka	Diminishing Musharaka	Salam	Istisna	Total
Financing	3,724,973	4,175,959	8,606,677	8,625,354	5,394,534	2,062,034	32,650,100
Advance	1,243,647	346,380	-	53,206	-	-	1,643,233
Inventory	-	-	-	-	103,885	308,579	412,464
Receivables against Sale of Salam / Istisna Inventory	-	-	-	-	-	50,000	50,000
	4,968,620	4,522,339	8,606,677	8,678,560	5,498,419	2,370,613	34,755,797
Provision	(79,392)	(128,984)	-	(142,918)	(8,567)	-	(359,861)
Total	4,889,228	4,393,355	8,606,677	8,535,642	5,489,852	2,370,613	34,395,936

A - 2 These include remunerative current accounts of Rs. 604,716 thousand (December 31, 2017: Rs.751,535 thousand).

Islamic Banking Business - Profit and Loss Account (Un-audited)

For the half year ended June 30, 2018

Annexure

(3 of 4)

	June 30, 2018	June 30, 2017
	(Rupees in thousand)	
Profit / return earned on financings, investments and placements	1,563,550	1,236,224
Return on deposits and other dues expensed	693,697	594,567
Net spread earned	869,853	641,657
Provision against non-performing financings	23,198	49,009
Provision for diminution in the value of investments	-	18,703
	23,198	67,712
Income after provisions	846,655	573,945
Other Income		
Fee, commission and brokerage Income	83,280	52,029
Income from dealing in foreign currencies	10,134	1,328
Other income	20,715	15,224
Total other income	114,129	68,581
	960,784	642,526
Other expenses		
Administrative expenses	879,676	821,342
Other provisions / write offs	-	-
Other charges	-	-
Total other expenses	879,676	821,342
	81,108	(178,816)
Extraordinary / unusual items	-	-
Profit / (loss) before taxation	81,108	(178,816)

Islamic Banking Business - Statement of Sources and Uses of Charity Fund

As at June 30, 2018

Annexure
(4 of 4)

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
Opening balance	6,304	9,257
Additions during the period / year		
- received from customers on delayed payments	4,809	9,255
- non shariah compliant income	224	381
- profit on charity account	-	2
- others	24	97
	5,057	9,735
Payments / Utilization during the period / year		
- education	-	(2,250)
- community welfare (provision of clean drinking water)	-	(3,700)
- health	(1,000)	(4,684)
- orphanage	-	(2,054)
	(1,000)	(12,688)
Closing balance	10,361	6,304

**ASKARI BANK LIMITED
& ITS SUBSIDIARY**

**CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (Un-Audited)
FOR THE HALF YEAR ENDED JUNE 30, 2018**

Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2018

		(Un-audited) June 30, 2018	(Audited) December 31, 2017 Restated
	Note	(Rupees in thousand)	
Assets			
Cash and balances with treasury banks		51,028,948	44,239,325
Balances with other banks		3,531,820	3,193,835
Lendings to financial institutions		4,481,150	2,250,000
Investments	8	299,756,194	314,956,748
Advances	9	312,450,963	258,693,086
Operating fixed assets	10	10,492,975	10,728,827
Deferred tax assets	11	1,902,573	100,755
Other assets		21,891,102	22,465,073
		705,535,725	656,627,649
Assets attributable to discontinued operations	12	290,773	327,949
		705,826,498	656,955,598
Liabilities			
Bills payable		12,470,060	10,769,262
Borrowings	13	66,178,142	71,587,311
Deposits and other accounts	14	573,185,342	525,805,051
Sub-ordinated loans	15	9,499,400	4,992,800
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		10,612,213	11,115,197
		671,945,157	624,269,621
Liabilities associated with discontinued operations	12	110,107	140,741
		672,055,264	624,410,362
Net Assets		33,771,234	32,545,236
Represented By:			
Share capital		12,602,602	12,602,602
Reserves		15,316,709	12,032,263
Unappropriated profit		2,136,952	2,703,887
		30,056,263	27,338,752
Non-controlling interest		43,400	44,353
		30,099,663	27,383,105
Surplus on revaluation of assets - net of tax			
Continued operations	16	3,655,942	5,142,254
Discontinued operations		15,629	19,877
		33,771,234	32,545,236

Contingencies and Commitments

17

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

- sd -
Chief Financial Officer

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman

Consolidated Condensed Interim Profit and Loss Account (Un-audited)

