

CONNECTING
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Corporate Information

Board of Directors

Mr. Ali Hussain
Mr. Fawad Anwar
Mr. Syed Amir Ali
Mr. Ali Mohamad Hussain
Ali Mohamad Alshamali
Dr. Amjad Waheed
Mr. Muhammad Nadeem Farooq
Mr. Noman Yakoob
Mr. Siraj Ahmed Dadabhoy

Chairman
Vice Chairman
President & Chief Executive Officer

Audit Committee

Dr. Amjad Waheed
Mr. Ali Mohamad Hussain
Ali Mohamad Alshamali
Mr. Muhammad Nadeem Farooq
Mr. Noman Yakoob

Chairman
Member
Member
Member

Risk Management Committee

Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq
Mr. Siraj Ahmed Dadabhoy
Mr. Syed Amir Ali

Chairman
Member
Member
Member

Human Resource Management Committee

Mr. Ali Mohamad Hussain
Ali Mohamad Alshamali
Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq
Mr. Siraj Ahmed Dadabhoy
Mr. Syed Amir Ali

Chairman
Member
Member
Member
Member

Board Remuneration Committee

Mr. Ali Mohamad Hussain Ali Mohamad Alshamali
Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq
Mr. Siraj Ahmed Dadabhoy

Chairman
Member
Member
Member

IT Committee

Mr. Muhammad Nadeem Farooq
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali
Mr. Noman Yakoob
Mr. Syed Amir Ali

Chairman
Member
Member
Member

Executive Committee

Mr. Ali Hussain
Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq
Mr. Siraj Ahmed Dadabhoy
Mr. Syed Amir Ali

Chairman
Member
Member
Member
Member

Sharia'h Supervisory Board

Mufti Irshad Ahmad Aijaz
Mufti Javed Ahmed
Mufti Muhammad Husain

Chairman
Member
Member

Company Secretary

Mr. Muhammad Shoaib

Auditors

EY Ford Rhodes,
Chartered Accountants

Legal Adviser

1- Haidermota & Co.
Barrister at Law

2- Mohsin Tayebaly & Co.
Corporate Legal Consultants / Barristers & Advocates
High Courts & Supreme Court

Management (in alphabetical order)

Aasim Salim
Bilal Fiaz
Bilal Zuberi
Kashif Nisar
Mahmood Rashid
Masood Muhammad Khan
Mateen Mahmood
Muhammad Asadullah Chaudhry
Muhammad Shoaib
Muhammad Uzair Sipra
Rizwan Ata
Rizwan Qamar Lari
Shehzad Kazmi
Sohail Sikandar
Syed Abdul Razzaq
Syed Amir Ali
Syed Arif Mahtab
Syed Muhammad Aamir Shamim
Tariq Ali Khan

General Manager - Central
Head, Consumer Business
General Manager - South-A
Head, Products & Shariah Structuring
Head, Security & Government Relations
Head, Compliance
General Manager - South-B
Head, Human Resource
Company Secretary
Head, Legal
Country Head of Distribution
Head, Internal Audit
Head, Corporate Finance
Chief Financial Officer
Head, Risk Management
President & CEO
Head Operations
Head, Treasury & Financial Institutions
General Manager - North

Registered Office

11th Floor, Executive Tower, Dolmen City, Marine Drive,
Block-4, Clifton, Karachi.
Phone (92-21) 111-247(BIP)-111
Fax: (92-21) 35378373
Email: info@bankislami.com.pk

Share Registrar

CDC Share Registrar Services Limited
Head Office: CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal
Karachi-74400.
Tel: (92) 0800-23275
Fax: (92-21) 34326040
URL: www.cdcsrsl.com
Email: info@cdcsrsl.com

Public Dealing Timings of Share Registrar

Monday to Thursday: 9:00 am to 7:00 pm
Friday : 9:00 am to 12:30 pm and 2:30 pm to 7:00 pm
Saturday: 9:00am to 1:00 pm

Website:

www.bankislami.com.pk

Directors' Report

Dear Shareholders,

On behalf of the Board, we are pleased to present the financial results of BankIslami Pakistan Limited ('BankIslami' or 'the Bank') for the half year ended June 30, 2019. Following are the key financial highlights of the period:

Particulars	June 2019	June 2018	Growth
	-----Rupees in millions-----		
Total Deposits*	213,941	170,904	25.2%
Total Assets*	254,159	207,040	22.8%
Total Financing and related assets-net	118,017	104,926	12.5%
Total Investments-net	56,283	46,773	20.3%
Net Assets	15,095	13,577	11.2%
Net Spread Earned*	4,864	2,731	78.1%
Operating Profit before provisions	1,789	122	13.7 times
Profit After Tax	581	65	7.9 times
Basic Earnings per share (Rupees)	0.576	0.065	7.9 times
Branches network (number)	330	330	-

* comparative figures have been restated due to reclassification or change in reporting format.

Financial Performance

During the period under review, the Bank continued to grow on the strength of its branch banking business, with healthy contribution by all regions across the country. Resultantly, the balance sheet of the Bank depicted robust growth during HY2019 whereby its deposits base and total assets grew by 25.2% and 22.8%, respectively, in comparison to HY2018. Growth in deposits was spurred by execution of strong deposit mobilization campaigns supported by effective marketing activity. Increase in assets was contributed by all line items particularly growth in high yielding Islamic Financing and enhancement in investment base of the Bank via deploying funds in recently issued Government of Pakistan backed Pakistan Energy Sukuk.

As a result of extensive efforts made on recovery from non-performing clients, the Bank's overall infection ratio has declined from 13.9% as at June 30, 2018 to 9.9% as at June 30, 2019. The Bank has also taken accelerated provisions against delinquent financing portfolio, due to which Bank's coverage ratio (including general provisions) has increased from 72.0% as at June 30, 2018 to 89.4% at the end of June 2019.

The net spread earned has increased by 78.1% during the half year. Further, the net spread margin has also improved from 48.5% during same period last year to 49.3%. This increase is mainly contributed increase in earning asset and rise in SBP policy rate. In future, we are expecting an improvement in profit margin, as the asset portfolio will be fully re-priced.

Bank's non-funded income declined by Rs. 37.7 million mainly due to one-off capital gains booked during the same period last year and decline in income relating to debit cards.

Operating expenses grew by 11.9% as compared to same period last year on account of increase in variable expenses linked with business volumes, improvement in IT infrastructure of the Bank, increase in insurance expenses due to introduction of deposit protection scheme

by SBP and inflationary pressure. On account of implementation of IFRS 16 'Leases', as explained in detail in note 3.1.2 of these financial statements, the depreciation expense has increased as compared to same period last year, which was substantially compensated by reduction in rental expenses on premises. Had IFRS-16 not been applied, profit after tax for the half year ended would have been higher by Rs. 117.96 million.

With improvement in (i) overall net revenue of the Bank by 63.6%, and (ii) cost to income ratio to 66.8% as compared to 96.3%; operating profits of BankIslami during the period under review has increased to Rs. 1,789 million i.e. 13.7 times higher than the operating profit of Rs. 122 million posted during the same period last year, Alhamdulillah. The Bank, taking a prudent view, booked additional provisioning against delinquent financing and other assets, and posted profit after tax at Rs. 581 million for the half year ended June 30, 2019 i.e. over 7.9 times higher than last half year's profit after tax of Rs. 65 million.

Achievements and New Initiatives

Alhamdulillah, BankIslami has achieved the status of leading bank in overall banking industry in home financing industry with over Rs. 1.9 billion disbursement during HY 2019. The Bank has signed an agreement with Pakistan Mortgage Refinance Company (PMRC) and received Rs. 1 billion under the agreement to finance low and middle income segment at fixed rate for 3 years. Moreover, in order to promote the low income housing finance in the country, the SBP has issued a policy for low cost housing finance facility for widows, children of martyrs (Shaheed), special persons, transgender and persons in areas severely affected by terrorism at a discounted rate. The Bank has launched a product to support the SBP's initiative. The financing amount to this segment will be refinanced by SBP upto 100%.

On the Auto Finance business front, the Bank successfully launched a special Ramazan discount scheme, which was well received by the market. The Auto finance team has also performed brand activation activities at various branches of BankIslami in collaboration with renowned brands in auto industry.

Keeping in view the demands and needs of its retail customers, the Bank has launched a 2 year Special Term Deposit product during the period which has received an overwhelming response from the masses. Furthermore, the Bank has signed an agreement with EFU, which is one of the leading life assurance operators in the domain, to offer their takaful products to BankIslami's customers through Bank's counter.

The Bank consider its employees as its greatest assets, hence it always endeavors to take care of its employees and their needs. In line with this philosophy, the Bank has successfully launched a new and improved health policy coverage for Bank's staff which includes coverage for parents as well.

In context of marketing and brand development, the marketing department had organized number of activities during the period. The BankIslami team as part its CSR activity, visited Edhi Children Home and spent time with children. Additionally, the team also arranged meetings of bloggers and top media personnel with Syed Amir Ali, CEO & President of BankIslami, to highlight the Bank's products and imparting Bank's perspectives with regards to growth of Islamic Banking in Pakistan.

Litigations

The detailed and updated status of litigations have been stated in note no 20.3.1 of these financial statements.

Acknowledgment

The Board would like to place on record its deep appreciation to the State Bank of Pakistan for providing assistance and guidance. It would also like to thank the Securities and Exchange Commission of Pakistan and other regulatory authorities for their support to us. We would like to express our gratitude to our valued customers, business partners and shareholders for their continued patronage and trust. Moreover, we would also like to acknowledge the dedication, commitment and hard work put in by our management team and employees that has enabled BankIslami to achieve a respectable position in the Banking industry in general and Islamic Banking industry in particular; Alhamdulillah.

On behalf of the Board

-Sd-

Syed Amir Ali
President & Chief Executive Officer
August 27, 2019

-Sd-

Ali Hussain
Chairman of the Board

فنانس ٹیم نے آٹو انڈسٹری کے ممتاز برانڈز کے تعاون سے بینک اسلامی کی مختلف برانچوں میں برانڈ ایکٹیویشن کی سرگرمیوں میں بھی حصہ لیا۔ اپنے ریٹیل صارفین کی ضروریات اور طلب کو پیش نظر رکھتے ہوئے بینک نے اس عرصہ کے دوران دو سالہ سٹیبل ٹرم ڈپازٹ پروڈکٹ کا آغاز کیا جس کا لوگوں نے پر جوش خیر مقدم کیا۔ مزید برآں بینک نے ای ایف یو کے ساتھ بینک کاؤنٹر پر بینک اسلامی کے صارفین کو ان کی تکامل مصنوعات پیش کرنے کے لئے ایک معاہدہ پر دستخط کئے جو اس شعبہ میں ایک معروف لائف انشورنس آپریٹر ہے۔

بینک اپنے ملازمین کو اپنا سب سے بڑا اثاثہ سمجھتا ہے لہذا اس کی ہمیشہ کوشش رہی ہے کہ وہ اپنے ملازمین اور ان کی ضروریات کا خیال رکھے۔ اس فلسفہ کے پیش نظر بینک نے اپنے اسٹاف کے لئے کامیابی سے نئی اور بہتر ہیلتھ پالیسی کو ترجیح کا آغاز کیا جس میں ان کے والدین کے لئے بھی کوریج شامل ہے۔

مارکیٹنگ اور برانڈ ویلپمنٹ کے تناظر میں مارکیٹنگ ڈیپارٹمنٹ نے اس عرصہ کے دوران متعدد سرگرمیوں کا انعقاد کیا۔ بینک اسلامی نے اپنی CSR سرگرمی کے حصہ کے طور پر ایڈیٹیو چلڈرن ہوم کا دورہ کیا اور بچوں کے ساتھ وقت گزارا۔ علاوہ ازیں بینک نے اپنے سی ای او اور صدر سید عامر علی کے ساتھ معروف میڈیا شخصیات اور بلاگز کے ساتھ ملاقات کا بھی اہتمام کیا جس کا مقصد بینک کی مصنوعات اور پاکستان میں اسلامی بینکنگ کے فروغ کے ضمن میں بینک کے نکتہ نظر کو اجاگر کرنا تھا۔

مقدمہ بازی (Litigation)

مقدمہ بازی کی تفصیلی اور تازہ ترین صورتحال اس مالیاتی بیان کے نوٹ نمبر 20.3.1 میں بیان کی گئی ہے۔

اعتراف

بورڈ اسٹیٹ بینک آف پاکستان کا معاہدہ اور رہنمائی کی فراہمی کو سراہتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اداروں کی جانب سے تعاون پر بھی شکریہ ادا کرنا چاہتا ہے۔ ہم اپنے معزز صارفین، کاروباری شراکت داروں اور شیئرز ہولڈرز کے مسلسل اعتماد کیلئے بھی شکریہ ادا کرنا چاہتے ہیں۔ اس کے علاوہ ہم اپنی انتظامی ٹیم اور ملازمین کی جانب سے سخت محنت اور عزم کا بھی اعتراف کرتے ہیں جس کے باعث بینک اسلامی بالعموم بینکنگ انڈسٹری بالخصوص اسلامک بینکنگ انڈسٹری میں قابل قدر حیثیت حاصل کرنے کے قابل ہوا۔ الحمد للہ

منجانب،

-Sd-

علی حسین

چیرمین بورڈ

-Sd-

سید عامر علی

صدر/چیف ایگزیکٹو آفیسر

27 اگست 2019ء

بینک کی کوریج شرح (بشمول جزل پرویزنز) 30 جون 2018ء کو 72.0 فیصد سے بڑھ کر جون 2019ء کے اختتام تک 89.4 فیصد ہو گئی۔

ششماہی کے دوران net spread آمدن میں 78.1 فیصد تک اضافہ ہوا۔ مزید برآں net spread مارجن بھی بہتر ہو کر 49.3 فیصد ہو گیا ہے جو گزشتہ سال کی اسی مدت کے دوران 48.5 فیصد تھا۔ یہ اضافہ کمائے گئے اثاثوں میں اضافے اور ایس بی پی کی پالیسی ریٹ میں اضافہ ہونے کی وجہ سے ہوا ہے۔ مستقبل میں ہم منافع کے مارجن میں بہتری کی توقع کر رہے ہیں کیونکہ اثاثوں کے پورٹ فولیو کی قیمت کا مکمل طور پر دوبارہ تعین نئے ریٹ پر کیا جائے گا۔

بینک کی نان فنڈڈ آمدنی میں 37.7 ملین روپے کی کمی کی وجہ گزشتہ سال اسی عرصے کی دوران بک کیا گیا کچھیل منافع اور اس ششماہی میں ڈیٹ کارڈ کی آمدنی میں کمی ہے۔

کاروباری حجم سے منسلک متغیر اخراجات، بینک کے آئی ٹی انفراسٹرکچر میں بہتری، SBP کی جانب سے ڈپازٹ پروٹیکشن اسکیم کو متعارف کرانے کے ضمن میں انشورنس اخراجات میں اضافہ اور افراط زر کے دباؤ کے باعث آپریٹنگ اخراجات میں گزشتہ سال اسی عرصے کے مقابلے میں 11.9 فیصد تک اضافہ ہوا۔ جیسا کہ مالیاتی بیانات کے نوٹ 3.1.2 میں تفصیل سے بیان کیا گیا ہے کہ IFRS-16 "Leases" کے نفاذ کے حوالے سے Depreciation میں گزشتہ سال کی اسی مدت کے مقابلہ میں اضافہ ہوا جس میں عمارتوں کے کرایوں کے اخراجات میں کمی کے ذریعے کافی حد تک تلافی ہوئی ہے۔ اگر IFRS-16 کا اطلاق نہ کیا جاتا تو ختم ہونے والی ششماہی کیلئے منافع بعد از ٹیکس 117.96 ملین روپے تک زیادہ ہوتا۔

(i) بینک کی مجموعی آمدنی میں 63.6 فیصد کی بہتری اور (ii) لاگت سے آمدن کے درمیان شرح 96.3 فیصد کے مقابلہ میں 66.8 فیصد میں بہتری سے زیر جائزہ مدت کے دوران بینک اسلامی کے آپریٹنگ منافع میں 1,789 ملین روپے کا اضافہ ہوا جو گزشتہ سال کے اسی عرصہ کے دوران 122 ملین روپے کے آپریٹنگ منافع سے 13.7 گنا زیادہ ہے، الحمد للہ۔ بینک مثبت کنٹینر نظر اختیار کر رہا ہے، غیر فعال فنانسنگ اور دیگر اثاثوں پر اضافی پروڈن کی ہنگ کی جا رہی ہے اور 30 جون 2019ء کو ختم ہونے والی ششماہی کے لئے 581 ملین روپے کا بعد از ٹیکس منافع ظاہر کیا گیا جو کہ گزشتہ سال کی اسی ششماہی کے 65 ملین روپے کے بعد از ٹیکس منافع سے 7.9 گنا زیادہ ہے۔

کامیابیاں اور نئے اقدامات

الحمد للہ، بینک اسلامی نے 2019ء کی ششماہی کے دوران ہوم فنانسنگ انڈسٹری میں 1.9 ارب روپے سے زائد رقم کی فراہمی کے ذریعے مجموعی بینکنگ انڈسٹری میں معروف بینک کا درجہ حاصل کیا ہے۔ بینک نے پاکستان مورگج ری فنانس کمپنی (پرائیم آر سی) کے ساتھ معاہدے پر دستخط کئے اور اس معاہدے کے تحت کم اور درمیانی آمدن والے طبقات کے لئے تین سال کی فکسڈ شرح پر ایک ارب روپے حاصل کئے۔ مزید برآں ملک میں کم آمدن والے افراد کے لئے گھروں کی سرمایہ کاری کے فروغ کے تناظر میں اسٹیٹ بینک آف پاکستان نے کم لاگت کے گھروں میں سرمایہ کاری کی سہولت کے لئے پالیسی جاری کی ہے جو کہ دہشت گردی سے متاثرہ علاقوں میں رہنے والوں، بیواؤں، شہداء کے بچوں، خصوصی افراد اور خواہجہ سراؤں کے لئے ہے۔ بینک نے اسٹیٹ بینک آف پاکستان کے اقدام میں معاونت کیلئے پروڈکٹ جاری کی ہے۔ اس طبقہ کے لئے فنانسنگ کی رقم 100 فیصد اسٹیٹ بینک آف پاکستان کی جانب سے ری فنانس کی جائے گی۔

آٹو فنانس کاروبار کے شعبہ سے متعلق بینک نے کامیابی سے خصوصی رمضان ڈس کاؤنٹ سکیم شروع کی تھی جس کا مارکیٹ میں بھرپور خیر مقدم کیا گیا۔ آٹو

ڈائریکٹر رپورٹ

معزز حاملین حصص،

بورڈ کی جانب سے ہم 30 جون 2019ء کو ختم ہونے والی ششماہی کے لئے بینک اسلامی پاکستان لمیٹڈ (بینک اسلامی یا بینک) کے مالیاتی نتائج پیش کرنے پر خوشی محسوس کر رہے ہیں۔ اس عرصہ کے لئے اہم مالیاتی نکات درج ذیل ہیں۔

تفصیلات	جون 2019ء	جون 2018ء	نمو
	روپے بلین میں		
مجموعی ڈیپازٹس*	213,941	170,904	25.2%
مجموعی اثاثے*	254,159	207,040	22.8%
مجموعی فنانسنگ اور متعلقہ اثاثے۔ صافی	118,017	104,926	12.5%
مجموعی سرمایہ کاریاں۔ صافی	56,283	46,773	20.3%
کل اثاثے	15,095	13,577	11.2%
Net Spread آمدن*	4,864	2,731	78.1%
آپریٹنگ منافع	1,789	122	13.7 times
منافع بعد از ٹیکس	581	65	7.9 times
بنیادی آمدن فی حصص (روپے)	0.576	0.065	7.9 times
برانچ نیٹ ورک (تعداد)	330	330	-

* رپورٹنگ فارمیٹ میں تبدیلی کی وجہ سے تقابلی اعداد و شمار کا اعادہ کیا گیا ہے۔

مالی کارکردگی

زیر جائزہ مدت کے دوران بینک کی تمام برانچوں نے مثبت شرکت کے ساتھ اپنی برانچ بینکنگ کاروبار کے استحکام کے فروغ کو جاری رکھا۔ نتیجتاً بینک کی ٹیلیس شیٹ میں 2019ء کی ششماہی کے دوران مضبوط نمو کو پیش کیا گیا جس کے تحت اس کے ڈپازٹس بیس اور مجموعی اثاثوں میں مالی سال 2018ء کی ششماہی کے مقابلہ میں بالترتیب 25.2 فیصد اور 22.8 فیصد اضافہ ہوا۔ موثر مارکیٹنگ سرگرمی سے مستحکم ڈپازٹ موبائزیشن مہمات کے ذریعے ڈیپازٹس میں اضافے کو فروغ ملا۔ تمام شعبوں کی شراکت سے بینک کے اثاثوں میں اضافہ ہوا، بالخصوص انتہائی منافع بخش اسلامک فنانسنگ اور حال ہی میں جاری کردہ حکومت پاکستان کے پاکستان انرجی سکوک میں سرمایہ کاری کے ذریعے بینک کے سرمایہ کاری بیس میں بہتری آئی۔

غیر فعال کلائنٹس سے کی جانے والی ریکوری کے حوالے سے وسیع کوششوں کے نتیجے میں بینک کی مجموعی متاثرہ شرح میں 30 جون 2018ء کو 13.9 فیصد کے مقابلہ میں 30 جون 2019ء کو 9.9 فیصد تک کمی ہوئی۔ بینک نے غیر فعال فنانسنگ پورٹ فولیو کے خلاف تیز ترین اقدامات اٹھائے جس کے نتیجے میں

Independent Auditors' Report

TO THE MEMBERS OF BANKISLAMIC PAKISTAN LIMITED
REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of BankIslami Pakistan Limited (the Bank) as at 30 June 2019 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated cash flow statement and notes to the financial statement for the six-month's period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income for the three months ended 30 June 2019 and 30 June 2018 have not been subject to limited scope review by us as we are required to review only the cumulative figures for the six month's period ended 30 June 2019.

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 the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's review report is Omer Chughtai.

