



KPMG Taseer Hadi & Co.
Chartered Accountants

**Industrial and Commercial Bank of China
Limited - Pakistan branches**

**Condensed Interim Financial
Statements**

For the half year ended 30 June 2018



KPMG Taseer Hadi & Co.
Chartered Accountants
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Independent auditor's review report

To the directors of Industrial and Commercial Bank of China – Pakistan Branches

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Industrial and Commercial Bank of China Limited – Pakistan Branches ("the Branches") as at 30 June 2018 and the related condensed interim statement of profit and loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

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 is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.



KPMG Taseer Hadi & Co.

Other Matters

The figures for the quarters ended June 30, 2018 and June 30, 2017 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditor's review report is Ameen Malik.

Date: 8 August 2018

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

Industrial and Commercial Bank of China Limited - Pakistan Branches

Condensed Interim Statement of Financial Position

As at June 30, 2018

	Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
ASSETS			
Cash and balances with treasury banks		17,498,510	15,585,904
Balances with other banks		1,411,779	1,461,579
Lendings to financial institutions	7	154,934,782	118,285,067
Investments	8	197,662,076	235,089,040
Advances	9	17,447,943	8,164,082
Operating fixed assets	10	568,020	581,047
Deferred tax assets	11	8,175	633
Other assets		11,162,589	12,034,886
		400,693,874	391,202,238
LIABILITIES			
Bills payable		4,907,821	4,573,858
Borrowings from financial institutions	12	301,191,559	303,724,827
Deposits and other accounts	13	66,924,452	57,698,198
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	11	-	-
Other liabilities	14	7,262,126	8,365,292
		380,285,958	374,362,175
NET ASSETS		20,407,916	16,840,063
REPRESENTED BY			
Head office capital account	15	10,460,666	9,506,699
Unremitted profit		9,997,025	7,365,414
		20,457,691	16,872,113
Deficit on revaluation of investments - net of tax	16	(49,775)	(32,050)
		20,407,916	16,840,063
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

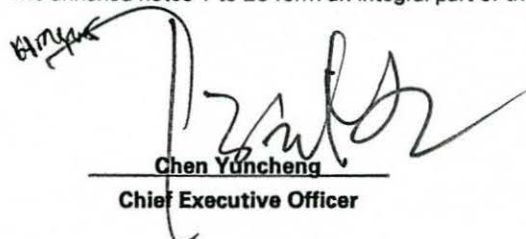

Chen Yuncheng
 Chief Executive Officer


David Xie
 Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches
Condensed Interim Profit and Loss Account (Un-audited)
For the half year & quarter ended June 30, 2018

	Note	Half Year Ended		Quarter Ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<hr/> <div>(Rupees in '000)</div> <hr/>					
Mark-up / Return / Interest Earned		10,867,892	8,032,614	5,709,847	4,359,449
Mark-up / Return / Interest Expensed		(6,795,463)	(4,825,164)	(3,022,459)	(2,566,746)
Net mark-up / Interest Income		4,072,429	3,207,450	2,687,388	1,792,703
Provision against non-performing loans and advances		(93,777)	-	(93,777)	-
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
		(93,777)	-	(93,777)	-
Net Mark-up / Interest Income after provisions		3,978,652	3,207,450	2,593,611	1,792,703
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		553,040	383,552	291,428	223,761
Dividend income		-	-	-	-
Income / (loss) from dealing in foreign currencies	18	484,587	(196,197)	150,939	29,436
Income / (loss) on sale of securities		-	-	-	-
Unrealized gain / (loss) on revaluation of investments		-	-	-	-
Other income		-	244	-	35
Total non-mark-up / interest income		1,037,627	187,599	442,365	253,232
		5,016,279	3,395,049	3,035,976	2,045,935
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(584,537)	(488,162)	(315,645)	(256,229)
Other provisions / write-offs		-	-	-	-
Other charges		-	-	-	-
Total non-mark-up / interest expense		(584,537)	(488,162)	(315,645)	(256,229)
		4,431,742	2,906,887	2,720,331	1,789,706
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		4,431,742	2,906,887	2,720,331	1,789,706
Taxation - Current	21	1,798,128	1,021,234	1,188,173	628,637
- Prior years		-	90,959	-	90,959
- Deferred		2,003	(3,580)	985	(1,995)
		1,800,131	1,108,613	1,189,158	717,601
PROFIT AFTER TAXATION		2,631,611	1,798,274	1,531,173	1,072,105

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.