For the half year ended June 30, 2018

	Note	For the half year ended		For the quarter ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		(Rupees in thousand)			
Mark-up / return / interest earned		19,120,494	17,641,247	9,987,133	8,977,538
Mark-up / return / interest expensed		10,187,990	9,806,247	5,283,729	4,936,789
Net mark-up / interest income		8,932,504	7,835,000	4,703,404	4,040,749
Reversal of provision against non-performing loans and advances - net	9.1	(481,831)	(1,069,513)	(91,078)	(715,018)
Impairment loss on available for sale investments		-	30,047	-	18,749
Provision / (reversal of provision) for diminution in the value of investments - net		163,065	(23,020)	290,576	(10,519)
Bad debts written off directly		-	-	-	-
		(318,766)	(1,062,486)	199,498	(706,788)
Net mark-up / interest income after provisions		9,251,270	8,897,486	4,503,906	4,747,537
Non mark-up / interest income					
Fee, commission and brokerage income		1,471,360	1,214,059	779,235	639,116
Dividend income		114,718	170,585	77,320	152,551
Income from dealing in foreign currencies		943,945	404,048	619,932	225,343
Gain on sale of securities - net		134,477	1,510,631	41,574	993,315
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net		-	-	-	-
Other income		263,312	176,809	172,918	147,759
Total non mark-up / interest income		2,927,812	3,476,132	1,690,979	2,158,084
		12,179,082	12,373,618	6,194,885	6,905,621
Non mark-up / interest expenses					
Administrative expenses		7,703,608	7,404,438	3,888,195	3,874,932
Other provisions / write offs		-	-	-	-
Other charges		87,620	100,490	42,387	55,070
Total non mark-up / interest expenses		7,791,228	7,504,928	3,930,582	3,930,002
		4,387,854	4,868,690	2,264,303	2,975,619
Extraordinary / unusual items		-	-	-	-
Profit before taxation		4,387,854	4,868,690	2,264,303	2,975,619
Taxation - current		1,233,947	946,439	511,524	189,033
- prior years		1,700,489	243,344	1,700,489	243,344
- deferred		(1,068,201)	815,170	(1,089,102)	909,800
		1,866,235	2,004,953	1,122,911	1,342,177
Profit after taxation - continued operations		2,521,619	2,863,737	1,141,392	1,633,442
Profit after taxation - discontinued operations	12	(4,271)	31,148	(1,360)	18,541
		2,517,348	2,894,885	1,140,032	1,651,983
Attributable to:					
Equity holders of the Bank		2,518,301	2,886,668	1,140,228	1,648,626
Non-controlling interest		(953)	8,217	(196)	3,357
		2,517,348	2,894,885	1,140,032	1,651,983

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

- sd -
Chief Financial Officer

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President & Chief Executive

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Director

- sd -
Director

- sd -
Chairman

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended June 30, 2018

	For the half year ended		For the quarter ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(Rupees in thousand)			
Profit after taxation	2,517,348	2,894,885	1,140,032	1,651,983
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss account				
Exchange difference on translation of net investment in Wholesale Bank Branch	76,235	1,558	75,072	70
Items that will not be reclassified to profit and loss account				
Remeasurement of defined benefit plan	27,220	(137,842)	27,220	(137,842)
Related tax on remeasurement of defined benefit plan	(9,527)	48,245	(9,527)	48,245
Remeasurement of defined benefit plan - net of tax	17,693	(89,597)	17,693	(89,597)
Remeasurement of defined benefit plan - (Discontinued operations) - net of tax	-	-	-	-
Comprehensive income - transferred to statement of changes in equity	2,611,276	2,806,846	1,232,797	1,562,456
Components of comprehensive income not reflected in equity				
Items that are or may be reclassified subsequently to profit and loss account				
Deficit on revaluation of available for sale securities - net of tax				
Continued operations	(1,380,124)	(120,172)	(517,807)	(553,229)
Discontinued operations	(4,248)	(22,073)	(9,874)	-
Total comprehensive income	<u>1,226,904</u>	<u>2,664,601</u>	<u>705,116</u>	<u>1,009,227</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	1,228,961	2,662,123	707,879	1,006,699
Non-controlling interest	(2,057)	2,478	(2,763)	2,528
	<u>1,226,904</u>	<u>2,664,601</u>	<u>705,116</u>	<u>1,009,227</u>
Total comprehensive income arises from:				
Continued operations	1,235,423	2,655,526	716,350	993,876
Discontinued operations	(8,519)	9,075	(11,234)	15,351
	<u>1,226,904</u>	<u>2,664,601</u>	<u>705,116</u>	<u>1,009,227</u>

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Director

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Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2018

	June 30, 2018	June 30, 2017
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	4,387,854	4,868,690
Less: dividend income	(114,718)	(170,585)
	<u>4,273,136</u>	<u>4,698,105</u>
Adjustments:		
Depreciation / amortization	607,593	926,028
Reversal of provision against non-performing advances - net	(481,831)	(1,069,513)
Impairment loss on available for sale investments	-	30,047
Provision / (reversal of provision) for diminution in the value of investments - net	163,065	(23,020)
Charge for defined benefit plan	176,889	147,826
Loss on sale of operating fixed assets	1,046	3,090
	<u>466,762</u>	<u>14,458</u>
	<u>4,739,898</u>	<u>4,712,563</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,981,150)	6,316,319
Advances	(53,371,698)	(25,351,081)
Other assets (excluding advance taxation)	567,041	582,291
	<u>(55,785,807)</u>	<u>(18,452,471)</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,700,798	2,307,507
Borrowings	(5,409,169)	(46,320,262)
Deposits and other accounts	47,380,291	53,141,708
Other liabilities (excluding current taxation)	(152,622)	(136,238)
	<u>43,519,298</u>	<u>8,992,715</u>
	<u>37,208</u>	<u>(1,419)</u>
Discontinued operations		
Cash generated from operations	(7,489,403)	(4,748,612)
Payment made to defined benefit plan	(489,526)	(350,884)
Income tax paid	(2,812,049)	(2,252,412)
Net cash outflow from operating activities	<u>(10,790,978)</u>	<u>(7,351,908)</u>
Cash flow from investing activities		
Net investments in available for sale securities	15,166,141	13,348,922
Net investments in held to maturity securities	(2,251,921)	1,285
Dividend income	94,007	86,261
Investments in operating fixed assets - net of adjustment	(383,279)	(723,246)
Sale proceeds of operating fixed assets disposed off	10,492	12,031
Discontinued operations	(39,185)	341,368
Net cash inflow from investing activities	<u>12,596,255</u>	<u>13,066,621</u>
Cash flow from financing activities		
Payments of sub-ordinated loans	4,506,600	(1,000)
Dividends paid	(10,504)	(1,867,550)
Net cash inflow / (outflow) from financing activities	<u>4,496,096</u>	<u>(1,868,550)</u>
Exchange difference on translation of net investment in Wholesale Bank Branch	76,235	1,558
	<u>6,377,608</u>	<u>3,847,721</u>
Increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	48,183,160	48,413,889
Cash and cash equivalents at end of the period	<u>54,560,768</u>	<u>52,261,610</u>
Cash and cash equivalents at end of the period		
Cash and balances with treasury banks	51,028,948	47,661,566
Balances with other banks	3,531,820	4,600,044
	<u>54,560,768</u>	<u>52,261,610</u>