EY Ford Rhodes
Chartered Accountants
Karachi
Date: August 27, 2019

Condensed Interim Unconsolidated Statement of Financial Position

AS AT JUNE 30, 2019

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	21,420,491	14,292,752
Balances with other banks	7	3,078,514	832,621
Due from financial institutions - net	8	20,514,701	18,173,504
Investments - net	9	56,282,815	38,832,093
Islamic financing, related assets and advances - net	10	118,016,720	118,570,811
Fixed assets	11	13,263,164	6,663,467
Intangible assets	12	3,120,134	3,121,906
Deferred tax assets	13	7,372,463	7,530,221
Other assets - net	14	11,089,788	7,725,881
Total Assets		254,158,790	215,743,256
LIABILITIES			
Bills payable	15	4,401,355	3,242,180
Due to financial institutions	16	8,305,441	7,819,532
Deposits and other accounts	17	213,941,181	184,693,363
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	12,415,809	5,473,366
		239,063,786	201,228,441
NET ASSETS		15,095,004	14,514,815
REPRESENTED BY			
Share capital - net		10,000,079	10,000,079
Reserves		968,799	968,799
Surplus on revaluation of assets - net of tax	19	1,798,774	1,850,647
Unappropriated profit		2,327,352	1,695,290
		15,095,004	14,514,815
CONTINGENCIES AND COMMITMENTS			
	20		

The annexed notes 1 to 37 form an integral part of these condensed interim unconsolidated financial statements.

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CHAIRMAN

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DIRECTOR

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DIRECTOR

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2019

		Restated		Restated	
		Quarter Ended		Half Year Ended	
	Note	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
		Rupees in '000			
Profit / return earned	21	5,224,662	2,777,327	9,865,420	5,633,936
Profit / return expensed	22	2,640,267	1,401,591	5,001,761	2,903,070
Net profit / return		2,584,395	1,375,736	4,863,659	2,730,866
OTHER INCOME					
Fee and commission income	23	147,742	197,970	328,790	369,247
Dividend income		5,608	6,618	8,597	6,618
Foreign exchange income		80,260	67,929	106,208	98,477
Gain / (loss) on securities	24	21,726	(13,099)	17,581	43,832
Other income	25	27,779	11,425	61,868	42,594
Total other income		283,115	270,843	523,044	560,768
Total Income		2,867,510	1,646,579	5,386,703	3,291,634
OTHER EXPENSES					
Operating expenses	26	1,845,010	1,605,206	3,544,064	3,167,240
Workers' Welfare Fund		9,476	1,934	17,533	1,934
Other charges	27	30	-	36,180	50
Total other expenses		1,854,516	1,607,140	3,597,777	3,169,224
Profit before provisions		1,012,994	39,439	1,788,926	122,410
Provisions and write offs - net	28	435,526	4,504	894,262	27,654
Extraordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		577,468	34,935	894,664	94,756
Taxation	29	188,823	8,317	313,893	29,307
PROFIT AFTER TAXATION		388,645	26,618	580,771	65,449
Rupees					
Basic earnings per share	30	0.3856	0.0264	0.5762	0.0649
Diluted earnings per share	30	0.3856	0.0264	0.5762	0.0649

The annexed notes 1 to 37 form an integral part of these condensed interim unconsolidated financial statements.

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2019

	Restated Quarter Ended		Restated Half Year Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees in '000			
Profit after taxation for the period	388,645	26,618	580,771	65,449
Other Comprehensive Income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments - net of tax	78	87,262	(582)	(165,206)
Items that will not be reclassified to profit and loss account in subsequent periods	-	-	-	-
Total comprehensive income	<u>388,723</u>	<u>113,880</u>	<u>580,189</u>	<u>(99,757)</u>

The annexed notes 1 to 37 form an integral part of these condensed interim unconsolidated financial statements.

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

FOR THE HALF YEAR ENDED JUNE 30, 2019

	Share capital	Discount on issue of shares	Statutory reserve	Revenue Reserve for bad debts & contingencies	Investment	Surplus/(Deficit) on revaluation of Fixed / Non Banking Assets	Unappropriated profit	Total
Rupees in '000								
Balance as at December 31, 2017 (restated)	10,079,121	(79,042)	676,266	250,000	269,896	1,006,444	1,473,784	13,676,469
Profit after taxation for the half year ended June 30, 2018	-	-	-	-	-	-	65,449	65,449
Other comprehensive income for the half year ended June 30, 2018	-	-	-	-	(165,206)	-	-	(165,206)
Total comprehensive income for the half year ended June 30, 2018	-	-	-	-	(165,206)	-	65,449	(99,757)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(5,128)	5,128	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(153)	153	-
Balance as at June 30, 2018 (restated)	10,079,121	(79,042)	676,266	250,000	104,690	1,001,163	1,544,514	13,576,712
Profit after taxation for the period from July 01, 2018 to December 31, 2018	-	-	-	-	-	-	147,215	147,215
Other comprehensive income for the period from July 01, 2018 to December 31, 2018	-	-	-	-	(94,702)	881,518	4,072	790,888
Total comprehensive income for the period from July 01, 2018 to December 31, 2018	-	-	-	-	(94,702)	881,518	151,287	938,103
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(5,270)	5,270	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(155)	155	-
Surplus on revaluation of non banking assets transferred to unappropriated profit	-	-	-	-	-	(36,597)	36,597	-
Transfer to statutory reserve	-	-	42,533	-	-	-	(42,533)	-
Balance as at December 31, 2018	10,079,121	(79,042)	718,799	250,000	9,988	1,840,659	1,695,290	14,514,815
Profit after taxation for the half year ended June 30, 2019	-	-	-	-	-	-	580,771	580,771
Other comprehensive income for the half year ended June 30, 2019	-	-	-	-	(582)	-	-	(582)
Total comprehensive income for the half year ended June 30, 2019	-	-	-	-	(582)	-	580,771	580,189
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(7,794)	7,794	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(304)	304	-
Surplus on revaluation of fixed assets transferred to unappropriated profit	-	-	-	-	-	(16,619)	16,619	-
Surplus on revaluation of non banking assets transferred to unappropriated profit	-	-	-	-	-	(26,574)	26,574	-
Balance as at June 30, 2019	10,079,121	(79,042)	718,799	250,000	9,406	1,789,368	2,327,352	15,095,004

The annexed notes 1 to 37 form an integral part of these condensed interim unconsolidated financial statements.

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Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

FOR THE HALF YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019	Restated June 30, 2018
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		894,664	94,756
Less: Dividend Income		(8,597)	(6,618)
		886,067	88,138
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets		322,406	334,587
Depreciation on non banking assets	26	3,016	3,336
Depreciation on right-of-use assets	26	384,482	-
Amortization		35,656	30,837
Depreciation on operating Ijarah assets		462,637	627,933
Finance cost on Ijarah (lease) liabilities	22	246,264	-
Provisions and write offs - net	28	894,262	27,654
Unrealized gain on revaluation of investments classified as held for trading	24	-	(2,218)
Charge for defined benefit plan		45,002	38,202
Gain on sale of property and equipment	25	(18,113)	(3,967)
		2,375,612	1,056,364
		3,261,679	1,144,502
(Increase) / decrease in operating assets			
Due from financial institutions		(2,341,197)	4,929,902
Held-for-trading securities		144,537	521,047
Islamic financing and related assets and advances		(377,045)	13,584,234
Others assets		(3,813,667)	(730,443)
		(6,387,372)	18,304,740
Increase / (decrease) in operating liabilities			
Bills payable		1,159,175	(945,585)
Due to financial institutions		485,909	(3,898,273)
Deposits and other accounts		29,247,818	(6,998,149)
Other liabilities (excluding current taxation)		2,748,639	409,643
		33,641,541	(11,432,364)
		30,515,848	8,016,878
Income tax paid		(141,195)	(67,265)
Net cash generated from operating activities		30,374,653	7,949,613
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(17,641,968)	(5,363,984)
Dividend received		8,597	6,618
Payment of ijarah (lease) liability against right-of-use assets		(428,191)	-
Investments in fixed assets		(2,975,225)	(219,280)
Investments in intangible assets		(33,884)	(25,714)
Proceeds from disposal of operating fixed assets		69,650	4,714
Net cash used in investing activities		(21,001,021)	(5,597,646)
Increase in cash and cash equivalents			
		9,373,632	2,351,967
Cash and cash equivalents at the beginning of the period		15,125,373	12,585,987
Cash and cash equivalents at the end of the period		24,499,005	14,937,954

The annexed notes 1 to 37 form an integral part of these condensed interim unconsolidated financial statements.

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Notes to and forming part of the condensed interim unconsolidated financial statements (Un-audited)

FOR THE HALF YEAR ENDED JUNE 30, 2019

1. STATUS AND NATURE OF BUSINESS

BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan on October 18, 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan (SBP) granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking and investment activities.

The Bank is operating through 330 branches including 81 sub-branches as at June 30, 2019 (December 31, 2018: 330 branches including 81 sub-branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has maintained the Bank's long-term rating as 'A+' and the short-term rating as 'A1'.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim unconsolidated financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and notified under Companies Act 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

- 2.2 During the period, the SBP, vide its BPRD Circular No. 05, dated: March 22, 2019, issued the revised forms for the preparation of the interim financial statements of banks, to bring it in line with the annual financial statements format, issued vide BPRD Circular No. 2 of 2018. The revised forms for the preparation of the interim financial statements are applicable for periods beginning on or after January 01, 2019. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the financial statements.

The Bank has adopted the above changes in the presentation and made additional disclosures to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to current period's presentation.

- 2.3 The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services.

The SECP vide its press release dated February 15, 2019 has deferred the applicability of IFRS 9 - Financial Instruments for reporting periods ending on or after June 30, 2019. However, the SBP vide its email dated July 23, 2019 has clarified that IFRS 9 is not applicable on financial statements of the Bank for the period ending June 30, 2019. Further, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for measurement and valuation of investments and provision against non-performing financing, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instructions on the application of IFRS 9 for the banking sector of Pakistan.

Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim unconsolidated financial statements.

- 2.4 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". This condensed interim unconsolidated financial statements does not include all the statements and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended December 31, 2018.
- 2.5 These condensed interim financial statements are separate condensed interim unconsolidated financial statements of the Bank in which investments in subsidiaries and associates are carried at cost less accumulated impairment losses, if any, and are not consolidated. The condensed interim consolidated financial statements of the Group is being issued separately.

- 2.6 The Bank provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes.

The purchases and sales arising under these arrangements are not reflected in these condensed interim unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable as directed by the Shariah Board of the Bank.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Bank for the year ended December 31, 2018, except as described below:

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

- 3.1.1 There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these condensed interim unconsolidated financial statements, except as stated below:

- 3.1.2 During the period, the SBP, vide its BPRD Circular Letter No. 8 dated April 30, 2019 and BPRD Circular No. BPRD/RPD/2019/17 dated July 26, 2019 has directed all Islamic Banks to apply IFRS 16 - 'Leases' in all Ijarah (lease) contracts where the Islamic Banks acts in capacity of Mustajir (lessee) and accordingly, the Bank has adopted the standard. The IFAS 2 - Ijarah would continue to be applicable on all the Ijarah contracts where the Bank acts as Mujir (lessor).

The Bank has lease contracts in the capacity of lessee for various properties used by the Bank's branches. The Bank has adopted modified retrospective approach for transition to IFRS 16. The standard also provides practical expedients, which has been applied by the Bank. The Bank has recognised right-of-use assets and lease liabilities for those leases which were previously accounted for under IFAS-2 Ijarah and recognised/ classified as rent expense. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental financing rate at the date of initial application. Right of use asset is depreciated over lease term and classified as depreciation expense.

The overall impact of the initial application of IFRS 16 on these condensed interim unconsolidated financial statements is summarised below:

- Right of Use (RoU) assets recognised as Fixed assets - increased by Rs. 4,184.116 million.
- Ijarah (lease) liabilities recognised as Other liabilities - increased by Rs. 4,112.556 million.

- Profit after tax for the half year ended June 30, 2019 decreased by Rs. 117.960

Had this standard not been applied, assets and liabilities would have been lower by Rs. 3.998 million and Rs. 4.134 million respectively. Rent expense would have been higher by Rs. 437.369 million and depreciation charge and finance cost on ijarah (lease) liability would have been lower by Rs. 384.482 million and Rs. 246.264 million respectively.

New accounting policies of the Bank upon adoption of IFRS 16 are:

Right-of-use (ROU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Ijarah (lease) Liability

At the commencement date of the ijarah (lease), the Bank recognises ijarah (lease) liability measured at the present value of the consideration (ijarah payments) to be made over the Ijarah (lease) term and is adjusted for ijarah (lease) prepayments. The lease payments are discounted using the effective rate implicit in the ijarah (lease), unless it is not readily determinable, in which case the Mustajir (lessee) may use the incremental rate of financing. After the commencement date, the carrying amount of ijarah (lease) liability is increased to reflect the accretion of finance cost and reduced for the ijarah (lease) payments made.

3.2 Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned there against:

Standard, Interpretations and Amendments	Effective date (accounting periods beginning on or after)
- Definition of a Business – Amendments to IFRS 3	January 01, 2020
- Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020
- The Conceptual Framework for Financial Reporting	January 01, 2020
- IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2018.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual unconsolidated financial statements of the Bank for the year ended December 31, 2018.

6 CASH AND BALANCES WITH TREASURY BANKS

Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000		
In hand:		
- local currency	4,650,113	3,619,317
- foreign currency	766,008	332,378
	<u>5,416,121</u>	<u>3,951,695</u>
With the State Bank of Pakistan in:		
- local currency current account	11,278,690	7,642,125
- foreign currency deposit accounts:		
- Cash Reserve Account	367,800	269,114
- Special Cash Reserve Account	443,344	323,549
- US Dollar Clearing Account	48,778	26,604
	<u>859,922</u>	<u>619,267</u>
With National Bank of Pakistan in:		
- local currency current account	3,301,038	2,079,665
Prize bonds	564,720	-
	<u>21,420,491</u>	<u>14,292,752</u>

7 BALANCES WITH OTHER BANKS

In Pakistan:		
- in current accounts	2,861	2,416
- in deposit accounts	3,341	4,575
	<u>6,202</u>	<u>6,991</u>
Outside Pakistan:		
- in current accounts	3,072,312	825,630
	<u>3,078,514</u>	<u>832,621</u>

8 DUE FROM FINANCIAL INSTITUTIONS - NET

		(Un-audited) June 30, 2019			(Audited) December 31, 2018		
	Note	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000							
Secured							
Commodity Murabahah		-	-	-	1,913,199	-	1,913,199
Unsecured							
Commodity Murabahah		-	-	-	15,726,266	-	15,726,266
Wakalah Placement	8.1	-	1,294,101	1,294,101	-	534,039	534,039
Musharaka Placements	8.2	1,000,000	-	1,000,000	-	-	-
Bai Muajjal Receivable							
-from State Bank of Pakistan	8.3	6,172,475	-	6,172,475	-	-	-
-from Banks	8.4	3,996,106	-	3,996,106	-	-	-
-from other Financial Institutions	8.5	8,052,019	-	8,052,019	-	-	-
Other placements		32,400	-	32,400	32,400	-	32,400
		19,253,000	1,294,101	20,547,101	17,671,865	534,039	18,205,904
Provision against placements		(32,400)	-	(32,400)	(32,400)	-	(32,400)
		19,220,600	1,294,101	20,514,701	17,639,465	534,039	18,173,504

- 8.1 This represents foreign currency placements and the profit rates on these agreements range between 1.30% to 3.40% (December 31, 2018: 0.25% to 2.80%) per annum. The agreements have maturities ranging from 15 days to 289 days (December 31, 2018: 42 days to 78 days).
- 8.2 The profit rate on Musharaka Placements is 9.25% (December 31, 2018: Nil) per annum and the agreements have maturities in 5 days (December 31, 2018: Nil).
- 8.3 The profit rates on Bai Muajjal from State Bank of Pakistan range between 10.50% to 10.60% (December 31, 2018: Nil) per annum and the agreements have maturities in 222 days (December 31, 2018: Nil).
- 8.4 The profit rate on Bai Muajjal from banks is 12.15% (December 31, 2018: Nil) per annum and the agreements have maturities in 12 days (December 31, 2018: Nil).
- 8.5 The profit rates on Bai Muajjal from other financial institutions range between 12% to 13.15% (December 31, 2018: Nil) per annum and the agreements have maturities ranging from 5 days to 26 days (December 31, 2018: Nil).

8.6 Securities held as collateral against amounts due from financial institutions.

	(Un-audited) June 30, 2019			(Audited) December 31, 2018		
	Held by Bank	Further Given as collateral	Total	Held by Bank	Further Given as collateral	Total
	Rupees in '000					
Government of Pakistan						
Ijarah Sukuks	-	-	-	1,950,000	-	1,950,000

8.7 Category of classification

	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Classified Placements	Provision held	Classified Placements	Provision held
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	32,400	32,400	32,400	32,400
Total	32,400	32,400	32,400	32,400

8.7.1 The Bank does not hold overseas classified placements.

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

9 INVESTMENTS - NET

Investments - Islamic	9.1 & 9.3	54,516,302	37,033,572
Investments - Conventional (relating to amalgamated entity)	9.2 & 9.4	1,766,513	1,798,521
		56,282,815	38,832,093

9.1 Islamic Investments by type

	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
Held for trading securities								
Shares	-	-	-	-	164,223	-	(19,686)	144,537
Available for sale securities								
Federal Government Securities	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Debt Securities	43,954,197	(35,880)	590	43,918,907	10,082,407	(35,880)	(1,479)	10,045,048
Mutual fund units	21	-	38	59	21	-	44	65
Shares	190,997	-	13,843	204,840	208,642	-	16,785	225,427
	54,451,051	(35,880)	14,471	54,429,642	36,802,783	(35,880)	17,243	36,784,146
Subsidiary	191,015	(104,355)	-	86,660	191,015	(86,126)	-	104,889
Total Islamic investments	54,642,066	(140,235)	14,471	54,516,302	37,158,021	(122,006)	(2,443)	37,033,572

9.2 Conventional Investments by type*

Note	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
Available for sale securities								
Non Government Debt Securities	268,210	(268,210)	-	-	270,586	(270,586)	-	-
Shares	1,330,897	(715,127)	-	615,770	1,334,508	(684,853)	(1,877)	647,778
	1,599,107	(983,337)	-	615,770	1,605,094	(955,439)	(1,877)	647,778
Held to maturity securities								
Non Government Debt Securities	321,601	(321,601)	-	-	321,601	(321,601)	-	-
Associates	1,660,111	(1,032,169)	-	627,942	1,660,111	(1,032,169)	-	627,942
Subsidiaries	2,499,708	(1,976,907)	-	522,801	2,499,708	(1,976,907)	-	522,801
Total conventional investments	6,080,527	(4,314,014)	-	1,766,513	6,086,514	(4,286,116)	(1,877)	1,798,521

9.3 Islamic Investments by segments

Federal Government Securities								
GOP Ijarah Sukuks	-	-	-	-	26,511,713	-	1,893	26,513,606
Bai Muajjal	10,305,836	-	-	10,305,836	-	-	-	-
	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Debt Securities								
Pakistan Energy Sukuk-I guaranteed by the Government of Pakistan	35,000,000	-	-	35,000,000	-	-	-	-
Other sukuk certificates - unlisted	8,954,197	(35,880)	590	8,918,907	10,082,407	(35,880)	(1,479)	10,045,048
	43,954,197	(35,880)	590	43,918,907	10,082,407	(35,880)	(1,479)	10,045,048
Mutual fund units								
Units of open-end mutual funds	21	-	38	59	21	-	44	65
Shares								
Ordinary shares of listed companies	190,997	-	13,843	204,840	372,865	-	(2,901)	369,964
Subsidiary								
BankIslami Modaraba Investments Limited	191,015	(104,355)	-	86,660	191,015	(86,126)	-	104,889
	54,642,066	(140,235)	14,471	54,516,302	37,158,021	(122,006)	(2,443)	37,033,572

9.3.1 During the period, the Bank invested Rs 35 billion in Pakistan Energy Sukuk-I issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments.

9.4 Conventional Investments by segments*

	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
Non Government Debt Securities								
Listed	90,388	(90,388)	-	-	92,764	(92,764)	-	-
Unlisted	499,423	(499,423)	-	-	499,423	(499,423)	-	-
	589,811	(589,811)	-	-	592,187	(592,187)	-	-
Shares								
Listed Companies	141,867	(103,772)	-	38,095	145,478	(73,498)	(1,877)	70,103
Unlisted Companies	33,680	(33,680)	-	-	33,680	(33,680)	-	-
	175,547	(137,452)	-	38,095	179,158	(107,178)	(1,877)	70,103
Foreign securities								
Equity securities	1,155,350	(577,675)	-	577,675	1,155,350	(577,675)	-	577,675
Associates - Unlisted								
KASB Capital Limited	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	432,302	(432,302)	-	-	432,302	(432,302)	-	-
New Horizon Exploration & Production Limited	558,000	(558,000)	-	-	558,000	(558,000)	-	-
Shakarganj Food Products Limited	627,942	-	-	627,942	627,942	-	-	627,942
	1,660,111	(1,032,169)	-	627,942	1,660,111	(1,032,169)	-	627,942
Subsidiaries								
BIPL Securities Limited	2,394,937	(1,872,136)	-	522,801	2,394,937	(1,872,136)	-	522,801
My Solutions Corporation Limited	104,771	(104,771)	-	-	104,771	(104,771)	-	-
	2,499,708	(1,976,907)	-	522,801	2,499,708	(1,976,907)	-	522,801
	6,080,527	(4,314,014)	-	1,766,513	6,086,514	(4,286,116)	(1,877)	1,798,521

* These assets are related to amalgamated entity. These investments are under process of conversion / liquidation / disposal.