Chen Yuncheng
Chief Executive Officer


David Xie
Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the half year & quarter ended June 30, 2018

	Note	Half Year Ended		Quarter Ended	
		June 30,	June 30,	June 30,	June 30,
		2018	2017	2018	2017
		(Rupees in '000)		(Rupees in '000)	
Profit after taxation for the period		2,631,611	1,798,274	1,531,173	1,072,105
Other comprehensive income					
Items that will never be reclassified to profit and loss account					
Exchange adjustments on revaluation of capital	15	953,967	9,223	945,041	297
Comprehensive income - transferred to statement of changes in equity		3,585,578	1,807,497	2,476,214	1,072,402
Components of comprehensive income not reflected in Head Office account					
Items that are or may be reclassified to profit and loss account					
(Deficit) / Surplus on revaluation of available for sale securities	8	(27,269)	11,494	(36,129)	2,634
Related tax	11	9,544	(4,023)	12,645	(922)
		(17,725)	7,471	(23,484)	1,712
Total comprehensive income		3,567,853	1,814,968	2,452,730	1,074,114

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Chief Executive Officer

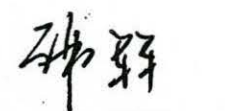

David Xie
Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches
Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended June 30, 2018

	Note	Half Year ended June 30, 2018	Half Year ended June 30, 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,431,742	2,906,887
Adjustments:			
Depreciation & amortization		26,412	43,730
Provision against loan and advances		93,777	-
Gain on disposal of fixed assets		-	(44)
		<u>4,551,931</u>	<u>2,950,573</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		-	-
Advances		(9,377,638)	447,301
Other assets		872,297	5,523,027
		<u>(8,505,341)</u>	<u>5,970,328</u>
Increase / (decrease) in operating liabilities			
Bills payable		333,963	1,894,843
Borrowings from financial institutions		-	-
Deposits and other accounts		9,226,254	(5,525,017)
Other liabilities		(1,629,774)	(7,872,538)
		<u>7,930,443</u>	<u>(11,502,712)</u>
		<u>3,977,033</u>	<u>(2,581,811)</u>
Income tax paid		(1,271,520)	(1,045,858)
Net cash generated / (used in) from operating activities		<u>2,705,513</u>	<u>(3,627,669)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in operating fixed assets	10.1	(13,386)	(1,712)
Sale proceeds of operating fixed assets		-	48
Net investments in available for sale securities		37,399,695	(34,879,092)
Net cash generated / (used in) from investing activities		<u>37,386,309</u>	<u>(34,880,756)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Exchange adjustments on revaluation of capital	15	953,967	9,223
Net cash flow from financing activities		<u>953,967</u>	<u>9,223</u>
Net increase / (decrease) in cash and cash equivalents		<u>41,045,789</u>	<u>(38,499,202)</u>
Cash and cash equivalents at beginning of the period		(168,392,277)	(148,781,172)
Cash and cash equivalents at end of the period	19	<u>(127,346,488)</u>	<u>(187,280,374)</u>

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Chief Executive Officer

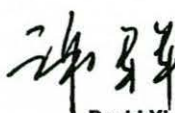

David Xie
Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches
Condensed Interim Statement of Changes in Equity (Un-audited)
For the period ended June 30, 2018