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

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Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the half year ended June 30, 2018

	(Rupees in thousand)								
	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Revenue Reserves		Sub-total	Non-controlling interest	Total
					General reserve	Unappropriated profit			
Balance as at January 01, 2017									
- as previously reported	12,602,602	93,511	234,669	6,755,314	1,772,459	4,090,445	25,549,000	37,908	25,586,908
Effect of retrospective change in accounting policy with respect to accounting for surplus on revaluation of fixed assets	-	-	-	-	-	(107,658)	(107,658)	-	(107,658)
Balance as at January 01, 2017 - as restated	12,602,602	93,511	234,669	6,755,314	1,772,459	3,982,787	25,441,342	37,908	25,479,250
Transfer to General reserve	-	-	-	-	3,982,787	(3,982,787)	-	-	-
Total comprehensive income for the half year ended June 30, 2017									
Net profit for the half year ended June 30, 2017	-	-	-	-	-	2,886,668	2,886,668	8,217	2,894,885
Other comprehensive income related to equity	-	1,558	-	-	-	(89,597)	(88,039)	-	(88,039)
Transfer to Statutory reserve	-	1,558	-	-	-	2,797,071	2,798,629	8,217	2,806,846
	-	-	-	605,523	-	(605,523)	-	-	-
Transaction with owners, recorded directly in equity									
Final dividend 2016: Rs. 1.5 per share	-	-	-	-	(1,890,390)	-	(1,890,390)	-	(1,890,390)
Balance as at June 30, 2017	12,602,602	95,069	234,669	7,360,837	3,864,856	2,191,548	26,349,581	46,125	26,395,706
Total comprehensive income for the half year ended December 31, 2017									
Net profit for the half year ended December 31, 2017	-	-	-	-	-	2,235,195	2,235,195	(1,783)	2,233,412
Other comprehensive income related to equity	-	28,778	-	-	-	(24,366)	4,412	11	4,423
Transfer to Statutory reserve	-	28,778	-	-	-	2,210,829	223,9607	(1,772)	2,237,835
Transfer from surplus on revaluation of assets to unappropriated profit	-	-	-	448,054	-	(448,054)	-	-	-
	-	-	-	-	-	9,824	9,824	-	9,824
Transaction with owners, recorded directly in equity									
Interim dividend 2017: Re. 1 per share	-	-	-	-	-	(1,260,260)	(1,260,260)	-	(1,260,260)
Balance as at December 31, 2017	12,602,602	123,847	234,669	7,808,891	3,864,856	2,703,887	27,338,752	44,353	27,383,105
Transfer to General reserve	-	-	-	-	2,703,887	(2,703,887)	-	-	-
Total comprehensive income for the half year ended June 30, 2018									
Net profit for the half year ended June 30, 2018	-	-	-	-	-	2,518,301	2,518,301	(953)	2,517,348
Other comprehensive income related to equity	-	76,235	-	-	-	17,693	93,928	-	93,928
Transfer to Statutory reserve	-	76,235	-	-	-	2,535,994	2,612,229	(953)	2,611,276
Transfer from surplus on revaluation of assets to unappropriated profit	-	-	-	504,324	-	(504,324)	-	-	-
	-	-	-	-	-	105,282	105,282	-	105,282
Balance as at June 30, 2018	12,602,602	200,082	234,669	8,313,215	6,568,743	2,136,952	30,056,263	43,400	30,099,663

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

- sd -
Chief Financial Officer

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

1. STATUS AND NATURE OF BUSINESS

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Pakistan Stock Exchange. The registered office of the Bank is situated at AWT Plaza, the Mall, Rawalpindi. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on June 30, 2018. The ultimate parent of the Bank is Fauji Foundation. The Bank has 516 branches (December 31, 2017: 516 branches); 515 in Pakistan and Azad Jammu and Kashmir, including 91 (December 31, 2017: 91) Islamic Banking branches, 43 (December 31, 2017: 43) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

Askari Securities Limited (ASL) was incorporated in Pakistan on October 1, 1999 under the repealed Companies Ordinance, 1984 as a public limited company. The Bank holds 74% Ordinary Shares of ASL. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of ASL is situated in Islamabad.

2. BASIS OF MEASUREMENT

These consolidated condensed interim financial statements have been prepared under the historical cost convention as modified for certain investments which are carried at fair value, non-banking assets acquired in satisfaction of claims, freehold and leasehold land which are shown at revalued amounts and staff retirement gratuity and compensated absences which are carried at present value of defined benefit obligations net of fair value of plan assets.