9.5 Investments given as collateral

Note | (Un-audited) June 30, 2019 | (Audited) December 31, 2018
Rupees in '000

Federal Government Securities	5,000,000	5,000,000
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9.6 Provision for diminution in value of investments

9.6.1 Opening balance

4,408,122 5,100,858

Charge / (reversal)		
Charge for the period / year	48,503	73,426
Reversals for the period / year	(2,376)	(12,043)
Provision for diminution in value of investments - net	46,127	61,383
Amounts written off	-	(754,119)
Closing Balance	4,454,249	4,408,122

9.6.1.1 Break up of provision for diminution in the value of investments is as follows:

Investments - Islamic	140,235	122,006
Investments - Conventional	4,314,014	4,286,116
	4,454,249	4,408,122

9.6.2 Particulars of provision against debt securities

Category of classification	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Non-performing investments	Specific Provision	Non-performing investments	Specific Provision
Rupees in '000				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	901,942	625,691	904,318	628,067
Total	901,942	625,691	904,318	628,067

9.6.2.1 The Bank does not hold overseas classified debt securities.

10 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES - NET

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		Rupees in '000	
Islamic financing and related assets - net	10.1	117,654,856	118,087,795
Advances (relating to amalgamated entity) - net	10.2	361,864	483,016
		<u>118,016,720</u>	<u>118,570,811</u>

10.1 ISLAMIC FINANCING AND RELATED ASSETS

Note	Performing		Non Performing		Total	
	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000						
In Pakistan						
- Running Musharakah	23,492,958	22,058,948	-	2,345,510	23,492,958	24,404,458
- Diminishing Musharakah financing and related assets - Others	10.3	18,619,243	19,510,716	1,286,134	1,085,397	19,905,377
- Muswammah financing and related assets / Karobar financing	10.4	14,376,718	14,654,320	555,126	577,934	14,931,844
- Istisna financing and related assets	10.5	15,534,244	14,148,931	856,216	922,480	16,390,460
- Diminishing Musharakah - Housing		12,919,912	12,489,541	1,001,409	896,876	13,921,321
- Murabahah financing and related assets	10.6	8,764,080	9,498,668	497,614	396,904	9,261,694
- Diminishing Musharakah financing and related assets - Auto		9,697,692	8,394,715	104,912	52,478	9,802,604
- Investment Agency Wakalah		6,250,000	6,250,000	-	-	6,250,000
- Ijarah financing under IFAS 2 and related assets	10.7	2,970,035	3,641,357	209,633	240,051	3,179,668
- Financing to employees		2,715,777	2,507,961	143,830	95,490	2,859,607
- Qardh e Hasana		204,103	205,099	576,381	394,095	780,484
- Murabahah against Bills		223,834	169,671	-	-	223,834
- Salam	10.8	138,940	143,935	337	337	139,277
- Post Due Acceptance		39,429	108,728	-	-	39,429
- Housing finance portfolio - others		32,875	37,819	-	-	32,875
- Net investment in Ijarah financing in Pakistan		36,543	36,543	-	-	36,543
- Musharakah financing		280,000	-	-	-	280,000
Gross financing and related assets		116,296,383	113,856,952	5,231,592	7,007,552	121,527,975
						120,864,504
Less: Provision against non-performing Islamic financing and related assets						
- Specific	10.13 & 10.14	-	-	(3,303,033)	(2,546,436)	(3,303,033)
- General	10.13 & 10.14	(570,086)	(230,273)	-	-	(570,086)
		(570,086)	(230,273)	(3,303,033)	(2,546,436)	(3,873,119)
						(2,776,709)
Islamic financing and related assets-net of provisions		115,726,297	113,626,679	1,928,559	4,461,116	117,654,856
						118,087,795

10.2 ADVANCES

Loans, cash credits, running finances, etc. - In Pakistan*	229,261	194,852	6,318,946	7,218,699	6,548,207	7,413,551
Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan	-	122,451	714,646	592,195	714,646	714,646
Net investment in finance lease - In Pakistan	-	255	582,185	584,988	582,185	585,243
Advances - gross	<u>229,261</u>	<u>317,558</u>	<u>7,615,777</u>	<u>8,395,882</u>	<u>7,845,038</u>	<u>8,713,440</u>
Provision against advances						
- Specific	10.13 & 10.14	-	-	(7,607,035)	(8,386,515)	(7,607,035)
- General	10.13 & 10.14	(46)	(369)	-	-	(46)
		(46)	(369)	(7,607,035)	(8,386,515)	(8,386,884)
Advances - net of provision		<u>229,215</u>	<u>317,189</u>	<u>8,742</u>	<u>237,957</u>	<u>326,556</u>
Fair Value adjustment	10.15	-	-	123,907	156,460	156,460
Advances - net of provision and fair value adjustment		<u>229,215</u>	<u>317,189</u>	<u>132,649</u>	<u>361,884</u>	<u>483,016</u>

* This includes non-interest bearing financing facilities amounting to Rs. 82.944 million (December 31, 2018: Rs. 88.944 million).

10.3 Diminishing Musharakah financing and related assets - Others

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
Diminishing Musharakah financing	19,767,074	20,542,427
Advance against Diminishing Musharakah financing	138,303	53,686
	<u>19,905,377</u>	<u>20,596,113</u>

10.4 Muswammah financing and related assets / Karobar financing

Muswammah financing	11,143,048	13,496,828
Advance against Muswammah financing	1,065,746	-
Muswammah inventories	2,723,050	1,735,426
	<u>14,931,844</u>	<u>15,232,254</u>

10.5 Istisna financing and related assets

Istisna financing	10,294,179	10,180,982
Advance against Istisna financing	6,023,781	4,624,429
Istisna inventories	72,500	266,000
	<u>16,390,460</u>	<u>15,071,411</u>

10.6 Murabahah financing and related assets

Murabahah financing	7,038,863	7,928,163
Deferred murabahah income	381,942	337,220
Advances against Murabaha financing	1,134,778	1,630,189
Murabaha Inventories	706,111	-
	<u>9,261,694</u>	<u>9,895,572</u>

10.7 Ijarah financing under IFAS 2 and related assets

Net book value of assets under IFAS 2	3,178,986	3,880,726
Advance against Ijarah financing	682	682
	<u>3,179,668</u>	<u>3,881,408</u>

10.8 Salam

Salam financing	103,282	52,305
Advance against Salam	35,995	91,967
	<u>139,277</u>	<u>144,272</u>

10.9 Murabahah financing and related assets includes financing amounting to Rs. 694 million (December 31, 2018: Rs. 600 million) and advance amounting to Rs. 471.900 million (December 31, 2018: Rs. 500 million) under Islamic Export Refinance Scheme.

10.10 Istisna financing and related assets includes financing amounting to Rs. 1,091.175 million (December 31, 2018: Rs. 901.300 million) and advance amounting to Rs. 1,402.300 million (December 31, 2018: Rs. 530.375 million) under Islamic Export Refinance Scheme.

10.11 Running musharakah financing and related assets includes financing amounting to Rs. 500 million (December 31, 2018: Nil) under Islamic Export Refinance Scheme.

10.12 Particulars of Islamic financing and related assets and advances - gross

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
In local currency	129,112,088	129,576,156
In foreign currency	260,925	1,788
	<u>129,373,013</u>	<u>129,577,944</u>

10.13 Islamic financing and related assets and advances include Rs. 12,847.369 million (December 31, 2018: Rs. 15,403.434 million) which have been placed under non-performing status as detailed below:

Category of classification	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Non-performing Islamic financing, related assets and advances	Specific Provision	Non-performing Islamic financing, related assets and advances	Specific Provision
	Rupees in '000			
Domestic				
Other assets especially mentioned	837,484	211,808	267,237	220
Substandard	727,144	85,517	3,079,994	87,997
Doubtful	203,532	20,615	523,501	112,035
Loss	11,079,209	10,592,128	11,532,702	10,732,699
Total	<u>12,847,369</u>	<u>10,910,068</u>	<u>15,403,434</u>	<u>10,932,951</u>

10.13.1 The Bank does not hold overseas classified non performing Islamic financing, related assets and advances.

10.14 Particulars of provision against non-performing Islamic financing, related assets and advances:

	(Un-audited) June 30, 2019			(Audited) December 31, 2018		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947
Charge for the period / year	872,592	339,490	1,212,082	824,518	6,764	831,282
Reversals for the period / year	(776,136)	-	(776,136)	(903,028)	-	(903,028)
	96,456	339,490	435,946	(78,510)	6,764	(71,746)
Amount written off	(119,339)	-	(119,339)	(438,608)	-	(438,608)
Closing balance	<u>10,910,068</u>	<u>570,132</u>	<u>11,480,200</u>	<u>10,932,951</u>	<u>230,642</u>	<u>11,163,593</u>

10.14.1 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000			
Gross reversals for the period / year		776,136	903,028
Charge for the period / year		(1,212,082)	(831,282)
		(435,946)	71,746
Fair value adjusted - net		(32,553)	(35,871)
Net (charge) / reversals taken to the profit and loss account		(468,499)	35,875

10.14.2 The Bank maintains general reserve (provision) amounting to Rs. 270.132 million (December 31, 2018: 230.642 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP. Further, the Bank carries provision of Rs. 300 million (December 31, 2018: Nil) as a matter of prudence based on management estimates.

10.14.3 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at June 30, 2019 amounts to Rs. 305.891 million (December 31, 2018: Rs. 493.169 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 198.829 million (December 31, 2018: Rs. 320.560 million). The increase in profit, due to availing of FSV benefit, is not available for distribution of cash and stock dividend to share holders.

10.15 Provision in respect of acquired loans related to amalgamated entity have been determined after taking into considerations of the fair values of such loans on the basis of valuation exercise performed by the Independent consultant.

11 FIXED ASSETS

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000			
Capital work-in-progress	11.1	303,585	87,761
Property and equipment	11.2 & 11.3	8,961,164	6,575,706
Right of use assets	11.2	3,998,415	-
		13,263,164	6,663,467

11.1 Capital work-in-progress

Advances to suppliers and contractors	262,985	87,761
Advance for acquiring properties:		
- Office premises	762,503	721,903
	1,025,488	809,664
Provision for impairment against advance for acquiring floors / office premises	(721,903)	(721,903)
	303,585	87,761

11.2 Additions to fixed assets

Note	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
Rupees in '000		

The following additions have been made to fixed assets during the period:

Capital work-in-progress	226,045	41,463
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Property and equipment

Freehold / Leasehold land	1,895,503	-
Leasehold Building	582,139	-
Furniture and fixture	54,731	68,853
Electrical office and computer equipment	233,431	97,868
Vehicles	6,824	25,637
	2,772,628	192,358

Right of use assets

Leasehold Building	3.1.2	4,382,898	-
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Total		7,381,571	233,821
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11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Leasehold Building	51,529	-
Furniture and fixture	-	447
Electrical office and computer equipment	8	300
Total	51,537	747

12 INTANGIBLE ASSETS

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

Computer software	12.1	145,087	145,721
Core deposits		30,750	31,888
Customer list (Fully amortized)*		-	-
Goodwill		2,944,297	2,944,297
		3,120,134	3,121,906

* Customer list has been fully amortized in the year 2018

12.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

- Directly purchased	33,715	26,886
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12.2 Disposals of intangible assets

There were no disposals of intangible assets during the period

13 DEFERRED TAX ASSETS

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

Deductible Temporary Differences on:

Accumulated tax losses	13.1	3,684,214	3,630,734
Tax credit against minimum tax		324,180	168,353
Provision for diminution in the value of investments		326,246	326,246
Provision against non-performing Islamic financing and related assets and advances		3,611,600	4,034,741
Provision for gratuity		21,253	21,253
Ijarah financing and related assets		245,878	179,937
Others		275,774	268,589
		8,489,145	8,629,853

Taxable Temporary Differences on:

Fair value adjustments relating to net assets acquired upon amalgamation		(330,381)	(272,996)
Accelerated tax depreciation		(54,562)	(77,419)
Surplus on revaluation of fixed assets	19	(626,878)	(640,023)
Surplus on revaluation of non-banking assets	19	(18,193)	(22,213)
Surplus on revaluation of available for sale securities	19	(5,065)	(5,378)
Net investment in finance lease		(81,603)	(81,603)
		(1,116,682)	(1,099,632)
		7,372,463	7,530,221

- 13.1 The Bank has aggregate tax losses of Rs. 10,526.326 million as at June 30, 2019 (December 31, 2018: Rs. 10,373.525 million) which includes tax losses of defunct KASB Bank Limited (now amalgamated with and into the Bank). The management has carried out an assessment for estimating the benefit of these losses. The Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognized deferred tax debit balance amounting to Rs. 3,684.214 million (December 31, 2018: Rs. 3,630.734 million). The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

14 OTHER ASSETS - NET

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000			
Profit / return accrued in local currency		4,751,421	2,549,844
Profit / return accrued in foreign currency		4,754	3,804
Advances, deposits, advance rent and other prepayments		980,526	754,090
Non-banking assets acquired in satisfaction of claims		2,289,013	2,462,019
Branch Adjustment Account		-	85,453
Insurance claim receivable		22,150	24,280
Receivable against First WAPDA Sukuk		50,000	50,000
Acceptances		2,138,881	944,025
Unrealized gain on forward foreign exchange contracts		372,815	25,489
Unrealized gain on future sale contracts		-	21,006
Amount held with financial institution	20.3.1.5	738,477	738,477
Others		445,873	361,851
		<u>11,793,910</u>	<u>8,020,338</u>
Less: Provision held against other assets	14.1	<u>(1,058,595)</u>	<u>(678,959)</u>
Other Assets (Net of Provision)		10,735,315	7,341,379
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		354,473	384,502
Total - other assets		<u>11,089,788</u>	<u>7,725,881</u>

14.1 Provision held against other assets

Advances, deposits, advance rent & other prepayments		26,692	26,692
Non banking assets acquired in satisfaction of claims		528,850	528,850
Amount held with financial institution	20.3.1.5	369,239	-
Others		133,814	123,417
	14.1.1	<u>1,058,595</u>	<u>678,959</u>

14.1.1 Movement in provision held against other assets

Opening balance		678,959	668,897
Charge for the period / year		379,636	11,327
Reversals		-	(1,265)
Closing balance		<u>1,058,595</u>	<u>678,959</u>

15 BILLS PAYABLE

In Pakistan		4,401,355	3,242,180
Outside Pakistan		-	-
		<u>4,401,355</u>	<u>3,242,180</u>

16 DUE TO FINANCIAL INSTITUTIONS

Secured

Acceptances from State Bank of Pakistan
under Islamic Export Refinance Scheme
Acceptances from State Bank of Pakistan for
financial assistance
Refinance facility for Islamic Mortgage
Total secured

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

2,351,700	2,496,675
2,953,741	2,822,857
1,000,000	-
6,305,441	5,319,532

Unsecured

Musharakah Acceptance
Total unsecured

2,000,000	2,500,000
2,000,000	2,500,000
8,305,441	7,819,532

17 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) June 30, 2019			(Audited) December 31, 2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000						
Customers						
Current deposits	63,279,770	2,695,938	65,975,708	57,544,632	1,571,063	59,115,695
Savings deposits	54,516,809	3,645,748	58,162,557	57,397,384	2,932,484	60,329,868
Term deposits	75,842,732	970,832	76,813,564	54,272,975	617,886	54,890,861
Others	401,586	20,469	422,055	438,238	17,697	455,935
	194,040,897	7,332,987	201,373,884	169,653,229	5,139,130	174,792,359
Financial Institutions						
Current deposits	148,023	7,607	155,630	162,566	11,425	173,991
Savings deposits	7,041,080	-	7,041,080	7,482,013	-	7,482,013
Term deposits	5,370,587	-	5,370,587	2,245,000	-	2,245,000
	12,559,690	7,607	12,567,297	9,889,579	11,425	9,901,004
	206,600,587	7,340,594	213,941,181	179,542,808	5,150,555	184,693,363

18 OTHER LIABILITIES

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		Rupees in '000	
Profit / return payable in local currency		1,286,627	860,995
Profit / return payable in foreign currencies		13,346	9,837
Accrued expenses		596,033	500,693
Deferred Murabahah Income - Financing and IERS		212,871	173,447
Deferred Murabahah Income - Commodity Murabahah		-	17,561
Payable to defined benefit plan		4,880	4,880
Payable to defined contribution plan		18,296	2,917
Defined Benefit Plan liabilities		123,244	78,446
Security deposits against Ijarah		1,875,231	2,053,039
Ijarah (lease) Liability	3.1.2	4,133,610	-
Provision against off-balance sheet obligations		129,093	129,093
Acceptances		2,138,881	944,025
Receipt appropriation account		205,816	74,056
Current taxation (provisions less payments)		229,061	214,429
Provision against other tax liabilities		78,619	58,683
Sundry creditors		359,882	176,996
Payable to brokers against purchase of shares - net		-	33,444
Charity payable		23,222	12,966
Retention money payable		10,225	10,857
Provision for Workers' Welfare Fund		49,472	31,939
Branch adjustment account		166,322	-
Rental received in advance		673,555	-
Others		87,523	85,063
		<u>12,415,809</u>	<u>5,473,366</u>

19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of:

Available for sale securities	9.1 & 9.2	14,471	15,366
Fixed assets		2,081,981	2,119,539
Non-banking assets acquired in satisfaction of claims		352,458	383,356
		<u>2,448,910</u>	<u>2,518,261</u>

Deferred tax liability on surplus on revaluation of:

	13		
Available for sale securities		(5,065)	(5,378)
Fixed assets		(626,878)	(640,023)
Non-banking assets acquired in satisfaction of claims		(18,193)	(22,213)
		<u>(650,136)</u>	<u>(667,614)</u>
		<u>1,798,774</u>	<u>1,850,647</u>

20 CONTINGENCIES AND COMMITMENTS

Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000		
- Guarantees	20.1 6,406,566	6,709,789
- Commitments	20.2 12,882,052	13,971,812
- Other contingent liabilities	20.3 2,303,168	2,453,168
	<u>21,591,786</u>	<u>23,134,769</u>

20.1 Guarantees:

Financial guarantees	70,362	123,320
Performance guarantees	5,115,261	4,701,791
Other guarantees	1,220,943	1,884,678
	<u>6,406,566</u>	<u>6,709,789</u>

20.2 Commitments:

Documentary credits and short-term trade-related transactions

- letters of credit	9,110,834	3,706,280
Commitments in respect of:		
- forward foreign exchange contracts	20.2.1 1,101,403	2,870,624
- future sale of shares	20.2.2 -	(165,634)
- operating leases	20.2.3 -	4,913,424
Commitments for acquisition of:		
- operating fixed assets	54,221	198,145
- intangible assets	17,738	114,207
Other commitments	20.2.4 2,597,856	2,334,766
	<u>12,882,052</u>	<u>13,971,812</u>

20.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	6,679,764	9,694,236
Sale	(5,578,361)	(6,823,612)
	<u>1,101,403</u>	<u>2,870,624</u>

20.2.2 Shariah Compliant future sale of shares

Purchase	-	170
Sale	-	(165,804)
	-	<u>(165,634)</u>

20.2.3 Commitments in respect of operating leases 3.1.2

Not later than one year	-	160,769
Later than one year and not later than five years	-	1,524,244
Later than five years	-	3,228,411
	-	<u>4,913,424</u>

20.2.4 Other commitments

Bills for collection	<u>2,597,856</u>	<u>2,334,766</u>
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20.2.4.1 The Bank makes commitments to extend financing 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.

20.3 Other contingent liabilities

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000			
Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	20.3.1	11,200	161,200
Tax Contingencies	20.3.2	2,291,968	2,291,968
		<u>2,303,168</u>	<u>2,453,168</u>

20.3.1 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt

20.3.1.1 These are court cases, which represent counter claims filed by the borrowers, for restricting the Bank for disposal of the financed assets, (such as mortgaged / leased / pledged assets, kept as security), as well as, the cases where the Bank is pleaded as proforma defendant for defending its interest.

20.3.1.2 Consequent to the amalgamation of defunct KASB Bank Limited with and into BankIslami Pakistan Limited as at May 7, 2015 certain cases have been filed by individuals pertaining to amalgamation, at Honorable Sindh High Court, Honorable Lahore High Court and Islamabad High Court, in which the Bank has been made a party. The double bench of Honorable Sindh High Court has disposed-off the prayers in three Constitutional Petitions, without any negative inference to the Bank, and issued certain directions to SBP which were then complied with. Subsequently, an appeal was filed against the decision of the Honorable Sindh High Court which has also been dismissed by the Honorable Supreme Court. Thereafter, Civil Review Petitions were filed in Honorable Supreme Court against dismissal order of the appeal, which have also been dismissed by the Honorable Supreme Court of Pakistan. The cases at Honorable Lahore High Court are also disposed off in the light of Honorable Supreme Court and Honorable Sindh High Court order. The cases at Honorable Islamabad High Court are pending. The management based on the opinion of its legal counsel is confident that these cases will also be dismissed by the Honorable Court.

20.3.1.3 There are two cases filed against the Bank by KASB Corporation Ltd. One case is filed at Honorable Sindh High Court and the other is filed at Honorable Islamabad High Court. The Corporation claims of having placed Rs. 981.410 million with Ex-KASB Bank, as Advance against Issue of Right Shares. The amount was reported by the Ex-KASB Bank as part of the shareholders equity in the financial statements with the permission of SBP. Subsequent to the merger, KASB Corporation Limited and Mr. Nasir Ali Shah Bokhari filed a suit against the Bank in the Honorable High Court of Sindh; and also filed Miscellaneous Applications, praying thereby to restrain the Bank from using or transferring the amount of advance; and for directing the Bank to deposit the aforementioned amount with the Nazir of the Court; and to invest the same in interest / mark-up bearing certificates. On April 18, 2018, these Miscellaneous Applications were dismissed by the Honorable High

Court of Sindh, however, the main Suit is still pending adjudication. In addition, the Corporation has filed a Writ Petition at Honorable Islamabad High Court, which is yet pending hearing. The management based on the opinion of its legal counsel is confident that the main Suit will be dismissed by the Honorable Courts.

20.3.1.4 After the acquisition of defunct KASB Bank Limited, the Bank came to know about certain transactions, identified by SBP including but not limited to fraudulent activities. SBP instructed the Bank to initiate legal actions in this respect and accordingly separate complaints were lodged with National Accountability Bureau (the Bureau) which were later converted into formal Inquiries by the Bureau. It may be noted without prejudice to the Bank's claim, the related amounts have not been recorded in these financial statements, as a matter of prudence.