	Note	Head office capital account	Unremitted profit (Rupees in '000)	Total
Balance as at January 01, 2017		3,775,797	4,047,374	7,823,171
Total comprehensive income for the half year ended June 30, 2017				
Profit for half year ended June 30, 2017		-	1,798,274	1,798,274
Other comprehensive income				
Exchange adjustments on revaluation of capital		9,223	-	9,223
Balance as at June 30, 2017		3,785,020	5,845,648	9,630,668
Transaction with the Head Office				
Remittances received from Head Office		5,273,260	-	5,273,260
Total comprehensive income for the half year ended December 31, 2017				
Profit for the half year ended December 31, 2017		-	1,520,392	1,520,392
Exchange adjustment on revaluation of capital		448,419	-	448,419
Remeasurement of defined benefit plan - net of tax		-	(626)	(626)
Balance as at December 31, 2017		9,506,699	7,365,414	16,872,113
Total comprehensive income for the half year ended June 30, 2018				
Profit for half year ended June 30, 2018		-	2,631,611	2,631,611
Other comprehensive income				
Exchange adjustments on revaluation of capital	15	953,967	-	953,967
Balance as at June 30, 2018		10,460,666	9,997,025	20,457,691

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.


Chen Yuncheng
Chief Executive Officer


David Xie
Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches

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

For the half year ended June 30, 2018

1 STATUS AND NATURE OF BUSINESS

The Pakistan branches of Industrial and Commercial Bank of China Limited ("the Branches") have commenced their operations in Pakistan with effect from August 18, 2011. Industrial and Commercial Bank of China Limited is incorporated in the People's Republic of China.

The Bank presently operates through three branches (December 31, 2017: three branches) in Pakistan and is engaged in banking activities permissible under the Banking Companies Ordinance, 1962. The registered office of the Bank is located at 16th Floor, Ocean Tower, Block 9, Clifton, Karachi.

Credit ratings assigned to the Head Office of the Bank by Moody's Investor Services Inc. are as follows:

Long Term Rating	A1
Short Term Issuer Level Rating	P-1

2 BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up on price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in the condensed interim financial information as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.2 The disclosures made in the condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and condensed interim financial information should be read in conjunction with the financial statements of the branches for the year ended December 31, 2017.

3 STATEMENT OF COMPLIANCE

- 3.1 These condensed interim financial statements of the Branches have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Banking Companies Ordinance, 1962;
 - Provisions of and directives issued under the Companies Act, 2017; and
 - Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

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- 3.2** The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard 40, 'Investment Property' for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. Further, segment information is being disclosed in accordance with the SBP's prescribed format as per BSD circular 4 dated February 17, 2006 which prevails over the requirements specified in IFRS 8, 'Operating Segments'.
- 3.3** The Companies Ordinance, 1984 was repealed after enactment of the Companies Act, 2017, on May 30, 2017. The SECP vide its Circular No. 23 of 2017, dated October 04, 2017 had clarified that all those companies whose financial year closes on or before December 31, 2017 were required to prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. Accordingly, this is the Bank's first condensed interim financial statements in which the Companies Act, 2017 has been applied.
- 3.4** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these condensed interim financial statements should be read in conjunction with the financial statements of the Branches for the year ended December 31, 2017.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies and methods of computation adopted in the preparation of the condensed interim financial statements are same as those applied in the preparation of annual financial statements of the branches for the year ended December 31, 2017.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The significant judgements made by management in applying the branches' accounting policies and key sources of estimation uncertainty were the same as those applied to the annual financial statements of the branches for the year ended December 31, 2017.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the branches for the year ended December 31, 2017.

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	June 30, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited)
Call money lendings	7.1	8,467,374	-
Repurchase agreement lendings (reverse repo)	7.2	146,467,408	118,285,067
		<u>154,934,782</u>	<u>118,285,067</u>

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- 7.1 These represent call lendings to financial institutions and other branches of ICBC at mark-up rates ranging from 1.88% to 6.95% per annum with maturities upto July 2018.
- 7.2 These represent repurchase agreement lendings to financial institutions and other branches of ICBC at mark-up rates ranging from 6.50% to 6.99% per annum (December 31, 2017: 5.75% to 5.90%) with maturities upto July 2018 (December 31, 2017: March 2018).