3. STATEMENT OF COMPLIANCE

These consolidated condensed interim financial statements of the Group for the half year ended June 30, 2018 are un-audited and have been prepared in accordance with the requirements of the International Accounting Standard 34, 'Interim Financial Reporting', requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962 and the provisions of and directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the provisions of the Companies Act, 2017, the Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instrument: Recognition and Measurement' (IAS 39) and International Accounting Standard 40, 'Investment Property' (IAS 40), for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' (IFRS 7), has not been made applicable for the banks. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

4. BASIS OF PRESENTATION

These consolidated condensed interim financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan vide BSD circular letter no. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34) and do not include all the information as required in the annual financial statements. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2017.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. One permissible form of trade-related modes of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branches have been consolidated in these consolidated condensed interim financial statements for reporting purposes, after eliminating material inter branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure to the unconsolidated condensed interim financial statements.

These consolidated condensed interim financial statements are presented in Pak Rupee which is the Group's functional and presentation currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2017 except for the following:

Consequent to the enactment of the Companies Act, 2017 (the Act), the Group has changed its accounting policy for treatment of deficit on revaluation of fixed assets wherein any decrease in carrying amount of fixed asset as a result of revaluation is charged to profit and loss account, however the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Previously, any decrease in the carrying amount of fixed assets was netted off against surplus on revaluation of any other fixed assets. Had the accounting policy not been changed, the surplus on revaluation of fixed assets would have been lower by Rs. 107,658 thousand and unappropriated profit would have been higher by the same amount. The change in accounting policy has been accounted for retrospectively and the corresponding figures have been restated. Since the impact of the above change in accounting policy is considered immaterial, the Group has not presented the third statement of financial position for the year prior to last year. The effect of the restatement has been disclosed in note 16.2 to these consolidated condensed interim financial statements.

Amendments and interpretations to approved accounting standards effective from January 1, 2018 are not expected to have a material impact on these consolidated condensed interim financial statements.

6. ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2017.

7. FINANCIAL RISK MANAGEMENT

The financial risk management objective and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements of the Group for the year ended December 31, 2017.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

8. INVESTMENTS

Investments by types:

Available for sale securities

	June 30, 2018 - (Un-audited)			December 31, 2017 - (Audited)		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
(Rupees in thousand)						
Market Treasury Bills	119,415,130	33,005,213	152,420,343	101,156,523	28,801,009	129,957,532
Pakistan Investment Bonds	112,799,616	2,625,524	115,425,140	136,643,765	17,556,510	154,200,275
Fully paid ordinary shares / units	4,757,813	-	4,757,813	4,546,851	-	4,546,851
Units of open end mutual funds	1,275,794	-	1,275,794	1,600,876	-	1,600,876
Fully paid preference shares	27,314	-	27,314	27,314	-	27,314
Term Finance Certificates	4,649,279	-	4,649,279	5,747,142	-	5,747,142
Sukuk Certificates	14,105,138	627,665	14,732,803	12,768,137	-	12,768,137
Commercial Papers	389,280	-	389,280	375,075	-	375,075
Foreign Government Bonds	-	249,889	249,889	228,590	-	228,590
Government of Pakistan Euro Bonds	931,029	-	931,029	573,033	-	573,033
	258,350,393	36,508,291	294,858,684	263,667,306	46,357,519	310,024,825

Held to maturity securities

Government of Pakistan Euro Bonds	1,003,396	2,304,310	3,307,706	1,318,629	1,706,222	3,024,851
Sukuk Certificates	3,513,615	1,804,046	5,317,661	2,294,387	1,054,208	3,348,595
	4,517,011	4,108,356	8,625,367	3,613,016	2,760,430	6,373,446

Investments at cost

	262,867,404	40,616,647	303,484,051	267,280,322	49,117,949	316,398,271
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Provision for diminution in the value of investments

	(2,205,345)	-	(2,205,345)	(2,042,279)	-	(2,042,279)
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Investments - net of provisions

	260,662,059	40,616,647	301,278,706	265,238,043	49,117,949	314,355,992
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Surplus / (deficit) on revaluation of available for sale securities - net

	(1,502,753)	(19,759)	(1,522,512)	399,719	201,037	600,756
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Total investments

	259,159,306	40,596,888	299,756,194	265,637,762	49,318,986	314,956,748
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(Un-audited)
June 30,
2018

(Audited)
December 31,
2017

(Rupees in thousand)

9. ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan	263,892,525	223,766,645
Outside Pakistan	7,011,271	7,688,190

Islamic financing and related assets - note A - 1 of Annexure

Net investment in finance lease - In Pakistan

	270,903,796	231,454,835
	43,991,142	34,755,797
	8,427,076	8,652,030

Bills discounted and purchased (excluding treasury bills)

Payable in Pakistan	6,703,729	3,516,094
Payable outside Pakistan	7,589,973	5,960,914
	14,293,702	9,477,008

Advances - gross

Provision for non-performing advances - note 9.1

Specific provision	(24,368,173)	(24,962,069)
General provision	(287,596)	(236,940)
General provision against consumer loans	(508,984)	(447,575)
	(25,164,753)	(25,646,584)

Advances - net of provision

	312,450,963	258,693,086
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Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

9.1 Particulars of provision against non-performing advances

	June 30, 2018 - (Un - audited)				December 31, 2017- (Audited)			
	Specific	General	Consumer Financing - General	Total	Specific	General	Consumer Financing - General	Total
(Rupees in thousand)								
Opening balance	24,962,069	236,940	447,575	25,646,584	26,353,791	236,944	368,599	26,959,334
Charge for the period / year	975,896	51,389	61,409	1,088,694	891,105	37,450	90,267	1,018,822
Reversal for the period / year	(1,569,792)	(733)	-	(1,570,525)	(2,159,610)	(37,454)	(11,291)	(2,208,355)
Net (reversal) / charge for the period / year	(593,896)	50,656	61,409	(481,831)	(1,268,505)	(4)	78,976	(1,189,533)
Amounts charged off - agri loans	-	-	-	-	(123,217)	-	-	(123,217)
Closing balance	24,368,173	287,596	508,984	25,164,753	24,962,069	236,940	447,575	25,646,584