20.3.1.5 The Bank has filed suit no. 2038 of 2018 in Hounorable High Court of Sindh against the international payment scheme and others along with an application for interim order restraining international payment scheme from deducting amounts aggregating to USD 6.1 million, relating to potential financial impact that may arise from a cybercrime incident. Following this incident, the local settlement bank deducted the above mentioned amount from the Bank's respective clearing account (refer note 14). The Honorable Court issued the stay order restraining the international payment scheme from taking any steps to debit the aforementioned amount. The management strongly believes that it substantially complied with actions required to be taken during the cybercrime incident involving an ATM Cash out. During the period, the international payment scheme filed an application for return of plaint on grounds of jurisdiction, which after arguments, has been dismissed by the Honorable Court. Further, the Bank on the advice of the international payment scheme has also conducted an independent review of the incident by engaging PCI Forensic Investigator (PFI) which could not forensically identify any malicious software / activity directly related to the cybercrime incident.

The management based on the advice of its legal counsel believes that it has a good arguable case and it is not liable to settle the amount of the fraudulent transactions since the Bank had immediately complied with all the necessary requirements. (refer note 14.1)

20.3.2 Tax Contingencies

20.3.2.1 The income tax returns of the Bank have been filed upto tax year 2018 whereas the tax assessments have been made by the tax authorities upto tax year 2017. The returns filed for the tax year 2014 to tax year 2018 are treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.

20.3.2.2 During the year 2014 (relating to defunct KASB Bank Limited), the learned Additional Commissioner Inland Revenue (ACIR) passed amended assessments order under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2011 and 2013 by imposing minimum tax on turnover disregarding gross loss position of the Bank. ACIR has also amended taxability of capital gain and dividend income. The aggregate tax impact comes to Rs. 116.002 million. Against the said order, the Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year 2016, the learned CIRA issued order under section 129 of the Ordinance by deleting the tax charged on capital gain and dividend income and upheld the levy of minimum tax. The learned ACIR has passed appeal effect order

under section 124 of the Ordinance. After appeal effect order the aforesaid demand has now been reduced to Rs. 89.928 million. Against the order of the learned CIRA, the Bank has filed an appeal before the Honorable Appellate Tribunal Inland Revenue (ATIR). However, the department has filed an appeal against the CIRA Order on the issue of capital gain and dividend income. Therefore, cross appeal for the tax year 2011 and 2013 is pending before ATIR.

20.3.2.3 During the year 2014 (relating to defunct KASB Bank Limited), appellate order passed by the CIRA (in respect of Income tax assessments of International Housing Finance Limited, amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2007) for tax year 2005 maintained the order of the Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of Rs. 12.997 million. The defunct KASB Bank Limited has preferred appeals before the ATIR for tax year 2005 which are pending finalization.

20.3.2.4 During the year 2013 (relating to defunct KASB Bank Limited), the Appellate Tribunal Inland Revenue (ATIR) passed an order for the tax years 2005 to 2009 in favour of the defunct KASB Bank Limited by allowing certain deductions including provision for non-performing advances, impairment on investments, other provisions, amortization of goodwill and allocation of expenses having an aggregate tax impact of Rs. 712.550 million. However, the ATIR has disallowed deductions relating to carry over transactions having tax impact of Rs. 86.377 million for the tax years 2005 to 2008. The defunct KASB Bank Limited has preferred an appeal before the Honorable High Court of Sindh against the said decision of the ATIR. No development has taken place during the current year.

20.3.2.5 During the year 2013 (relating to defunct KASB Bank Limited), the Income tax assessments of KASB Capital Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2008) for tax years 2008 and 2009 were amended by the Taxation Officer to the extent of apportionment of expenses having an aggregate tax impact of Rs. 125.880 million. The Bank has preferred an appeal before the Honorable High Court of Sindh against the said decision of tax authorities. No development has taken place during the current year.

20.3.2.6 For tax years 2003 and 2004 (relating to defunct KASB Bank Limited), the CIRA has passed appellate orders on account of certain disallowances in respect of income from carry over transactions, provision against non performing advances, bad debts and certain other items having an aggregate tax impact of Rs. 33.748 million. The defunct KASB Bank Limited has preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above referred orders of the CIR Appeals. No development has taken place during the current year.

20.3.2.7 For assessment years 2001-2002 and 2002-2003 and tax years 2003, 2004 and 2005 (relating to defunct KASB Bank Limited) the income tax authorities of AJK region have passed appellate orders by adding interest on surplus funds transferred to head office, resulting in an additional tax demand of Rs. 14.587 million. The defunct KASB Bank Limited has filed reference with the Honorable Azad Kashmir High Court against such additions for the above mentioned assessment / tax years up to 2004. For the tax year 2005, the CIRA - AJK has passed order in favour of the defunct

KASB Bank Limited. However, the tax department has preferred appeal before the ATIR - AJK against interest on surplus head office funds, having tax impact of Rs. 5.337 million. For tax years 2006 and 2008, AJK tax department passed orders under section 122(5A) of the Ordinance. As a result of these orders, aggregate demand of Rs. 19.178 million was raised against the defunct KASB Bank Limited. However, the order for the tax year 2008 was subsequently rectified under section 221 of the Ordinance. Thereby aggregate demand for tax years 2006 and 2008 reduced to Rs. 13.304 million. Subsequently the learned CIRA - AJK has passed orders under section 129 of the Ordinance for the tax years 2006 and 2008 whereby he has confirmed all additions. Therefore, the defunct KASB Bank Limited has preferred an appeal before the ATIR - AJK. An appeal against the order of CIRA for the tax years 2006 and 2008 has been filed by the Bank before the Appellate Tribunal Inland Revenue (ATIR) - AJK.

20.3.2.8 In respect of tax year 2015, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Bank by Rs. 32.893 million and levied super tax. As a result, a tax demand of Rs. 124.134 million was created.

The Bank filed an appeal against the said decision before CIRA as a result of which an appellate order has been passed. In the appellate order, the CIRA confirmed the restriction of minimum tax and other disallowances to the extent of Rs. 9.857 million. Against the treatment meted out by the CIRA, an appeal has been filed before the ATIR.

20.3.2.9 In respect of the tax years 2016 and 2017, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Bank by Rs. 3.358 billion and Rs. 755.414 million for the tax years 2016 and 2017 respectively.

Against the disallowances in tax year 2016, an appeal has been filed before the CIRA which is pending finalization.

For the tax year 2017, the Bank filed an appeal against the said decision before CIRA as a result of which an appellate order has been passed. In the appellate order, the CIRA remanded disallowance of Rs.39.50 million and whereas disallowances of Rs. 13.381 million were upheld. Remaining disallowances made by the CIR amounts to Rs. 702.533 million were deleted by the CIRA. Against the treatment meted out by the CIRA in favour of the Bank, the tax authorities have filed an appeal before the ATIR which is pending.

The management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and consequently no additional provision has been made in these financial statements.

20.3.2.10 For the tax years 2017 and 2018, the AJK tax authorities issued notices under section 122(5A) of the Income Tax Ordinance, 2001 and amended the return submitted by the Bank by adding / disallowing various expenses and worked out an additional tax liability of Rs. 46.165 million and Rs. 55.152 million for the tax years 2017 and

2018 respectively. The Bank filed an appeal against the said decision before CIRA which is pending adjudication.

21	PROFIT / RETURN EARNED	Note	(Un-audited) June 30, 2019	Restated (Un-audited) June 30, 2018
			Rupees in '000	
	Profit earned on:			
	Financing		7,308,109	3,895,309
	Investments		2,078,445	1,278,723
	Placements		429,781	412,153
	Others		49,085	47,751
			<u>9,865,420</u>	<u>5,633,936</u>
22	PROFIT / RETURN EXPENSED			
	Deposits and other accounts		4,418,829	2,560,528
	Due to financial institutions		299,319	342,542
	Cost of foreign currency swaps			
	against foreign currency deposits		37,349	-
	Finance cost on Ijarah (lease) liabilities	3.1.2	<u>246,264</u>	<u>-</u>
			<u>5,001,761</u>	<u>2,903,070</u>
23	FEE AND COMMISSION INCOME			
	Branch banking customer fees		22,257	48,067
	Commission on bancatakaful		42,295	29,511
	Card related fees		82,369	140,775
	Commission on arrangement with financial institutions		13,944	9,447
	Consumer finance related fees		15,465	13,204
	Commission on guarantees		32,624	31,777
	Investment banking fees		39,248	12,193
	Commission on cash management		1,961	2,889
	Commission on remittances including home remittances		20,465	28,576
	Commission on trade		55,549	48,240
	Others		<u>2,613</u>	<u>4,568</u>
			<u>328,790</u>	<u>369,247</u>
24	GAIN / (LOSS) ON SECURITIES			
	Realized (loss) / gain	24.1	17,581	41,614
	Unrealized gain - held for trading		<u>-</u>	<u>2,218</u>
			<u>17,581</u>	<u>43,832</u>
24.1	Realized (loss) / gain on:			
	Federal Government Securities		(8,185)	1,000
	Non-Government Debt Securities		20,039	-
	Shares		<u>5,727</u>	<u>40,614</u>
			<u>17,581</u>	<u>41,614</u>
25	OTHER INCOME			
	Rent on property		5,132	3,764
	Gain on termination of financing		31,617	30,639
	Gain on sale of property and equipment		18,113	3,967
	Fee for attending Board meetings of associates		24	96
	Recoveries against previously expensed items		6,715	3,894
	Others		<u>267</u>	<u>234</u>
			<u>61,868</u>	<u>42,594</u>

26 OPERATING EXPENSES

Note | (Un-audited) June 30, 2019 | (Un-audited) June 30, 2018
Rupees in '000

Total compensation expense	1,451,341	1,361,817
Property expense		
Rent & taxes	33,948	441,269
Insurance	1,389	2,778
Utilities cost	149,446	132,987
Security (including guards)	164,540	149,308
Repair & maintenance (including janitorial charges)	70,650	50,219
Depreciation	141,546	153,845
Depreciation on right-of-use assets	384,482	-
Others	405	305
	946,406	930,711
Information technology expenses		
Software maintenance	73,471	42,529
Hardware maintenance	74,071	39,221
Depreciation	90,089	87,065
Amortization	34,517	29,698
Network charges	74,557	68,702
	346,705	267,215
Other operating expenses		
Directors' fees and allowances	3,450	3,125
Fees and allowances to Shariah Board	6,304	5,850
Legal & professional charges	73,595	26,084
Travelling & conveyance	20,812	15,609
NIFT clearing charges	10,094	10,941
Depreciation	90,771	93,677
Depreciation on non banking assets	3,016	3,336
Entertainment expense	33,343	36,089
Training & development	5,380	7,446
Postage & courier charges	15,669	25,384
Communication	24,356	24,223
Stationery & printing	50,742	45,242
Marketing, advertisement & publicity	62,322	27,310
Repairs and maintenance	41,999	33,264
Takaful, tracker and other charges on car Ijarah	50,319	64,014
Insurance	141,482	34,002
Fee and subscription	39,464	60,987
Vehicle running and maintenance	58,338	43,621
Auditors Remuneration	5,815	4,868
Amortization	1,139	1,139
CDC and share registrar services	5,991	6,489
Brokerage and commission	2,704	6,861
Stamp duty, registration & verification charges	26,637	7,567
Others	25,870	20,369
	799,612	607,497
	3,544,064	3,167,240

27 OTHER CHARGES

		(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
		Rupees in '000	
Penalties imposed by the State Bank of Pakistan		36,180	50

28 PROVISIONS AND WRITE OFFS - NET

	Note	(Un-audited) June 30, 2019	Restated (Un-audited) June 30, 2018
		Rupees in '000	
Provision / (reversal of provision) for diminution in value of investments - net	9.6.1	46,127	(854)
Provision against Islamic financing and related assets and advances - net	10.14.1	468,499	17,201
Other provisions - net		379,636	11,307
		894,262	27,654

29 TAXATION

	Note	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
		Rupees in '000	
Current year		155,827	76,917
Deferred	29.1	158,066	(47,610)
		313,893	29,307

29.1 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements as the provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 (minimum tax on turnover) due to available tax losses brought forward from prior years and transferred from the defunct KASB Bank Limited.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the return of income for the tax years 2006 to 2018 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

30 BASIC AND DILUTED EARNINGS PER SHARE

	Note	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
		Rupees in '000	
Profit after taxation for the period		580,771	65,449
		Number of shares	
Weighted average number of ordinary shares in issue		1,007,912,090	1,007,912,090
		Rupees	
Earnings per share - basic / diluted	30.1	0.5762	0.0649

30.1 There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2019 and June 30, 2018.

31 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

The Bank maintained the following pools for profit declaration and distribution during the half year ended June 30, 2019:

- (i) General Deposit Mudarabah Pools (PKR, USD, EUR & GBP);
- (ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme; and
- (iii) Special Mudarabah Deposit Pools
- (iv) Treasury Pools

The deposits and funds accepted under the General Deposit Mudarabah Pool and Special Mudarabah Deposit Pools are provided to different sectors of economy mainly to 'Textile and Allied', 'Energy', 'Fertilizer', 'Trading', 'Consumer Finance' and 'GOP Ijarah Sukuks'.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channeled towards the export sector of the economy via different Islamic financing modes such as Murabahah, Istisna etc.

Key features and risk & reward characteristics of all pools along with the parameters used for allocation of profit, charging expenses and provisions are consistent with those disclosed in note 34 to the annual financial statements for the year ended December 31, 2018.

(Un-audited)
June 30, 2019

General Deposit Mudarabah Pool	Profit rate and weightages announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					Rupees in '000			Rupees in '000
PKR Pool	Monthly	9.81%	50.00%	50.00%	1,377,163	4.40%	7.11%	96,188
USD Pool	Monthly	1.82%	50.00%	50.00%	11,128	0.86%	20.88%	1,457
GBP Pool	Monthly	6.45%	50.00%	50.00%	408	0.38%	20.58%	77
EURO Pool	Monthly	0.11%	50.00%	50.00%	50	0.07%	33.06%	15
Specific Mudarabah Pool	Profit rate and weightages announcement period	Profit rate return earned	Client Share %	Bank share %	Bank share	Profit rate return distributed	Percentage of Hiba to Client	Amount of IERS to Client
					Rupees in '000			Rupees in '000
Islamic Export Refinance (IERS) Musharakah Pool	Monthly	5.68%	49.21%	50.79%	2,880,783	2.01%	0.00%	-

Specific Mudarabah Pool	Profit rate and weightages announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hibba	Amount of Mudarib Share transferred through Hibba to special remunerative deposits
					Rupees in '000			Rupees in '000
(i) Mutual Fund	Monthly	12.53%	79.91%	20.09%	115,589	10.95%	40.44%	45,276
(ii) Special Term Deposit	Monthly	12.27%	79.09%	20.91%	280,403	10.46%	29.33%	82,649
(iii) Special Saving	Monthly	12.63%	70.00%	30.00%	144,529	10.30%	41.45%	55,839
(iv) 1 year special Term Deposit monthly profit	Monthly	11.08%	82.91%	17.09%	75,169	9.50%	25.28%	18,354
(v) 2 years special Term Deposit monthly profit	Monthly	10.62%	90.00%	10.00%	823	12.00%	37.09%	305
(vi) 3 years special Term Deposit monthly profit	Monthly	11.11%	88.85%	11.15%	10,141	10.57%	29.08%	3,120

- (vii) In addition to the above, 73 short term Treasury Pools were created to meet liquidity management requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

32 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity or investments in subsidiaries & associates, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost less impairment losses. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

32.1 Fair value of financial assets

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

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

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

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

The table below analyses financial assets measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

(Un-audited) June 30, 2019				
	Level 1	Level 2	Level 3	Total
Rupees in '000				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	242,935	-	-	242,935
Non-Government Debt Securities	-	42,802,958	-	42,802,958
Units of open ended mutual funds	59	-	-	59
Non-Financial Assets - measured at fair value				
Operating fixed assets - Land and building	-	-	6,915,933	6,915,933
Non-banking assets	-	-	2,114,636	2,114,636
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	6,272,413	-	6,272,413
Forward sale of foreign exchange	-	5,543,393	-	5,543,393
(Audited) December 31, 2018				
	Level 1	Level 2	Level 3	Total
Rupees in '000				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	26,513,606	-	26,513,606
Shares	440,067	-	-	440,067
Non-Government Debt Securities	-	10,045,048	-	10,045,048
Units of open ended mutual funds	65	-	-	65
Non-Financial Assets - measured at fair value				
Operating fixed assets - Land and building	-	-	4,565,588	4,565,588
Non-banking assets	-	-	2,317,671	2,317,671
Non-current assets classified as held for sale				
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	9,846,491	-	9,846,491
Forward sale of foreign exchange	-	6,950,378	-	6,950,378
Shariah compliant future purchase of shares	161	-	-	161
Shariah compliant future sale of shares	144,789	-	-	144,789

Valuation techniques used in determination of fair values within level 2

Items	Valuation approach and input used
WAPDA Sukuks	Investment in WAPDA Sukuks are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.

Valuation techniques used in determination of fair values within level 3

Operating fixed assets - Land and building	Land and buildings are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.
Non-banking assets	Non banking assets are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.

32.2 The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 during the year.

33 SEGMENT INFORMATION

33.1 Segment details with respect to Business Activities

	(Un-audited) June 30, 2019				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Profit & Loss					
Net profit / return	3,270,085	(3,056,336)	4,600,825	49,085	4,863,659
Inter segment revenue - net	(2,672,607)	7,426,790	(4,754,183)	-	-
Total other income	146,330	215,906	128,740	32,068	523,044
Total Income	743,808	4,586,360	(24,618)	81,153	5,386,703
Segment direct expenses	35,310	2,077,563	38,089	1,446,815	3,597,777
Inter segment expense allocation	62,151	1,053,922	163,260	(1,279,333)	-
Total expenses	97,461	3,131,485	201,349	167,482	3,597,777
Provisions	46,127	104,750	365,018	378,367	894,262
Profit / (loss) before tax	600,220	1,350,125	(590,985)	(464,696)	894,664

(Un-audited)
June 30, 2019

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
Rupees in ' 000					
Balance Sheet					
Assets					
Cash & Bank balances	13,524,901	10,974,104	-	-	24,499,005
Investments	56,282,815	-	-	-	56,282,815
Net inter segment lending	-	183,989,638	-	-	183,989,638
Due from financial institutions	20,514,701	-	-	-	20,514,701
Islamic financing and related assets - performing	-	26,745,514	87,232,428	2,671,609	116,649,551
- non-performing	-	559,396	685,500	122,273	1,367,169
Others	4,654,448	5,339,062	3,823,415	21,028,624	34,845,549
Total Assets	94,976,865	227,607,714	91,741,343	23,822,506	438,148,428
Liabilities					
Borrowings	4,953,741	7,753,055	-	-	12,706,796
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	213,941,181	-	-	213,941,181
Net inter segment borrowing	89,989,519	-	89,108,359	4,891,760	183,989,638
Others	33,607	5,920,303	2,632,984	3,828,915	12,415,809
Total liabilities	94,976,867	227,614,539	91,741,343	8,720,675	423,053,424
Equity	-	-	-	15,095,004	15,095,004
Total Equity & liabilities	94,976,867	227,614,539	91,741,343	23,815,679	438,148,428
Contingencies & Commitments	1,101,403	-	15,517,400	4,972,983	21,591,786

Restated
(Un-audited)
June 30, 2018

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
Rupees in ' 000					
Profit & Loss					
Net profit / return	1,407,128	(1,425,522)	2,701,508	47,752	2,730,866
Inter segment revenue - net	(1,049,443)	2,696,758	(1,647,315)	-	-
Total other income	158,374	299,020	90,705	12,669	560,768
Total Income	516,059	1,570,256	1,144,898	60,421	3,291,634
Segment direct expenses	28,145	1,220,753	692,773	1,227,553	3,169,224
Inter segment expense allocation	52,715	893,911	138,474	(1,085,100)	-
Total expenses	80,860	2,114,664	831,247	142,453	3,169,224
Provisions	(854)	10,253	6,948	11,307	27,654
Profit / (loss) before tax	436,053	(554,661)	306,703	(93,339)	94,756

(Audited)
December 31, 2018

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Assets					
Cash & Bank balances	8,309,890	6,815,483	-	-	15,125,373
Investments	38,832,093	-	-	-	38,832,093
Net inter segment lending	-	156,041,540	-	-	156,041,540
Due from financial institutions	18,173,504	-	-	-	18,173,504
Islamic financing and related assets - performing	-	26,003,691	85,566,778	2,604,041	114,174,510
- non-performing	-	819,480	3,502,464	74,357	4,396,301
Others	1,727,663	1,873,391	3,166,067	18,274,354	25,041,475
Total Assets	67,043,150	191,553,585	92,235,309	20,952,752	371,784,796
Liabilities					
Borrowings	5,331,216	2,488,316	-	-	7,819,532
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	184,681,628	-	11,735	184,693,363
Net inter segment borrowing	61,630,487	-	94,411,053	-	156,041,540
Others	81,447	3,941,460	1,569,866	3,122,773	8,715,546
Total liabilities	67,043,150	191,111,404	95,980,919	3,134,508	357,269,981
Equity	-	-	-	14,514,815	14,514,815
Total Equity & liabilities	67,043,150	191,111,404	95,980,919	17,649,323	371,784,796
Contingencies & Commitments	2,704,990	-	10,416,069	10,013,710	23,134,769

34 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its subsidiaries, associates, employee benefit plans and its directors and Key Management Personnel.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period are as follows:

	(Un-audited) June 30, 2019					(Audited) December 31, 2018				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Rupees in ' 000										
Investments										
Opening balance	-	-	2,690,723	1,660,111	-	-	-	2,690,723	1,660,111	-
Investment made during the period	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	2,690,723	1,660,111	-	-	-	2,690,723	1,660,111	-
Provision for diminution in value of investments	-	-	(2,081,262)	(1,032,169)	-	-	-	(2,063,033)	(1,032,169)	-
Islamic financing and related assets										
Opening balance	25,280	284,740	256,850	392,853	461,667	27,464	184,202	162,777	582,084	1,880,378
Addition during the period	-	44,241	305,000	537,767	1,237,170	-	258,618	128,348	675,000	3,196,861
Repaid during the period	(1,348)	(23,660)	(406,027)	(329,901)	(599,167)	(2,184)	(82,809)	(34,275)	(864,231)	(4,180,572)
Transfer in / (out) - net	-	(112,853)	-	-	160,000	-	4,494	-	-	(435,000)
Closing balance	23,932	192,468	155,823	600,719	1,259,670	25,280	364,505	256,850	392,853	461,667
Other Assets										
Profit receivable on financings	119	2,318	722	10,368	32,039	135	118	782	8,225	15,470
Deposits and other accounts										
Opening balance	3,696	46,092	263,847	80,269	1,232,106	2,458	32,016	247,712	25,849	902,081
Received during the period	8,098	176,382	6,449,734	1,570,697	3,366,676	34,119	579,006	17,161,595	2,738,230	8,232,318
Withdrawn during the period	(8,982)	(209,202)	(6,439,547)	(1,629,552)	(3,285,559)	(34,528)	(563,296)	(17,145,460)	(2,684,170)	(7,850,192)
Transfer in / (out) - net	-	(2,163)	-	-	-	1,647	(1,634)	-	360	(52,101)
Closing balance	2,812	11,109	274,034	21,414	1,313,223	3,696	46,092	263,847	80,269	1,232,106
Other Liabilities										
Profit / return payable	2	117	2,084	110	10,089	2	178	131	148	7,513
Contingencies and Commitments										
Other contingencies	-	-	-	19,369	30,249	-	-	-	19,760	91,572

	(Un-audited) June 30, 2019					(Un-audited) June 30, 2018				
	Rupees in ' 000									
Income										
Profit / return earned	1,145	2,445	12,280	24,806	43,936	1,070	4,466	8,758	25,592	38,888
Other income	-	589	32	-	-	-	8	48	-	-
Expense										
Profit / return expensed	12	146	10,721	867	55,645	16	20	106	332	23,023
Other administrative expenses	1,850	3,501	-	92	-	6,144	1,096	352	291	-
Meeting Fee / Remuneration	3,450	78,496	-	-	-	4,153	61,016	-	-	-
Contribution to employees provident fund	-	-	-	-	46,052	-	-	-	-	43,873
Contribution to employees gratuity fund	-	-	-	-	45,002	-	-	-	-	38,202

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,000,079	10,000,079
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,120,393	11,995,695
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	13,120,393	11,995,695
Eligible Tier 2 Capital	4,556,372	4,151,812
Total Eligible Capital (Tier 1 + Tier 2)	17,676,765	16,147,507
Risk Weighted Assets (RWAs):		
Credit Risk	102,834,787	94,255,376
Market Risk	886,127	1,373,209
Operational Risk	11,284,350	11,284,350
Total	115,005,264	106,912,935
Common Equity Tier 1 Capital Adequacy ratio	11.41%	11.22%
Tier 1 Capital Adequacy Ratio	11.41%	11.22%
Total Capital Adequacy Ratio	15.37%	15.10%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	13,120,393	11,995,695
Total Exposures	277,575,169	230,798,907
Leverage Ratio	4.73%	5.20%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	49,493,605	42,125,500
Total Net Cash Outflow	31,989,823	21,949,912
Liquidity Coverage Ratio	162.64%	191.92%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	211,842,255	187,439,582
Total Required Stable Funding	87,800,160	97,963,189
Net Stable Funding Ratio	241.28%	191.34%

36 GENERAL

- 36.1 Captions, as prescribed by BPRD Circular No. 02, dated: January 25, 2018 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and Profit and Loss Account.
- 36.2 These condensed interim unconsolidated financial statements is presented in Pakistani Rupees, which is the Bank's functional and presentation currency.
- 36.3 The figures in these financial statements have been rounded off to the nearest thousand rupee.