9.2 The net Forced Sale Value (FSV) benefit already availed has been reduced by Rs. 82,934 thousand, which has resulted in an increased charge for specific provision for the period by the same amount. Had the FSV benefit not reduced, before and after tax profit for the period would have been higher by Rs. 82,934 thousand (2017: Rs. 219,497 thousand) and Rs. 53,907 thousand (2017: Rs. 142,673 thousand) respectively. Further, at June 30, 2018, cumulative net of tax benefit of FSV is Rs. 666,296 thousand (December 31, 2017: Rs. 720,203 thousand) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for payment of cash or stock dividend.

9.3 The Group has availed the relaxation of Rs. 102,460 thousand (December 31, 2017: Rs. 102,460 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.

9.4 Advances include Rs. 26,519,585 thousand (December 31, 2017: Rs. 26,753,027 thousand) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2018 - (Un-audited)				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in thousand)				
Other Assets Especially					
Mentioned - note 9.4.1	140,122	-	140,122	-	-
Substandard	553,490	-	553,490	107,316	107,316
Doubtful	931,893	-	931,893	434,020	434,020
Loss	24,894,080	-	24,894,080	23,826,837	23,826,837
	26,519,585	-	26,519,585	24,368,173	24,368,173
	December 31, 2017 - (Audited)				
Category of classification	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in thousand)				
	Other Assets Especially				
Mentioned - note 9.4.1	137,409	-	137,409	-	-
Substandard	118,878	-	118,878	15,600	15,600
Doubtful	701,369	-	701,369	280,067	280,067
Loss	25,795,371	-	25,795,371	24,666,402	24,666,402
	26,753,027	-	26,753,027	24,962,069	24,962,069

9.4.1 This represents classification made for Agricultural, Mortgage and Small Entities finances.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
		(Rupees in thousand)	
10. OPERATING FIXED ASSETS			
Capital work-in-progress		157,800	160,636
Property and equipment	10.1	9,622,447	9,764,664
Intangibles	10.2	737,132	827,931
		10,359,579	10,592,595
Provision against operating fixed assets		(24,404)	(24,404)
		<u>10,492,975</u>	<u>10,728,827</u>
10.1 Property and equipment			
Book value at beginning of the period / year		9,764,664	9,851,669
Cost of additions / revaluation during the period / year		378,569	1,260,980
Book value of deletions / transfers during the period / year		(11,538)	(28,684)
Depreciation charge for the period / year		(509,760)	(1,326,435)
Book value of adjustments during the period / year		512	7,134
Book value at end of the period / year		<u>9,622,447</u>	<u>9,764,664</u>
10.2 Intangibles			
Book value at beginning of the period / year		827,931	922,212
Cost of additions during the period / year		7,034	102,195
Amortization charge for the period / year		(97,833)	(196,476)
Book value at end of the period / year		<u>737,132</u>	<u>827,931</u>
11. DEFERRED TAX ASSETS			
Deferred (credits) / debits arising due to:			
Accelerated tax depreciation and amortization		(354,053)	(375,702)
Provision against non-performing advances			
- excess of 1% of total advances		-	450,177
- prior year charge on NPLs disallowance - note 11.1		1,496,729	-
- classified in sub-standard category		71,278	71,278
		1,213,954	145,753
Surplus on revaluation of available for sale securities		532,879	(210,265)
Actuarial losses		155,740	165,267
		<u>1,902,573</u>	<u>100,755</u>

11.1 This represents deferred tax on provision for NPLs classified prior to enactment of the seventh schedule of Income Tax ordinance 2001 which NPLs are disallowed consequent to the order of Islamabad High Court through its order dated March 13, 2018.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

12. DISCONTINUED OPERATIONS

12.1 An analysis of the assets and liabilities attributable to discontinued operations at the balance sheet date is as follows:

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
12.1.1 Assets attributable to discontinued operations		
Cash and balances with treasury banks	-	-
Balances with other banks	133,494	167,994
Lendings to financial institutions	-	-
Investments	76,477	40,411
Advances	810	810
Operating fixed assets	19,888	21,017
Deferred tax assets	-	-
Other assets	60,104	97,717
	<u>290,773</u>	<u>327,949</u>
Liabilities associated with discontinued operations		
Bills payable	-	-
Borrowings	-	-
Deposits and other accounts	-	-
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Other liabilities	110,107	140,741
	<u>110,107</u>	<u>140,741</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