36.4 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications during the period except as disclosed below:

Transfer from	Transfer to	Aggregate
		Rupees in '000
Profit / return earned - Financings	Profit / return earned - Placements	389,680
Other Income - Fee and commission income	Profit / return earned	5,766

36.5 Figures for the profit & loss account and comprehensive income for the quarters ended June 30, 2019 & June 30, 2018 have not been subject to limited scope review by the auditors, as they are only required to review half-yearly figures.

37 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorized for issue on August 27, 2019 by the Board of Directors of the Bank.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

Condensed Interim
Consolidated
Financial Statements of
BankIslami Pakistan Limited
For The Half Year Ended
June 30, 2019

Directors' Report

Dear Shareholders,

On behalf of the Board, we are pleased to present the consolidated financial results of the Group for half year ended June 30, 2019. Following are the key financial highlights of half year period:

Particulars	June 2019	June 2018	Growth
	-----Rupees in millions-----		
Total Deposits*	213,667	170,825	25.1%
Total Assets*	255,271	208,318	22.5%
Total Financing and related assets-net	117,867	104,765	12.5%
Total Investments-net	56,806	47,173	20.4%
Net Assets	15,888	14,263	11.4%
Net Spread Earned	4,862	2,742	77.3%
Operating Profits before Provisions*	1,784	126	13.2 times
Profit After Tax	613	158	2.9 times
Basic Earnings per share (Rupees)	0.606	0.162	2.7 times
Branches network (number)	330	330	-

* comparative figures have been restated due to reclassification or change in reporting format.

The Group registered overall growth in its financial numbers for the half year ended June 30, 2019, which was largely driven by strong financial position of its Islamic Banking segment (the Bank). Total assets and deposits of the Bank have increased by 25.1% and 22.5% respectively as compared to HY2018. Improvement in deposit base was an outcome of strong deposit mobilization campaigns executed by the Bank followed by effective marketing activities during the period. Increase in assets was contributed by increase on earning asset base of the Bank, mainly through disbursements towards high quality credits and investment in recently issued Government of Pakistan backed Pakistan Energy Sukuk.

The Group posted a profit after tax of Rs. 613 million for the half year ended June 30, 2019 which is 2.9 times higher than profit after tax for the same period last year, Alhamdulillah. This was mainly attributable to (i) increase in earning assets and rise in SBP policy rate resulting in increase in net spread margins; and (ii) improvement in Group's cost to income ratio which improved from 96.2% in HY2018 to 66.9% in HY2019.

We would like to place on record our deep appreciation to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support and guidance. Also, we would like to express our gratitude to the employees of Group for their contribution towards the Group's progress through their hard work and commitment.

On behalf of the Board

-Sd-

Syed Amir Ali
President & Chief Executive Officer
August 27, 2019

-Sd-

Ali Hussain
Chairman of the Board

net spread مارجن بڑھا اور (ii) گروپ کی لاگت سے آمدن کی شرح میں بہتری آئی جو کہ 2018ء کی ششماہی میں 96.2 فیصد سے بڑھ کر 2019ء کی ششماہی میں 66.9 فیصد ہو گئی ہے۔

ہم اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی مسلسل رہنمائی اور معاونت پر گہرائی سے تعریف کرنا چاہتے ہیں۔ ہم گروپ کی ترقی کے لئے گروپ کے ملازمین کی سخت محنت اور عزم کو بھی سراہتے ہیں۔

منجانب،

-Sd-

علی حسین

چیئر مین بورڈ

-Sd-

سید عامر علی

صدر/ چیف ایگزیکٹو آفیسر

27 اگست 2019ء

ڈائریکٹرز رپورٹ

معزز حاملین حصص،

بورڈ کی جانب سے ہم 30 جون 2019ء کو ختم ہونے والی ششماہی کے لئے گروپ کے مجموعی مالیاتی نتائج پیش کرنے پر خوشی محسوس کر رہے ہیں۔ اس عرصہ کے لئے اہم مالیاتی نکات درج ذیل ہیں:-

تفصیلات	جون 2019ء	جون 2018ء	نمو
	روپے بلین میں		
مجموعی ڈیپازٹس*	213,667	170,825	25.1%
مجموعی اثاثے*	255,271	208,318	22.5%
مجموعی فنانسنگ اور متعلقہ اثاثے - صافی	117,867	104,765	12.5%
مجموعی سرمایہ کاریاں - صافی	56,806	47,173	20.4%
کل اثاثے	15,888	14,263	11.4%
Net Spread آمدن*	4,862	2,742	77.3%
آپریٹنگ منافع	1,784	126	13.2 times
منافع بعد از ٹیکس	613	158	2.9 times
بنیادی آمدن فی حصص (روپے)	0.606	0.162	2.7 times
برانچ نیٹ ورک (تعداد)	330	330	-

* رپورٹنگ فارمیٹ کی تبدیلی کی وجہ سے تقابلی اعداد و شمار کا اعادہ کیا گیا ہے۔

گروپ نے 30 جون 2019ء کو ختم ہونے والی ششماہی کے لئے اپنے مالیاتی اعداد و شمار میں مجموعی نموکوریکارڈ کیا جو اس کی اسلامک بینکنگ سیکمنٹ (the Bank) کی مضبوط مالی پوزیشن کی وجہ سے حاصل ہوئے۔ 2018ء کی اسی ششماہی کے مقابلہ میں بینک کے مجموعی اثاثوں اور ڈیپازٹس میں بالترتیب 25.1 فیصد اور 22.5 فیصد اضافہ ہوا۔ ڈیپازٹس میں بہتری اس عرصہ کے دوران موثر مارکیٹنگ سرگرمیوں اور بینک کی طرف سے چلائی جانے والی مضبوط ڈیپازٹ موہلازمین مہمات کا نتیجہ تھی۔ اثاثوں میں اضافہ بنیادی طور پر اعلیٰ کوالٹی کے کریڈٹس میں ادائیگیوں اور حکومت پاکستان کی جانب سے حال ہی میں جاری کئے گئے پاکستان انرجی سکوک میں سرمایہ کاری کے ذریعے بینک کے آرٹنگ ایسٹ میں اضافہ کے باعث ہوا۔

گروپ نے 30 جون 2019ء کو ختم ہونے والی ششماہی کے لئے منافع بعد از ٹیکس 613 ملین روپے ظاہر کیا جو گزشتہ سال کے منافع بعد از ٹیکس سے 2.9 گنا زیادہ ہے، الحمد للہ۔ اس اضافے کی بنیادی وجہ (i) منافع بخش اثاثہ جات میں اضافہ اور ایس بی پی کے پالیسی ریٹ میں اضافہ ہے جس کے نتیجے میں

Condensed Interim Consolidated Statement of Financial Position

AS AT JUNE 30, 2019

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	21,420,580	14,292,752
Balances with other banks	7	3,227,351	1,164,553
Due from financial institutions - net	8	20,514,701	18,173,504
Investments - net	9	56,806,126	39,236,762
Islamic financing, related assets and advances - net	10	117,866,720	118,320,811
Fixed assets	11	13,281,821	6,683,785
Intangible assets	12	3,171,692	3,173,692
Deferred tax assets	13	7,320,183	7,471,963
Other assets - net	14	11,661,543	8,315,446
Total Assets		255,270,717	216,833,268
LIABILITIES			
Bills payable	15	4,401,355	3,242,180
Due to financial institutions	16	8,305,441	7,819,532
Deposits and other accounts	17	213,667,146	184,429,521
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	13,009,065	6,066,223
		239,383,007	201,557,456
NET ASSETS		15,887,710	15,275,812
REPRESENTED BY			
Share capital - net		10,000,079	10,000,079
Reserves		968,799	968,799
Surplus on revaluation of assets - net of tax	19	1,819,133	1,875,495
Unappropriated profit		2,899,327	2,236,825
		15,687,338	15,081,198
Non-controlling interest		200,372	194,614
		15,887,710	15,275,812
CONTINGENCIES AND COMMITMENTS			
	20		

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

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DIRECTOR

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2019

		Restated		Restated	
		Quarter Ended		Half Year Ended	
Note		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Rupees in '000					
Profit / return earned	21	5,215,749	2,779,822	9,853,085	5,636,494
Profit / return expensed	22	2,633,958	1,398,500	4,991,039	2,894,289
Net Profit / return		2,581,791	1,381,322	4,862,046	2,742,205
OTHER INCOME					
Fee and commission income	23	147,742	198,815	328,790	369,247
Dividend income		5,608	6,618	8,597	6,618
Foreign exchange income		80,260	67,929	106,208	98,477
Gain / (loss) on securities	24	21,726	(13,098)	17,581	43,832
Other income	25	27,779	11,092	61,868	42,594
Total other income		283,115	271,356	523,044	560,768
Total Income		2,864,906	1,652,678	5,385,090	3,302,973
OTHER EXPENSES					
Operating expenses	26	1,846,962	1,609,274	3,547,353	3,174,610
Workers Welfare Fund		9,476	1,934	17,533	1,934
Other charges	27	30	-	36,180	50
Total other expenses		1,856,468	1,611,208	3,601,066	3,176,594
Profit before provisions		1,008,438	41,470	1,784,024	126,379
Provisions and write offs - net	28	434,721	4,504	876,033	27,654
Extraordinary / unusual items		-	-	-	-
Profit / (loss) for the period from					
BIPL Securities Limited - net of tax	29	16,033	(7,541)	6,912	(22,042)
Share of profit from associate		11,525	52,721	11,525	110,555
PROFIT BEFORE TAXATION		601,275	82,146	926,428	187,238
Taxation	30	188,828	8,300	313,898	29,290
PROFIT AFTER TAXATION		412,447	73,846	612,530	157,948
ATTRIBUTABLE TO:					
Equity shareholders of the Bank		409,027	75,583	611,211	163,015
Non-controlling interest		3,420	(1,737)	1,319	(5,067)
		412,447	73,846	612,530	157,948
Rupees					
Basic earnings per share	31	0.4092	0.0750	0.6064	0.1617
Diluted earnings per share	31	0.4092	0.0750	0.6064	0.1617

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

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2019

	Restated		Restated	
	Quarter Ended		Half Year Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees in '000			
Profit after taxation for the period attributable to:				
Equity shareholders of the Bank	409,027	75,583	611,211	163,015
Non-controlling interest	3,420	(1,737)	1,319	(5,067)
	<u>412,447</u>	<u>73,846</u>	<u>612,530</u>	<u>157,948</u>
Other Comprehensive Income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments - net of tax attributable to:				
Equity shareholders of the Bank	(4,933)	102,863	(5,071)	(122,275)
Non-controlling interest	(1,250)	-	4,439	-
	<u>(6,183)</u>	<u>102,863</u>	<u>(632)</u>	<u>(122,275)</u>
Items that may not be reclassified to profit and loss account in subsequent periods	-	-	-	-
Total comprehensive income	<u>406,264</u>	<u>176,709</u>	<u>611,898</u>	<u>35,673</u>
Total comprehensive income attributable to:				
Equity shareholders of the Bank	404,094	178,446	606,140	40,740
Non-controlling interest	2,170	(1,737)	5,758	(5,067)
	<u>406,264</u>	<u>176,709</u>	<u>611,898</u>	<u>35,673</u>

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

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

FOR THE HALF YEAR ENDED JUNE 30, 2019

	Attributable to equity shareholders of the Bank								Non-controlling interest	Total
	Share capital	Discount on issue of shares	Statutory reserve	Reserve for bad debts & contingencies	Surplus/(Deficit) on revaluation of			Sub total		
					Investment	Fixed / Non Banking Assets	Unappropriated profit			
	Rupees in '000									
Balance as at December 31, 2017 (Restated)	10,079,121	(79,042)	676,266	250,000	195,469	1,006,444	1,893,736	14,021,994	205,242	14,227,236
Profit after taxation for the half year ended ended June 30, 2018	-	-	-	-	-	-	163,015	163,015	(5,067)	157,948
Other comprehensive income for the half year ended ended June 30, 2018	-	-	-	-	(122,275)	-	-	(122,275)	-	(122,275)
Total comprehensive income for the half year ended ended June 30, 2018	-	-	-	-	(122,275)	-	163,015	40,740	(5,067)	35,673
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(5,128)	5,128	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(153)	153	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2018 (Restated)	10,079,121	(79,042)	676,266	250,000	73,194	1,001,163	2,062,032	14,062,734	200,175	14,262,909
Profit after taxation for the period from July 01, 2018 to December 31, 2018	-	-	-	-	-	-	171,251	171,251	(5,561)	165,690
Other comprehensive income for the period from July 01, 2018 to December 31, 2018	-	-	-	-	(38,358)	881,518	4,053	847,213	-	847,213
Total comprehensive income for the period from July 01, 2018 to December 31, 2018	-	-	-	-	(38,358)	881,518	175,304	1,018,464	(5,561)	1,012,903
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(5,270)	5,270	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(155)	155	-	-	-
Surplus on revaluation of non banking assets transferred to unappropriated profit	-	-	-	-	-	(36,597)	36,597	-	-	-
Transfer to statutory reserve	-	-	42,533	-	-	-	(42,533)	-	-	-
Balance as at December 31, 2018	10,079,121	(79,042)	718,799	250,000	34,836	1,840,659	2,236,825	15,081,198	194,614	15,275,812
Profit after taxation for the half year ended ended June 30, 2019	-	-	-	-	-	-	611,211	611,211	1,319	612,530
Other comprehensive income for the half year ended June 30, 2019	-	-	-	-	(5,071)	-	-	(5,071)	4,439	(632)
Total comprehensive income for the half year ended ended June 30, 2019	-	-	-	-	(5,071)	-	611,211	606,140	5,758	611,898
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(7,794)	7,794	-	-	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(304)	304	-	-	-
Surplus on revaluation of fixed assets transferred to unappropriated profit	-	-	-	-	-	(16,619)	16,619	-	-	-
Surplus on revaluation of non banking assets transferred to unappropriated profit	-	-	-	-	-	(26,574)	26,574	-	-	-
Balance as at June 30, 2019	10,079,121	(79,042)	718,799	250,000	29,765	1,798,368	2,899,327	15,687,338	200,372	15,887,710

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

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Condensed Interim Consolidated Cash Flow Statement (Un-audited)

FOR THE HALF YEAR ENDED JUNE 30, 2019

	Note	(Un-audited) June 30, 2019	Restated (Un-audited) June 30, 2018
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		926,428	187,238
Less: Dividend Income		(8,597)	(6,618)
Less: Share of profit from associate		(11,525)	(110,555)
		<u>906,306</u>	<u>70,065</u>
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets		322,252	334,401
Depreciation on non banking assets	26	3,016	3,336
Depreciation on right-of-use assets	26	384,482	-
Amortization		35,656	30,837
Depreciation on operating Ijarah assets		244,141	1,383,698
Finance cost on Ijarah (lease) liabilities	22	246,264	-
Provisions and write offs - net	28	876,033	27,655
Unrealised gain on revaluation of investments classified as held for trading	24	-	(2,218)
Charge for defined benefit plan		45,002	38,202
Gain on sale of property and equipment	25	(18,113)	(3,967)
		<u>2,138,733</u>	<u>1,811,944</u>
		<u>3,045,039</u>	<u>1,882,009</u>
(Increase) / decrease in operating assets			
Due from financial institutions		(2,341,197)	4,929,902
Held-for-trading securities		55,599	497,042
Islamic financing and related assets and advances		(258,549)	12,840,510
Others assets (excluding defined benefit assets)		(3,643,769)	(567,655)
		<u>(6,187,916)</u>	<u>17,699,799</u>
Increase / (decrease) in operating liabilities			
Bills payable		1,159,175	(945,585)
Due to financial institutions		485,909	(3,909,524)
Deposits and other accounts		29,237,625	(6,802,419)
Other liabilities (excluding current taxation and unrealised loss on forward sale promises)		<u>2,756,430</u>	<u>328,704</u>
		<u>33,639,139</u>	<u>(11,328,824)</u>
		<u>30,496,262</u>	<u>8,252,984</u>
Income tax paid		(306,658)	(96,654)
Net cash generated from operating activities		<u>30,189,604</u>	<u>8,156,330</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(17,641,968)	(5,315,121)
Dividend received		8,597	6,618
Payment of ijarah (lease) liability against right-of-use assets		(428,191)	-
Investments in fixed assets		(2,973,410)	(267,507)
Investments in intangible assets		(33,656)	7,136
Proceeds from disposal of operating fixed assets		69,650	4,590
Net cash used in investing activities		<u>(20,998,978)</u>	<u>(5,564,284)</u>
Increase in cash and cash equivalents			
		<u>9,190,626</u>	<u>2,592,046</u>
Cash and cash equivalents at the beginning of the period		<u>15,457,305</u>	<u>12,933,535</u>
Cash and cash equivalents at the end of the period		<u>24,647,931</u>	<u>15,525,581</u>

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

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Notes to and forming part of Condensed Interim Consolidated Financial Information (Un-audited)

FOR THE HALF YEAR ENDED JUNE 30, 2019

1. STATUS AND NATURE OF BUSINESS

The Group comprises of:

1.1 BankIslami Pakistan Limited (Holding Company or the Bank)

BankIslami Pakistan Limited (the Holding Company) was incorporated in Pakistan on October 18, 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan (SBP) granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Holding Company commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Holding Company is principally engaged in corporate, commercial, consumer, retail banking and investment activities.

The Holding Company is operating through 330 branches including 81 sub-branches as at June 30, 2019 (December 31, 2018: 330 branches including 81 sub-branches). The registered office of the Holding Company is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Holding Company are quoted on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has maintained the Bank's long-term rating as 'A+' and the short-term rating as 'A1'.

1.2 Subsidiary Companies

1.2.1 BankIslami Modaraba Investments Limited - 100 percent holding

The subsidiary company was incorporated in Pakistan on January 22, 1986 as a public limited company. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The principal activity of the subsidiary company is to float and operate Modaraba. The subsidiary company is managing its Modaraba with the name of Modaraba-Al-Mali. The principal place of business of the subsidiary company is situated at 10th Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

The financial statements of the subsidiary company have been consolidated on the basis of condensed interim financial statements for the half year ended June 30, 2019.

The financial statements of "Modaraba Al-Mali", a modaraba floated by the subsidiary company in which it has 13 percent holding, have not been consolidated although the Group has control over Modaraba Al-Mali by virtue of management rights. The management of the Group is of the view that consolidated financial statements are

required to be prepared only for subsidiaries as defined in the Companies Ordinance, 1984. "Modaraba Al-Mali" is a modaraba floated under the Modaraba Companies and Modaraba (floatation and control) Ordinance, 1980 and does not fall under the definition of subsidiary as defined under the Companies Ordinance, 1984. Hence, the financial statements of "Modaraba Al-Mali" are not required to be consolidated in the Group's condensed interim consolidated financial statements.

1.2.2 BIPL Securities Limited - 77.12 percent holding

BIPL Securities Limited was incorporated in Pakistan on October 24, 2000 and commenced its operations effective January 01, 2003, on the transfer of assets and liabilities of the securities segment of the then Khadim Ali Shah Bukhari and Company Limited under a scheme of arrangement approved by the High Court of Sindh. The shares of the Company are listed on the Pakistan Stock Exchange Limited (PSX). The registered office of the company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Company is a TREC holder of the Pakistan Stock Exchange Limited (PSX) and Corporate member of Pakistan Mercantile Exchange Limited (PMEL) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in listed and unlisted equity and debt securities, economic research and advisory services.

1.2.3 My Solutions Corporation Limited - 100 percent holding

My Solutions Corporation Limited (the Company) was incorporated as a private limited company on November 05, 1995 and was converted into a public limited company on March 24, 2003. The Company is currently dormant. Its registered office is situated at the 9th floor, Trade Centre, I.I Chundrigar Road, Karachi.

1.2.4 Structured Ventures (Private) Limited - 77.12 percent holding - (Sub subsidiary)

Structured Venture (Private) Limited was incorporated in Pakistan on June 25, 2010. The registered office of the company is situated at 5th floor, Trade Centre, I. I. Chundrigar Road, Karachi. The company is a wholly owned subsidiary of BIPL Securities Limited. The ultimate parent company is BankIslami Pakistan Limited.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and notified under Companies Act 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

- 2.2 During the period, the SBP, vide its BPRD Circular No. 05, dated: March 22, 2019, issued the revised forms for the preparation of the interim financial statements of banks, to bring it in line with the annual financial statements format, issued vide BPRD Circular No. 2 of 2018. The revised forms for the preparation of the interim financial statements are applicable for periods beginning on or after January 01, 2019. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the financial statements.

The Holding Company has adopted the above changes in the presentation and made additional disclosures to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to current period's presentation.

- 2.3 The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS).

The SECP vide its press release dated February 15, 2019 has deferred the applicability of IFRS 9 - Financial Instruments for reporting periods ending on or after June 30, 2019. However, the SBP vide its email dated July 23, 2019 has clarified that IFRS 9 is not applicable on financial statements of the Holding Company for the period ending June 30, 2019. Further, the Holding Company considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for measurement and valuation of investments and provision against non-performing financing, the implementation of IFRS 9 may require may require changes in the regulatory regime. Therefore, the Holding Company expects that the SBP would issue suitable guidance and instructions on the application of IFRS 9 for the banking sector of Pakistan.

Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim consolidated financial statements.

- 2.4 The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". These condensed interim consolidated financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual consolidated financial statements for the financial year ended December 31, 2018.
- 2.5 The Group provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes.

The purchases and sales arising under these arrangements are not reflected in these condensed interim consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable as directed by the Shariah Board of the Holding Company.

2.6 Basis of Consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Bank (Holding Company) and the financial statements of subsidiary companies from the date that control of the subsidiary by the Group commences until the date that control ceases. The financial statements of the subsidiary companies are incorporated on a line-by-line basis (except the profit and loss account of BIPL Securities Limited which is disclosed as a single line item in Consolidated Profit and Loss account as per letter No. BPRD(R&P-02)/625-112/2017/4911 dated February 27, 2017 and the investment held by the Holding Company is eliminated against the corresponding share capital of subsidiaries in these condensed interim consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are generally consistent with those of the Holding Company, except for non-banking subsidiaries in Pakistan which follow the requirements of International Financial Reporting Standard (IFRS) 9 Financial Instruments, IAS 40, Investment Property and IFRS - 7, Financial Instruments: Disclosures, which are required to comply with local regulations enforced within the respective jurisdictions.

Material intra-group balances and transactions are eliminated.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Associates and joint ventures are accounted for using the equity method.

The SBP vide its letter No. BPRD(R&P-02)/625-112/2017/4911 dated February 27, 2017, has allowed the Group to disclose financial results (net) of BIPL Securities Limited as a single line item in the Consolidated Profit and Loss account as majority of the operations of BIPL Securities Limited are of conventional nature and line by line consolidation would result in non-compliance of Shariah requirements.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of the audited annual consolidated financial statements of the Holding Company for the year ended December 31, 2018, except as described below:

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

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

3.1.2 During the period, the SBP, vide its BPRD Circular Letter No. 8 dated April 30, 2019 and BPRD Circular No. BPRD/RPD/2019/17 dated July 26, 2019 has directed all Islamic Banks to apply IFRS 16 - 'Leases' in all Ijarah (lease) contracts where the Islamic Banks acts in capacity of Mustajir (lessee) and accordingly, the Bank has adopted the standard. The IFAS 2 - Ijarah would continue to be applicable on all the Ijarah contracts where the Bank acts as Mujir (lessor).

The Holding Company has lease contracts in the capacity of lessee for various properties used by the Holding Company's branches. The Group has adopted modified retrospective approach for transition to IFRS 16. The standard also provides practical expedients, which has been applied by the Holding Company. The Holding Company has recognised right-of-use assets and lease liabilities for those leases which were previously accounted for under IFAS-2 Ijarah and recognised/ classified as rent expense. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental financing rate at the date of initial application. Right of use asset is depreciated over lease term and classified as depreciation expense.

The overall impact of the initial application of IFRS 16 on these condensed interim consolidated financial statements is summarised below:

- Right of Use (RoU) assets recognised as Fixed assets - increased by Rs 4,184.116 million.
- Ijarah (lease) liabilities recognised as Other liabilities - increased by Rs 4,112.556 million.
- Profit after tax for the half year ended June 30, 2019 decreased by Rs 117.960 million.

Had this standard not been applied, assets and liabilities would have been lower by Rs.3.998 million and Rs.4.134 million respectively. Rent expense would have been higher by Rs.437.369 million and depreciation charge and finance cost on ijarah (lease) liability would have been lower by Rs.384.482 million and Rs. 246.264 million respectively.

New accounting policies of the Group upon adoption of IFRS 16 are:

Right-of-use (ROU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Ijarah (lease) Liability

At the commencement date of the ijarah (lease), the Group recognises ijarah (lease) liability measured at the present value of the consideration (ijarah payments) to be made over the Ijarah (lease) term and is adjusted for ijarah (lease) prepayments. The lease payments are discounted using the effective rate implicit in the ijarah (lease), unless it is not readily determinable, in which case the Mustajir (lessee) may use the incremental rate of financing. After the commencement date, the carrying amount of ijarah (lease) liability is increased to reflect the accretion of finance cost and reduced for the ijarah (lease) payments made.

3.2 Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned there against:

Standard, Interpretations and Amendments

Effective date

- Definition of a Business – Amendments to IFRS 3	January 01, 2020
- Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020
- The Conceptual Framework for Financial Reporting	January 01, 2020
- IFRS 10 Consolidated Financial Statements and IAS 28	
Investment in Associates and Joint Ventures Sale or	
Contribution of Assets between an Investor and its	
Associate or Joint Venture (Amendment)	Not yet finalized

The above standards, amendments and interpretations are not expected to have any material impact on the Holding Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards

IASB Effective date (annual periods beginning on or after)

IFRS 14 – Regulatory Deferral Accounts
IFRS 17 – Insurance Contracts

January 01, 2016
January 01, 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements is the same as those applied in the preparation of the annual consolidated financial statements of the Holding Company for the year ended December 31, 2018.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Holding Company for the year ended December 31, 2018.

6 CASH AND BALANCES WITH TREASURY BANKS

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000		
In hand:		
- local currency	4,650,202	3,619,317
- foreign currency	766,008	332,378
	<u>5,416,210</u>	<u>3,951,695</u>
With the State Bank of Pakistan in:		
- local currency current account	11,278,690	7,642,125
- foreign currency deposit accounts:		
- Cash Reserve Account	367,800	268,835
- Special Cash Reserve Account	443,344	323,828
- US Dollar Clearing Account	48,778	26,604
	<u>859,922</u>	<u>619,267</u>
With National Bank of Pakistan in:		
- local currency current account	3,301,038	2,079,665
Prize bonds	564,720	-
	<u>21,420,580</u>	<u>14,292,752</u>

7 BALANCES WITH OTHER BANKS

In Pakistan:

- in current accounts	4,558	7,665
- in deposit accounts	150,481	331,258
	<u>155,039</u>	<u>338,923</u>

Outside Pakistan:

- in current accounts	3,072,312	825,630
	<u>3,227,351</u>	<u>1,164,553</u>

8 DUE FROM FINANCIAL INSTITUTIONS - NET

		(Un-audited) June 30, 2019			(Audited) December 31, 2018		
	Note	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000							
Secured							
Commodity Murabahah		-	-	-	1,913,199	-	1,913,199
Unsecured							
Commodity Murabahah		-	-	-	15,726,266	-	15,726,266
Wakalah Placement	8.1	-	1,294,101	1,294,101	-	534,039	534,039
Musharaka Placements	8.2	1,000,000	-	1,000,000	-	-	-
Bai Muajjal Receivable							
-from State Bank of Pakistan	8.3	6,172,475	-	6,172,475	-	-	-
-from Banks	8.4	3,996,106	-	3,996,106	-	-	-
-from other financial Institutions	8.5	8,052,019	-	8,052,019	-	-	-
Other placements		32,400	-	32,400	32,400	-	32,400
		19,253,000	1,294,101	20,547,101	17,671,865	534,039	18,205,904
Provision against placements		(32,400)	-	(32,400)	(32,400)		(32,400)
		19,220,600	1,294,101	20,514,701	17,639,465	534,039	18,173,504

- 8.1 This represents foreign currency placements and the profit rates on these agreements range between 1.30% to 3.40% (December 31, 2018: 0.25% to 2.80%) per annum. The agreements have maturities ranging from 15 days to 289 days (December 31, 2018: 42 days to 78 days).
- 8.2 The profit rate on Musharaka Placements is 9.25% (December 31, 2018: Nil) per annum and the agreements have maturities in 5 days (December 31, 2018: Nil).
- 8.3 The profit rates on Bai Muajjal from State Bank of Pakistan range between 10.50% to 10.60% (December 31, 2018: Nil) per annum and the agreements have maturities in 222 days (December 31, 2018: Nil).
- 8.4 The profit rate on Bai Muajjal from banks is 12.15% (December 31, 2018: Nil) per annum and the agreements have maturities in 12 days (December 31, 2018: Nil).
- 8.5 The profit rates on Bai Muajjal from other financial institutions range between 12% to 13.15% (December 31, 2018: Nil) per annum and the agreements have maturities ranging from 5 days to 26 days (December 31, 2018: Nil).

8.6 Securities held as collateral against amounts from to financial institutions

	(Un-audited) June 30, 2019			(Audited) December 31, 2018		
	Held by the Bank	Further Given as collateral	Total	Held by the Bank	Further Given as collateral	Total
	Rupees in '000					
Government of Pakistan						
Jarah Sukuks	-	-	-	1,950,000	-	1,950,000

8.7 Category of classification

	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Classified Placements	Provision held	Classified Placements	Provision held
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	32,400	32,400	32,400	32,400
Total	<u>32,400</u>	<u>32,400</u>	<u>32,400</u>	<u>32,400</u>

8.7.1 The Group does not hold overseas classified placements

9 INVESTMENTS - NET

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		Rupees in '000	
Investments - Islamic	9.1&9.3	54,442,382	36,940,559
Investments - Conventional (relating to amalgamated entity)	9.2&9.4	<u>2,363,744</u>	<u>2,296,203</u>
		<u>56,806,126</u>	<u>39,236,762</u>

9.1 Islamic Investments by type

	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
Held for trading securities								
Shares	-	-	-	-	164,223	-	(19,686)	144,537
Available for sale securities								
Federal Government Securities	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Debt Securities	43,958,135	(39,818)	590	43,918,907	10,086,345	(39,818)	(1,479)	10,045,048
Mutual fund units	5,021	-	(1,685)	3,336	5,021	-	(1,278)	3,743
Modaraba certificates	16,208	(13,866)	7,121	9,463	16,208	(13,866)	5,856	8,198
Shares	190,997	-	13,843	204,840	208,642	-	16,785	225,427
	<u>54,476,197</u>	<u>(53,684)</u>	<u>19,869</u>	<u>54,442,382</u>	<u>36,827,929</u>	<u>(53,684)</u>	<u>21,777</u>	<u>36,796,022</u>
Total Islamic investments	<u>54,476,197</u>	<u>(53,684)</u>	<u>19,869</u>	<u>54,442,382</u>	<u>36,992,152</u>	<u>(53,684)</u>	<u>2,091</u>	<u>36,940,559</u>

9.2 Conventional Investments by type*

Note	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
Available for sale securities								
Non Government Debt Securities	268,210	(268,210)	-	-	270,586	(270,586)	-	-
Shares	1,730,155	(715,127)	19,400	1,034,428	1,733,766	(684,853)	18,437	1,067,350
	1,998,365	(983,337)	19,400	1,034,428	2,004,352	(955,439)	18,437	1,067,350
Held to maturity securities								
Non Government Debt Securities	321,601	(321,601)	-	-	321,601	(321,601)	-	-
Held for trading securities								
Non Government Debt Securities	18,147	(18,147)	-	-	45,369	(45,369)	-	-
Shares	89,168	-	(230)	88,938	-	-	-	-
Associates	2,304,753	(1,064,375)	-	1,240,378	2,293,228	(1,064,375)	-	1,228,853
Total conventional investments	4,732,034	(2,387,460)	19,170	2,363,744	4,664,550	(2,386,784)	18,437	2,296,203

9.3 Islamic Investments by segments

Federal Government Securities								
GOP Ijarah Sukuks	-	-	-	-	26,511,713	-	1,893	26,513,606
Bai Muajjal	10,305,836	-	-	10,305,836	-	-	-	-
	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Debt Securities								
Pakistan Energy Sukuk-I guaranteed by the Government of Pakistan	35,000,000	-	-	35,000,000	-	-	-	-
Other sukuk certificates-unlisted	8,958,135	(39,818)	590	8,918,907	10,086,345	(39,818)	(1,479)	10,045,048
	43,958,135	(39,818)	590	43,918,907	10,086,345	(39,818)	(1,479)	10,045,048
Mutual fund units								
Units of open-end mutual funds	5,021	-	(1,685)	3,336	5,021	-	(1,278)	3,743
Modaraba								
Modaraba Certificates	16,208	(13,866)	7,121	9,463	16,208	(13,866)	5,856	8,198
Shares								
Ordinary shares of listed companies	190,997	-	13,843	204,840	372,865	-	(2,901)	369,964
	54,476,197	(53,684)	19,869	54,442,382	36,992,152	(53,684)	2,091	36,940,559

9.3.1 During the period, the Holding Company invested Rs 35 billion in Pakistan Energy Sukuk-I issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments.

9.4 Conventional Investments by segments*

	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
Non Government Debt Securities								
Listed	90,388	(90,388)	-	-	92,764	(92,764)	-	-
Unlisted	517,570	(517,570)	-	-	544,792	(544,792)	-	-
	607,958	(607,958)	-	-	637,556	(637,556)	-	-
Shares								
Listed Companies	232,473	(103,772)	19,170	147,871	161,776	(73,498)	18,437	106,715
Unlisted Companies	431,500	(33,680)	-	397,820	416,640	(33,680)	-	382,960
	663,973	(137,452)	19,170	545,691	578,416	(107,178)	18,437	489,675
Foreign Securities								
Equity Securities	1,155,350	(577,675)	-	577,675	1,155,350	(577,675)	-	577,675
Associates - Unlisted								
KASB Capital Limited	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	432,302	(432,302)	-	-	432,302	(432,302)	-	-
New Horizon Exploration & Production Limited	590,206	(590,206)	-	-	590,206	(590,206)	-	-
Shakarganj Food Products Limited	1,240,338	-	-	1,240,378	1,228,853	-	-	1,228,853
	2,304,753	(1,064,375)	-	1,240,378	2,293,228	(1,064,375)	-	1,228,853
	4,732,034	(2,387,460)	19,170	2,363,744	4,664,550	(2,386,784)	18,437	2,296,203

* These assets are related to amalgamated entity. These investments are under process of conversion / liquidation / disposal.

9.5 Investments given as collateral

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

Federal Government Securities	5,000,000	10,000,000
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9.6 Provision for diminution in value of investments

9.6.1 Opening balance	2,440,469	3,173,205
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Charge / (reversals)

Charge for the period / year	30,274	33,426
Reversals for the period / year	(29,598)	(12,043)
Provision for diminution in value of investments - net	676	21,383
Amounts written off	-	(754,119)
Closing Balance	2,441,145	2,440,469

9.6.1.1

9.6.1.1 Break up of provision for diminution in the value of investments is as follows:

Investments - Islamic	53,685	53,685
Investments - Conventional	2,387,460	2,386,784
	2,441,145	2,440,469

9.6.2 Particulars of provision against debt securities

Category of classification	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	923,177	647,776	953,624	677,374
Total	923,177	647,776	953,624	677,374

9.6.2.1 The Group does not hold overseas classified debt securities.

10 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES - NET

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		Rupees in '000	
Islamic financing and related assets - net	10.1	117,504,856	117,837,795
Advances (relating to amalgamated entity) - net	10.2	361,864	483,016
		117,866,720	118,320,811

10.1 ISLAMIC FINANCING AND RELATED ASSETS

Note	Performing		Non Performing		Total	
	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Rupees in '000					
In Pakistan						
- Running Musharakah	23,492,958	22,058,949	-	2,345,509	23,492,958	24,404,458
- Diminishing Musharakah financing and related assets - Others	10.3	18,469,243	19,260,716	1,286,134	19,755,377	20,346,113
- Muswammah financing and related assets / Karobar financing	10.4	14,376,718	14,654,320	555,126	14,931,844	15,232,254
- Istisna financing and related assets	10.5	15,534,244	14,148,931	856,216	16,390,460	15,071,411
- Diminishing Musharakah - Housing		12,919,912	12,489,541	1,001,409	13,921,321	13,386,417
- Murabahah financing and related assets	10.6	8,764,080	9,498,668	497,614	9,261,694	9,895,572
- Diminishing Musharakah financing and related assets - Auto		9,697,692	8,394,715	104,912	9,802,604	8,447,193
- Investment Agency Wakalah		6,250,000	6,250,000	-	6,250,000	6,250,000
- Ijarah financing under IFAS 2 and related assets	10.7	2,970,035	3,641,356	209,633	3,179,668	3,881,408
- Financing to employees		2,715,777	2,507,961	143,830	2,859,607	2,603,451
- Qardh e Hasana		204,103	205,099	576,381	780,484	599,194
- Murabahah against bills		223,834	169,671	-	223,834	169,671
- Salam	10.8	138,940	143,935	337	139,277	144,272
- Post Due Acceptance		39,429	108,728	-	39,429	108,728
- Housing finance portfolio - others		32,875	37,819	-	32,875	37,819
- Net investment in Ijarah financing in Pakistan		36,543	36,543	-	36,543	36,543
- Musharakah financing		280,000	-	-	280,000	-
Gross financing and related assets		116,146,383	113,606,952	5,231,592	121,377,975	120,614,504
Less: Provision against non-performing Islamic financing and related assets						
- Specific	10.13 & 10.14	-	-	(3,303,033)	(3,303,033)	(2,546,436)
- General	10.13 & 10.14	(570,086)	(230,273)	-	(570,086)	(230,273)
		(570,086)	(230,273)	(3,303,033)	(3,873,119)	(2,776,709)
Islamic financing and related assets - net of provisions		115,576,297	113,376,679	1,928,559	117,504,856	117,837,795

10.2 ADVANCES

Note	Performing		Non Performing		Total	
	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Rupees in '000					
Loans, cash credits, running finances, etc. - In Pakistan*	229,261	194,852	6,318,946	7,218,699	6,548,207	7,413,551
Bills discounted and purchased (excluding treasury bills)						
- Payable in Pakistan	-	122,451	714,646	592,195	714,646	714,646
Net investment in finance lease - In Pakistan	-	255	582,185	584,988	582,185	585,243
Advances - gross	229,261	317,558	7,615,777	8,395,882	7,845,038	8,713,440
Provision against advances						
- Specific	10.13 & 10.14	-	(7,607,035)	(8,386,515)	(7,607,035)	(8,386,515)
- General	10.13 & 10.14	(46)	(369)	-	(46)	(369)
	(46)	(369)	(7,607,035)	(8,386,515)	(7,607,081)	(8,386,884)
Advances - net of provision	229,215	317,189	8,742	9,367	237,957	326,556
Fair Value adjustment	10.15	-	123,907	156,460	123,907	156,460
Advances - net of provision and fair value adjustment	229,215	317,189	132,649	165,827	361,864	483,016

* This includes non-interest bearing financing facilities amounting to Rs. 82.944 million (December 31, 2018: Rs. 88.944 million).

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

10.3 Diminishing Musharakah financing and related assets - Others

Diminishing Musharakah financing	19,617,074	20,292,427
Advance against Diminishing Musharakah financing	138,303	53,686
	19,755,377	20,346,113

10.4 Muswammah financing and related assets / Karobar financing

Muswammah financing	11,143,048	13,496,828
Advance against Muswammah financing	1,065,746	-
Muswammah inventories	2,723,050	1,735,426
	14,931,844	15,232,254

10.5 Istisna financing and related assets

Istisna financing	10,294,179	10,180,982
Advance against Istisna financing	6,023,781	4,624,429
Istisna inventories	72,500	266,000
	16,390,460	15,071,411

10.6 Murabahah financing and related assets

Murabahah financing	7,038,863	7,928,163
Deferred murabahah income	381,942	337,220
Advances against Murabaha financing	1,134,778	1,630,189
Murabaha inventories	706,111	-
	9,261,694	9,895,572

10.7 Ijarah financing under IFAS 2 and related assets

Net book value of assets under IFAS 2	3,178,986	3,880,726
Advance against Ijarah financing	682	682
	3,179,668	3,881,408

10.8 Salam

Salam financing	103,282	52,305
Advance against Salam	35,995	91,967
	139,277	144,272

- 10.9 Murabahah financing and related assets includes financing amounting to Rs. 694 million (December 31, 2018: Rs. 600 million) and advance amounting to Rs. 471.900 million (December 31, 2018: Rs. 500 million) under Islamic Export Refinance Scheme.
- 10.10 Istisna financing and related assets includes financing amounting to Rs. 1,091.175 million (December 31, 2018: Rs. 901.300 million) and advance amounting to Rs. 1,042.300 million (December 31, 2018: Rs. 530.375 million) under Islamic Export Refinance Scheme.
- 10.11 Running Musharrah financing and related assets includes financing amounting to Rs. 500 million (December 31, 2018: Rs. Nil) under Islamic Export Refinance Scheme.