Note	For the half year ended		For the quarter ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(Rupees in thousand)			
12.1.2 Financial Performance				
Mark-up / return / interest earned	590	304	410	285
Mark-up / return / interest expensed	53	-	53	-
Net mark-up / interest income	537	304	357	285
Provision / (reversal) against non-performing loans and advances - net	-	-	-	-
Impairment loss on available for sale investments	-	-	-	-
Provision for diminution in the value of investments - net	-	-	-	-
Bad debts written off directly	-	-	-	-
Net mark-up / interest income after provisions	537	304	357	285
Non mark-up / interest income				
Fee, commission and brokerage income	16,559	23,204	7,015	(13,965)
Dividend income	80	240	80	80
Income from dealing in foreign currencies	-	-	-	-
Gain on sale of securities - net	4,487	32,991	4,487	8,523
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net	314	-	314	(4,749)
Other income	225	151	101	(132)
Total non mark-up / interest income	21,665	56,586	11,997	(10,243)
Non mark-up / interest expenses				
Administrative expenses	23,315	25,679	11,803	(21,312)
Other provisions / write offs	-	-	-	-
Other charges	-	-	-	-
Total non mark-up / interest expenses	23,315	25,679	11,803	(21,312)
Extraordinary / unusual items	-	-	-	-
Profit before taxation	(1,113)	31,211	551	11,354
Taxation - current	(3,158)	(254)	(1,911)	7,091
- prior years	-	-	-	-
- deferred	-	191	-	96
	(3,158)	(63)	(1,911)	7,187
Profit after taxation	(4,271)	31,148	(1,360)	18,541
12.1.3 Other comprehensive income				
Profit after tax	(4,271)	31,148	(1,360)	18,541
Surplus / (deficit) on revaluation of assets - net of tax	(4,248)	(22,073)	(9,874)	(3,190)
Total comprehensive income	(8,519)	9,075	(11,234)	15,351

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

12.1.4 Cash flow information

	(Un-audited) June 30, 2018	(Un-audited) June 30, 2017
	(Rupees in thousand)	
Net cash flows from operating activities	37,208	(1,419)
Net cash flows from investing activities	(39,185)	341,368
Net cash flows from financing activities	-	-

13. BORROWINGS

In Pakistan - local currency

Secured

Borrowings from the State Bank of Pakistan:

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
- Export refinance scheme	10,891,099	12,029,461
- Long term financing facility	5,164,799	4,673,546
- Financing facility for storage of agricultural produce	7,500	9,167
- Renewable energy financing facility	236,526	126,427
	16,299,924	16,838,601

Repo borrowings

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
- State Bank of Pakistan	25,703,548	40,522,945
- Financial Institutions	13,189,368	8,622,609
	38,892,916	49,145,554

Unsecured

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
- Call borrowings	9,085,665	5,599,688
	64,278,505	71,583,843

Outside Pakistan - foreign currencies

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
- Overdrawn nostro accounts - unsecured	1,899,637	3,468
	66,178,142	71,587,311

14. DEPOSITS AND OTHER ACCOUNTS

Customers

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
Fixed deposits	86,351,668	81,535,107
Savings deposits	315,504,553	291,527,924
Current accounts - remunerative	604,716	751,535
Current accounts - non-remunerative	162,910,678	143,678,468
Special exporters' account	181,444	150,636
Margin accounts	3,286,919	3,514,747
Others	1,271,543	1,163,372

Financial institutions

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
Remunerative deposits	2,654,714	2,817,279
Non-remunerative deposits	419,107	665,983
	573,185,342	525,805,051

15. SUB-ORDINATED LOANS

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
Term finance certificates - IV	-	997,600
Term finance certificates - V	3,994,400	3,995,200
Term finance certificates - VI (ADT - 1) - note 15.1	5,505,000	-
	9,499,400	4,992,800

15.1 This represents amount received upto June 30, 2018 against issuance of term finance certificates (TFCVI - ADT 1) of Rs. 6 billion issued on July 3, 2018 and is admissible against tier 1 capital of the Bank as at June 30, 2018 as approved by SBP through its letter dated July 26, 2018.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

	(Un-audited) June 30, 2018	(Audited) December 31, 2017 Restated
16. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	(Rupees in thousand)	
Surplus on revaluation of:		
Operating fixed assets	2,940,128	2,940,128
Non banking assets acquired in satisfaction of claims - note 16.1	1,705,447	1,811,635
Available for sale investments		
i) Federal Government securities	(1,109,617)	1,503,492
ii) Listed shares	(470,805)	(981,249)
iii) Units of open end mutual funds	61,126	51,259
iv) Other securities	(3,216)	27,254
	(1,522,512)	600,756
Related deferred tax	532,879	(210,265)
	(989,633)	390,491
	<u>3,655,942</u>	<u>5,142,254</u>

16.1 Non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at beginning of the period / year	1,811,635	1,617,860
Recognised during the period / year	-	203,599
Realised on disposal during the period / year	(103,662)	(3,278)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(1,620)	(6,546)
Adjustment during the period	(906)	-
Surplus on revaluation as at end of the period / year	<u>1,705,447</u>	<u>1,811,635</u>

16.2 Prior period effect of change in accounting policy for revaluation of operating fixed assets

The effect of restatement consequent to change in accounting policy as stated in note 5 to these consolidated condensed interim financial statements is summarized below:

	(Audited) December 31, 2017 Restated	(Audited) December 31, 2016 Restated
Statement of Financial Position	(Rupees in thousand)	
Increase in surplus on revaluation of operating fixed assets	107,658	107,658
Decrease in unappropriated profit at year end	<u>107,658</u>	<u>107,658</u>

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
17. CONTINGENCIES AND COMMITMENTS	(Rupees in thousand)	
17.1 Direct credit substitutes		
i) Government	3,418,614	416,852
ii) Others	6,002,493	10,884,649
	<u>9,421,107</u>	<u>11,301,501</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
17.2 Transaction-related contingent liabilities		
Money for which the Bank is contingently liable:		
Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings	1,058,218	671,079
Contingent liability in respect of guarantees given, favouring:		
i) Government	137,189,655	101,289,688
ii) Banks and other financial institutions	612,443	8,480,982
iii) Others	27,213,245	31,580,906
	165,015,343	141,351,576
	166,073,561	142,022,655
These include guarantees amounting to Rs. 1,526,647 thousand (December 31, 2017: Rs.1,564,564 thousand) against which the Group is contesting court proceedings and these are not likely to result in any liability against the Group.		
	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
17.3 Trade-related contingent liabilities	211,032,705	173,128,678
17.4 Other Contingencies		
These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Group.	916,105	778,013
17.5 Commitments in respect of forward lending		
Commitment against "Repo" transactions		
Purchase and resale agreements	4,513,683	1,515,752
Sale and repurchase agreements	38,960,558	49,250,012
17.6 Commitments in respect of forward Sale		
Forward sale of Government Securities	5,000,000	-
17.7 Commitments in respect of forward exchange contracts		
Purchase	28,579,950	26,354,478
Sale	9,855,026	9,083,720
The above commitments have maturities falling within one year		
17.8 Commitments in respect of forward purchase / sale of listed equity securities	3,333	9,690
17.9 Commitments for acquisition of operating fixed assets	70,156	119,195

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

(Un-audited) June 30, 2018	(Audited) December 31, 2017
(Rupees in thousand)	

17.10 Commitments to extend credit

The Group 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 except for

15,242,908	14,826,508
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17.11 Other commitments

This represents participation in the equity of Pakistan Mortgage Refinance Company Limited

-	281,640
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17.12 Bills For Collection

Payable in Pakistan
Payable outside Pakistan

4,368,412	4,502,306
20,713,394	15,768,120
25,081,806	20,270,426

18. TAX STATUS

- (i) The Group has filed tax returns for and up to tax year 2017 (year ended 31 December 2016). The assessments for and up to tax year 2017 were amended by the tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income.

Tax payments made in relation to the matters currently pending are being carried forward as receivable, as management is confident of their realization as and when the appeals are decided.

- (ii) Consequent upon the amalgamation with and into the Group, the outstanding tax issues relating to Askari Leasing Limited (ALL) are as follows:

Tax returns of ALL have been filed for and up to tax year 2010. The returns for the tax years 2003 to 2010 were amended by the tax authorities mainly in the matter of admissibility of initial allowance claimed on leased vehicles. On appeals filed by ALL, partial relief was provided by the CIR(A) by allowing initial allowance on commercial vehicles. Re-assessment has not yet been carried out by the tax department. A tax demand is however not likely to arise after re-assessment.

For and up to the assessment years 2002-2003, reference applications filed by the tax authorities in the matter of computation of lease income are pending decisions by the High Court. However the likelihood of an adverse decision is considered low due to a favourable decision of the High Court in a parallel case.

19. FAIRVALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Bank as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5 to annual financial statements.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

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 (Pakistan Stock Exchange) for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) available at MUFAP, Reuters page, Redemption prices and determined by valuers on the panel of Pakistan Banker's Association.

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

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Group has adopted revaluation model (as per IAS 16) in respect of land and non-banking assets acquired in satisfaction of claims.

June 30, 2018 - (Un-audited)			
	Level 1	Level 2	Level 3
	(Rupees in thousand)		
Financial assets:			
Available for sale securities			
Market Treasury Bills	-	152,402,884	-
Pakistan Investment Bonds	-	114,420,625	-
Fully paid ordinary shares / units	3,454,680	-	300,000
Units of open end mutual funds	-	1,336,920	-
Fully paid preference shares	66,720	-	-
Term Finance Certificates	236,017	3,336,008	-
Sukuk Certificates	497,840	13,662,305	-
Commercial Papers	-	-	389,280
Foreign Government Bonds	-	238,438	-
Government of Pakistan Euro Bonds	-	899,110	-
	<u>4,255,257</u>	<u>286,296,290</u>	<u>689,280</u>
Non-financial assets:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	-	-	4,897,385
Other assets			
Non-banking assets acquired in satisfaction of claims	-	-	5,096,317
	<u>-</u>	<u>-</u>	<u>9,993,702</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

December 31, 2017- (Audited)		
Level 1	Level 2	Level 3
(Rupees in thousand)		

Financial assets:

Available for sale securities			
Market Treasury Bills	-	129,956,900	-
Pakistan Investment Bonds	-	155,714,864	-
Fully paid ordinary shares / units	3,384,942	-	18,360
Units of open end mutual funds	-	1,652,135	-
Fully paid preference shares	66,720	-	-
Term Finance Certificates	703,899	3,770,651	-
Sukuk Certificates	575,400	11,674,521	-
Commercial Papers	-	-	375,075
Foreign Government Bonds	-	228,426	-
Government of Pakistan Euro Bonds	-	571,409	-
	<u>4,730,961</u>	<u>303,568,906</u>	<u>393,435</u>

Non-financial assets:

Operating fixed assets			
Property and equipment (freehold and leasehold land)	-	-	4,789,727
Other assets			
Non-banking assets acquired in satisfaction of claims	-	-	5,001,571
	<u>-</u>	<u>-</u>	<u>9,791,298</u>

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the period.