10.12 Particulars of Islamic financing and related assets and advances - gross

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
In local currency	128,962,088	129,326,156
In foreign currency	260,925	1,788
	<u>129,223,013</u>	<u>129,327,944</u>

- 10.13 Islamic financing and related assets and advances include Rs. 12,847.369 million (December 31, 2018: Rs. 15,403.434 million) which have been placed under non-performing status as detailed below:

	(Un-audited) June 30, 2019		(Audited) December 31, 2018	
	Non-performing Islamic financing, related assets and advances	Specific Provision	Non-performing Islamic financing, related assets and advances	Specific Provision
	Rupees in '000			
Domestic				
Other assets especially mentioned	837,484	211,808	267,237	220
Substandard	727,144	85,517	3,079,994	87,997
Doubtful	203,532	20,615	523,501	112,035
Loss	11,079,209	10,592,128	11,532,702	10,732,699
Total	<u>12,847,369</u>	<u>10,910,068</u>	<u>15,403,434</u>	<u>10,932,951</u>

- 10.13.1 The Group does not hold overseas non performing islamic financing related assets & advances.

10.14 Particulars of provision against non-performing Islamic financing and related assets and advances:

	(Un-audited) June 30, 2019			(Audited) December 31, 2018		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947
Charge for the period / year	872,592	339,490	1,212,082	824,518	6,764	831,282
Reversals for the period / year	(776,136)	-	(776,136)	(903,028)	-	(903,028)
	96,456	339,490	435,946	(78,510)	6,764	(71,746)
Amount written off	(119,339)	-	(119,339)	(438,608)	-	(438,608)
Closing balance	<u>10,910,068</u>	<u>570,132</u>	<u>11,480,200</u>	<u>10,932,951</u>	<u>230,642</u>	<u>11,163,593</u>

10.14.1 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
Gross reversals for the period / year	776,136	903,028
Charge for the period / year	(1,212,082)	(831,282)
Fair value adjusted - net	(435,946)	71,746
Net (charge) / reversals taken to the profit and loss account	(32,553)	(35,871)
	(468,499)	35,875

10.14.2 The Holding Company maintains general reserve (provision) amounting to Rs. 270.132 million (December 31, 2018: 230.642 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP. Further, The Holding Company carries provision of Rs. 300 million (December 31, 2018: Nil) as a matter of prudence based on management estimates.

10.14.3 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Holding Company has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at June 30, 2019 amounts to Rs. 305.891 million (December 31, 2018: Rs. 493.169 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 198.829 million (December 31, 2018: Rs. 320.560 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders of the Holding Company.

10.15 Provision in respect of acquired loans related to amalgamated entity have been determined after taking into considerations of the fair values of such loans on the basis of valuation exercise performed by the Independent consultant.

11 FIXED ASSETS

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		Rupees in '000	
Capital work-in-progress	11.1	303,585	87,761
Property and equipment	11.1 & 11.2	8,979,821	6,596,024
Right of use assets	11.2	3,998,415	-
		13,281,821	6,683,785

11.1 Capital work-in-progress

Advances to suppliers and contractors	262,985	87,761
Advance for acquiring properties:		
- Office premises	762,503	721,903
	1,025,488	809,664
Provision for impairment against advance for acquiring floors / office premises	(721,903)	(721,903)
	303,585	87,761

11.2 Additions to fixed assets

Note	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
	Rupees in '000	

The following additions have been made to fixed assets during the period:

Capital work-in-progress		226,045	41,463
Property and equipment			
Freehold / leasehold land		1,895,503	-
Leasehold building		582,139	5,804
Furniture and fixture		55,149	69,096
Electrical office and computer equipment		234,602	100,114
Vehicles		10,086	25,637
		2,777,479	200,651
Right of use assets			
Leasehold building	3.1.2	4,382,898	-
Total		<u>7,386,422</u>	<u>242,114</u>

11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Leasehold building	51,529	-
Furniture and fixture	-	447
Electrical office and computer equipment	8	1,050
Vehicles	3,262	2,509
	<u>54,799</u>	<u>4,006</u>

12 INTANGIBLE ASSETS

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

Computer software	12.1	145,712	146,574
Core deposits		30,750	31,888
Customer list (Fully amortized)*		-	-
Membership card of PMEX		750	2,100
Booths at PSX		950	950
License and trademark		872	872
TREC - PSX		1,350	-
Goodwill		2,991,308	2,991,308
		<u>3,171,692</u>	<u>3,173,692</u>

* Customer list has been fully amortized in the year 2018

12.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

- Directly purchased	33,715	26,886
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12.2 Disposals of intangible assets

There were no disposals of intangible assets during the period

13 DEFERRED TAX ASSETS

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

Deductible temporary differences on:

Accumulated tax losses	13.1	3,684,214	3,674,423
Tax credit against minimum tax		324,180	171,534
Provision for diminution in the value of investments		201,160	201,160
Provision against non-performing islamic financing and related assets and advances		3,611,600	4,061,794
Provision for gratuity		21,253	21,261
Ijarah financing and related assets		245,878	179,937
Others		348,580	260,978
		8,436,865	8,571,087

Taxable temporary difference on:

Fair value adjustments relating to assets acquired upon amalgamation		(330,381)	(272,996)
Accelerated tax depreciation		(54,562)	(76,911)
Surplus on revaluation of fixed assets	19	(626,878)	(640,023)
Surplus on revaluation of non-banking assets	19	(18,193)	(22,213)
Surplus on revaluation of available for sale securities	19	(5,065)	(5,378)
Net investment in finance lease		(81,603)	(81,603)
		(1,116,682)	(1,099,124)
		7,320,183	7,471,963

- 13.1** The Holding Company has aggregate tax losses of Rs. 10,526.326 million as at June 30, 2019 (December 31, 2018: Rs. 10,373.525 million) which includes tax losses of defunct KASB Bank Limited (now amalgamated with and into the Holding Company). The management has carried out an assessment for estimating the benefit of these losses. The Holding Company would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 3,684.214 million (December 31, 2018: Rs. 3,630.734 million). The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Holding Company, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

14 OTHER ASSETS - NET

Note | (Un-audited) | (Audited)
June 30, 2019 | December 31, 2018
Rupees in '000

Profit / return accrued in local currency	4,804,065	2,615,177
Profit / return accrued in foreign currency	4,754	3,804
Advances, deposits, advance rent and other prepayments	1,343,415	1,146,991
Non-banking assets acquired in satisfaction of claims	2,289,013	2,462,019
Branch Adjustment Account	-	85,453
Defined Benefit Plan assets	223	-
Insurance claim receivable	22,150	24,280
Car Ijarah repossession	-	-
Receivable against First WAPDA Sukuk	50,000	50,000
Stationery and stamps in hand	10	5
Trade debts	152,159	122,520
Acceptances	2,138,881	944,025
Receivable from PSX against sale of shares	-	-
Unrealized gain on forward foreign exchange contracts	372,815	25,489
Unrealized gain on future sale contracts	-	21,006
Amount held with financial institution	20.3.1.5 738,477	738,477
Other receivables	453,694	374,648
	12,369,656	8,613,894
Less: Provision held against other assets	14.1 (1,062,586)	(682,950)
Other Assets (Net of Provision)	11,307,070	7,930,944
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	354,473	384,502
Total other assets	11,661,543	8,315,446

14.1 Provision held against other assets

Advances, deposits, advance rent & other prepayments	26,692	26,692
Non banking assets acquired in satisfaction of claims	528,850	528,850
Amount held with financial institution	20.3.1.5 369,239	-
Others	137,805	127,408
	14.1.1 1,062,586	682,950

14.1.1 Movement in provision held against other assets

Opening balance	682,950	672,888
Charge for the period / year	379,636	11,327
Reversals	-	(1,265)
Closing balance	1,062,586	682,950

15 BILLS PAYABLE

In Pakistan	4,401,355	3,242,180
Outside Pakistan	-	-
	4,401,355	3,242,180

16 DUE TO FINANCIAL INSTITUTIONS

Secured

Acceptances from State Bank of Pakistan
under Islamic Export Refinance Scheme
Acceptances from State Bank of Pakistan
for financial assistance
Refinance facility of Islamic mortgage
Total secured

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

2,351,700	2,496,675
2,953,741	2,822,857
1,000,000	-
6,305,441	5,319,532
2,000,000	2,500,000
2,000,000	2,500,000
8,305,441	7,819,532

Unsecured

Musharakah Acceptance
Total unsecured

17 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) June 30, 2019			(Audited) December 31, 2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits	63,279,770	2,695,938	65,975,708	57,544,632	1,571,063	59,115,695
Savings deposits	54,516,809	3,645,748	58,162,557	57,397,384	2,932,484	60,329,868
Term deposits	75,842,732	970,832	76,813,564	54,272,975	617,886	54,890,861
Others	401,586	20,469	422,055	438,238	17,697	455,935
	194,040,897	7,332,987	201,373,884	169,653,229	5,139,130	174,792,359
Financial Institutions						
Current deposits	147,942	7,607	155,549	161,741	11,425	173,166
Savings deposits	6,767,126	-	6,767,126	7,218,996	-	7,218,996
Term deposits	5,370,587	-	5,370,587	2,245,000	-	2,245,000
	12,285,655	7,607	12,293,262	9,625,737	11,425	9,637,162
	206,326,552	7,340,594	213,667,146	179,278,966	5,150,555	184,429,521

18 OTHER LIABILITIES

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

Profit / return payable in local currency	1,283,877	845,669
Profit / return payable in foreign currencies	13,346	9,837
Accrued expenses	631,433	545,345
Deferred Murabahah Income - Financing and IERS	212,871	173,447
Deferred Murabahah Income - Commodity Murabahah	-	17,561
Payable to defined benefit plan	4,880	4,880
Payable to defined contribution plan	18,296	2,917
Defined Benefit Plan liabilities	123,244	78,223
Security deposits against Ijarah	1,875,466	2,053,274
Ijarah (lease) Liability	4,133,610	-
Provision against off-balance sheet obligations	129,093	129,093
Acceptances	2,138,881	944,025
Receipt appropriation account	205,816	74,056
Current taxation (provisions less payments)	97,234	89,994
Provision against other tax liabilities	78,619	58,683
Sundry creditors	964,044	802,422
Payable to brokers against purchase of shares - net	-	33,444
Charity payable	23,222	12,966
Retention money payable	10,225	10,857
Provision for Workers' Welfare Fund	49,472	31,939
Branch adjustment account	166,322	-
Rental received in advance	673,555	-
Others	175,559	147,591
	<u>13,009,065</u>	<u>6,066,223</u>

19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of:

Available for sale securities	9.1 & 9.2	39,269	40,214
Fixed Assets		2,081,981	2,119,539
Non-banking assets acquired in satisfaction of claims		352,458	383,356
		<u>2,473,708</u>	<u>2,543,109</u>

Deferred tax liability on surplus on revaluation of:

Available for sale securities	13	(5,065)	(5,378)
Fixed Assets		(626,878)	(640,023)
Non-banking assets acquired in satisfaction of claims		(18,193)	(22,213)
		<u>(650,136)</u>	<u>(667,614)</u>

Total surplus on revaluation of assets-net of tax

Less; Share of non-controlling interest		1,823,572	1,875,495
Group's share		<u>(4,439)</u>	<u>-</u>
		<u>1,819,133</u>	<u>1,875,495</u>

20 CONTINGENCIES AND COMMITMENTS

Note | (Un-audited)
June 30, 2019 | (Audited)
December 31, 2018
Rupees in '000

- Guarantees	20.1	6,406,566	6,709,789
- Commitments	20.2	12,972,163	13,971,812
- Other contingent liabilities	20.3	2,326,756	2,459,366
		<u>21,705,485</u>	<u>23,140,967</u>

20.1 Guarantees:

Financial guarantees	70,362	123,320
Performance guarantees	5,115,261	4,701,791
Other guarantees	1,220,943	1,884,678
	<u>6,406,566</u>	<u>6,709,789</u>

20.2 Commitments:

Documentary credits and short-term trade-related transactions

- letters of credit		9,110,834	3,706,280
Commitments in respect of:			
- forward foreign exchange contracts	20.2.1	1,101,403	2,870,624
- future sale of shares	20.2.2	90,111	(165,634)
- operating leases	20.2.3	-	4,913,424
Commitments for acquisition of:			
- operating fixed assets		54,221	198,145
- intangible assets		17,738	114,207
Other commitments	20.2.4	2,597,856	2,334,766
		<u>12,972,163</u>	<u>13,971,812</u>

20.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	6,679,764	9,694,236
Sale	(5,578,361)	(6,823,612)
	<u>1,101,403</u>	<u>2,870,624</u>

20.2.2 Future sale of shares

Purchase	-	170
Sale	90,111	(165,804)
	<u>90,111</u>	<u>(165,634)</u>

20.2.3 Commitments in respect of operating leases 3.1.2

Not later than one year	-	160,769
Later than one year and not later than five years	-	1,524,244
Later than five years	-	3,228,411
	<u>-</u>	<u>4,913,424</u>

20.2.4 Other commitments

Bills for collection	<u>2,597,856</u>	<u>2,334,766</u>
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20.2.4.1 The Holding Company makes commitments to extend financing 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.

20.3 Other contingent liabilities

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000			
Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	20.3.1	11,200	161,200
Tax Contingencies	20.3.2	2,315,556	2,298,166
		<u>2,326,756</u>	<u>2,459,366</u>

20.3.1 **Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged has debt.**

20.3.1.1 These are court cases, which represent counter claims filed by the borrowers, for restricting the Holding Company for disposal of the financed assets, (such as mortgaged / leased / pledged assets, kept as security), as well as, the cases where the Holding Company is pleaded as proforma defendant for defending its interest.

20.3.1.2 Consequent to the amalgamation of defunct KASB Bank Limited with and into BankIslami Pakistan Limited (the Holding Company) as at May 7, 2015 certain cases have been filed by individuals pertaining to amalgamation, at Honorable Sindh High Court, Honorable Lahore High Court and Honorable Islamabad High Court, in which the Holding Company has been made a party. The double bench of Honorable Sindh High Court has disposed-off the prayers in three Constitutional Petitions, without any negative inference to the Holding Company, and issued certain directions to SBP which were then complied with. Subsequently, an appeal was filed against the decision of the Honorable Sindh High Court which has also been dismissed by the Honorable Supreme Court. Thereafter, Civil Review Petitions were filed in Honorable Supreme Court against dismissal order of the appeal, which have also been dismissed by the Honorable Supreme Court of Pakistan. The cases at Honorable Lahore High Court are also disposed off in the light of Honorable Supreme Court and Honorable Sindh High Court order. The cases at Honorable Islamabad High Court are pending. The management based on the opinion of its legal counsel is confident that these cases will also be dismissed by the Honorable Court.

20.3.1.3 There are two cases filed against the Holding Company by KASB Corporation Ltd. One case is filed at Honorable Sindh High Court and the other is filed at Honorable Islamabad High Court. The Corporation claims of having placed Rs. 981.410 million with Ex-KASB Bank, as Advance against Issue of Right Shares. The amount was reported by the Ex-KASB Bank as part of the shareholders equity in the financial statements with the permission of SBP. Subsequent to the merger, KASB Corporation Limited and Mr. Nasir Ali Shah Bokhari filed a suit against the Holding Company in the Honorable High Court of Sindh; and also filed Miscellaneous Applications, praying thereby to restrain the Holding Company from using or transferring the amount of advance; and for directing the Holding Company to deposit the aforementioned amount with the Nazir of the Court; and to invest the same in interest / mark-up bearing certificates. On April 18, 2018, these Miscellaneous Applications were dismissed by the Honorable High Court of Sindh, however, the main Suit is still pending adjudication. In addition, the Corporation has filed a Writ Petition at Honorable Islamabad High Court, which is yet pending hearing. The management based on the opinion of its legal counsel is confident that the main Suit will be dismissed by the Honorable Courts.

20.3.1.4 After the acquisition of defunct KASB Bank Limited, the Bank came to know about certain transactions, identified by SBP including but not limited to fraudulent activities. SBP instructed the Holding Company to initiate legal actions in this respect and accordingly separate complaints were lodged with National Accountability Bureau (the Bureau) which were later converted into formal Inquiries by the Bureau. It may be noted without prejudice to the Bank's claim, the related amounts have not been recorded in these financial statements, as a matter of prudence.

20.3.1.5 The Holding Company has filed suit no. 2038 of 2018 in Hounorable High Court of Sindh against the international payment scheme and others along with an application for interim order restraining international payment scheme from deducting amounts aggregating to USD 6.1 million, relating to potential financial impact that may arise from a cybercrime incident. Following this incident, the local settlement bank deducted the above mentioned amount from the Holding Company's respective clearing account (refer note 14). The Honorable Court issued the stay order restraining the international payment scheme from taking any steps to debit the aforementioned amount. The management strongly believes that it substantially complied with actions required to be taken during the cybercrime incident involving an ATM Cash out. During the period, the international payment scheme filed an application for return of plaint on grounds of jurisdiction, which after arguments, has been dismissed by the Honorable Court. Further, the Holding Company on the advice of the international payment scheme has also conducted an independent review of the incident by engaging PCI Forensic Investigator (PFI) which could not forensically identify any malicious software / activity directly related to the cybercrime incident.

The management based on the advice of its legal counsel believes that it has a good arguable case and it is not liable to settle the amount of the fraudulent transactions since the Holding Company had immediately complied with all the necessary requirements.

20.3.1.6 The ownership of the Group in respect of its investment in 400,000 certificates of Modaraba Al-Mali costing Rs. 2,972,822 was disputed by a person. The Group rejected this claim and filed a suit against that party in the High Court of Sindh claiming damages of Rs 20,000,000. The High Court granted an injunction in favour of the Group along with an order restraining the person to deal with the shares pending future hearing and disposal of the suit. The winding up petition as filed by the same party was also dismissed by the High Court.

After dismissal, the party filed a suit against the Group in the Banking Court, Karachi, claiming Rs 19,200,000. The management of the Group, based on the opinion of the Group's lawyer, is confident that the Group has a strong case and the suit filed against the Group will be dismissed. Accordingly, no provision has been made in these financial statements in respect of the above.

20.3.2 Tax Contingencies

20.3.2.1 The income tax returns of the Holding Company have been filed upto tax year 2018 whereas the tax assessments have been made by the tax authorities upto tax year 2017. The returns filed for the tax year 2014 to tax year 2018 are treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.

- 20.3.2.2** During the year 2014 (relating to defunct KASB Bank Limited), the learned Additional Commissioner Inland Revenue (ACIR) passed amended assessments order under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2011 and 2013 by imposing minimum tax on turnover disregarding gross loss position of the bank. ACIR has also amended taxability of capital gain and dividend income. The aggregate tax impact comes to Rs. 116.002 million. Against the said order, the Holding Company filed an appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year 2016, the learned CIRA issued order under section 129 of the Ordinance by deleting the tax charged on capital gain and dividend income and upheld the levy of minimum tax. The learned ACIR has passed appeal effect order under section 124 of the Ordinance. After appeal effect order the aforesaid demand has now been reduced to Rs. 89.928 million. Against the order of the learned CIRA, the Holding Company has filed an appeal before the Honorable Appellate Tribunal Inland Revenue (ATIR). However, the department has filed an appeal against the CIRA Order on the issue of capital gain and dividend income. Therefore, cross appeal for the tax year 2011 and 2013 is pending before ATIR.
- 20.3.2.3** During the year 2014 (relating to defunct KASB Bank Limited), appellate order passed by the CIRA (in respect of Income tax assessments of International Housing Finance Limited, amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2007) for tax year 2005 maintained the order of the Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of Rs. 12.997 million. The defunct KASB Bank Limited has preferred appeals before the ATIR for tax year 2005 which are pending finalization.
- 20.3.2.4** During the year 2013 (relating to defunct KASB Bank Limited), the Appellate Tribunal Inland Revenue (ATIR) passed an order for the tax years 2005 to 2009 in favour of the defunct KASB Bank Limited by allowing certain deductions including provision for non-performing advances, impairment on investments, other provisions, amortization of goodwill and allocation of expenses having an aggregate tax impact of Rs. 712.550 million. However, the ATIR has disallowed deductions relating to carry over transactions having tax impact of Rs. 86.377 million for the tax years 2005 to 2008. The defunct KASB Bank Limited has preferred an appeal before the Honorable High Court of Sindh against the said decision of the ATIR. No development has taken place during the current year.
- 20.3.2.5** During the year 2013 (relating to defunct KASB Bank Limited), the Income tax assessments of KASB Capital Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2008) for tax years 2008 and 2009 were amended by the Taxation Officer to the extent of apportionment of expenses having an aggregate tax impact of Rs. 125.880 million. The Holding Company has preferred an appeal before the Honorable High Court of Sindh against the said decision of tax authorities. No development has taken place during the current year.
- 20.3.2.6** For tax years 2003 and 2004 (relating to defunct KASB Bank Limited), the CIRA has passed appellate orders on account of certain disallowances in respect of income from carry over transactions, provision against non performing advances, bad debts and certain other items having an aggregate tax impact of Rs. 33.748 million. The defunct KASB Bank Limited has preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above referred orders of the CIR Appeals. No development has taken place during the current year.
- 20.3.2.7** For assessment years 2001-2002 and 2002-2003 and tax years 2003, 2004 and 2005 (relating to defunct KASB Bank Limited) the income tax authorities of AJK region have passed appellate orders by adding interest on surplus funds transferred to head office, resulting in an additional tax demand of Rs. 14.587 million. The defunct KASB

Bank Limited has filed reference with the Honorable Azad Kashmir High Court against such additions for the above mentioned assessment / tax years up to 2004. For the tax year 2005, the CIRA - AJK has passed order in favour of the defunct KASB Bank Limited. However, the tax department has preferred appeal before the ATIR - AJK against interest on surplus head office funds, having tax impact of Rs. 5.337 million. For tax years 2006 and 2008, AJK tax department passed orders under section 122(5A) of the Ordinance. As a result of these orders, aggregate demand of Rs. 19.178 million was raised against the defunct KASB Bank Limited. However, the order for the tax year 2008 was subsequently rectified under section 221 of the Ordinance. Thereby aggregate demand for tax years 2006 and 2008 reduced to Rs. 13.304 million. Subsequently the learned CIRA - AJK has passed orders under section 129 of the Ordinance for the tax years 2006 and 2008 whereby he has confirmed all additions. Therefore, the defunct KASB Bank Limited has preferred an appeal before the ATIR - AJK. An appeal against the order of CIRA for the tax years 2006 and 2008 has been filed by the Bank before the Appellate Tribunal Inland Revenue (ATIR) - AJK.