20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Total
Rupees in thousands									
For the half year ended June 30, 2018 - (Un-audited)									
Total income	87,287	9,657,232	1,057,099	11,132,953	82,810	30,925	-	22,255	22,070,561
Total expenses	8,131	8,712,289	885,820	8,043,617	7,714	2,881	-	23,368	17,683,820
Net income / (loss)	79,156	944,943	171,279	3,089,336	75,096	28,044	-	(1,113)	4,386,741
For the half year ended June 30, 2017 - (Un-audited)									
Total income	145,894	10,719,044	779,587	9,355,234	92,232	25,388	-	56,890	21,174,269
Total expenses	15,655	8,966,624	770,103	6,483,686	9,897	2,724	-	25,679	16,274,368
Net income / (loss)	130,239	1,752,420	9,484	2,871,548	82,335	22,664	-	31,211	4,899,901
As at June 30, 2018 - (Un-audited)									
Segment Assets (Gross)	94,094	347,397,246	20,842,115	364,896,013	89,268	33,337	-	357,580	733,709,653
Segment Non Performing Loans	-	-	2,138,105	24,381,480	-	-	-	-	26,519,585
Segment Provision Required	-	1,228,468	2,464,333	24,123,547	-	-	-	66,807	27,883,155
Segment Liabilities	1,078	36,553,061	309,181	635,080,433	1,022	382	-	110,107	672,055,264
Segment return on net assets (%)	0.05	5.67	0.62	6.54	0.05	0.02	-	0.01	
Segment cost of funds (%)	0.05	5.96	0.65	6.87	0.05	0.02	-	0.01	
As at June 30, 2017 - (Un-audited)									
Segment Assets (Gross)	160,534	322,608,147	17,383,228	317,616,967	101,487	27,936	-	402,993	658,301,292
Segment Non Performing Loans	-	-	2,249,084	25,053,593	-	-	-	-	27,302,677
Segment Provision Required	-	1,459,875	2,398,724	24,408,158	-	-	-	66,215	28,332,972
Segment Liabilities	1,997	29,033,910	284,660	566,880,087	1,263	348	-	138,273	596,340,538
Segment return on net assets (%)	0.09	6.86	0.50	5.99	0.06	0.02	-	0.04	
Segment cost of funds (%)	0.10	7.25	0.53	6.33	0.06	0.02	-	0.04	

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

21. RELATED PARTY TRANSACTIONS

Fauji Consortium comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited ("the Parent") holds 71.91% (December 31, 2017: 71.91%) of the Bank's share capital at the period end. The Bank has related party relationships with entities under common directorship, its directors, key management personnel and their lineal ascendants and descendants, entities over which the directors are able to exercise significant influence and employees' funds.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

Details of transactions with related parties during the half year and balances as at June 30, 2018, are as follows:

	June 30, 2018 - (Un-audited)					December 31, 2017 - (Audited)				
	Parent	Key management personnel	Directors	Companies with common directorship, having equity under 20%	Other Related Parties	Parent	Key management personnel	Directors	Companies with common directorship, having equity under 20%	Other Related Parties
Balances outstanding as at										
- Advances										
Secured	4,109,199	360,757	47,000	4,099,549	-	781,073	390,847	-	3,797,303	-
Un-secured	-	8,539	782	-	-	-	6,408	695	-	-
- Mark-up receivable	10,216	58,638	2,636	71,257	-	-	56,346	-	27,229	-
- Deposits - in local currency	10,847,876	111,722	9,837	4,519,959	4,101,765	5,674,098	160,366	27,047	6,452,719	3,042,573
- Deposits - in foreign currencies	195,007	33,048	1,349	794,737	-	96,617	26,222	1,954	757,299	-
- Sub-ordinated loans	-	-	-	24,965	-	-	-	-	24,975	-
- Mark-up payable - in local currency	22,080	1,886	31	17,714	4,267	20,193	1,515	18	11,038	6,513
- Mark-up payable - in foreign currencies	246	56	-	3,064	-	458	77	2	5,560	-
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	3,234,242	-	-	1,332,131	-	50,000	-	-	1,878,456	-
- Investments in shares / units	-	-	-	466,472	-	-	-	-	162,561	-
- Security deposits receivable	3,600	-	-	-	-	3,600	-	-	-	-
- Security deposits payable	494	287	-	114,048	-	494	504	-	59,772	-
- Assets held for sale - net of provision	-	-	-	-	-	-	-	-	-	-
- Contribution payable to employees' funds	-	-	-	-	94,338	-	-	-	-	489,526
Transactions during the half year ended										
- Mark-up / interest earned	23,317	6,253	1,948	148,756	-	16,928	5,614	-	144,749	-
- Net mark-up / interest expensed	274,560	2,602	206	269,636	93,046	127,407	2,736	237	196,519	47,551
- Contributions to employees' funds	-	-	-	-	253,938	-	-	-	-	275,571
- Rent of property / service charges paid	10,141	-	-	-	-	10,169	-	-	-	-
- Rent received	-	-	-	749	-	-	-	-	-	-
- Dividend received	-	-	-	4,132	-	-	-	-	-	-
- Remuneration and allowances paid	-	223,591	-	-	2,040	-	216,605	-	-	1,981
- Post employment benefits	-	12,268	-	-	-	-	14,691	-	-	-
- Fee, commission and brokerage income	42	-	-	10,697	-	40	-	-	1,249	-
- Fee, commission and brokerage paid	-	-	-	236	-	-	-	-	46	-
- Dividend paid	-	-	-	-	-	1,359,423	133	2	-	11,745
- Fees and other expenses paid	-	-	2,644	-	-	-	250	2,388	-	-
- Gain on sale of assets held for sale	-	-	-	-	-	-	-	-	-	-

In addition to above, rent free sub-branch is operating at FFC head office, Sona Tower.

22. RECLASSIFICATION OF COMPARATIVE FIGURES

There has been no significant reclassification in these consolidated condensed interim financial statements except an amount of Rs. 94,872 thousand for the period ended June 30, 2017, which has been reclassified from other income to fee, commission and brokerage income.

23. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on August 16, 2018.

- sd -
Chief Financial Officer

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman



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