- 20.3.2.8** In respect of tax year 2015, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Holding Company by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Bank by Rs. 32.893 million and levied super tax. As a result, a tax demand of Rs. 124.134 million was created.

The Holding Company filed an appeal against the said decision before CIRA as a result of which an appellate order has been passed. In the appellate order, the CIRA confirmed the restriction of minimum tax and other disallowances to the extent of Rs. 9.857 million. Against the treatment meted out by the CIRA, an appeal has been filed before the ATIR.

- 20.3.2.9** In respect of the tax years 2016 and 2017, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by The Holding Company by Rs. 3.358 billion and Rs. 755.414 million for the tax years 2016 and 2017 respectively.

Against the disallowances in tax year 2016, an appeal has been filed before the CIRA which is pending finalization.

For the tax year 2017, the Holding Company filed an appeal against the said decision before CIRA as a result of which an appellate order has been passed. In the appellate order, the CIRA remanded disallowance of Rs.39.50 million and whereas disallowances of Rs. 13.381 million were upheld. Remaining disallowances made by the CIR amounts to Rs. 702.533 million were deleted by the CIRA. Against the treatment meted out by the CIRA in favour of the Bank, the tax authorities have filed an appeal before the ATIR which is pending.

The management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and consequently no additional provision has been made in these financial statements.

- 20.3.2.10** The Income Tax authorities Substituted Section 5A of Income Tax ordinance 2001 through Finance Act 2017 which requires one of the Group company to be subjected to additional tax of 7.5% of the accounting profit before tax if it fails to distribute at least 40% of profit after tax within six months of the end of tax year through cash or bonus. However, the subsidiary company has filed an appeal before the Honorable High Court of Sindh at Karachi dated September 29, 2017. The Honorable High Court of Sindh has granted Stay orders in favour of the company and the proceedings thereof are pending till date. The management is confident that the eventual outcome

of the matters will be decided in favour of the company. Accordingly, no provisions has been made in these financial statements.

20.3.2.11 For tax year 2013, an ammended assessment order has been passed under section 122(5A) of the Income Tax Ordinance, 2001 by the Additional Commissioner Inland Revenue, raising a demand of Rs. 17.39 million dated June 28, 2019. In pursuance of such order, the Group has filed an appeal before Commissioner Appeals which is pending hearing

21	PROFIT / RETURN EARNED	Note	(Un-audited) June 30, 2019	Restated (Un-audited) June 30, 2018
			Rupees in '000	
	Profit earned on:			
	Financing		7,295,829	3,895,082
	Investments		2,078,445	1,278,723
	Placements		429,726	414,938
	Others		49,085	47,751
			<u>9,853,085</u>	<u>5,636,494</u>
22	PROFIT / RETURN EXPENSED			
	Deposits and other accounts		4,416,158	2,560,528
	Due to financial institutions		291,268	333,761
	Cost of foreign currency swaps against foreign currency deposits		37,349	-
	Finance cost on ijarah (lease) liabilities	3.1.2	246,264	-
			<u>4,991,039</u>	<u>2,894,289</u>
23	FEE AND COMMISSION INCOME			
	Branch banking customer fees		22,257	48,067
	Commission on bancatakaful		42,295	29,511
	Card related fees		82,369	140,775
	Commission on arrangement with financial institutions		13,944	9,447
	Consumer finance related fees		15,465	13,204
	Commission on guarantees		32,624	31,777
	Investment banking fees		39,248	12,193
	Commission on cash management		1,961	2,889
	Commission on remittances including home remittances		20,465	28,576
	Commission on trade		55,549	48,240
	Others		2,613	4,568
			<u>328,790</u>	<u>369,247</u>
24	GAIN ON SECURITIES			
	Realised gain	24.1	17,581	41,614
	Unrealised loss - held for trading		-	2,218
			<u>17,581</u>	<u>43,832</u>
24.1	Realised gain on:			
	Federal Government Securities		(8,185)	1,000
	Non-Government Debt Securities		20,039	-
	Shares		5,727	40,614
			<u>17,581</u>	<u>41,614</u>

25 OTHER INCOME

	(Un-audited) June 30, 2019	Restated (Un-audited) June 30, 2018
Rupees in '000		
Rent on property	5,132	3,764
Gain on termination of financing	31,617	30,639
Gain on sale of property and equipment	18,113	3,967
Fee for attending board meetings of associates	24	96
Recoveries against previously expensed items	6,715	3,894
Others	267	234
	<u>61,868</u>	<u>42,594</u>

26 OPERATING EXPENSES

	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
Rupees in '000		
Total compensation expense	1,453,302	1,368,077
Property expense		
Rent & taxes	33,996	441,345
Insurance	1,421	2,778
Utilities cost	149,446	132,987
Security (including guards)	164,540	149,308
Repair & maintenance (including janitorial charges)	70,650	50,219
Depreciation	141,546	153,845
Depreciation on right-of-use assets	384,482	-
Others	405	305
	<u>946,486</u>	<u>930,787</u>
Information technology expenses		
Software maintenance	73,471	42,529
Hardware maintenance	74,071	39,221
Depreciation	90,089	87,065
Amortisation	34,517	29,698
Network charges	74,557	68,702
	<u>346,705</u>	<u>267,215</u>
Other operating expenses		
Directors' fees and allowances	3,635	3,510
Fees and allowances to Shariah Board	6,304	5,850
Legal & professional charges	73,950	26,466
Travelling & conveyance	20,812	15,915
NIFT clearing charges	10,094	10,941
Depreciation	90,617	93,491
Depreciation on non banking assets	3,016	3,336
Entertainment expense	33,343	36,089
Training & development	-	7,446
Postage & courier charges	15,669	25,384
Communication	24,356	24,300
Marketing, advertisement & publicity	62,321	27,310
Repairs and maintenance	42,043	33,344
Takaful, tracker and other charges on car Ijarah	50,319	64,014
Stationery & printing	50,742	45,242
Insurance	-	34,002
Fee and subscription	39,464	60,990
Vehicle running and maintenance	58,338	43,621
Auditors Remuneration	5,993	5,121
Amortization	1,139	1,139
CDC and share registrar services	6,014	6,518
Brokerage and commission	2,672	6,510
Stamp duty & registration charges	26,637	7,567
Others	173,382	20,425
	<u>800,860</u>	<u>608,531</u>
	<u>3,547,353</u>	<u>3,174,610</u>

27 OTHER CHARGES

	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
	Rupees in '000	
Penalties imposed by the State Bank of Pakistan	36,180	50

28 PROVISIONS AND WRITE OFFS - NET

	(Un-audited) June 30, 2019	Restated (Un-audited) June 30, 2018
	Rupees in '000	
Provision / (reversal of provision) for diminution in value of investments - net	27,898	(854)
Provision against Islamic financing and related assets and advances - net	468,499	17,201
Other provisions - net	379,636	11,307
	876,033	27,654

**29 FINANCIAL RESULTS OF BIPL
SECURITIES LIMITED**

Note

	(Un-audited) June 30, 2019	(Un-audited) June 30, 2018
	Rupees in '000	
Total income for the period	131,712	127,541
Total expenses for the period	135,180	160,671
Loss before taxation	(3,468)	(33,130)
Taxation		
- Current	(2,340)	15,910
- Deferred	12,720	(26,998)
	10,380	(11,088)
Profit / (loss) after taxation	6,912	(22,042)

30 TAXATION

Current year	155,827	76,936
Deferred	158,071	(47,646)
	313,898	29,290

30.1 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements as the provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 (minimum tax on turnover) due to available tax losses brought forward from prior years and transferred from the defunct KASB Bank Limited.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Holding Company has filed the return of income for the tax years 2006 to 2018 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

31 BASIC AND DILUTED EARNINGS PER SHARE

(Un-audited)
June 30, 2019

(Un-audited)
June 30, 2018

Profit after taxation for the year (Attributable to equity shareholders of the Bank)

Rupees in '000

611,211 163,015

Number of shares

Weighted average number of ordinary shares in issue

1,007,912,090 1,007,912,090

Rupees

Earnings per share - basic / diluted

31.1

0.6064

0.1617

31.1 There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2019 and June 30, 2018.

32 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

The Holding Company maintained the following pools for profit declaration and distribution during the half year ended June 30, 2019:

- (i) General Deposit Mudarabah Pools (PKR, USD, EUR & GBP);
- (ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme; and
- (iii) Special Mudarabah Deposit Pools
- (iv) Treasury Pools

The deposits and funds accepted under the General Deposit Mudarabah Pool and Special Mudarabah Deposit Pools are provided to different sectors of economy mainly to 'Textile and Allied', 'Energy', 'Fertilizer', 'Trading', 'Consumer Finance' and 'GOP Ijarah Sukuks'.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channeled towards the export sector of the economy via different Islamic financing modes such as Murabahah, Istisna etc.

Key features and risk & reward characteristics of all pools along with the parameters used for allocation of profit, charging expenses and provisions are consistent with those disclosed in note 34 to the annual financial statements for the year ended December 31, 2018.

(Un-audited)
June 30, 2019

General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					Rupees in '000			Rupees in '000
PKR Pool	Monthly	9.81%	50.00%	50.00%	1,377,163	4.40%	7.11%	96,188
USD Pool	Monthly	1.82%	50.00%	50.00%	11,128	0.86%	20.88%	1,457
GBP Pool	Monthly	6.45%	50.00%	50.00%	408	0.38%	20.58%	77
EURO Pool	Monthly	0.11%	50.00%	50.00%	50	0.07%	33.06%	15
Specific Musharakah Pool	Profit rate and weightage announcement period	Profit rate return earned	Client Share %	Bank share %	Bank share	Profit rate return distributed	Percentage of Hiba to Client	Amount of Hiba to IERS Client
					Rupees in '000			Rupees in '000
Islamic Export Refinance (IERS) Musharakah Pool	Monthly	5.68%	49.21%	50.79%	2,880,783	2.01%	0.00%	-

Specific Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib Fee	Profit rate return distributed to remunerative special deposits	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba to special remunerative deposits
					Rupees in '000			Rupees in '000
(i) Mutual Fund	Monthly	12.53%	79.91%	20.09%	115,589	10.95%	40.44%	45,276
(ii) Special Term Deposit	Monthly	12.27%	79.09%	20.91%	280,403	10.46%	29.33%	82,649
(iii) Special Saving	Monthly	12.63%	70.00%	30.00%	144,529	10.30%	41.45%	55,839
(iv) 1 year special Term Deposit monthly profit	Monthly	11.08%	82.91%	17.09%	75,169	9.50%	25.28%	18,354
(v) 2 years special Term Deposit monthly profit	Monthly	10.62%	90.00%	10.00%	823	12.00%	37.09%	305
(vi) 3 years special Term Deposit monthly profit	Monthly	11.11%	88.85%	11.15%	10,141	10.57%	29.08%	3,120

(vii) In addition to the above, 73 short term Treasury Pools were created to meet liquidity management requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

33 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost less impairment losses. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

33.1 Fair value of financial assets

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

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

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

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

The table below analyses financial assets measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

(Un-audited) June 30, 2019				
	Level 1	Level 2	Level 3	Total
Rupees in '000				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	1,328,206	-	-	1,328,206
Non-Government Debt Securities	-	42,802,958	-	42,802,958
Units of open ended mutual funds	3,336	-	-	3,336
Modaraba Certificates	9,463	-	-	9,463
Non-Financial Assets - measured at fair value				
Operating fixed assets - Land and building	-	-	6,915,933	6,915,933
Non-banking assets	-	-	2,114,636	2,114,636
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	6,272,413	-	6,272,413
Forward sale of foreign exchange	-	5,543,393	-	5,543,393
Future sale of shares	90,111	-	-	90,111
(Audited) December 31, 2018				
	Level 1	Level 2	Level 3	Total
Rupees in '000				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	26,513,606	-	26,513,606
Shares	476,679	-	-	476,679
Non-Government Debt Securities	-	10,045,048	-	10,045,048
Units of open ended mutual funds	3,743	-	-	3,743
Modaraba Certificates	8,198	-	-	8,198
Non-Financial Assets - measured at fair value				
Operating fixed assets - Land and building	-	-	4,977,178	4,977,178
Non-banking assets	-	-	2,317,671	2,317,671
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	9,846,491	-	9,846,491
Forward sale of foreign exchange	-	6,950,378	-	6,950,378
Shariah compliant future purchase of shares	161	-	-	161
Shariah compliant future sale of shares	144,789	-	-	144,789

Valuation techniques used in determination of fair values within level 2

Items	Valuation approach and input used
WAPDA Sukuks	Investment in WAPDA Sukuks are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.

Valuation techniques used in determination of fair values within level 3

Operating fixed assets - Land and building	Land and buildings are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.
Non-banking assets	Non banking assets are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.

33.2 The Group's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 during the year.

34 SEGMENT INFORMATION

34.1 Segment Details with respect to Business Activities

	(Un-audited) June 30, 2019				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Profit & Loss					
Profit / return earned	3,270,085	(3,056,336)	4,600,825	47,472	4,862,046
Inter segment revenue - net	(2,672,607)	7,426,790	(4,754,183)	-	-
Other income	146,330	215,906	128,740	50,505	541,481
Total Income	743,808	4,586,360	(24,618)	97,977	5,403,527
Segment direct expenses	35,310	2,077,563	38,089	1,450,104	3,601,066
Inter segment expense allocation	62,151	1,053,922	163,260	(1,279,333)	-
Total expenses	97,461	3,131,485	201,349	170,771	3,601,066
Provisions	46,127	104,750	365,018	360,138	876,033
Profit before tax	600,220	1,350,125	(590,985)	(432,932)	926,428

(Un-audited)
June 30, 2019

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ‘ 000				
Balance Sheet					
Assets					
Cash & Bank balances	13,524,901	10,974,104	-	148,926	24,647,931
Investments	56,282,815	-	-	523,311	56,806,126
Net inter segment lending	-	183,989,638	-	-	183,989,638
Due from financial institutions	20,514,701	-	-	-	20,514,701
Islamic financing and related assets - performing	-	26,745,514	87,232,428	2,671,609	116,649,551
Non-performing	-	531,669	685,500	-	1,217,169
Others	4,654,448	5,339,062	3,823,415	21,618,314	35,435,239
Total Assets	94,976,865	227,579,987	91,741,343	24,962,160	439,260,355
Liabilities					
Borrowings	4,953,741	7,753,055	-	-	12,706,796
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	213,667,146	-	-	213,667,146
Net inter segment borrowing	89,989,519	-	89,108,359	4,891,760	183,989,638
Others	33,607	5,920,303	2,632,984	4,422,171	13,009,065
Total liabilities	94,976,867	227,340,504	91,741,343	9,313,931	423,372,645
Equity	-	-	-	15,887,710	15,887,710
Total Equity & liabilities	94,976,867	227,340,504	91,741,343	25,201,641	439,260,355
Contingencies & Commitments	1,101,403	-	15,517,400	5,086,682	21,705,485

Restated
(Un-audited)
June 30, 2018

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Profit & Loss					
Net profit / return	1,407,128	(1,425,522)	2,701,508	59,091	2,742,205
Inter segment revenue - net	(1,049,443)	2,696,758	(1,647,315)	-	-
Other income	158,374	299,020	90,705	101,182	649,281
Total Income	516,059	1,570,256	1,144,898	160,273	3,391,486
Segment direct expenses	28,145	1,220,753	692,773	1,234,923	3,176,594
Inter segment expense allocation	52,715	893,911	138,474	(1,085,100)	-
Total expenses	80,860	2,114,664	831,247	149,823	3,176,594
Provisions	(854)	10,253	6,948	11,307	27,654
Profit before tax	436,053	(554,661)	306,703	(857)	187,238

(Audited)
December 31, 2018

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Assets					
Cash & Bank balances	8,592,182	6,815,483	-	49,640	15,457,305
Investments	39,224,886	-	-	11,876	39,236,762
Net inter segment lending	-	156,041,540	-	-	156,041,540
Due from financial institutions	18,173,504	-	-	-	18,173,504
Islamic financing and related assets - performing	-	22,167,627	89,165,423	2,510,425	113,843,475
Non-performing	-	746,700	3,649,429	81,207	4,477,336
Others	2,307,249	1,873,391	3,166,067	18,298,179	25,644,886
Total Assets	68,297,821	187,644,741	95,980,919	20,951,327	372,874,808
Liabilities					
Borrowings	5,331,216	2,488,316	-	-	7,819,532
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	184,417,786	-	11,735	184,429,521
Net inter segment borrowing	61,630,487	-	94,411,053	-	156,041,540
Others	656,240	3,941,460	1,569,866	3,140,837	9,308,403
Total liabilities	67,557,793	190,907,712	95,980,919	3,152,572	357,598,996
Equity	-	-	-	15,275,812	15,275,812
Total Equity & liabilities	67,557,793	190,907,712	95,980,919	18,428,384	372,874,808
Contingencies & Commitments	2,704,990	-	10,416,069	10,013,710	23,134,769

35 RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, employee benefit plans and its directors and Key Management Personnel.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period are as follows:

	(Un-audited) June 30, 2019				(Audited) December 31, 2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Rupees in ' 000								
Investments								
Opening balance	-	-	1,660,111	-	-	-	1,660,111	-
Investment made during the period	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	1,660,111	-	-	-	1,660,111	-
Provision for diminution in value of investments	-	-	(1,032,169)	-	-	-	(1,032,169)	-
Islamic financing and related assets								
Opening balance	25,280	284,740	392,853	461,667	27,464	184,202	582,084	1,880,378
Addition during the period	-	44,241	537,767	1,237,170	-	258,618	675,000	3,196,861
Repaid during the period	(1,348)	(23,660)	(329,901)	(599,167)	(2,184)	(82,809)	(864,231)	(4,180,572)
Transfer in / (out) - net	-	(112,853)	-	160,000	-	4,494	-	(435,000)
Closing balance	23,932	192,468	600,719	1,259,670	25,280	364,505	392,853	461,667
Other Assets								
Profit receivable on financings	119	2,318	10,368	32,039	135	118	8,225	15,470
Deposits and other accounts								
Opening balance	3,696	46,092	80,269	1,232,106	2,458	32,016	25,849	902,081
Received during the period	8,098	176,382	1,570,697	3,366,676	34,119	579,006	2,738,230	8,232,318
Withdrawn during the period	(8,982)	(209,202)	(1,629,552)	(3,285,559)	(34,528)	(563,296)	(2,684,170)	(7,850,192)
Transfer in / (out) - net	-	(2,163)	-	-	1,647	(1,634)	360	(52,101)
Closing balance	2,812	11,109	21,414	1,313,223	3,696	46,092	80,269	1,232,106
Other Liabilities								
Profit / return payable	2	117	110	10,089	2	178	148	7,513
Contingencies and Commitments								
Other contingencies	-	-	19,369	30,249	-	-	19,760	91,572
	(Un-audited) June 30, 2019				(Un-audited) June 30, 2018			
Income								
Profit / return earned	1,145	2,445	24,806	43,936	1,070	4,466	25,592	38,888
Other income	-	589	-	-	-	8	-	-
Expense								
Profit / return expensed	12	146	867	55,645	16	20	332	23,023
Other administrative expenses	1,850	3,501	92	-	6,144	1,096	291	-
Meeting Fee / Remuneration	3,450	78,496	-	-	4,153	61,016	-	-
Contribution to employees provident fund	-	-	-	46,052	-	-	-	43,873
Contribution to employees gratuity fund	-	-	-	45,002	-	-	-	38,202

36 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
Rupees in '000		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,000,079	10,000,079
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,672,153	12,564,839
Eligible Additional Tier 1 (ADT 1) Capital	5,531	5,735
Total Eligible Tier 1 Capital	13,677,684	12,570,574
Eligible Tier 2 Capital	4,736,158	4,342,930
Total Eligible Capital (Tier 1 + Tier 2)	18,413,842	16,913,504
Risk Weighted Assets (RWAs):		
Credit Risk	107,973,146	99,235,282
Market Risk	2,107,023	2,236,103
Operational Risk	11,255,363	11,255,363
Total	121,335,532	112,726,748
Common Equity Tier 1 Capital Adequacy ratio	11.27%	11.15%
Tier 1 Capital Adequacy Ratio	11.27%	11.15%
Total Capital Adequacy Ratio	15.18%	15.00%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	13,677,684	12,570,574
Total Exposures	278,649,045	231,884,144
Leverage Ratio	4.91%	5.42%
Liquidity Coverage Ratio (LCR)*:		
Total High Quality Liquid Assets	49,493,605	42,125,500
Total Net Cash Outflow	31,989,823	21,949,912
Liquidity Coverage Ratio	162.64%	191.92%
Net Stable Funding Ratio (NSFR)*:		
Total Available Stable Funding	211,842,255	187,439,582
Total Required Stable Funding	87,800,160	97,963,189
Net Stable Funding Ratio	241.28%	191.34%

* Holding Company's LCR and NSFR ratios have been presented.

37 GENERAL

- 37.1 Captions, as prescribed by BPRD Circular No. 02, dated: January 25, 2018 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and Profit and Loss Account.
- 37.2 These condensed interim consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

37.3 The figures in these financial statements have been rounded off to the nearest thousand rupee.

37.4 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications during the period except as disclosed below:

Transfer from	Transfer to	Aggregate
		Rupees in '000
Profit / return earned - Financings	Profit / return earned - Placements	389,680
Other Income - Fee and commission income	Profit / return earned	5,766

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorized for issue on August 27, 2019 by the Board of Directors of the Holding Company.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR



BankIslami Pakistan Limited

11th Floor, executive Tower, Dolmen City, Marine Drive, Clifton Block - 4 Karachi, Pakistan.

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