8 INVESTMENTS

	Note	June 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
		Held by the branches	Given as Collateral	Total	Held by the branches	Given as Collateral	Total
		-----	(Rupees in '000)	-----	-----	(Rupees in '000)	-----
Investments by type -							
Available-for-sale securities							
Pakistan Investment Bond	8.1	1,055,252	-	1,055,252	1,079,320	-	1,079,320
Treasury Bills - at cost	8.2	196,683,401	-	196,683,401	234,059,028	-	234,059,028
Deficit on revaluation of available for sale securities		(76,577)	-	(76,577)	(49,308)	-	(49,308)
Total investments at market value		197,662,076	-	197,662,076	235,089,040	-	235,089,040

- 8.1 This Pakistan Investment Bond will mature upto July 2019 (December 2017: upto July 2019) and carry interest rate at 11.50% per annum (December 2017: at 11.50% per annum).
- 8.2 These Treasury Bills will mature upto August 2018 (December 2017: upto March 2018) and carry yield ranging from 6.22% to 7.09% per annum (December 2017: from 5.90% to 6.01% per annum).

9 ADVANCES

	Note	June 30, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Rupees in '000)
Loans, cash credits, running finances, etc. In Pakistan		14,301,182	3,678,734
Bills discounted and purchased (excluding treasury bills) Payable in Pakistan		3,323,003	4,567,813
		17,624,185	8,246,547
Provision against advances			
- Specific		-	-
- General	9.2	(176,242)	(82,465)
		(176,242)	(82,465)
Advances - net of provisions		17,447,943	8,164,082

- 9.1 No advances have been placed under non-performing status (December 31, 2017: Nil).

- 9.2 In line with prudent policies, general provision against advances represents provision maintained at an amount equal to 1% of the performing portfolio.

10 OPERATING FIXED ASSETS

	June 30, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Rupees in '000)
Property and equipment	565,671	581,047
Intangible assets	2,349	-
	568,020	581,047
Half Year ended		
	June 30, (Un-audited) (Rupees in '000)	June 30, (Un-audited) (Rupees in '000)
10.1 Additions during the period - Cost	13,386	1,712
Disposal during the period - Written down value	-	3,912

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11	DEFERRED TAX ASSET	Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	Deferred debits arising in respect of			
	- Investments - available for sale		26,802	17,258
	- Remeasurement of defined benefit liability		443	443
			<u>27,245</u>	<u>17,701</u>
	Deferred credits arising in respect of			
	- Accelerated tax depreciation and amortization		(19,070)	(17,068)
			<u>8,175</u>	<u>633</u>
12	BORROWINGS FROM FINANCIAL INSTITUTIONS			
	In Pakistan	12.3	-	4,803,323
	Outside Pakistan	12.3	301,191,559	298,921,504
			<u>301,191,559</u>	<u>303,724,827</u>
12.1	Particulars of borrowings with respect to currencies			
	In local currency		-	4,803,323
	In foreign currencies		301,191,559	298,921,504
			<u>301,191,559</u>	<u>303,724,827</u>
12.2	Details of borrowings			
	Secured			
	Repurchase agreement borrowings (repo)		-	-
	Unsecured			
	Call borrowings		301,191,559	303,724,827
			<u>301,191,559</u>	<u>303,724,827</u>
12.3	These represent borrowings from financial institutions and other ICBC branches at mark-up rates ranging from 2.1% to 3.0% per annum (December 31, 2017: 0.55% to 4.8% per annum) maturing upto October 2018 (December 31, 2017: March 2018).			
13	DEPOSITS AND OTHER ACCOUNTS	Note	June 30, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited)
	Customers			
	Fixed deposits		21,319,175	29,258,065
	Savings deposits		22,591,932	18,966,178
	Current accounts - non-remunerative		22,655,904	9,391,916
			<u>66,567,011</u>	<u>57,616,159</u>
	Financial institutions			
	Remunerative deposits		-	-
	Non-remunerative deposits		357,441	82,039
		13.1	<u>66,924,452</u>	<u>57,698,198</u>
13.1	Particulars of deposits			
	In local currency		59,231,779	49,791,139
	In foreign currencies		7,692,673	7,907,059
			<u>66,924,452</u>	<u>57,698,198</u>
14	OTHER LIABILITIES			
	This includes interest free advance of USD 13.9 million (December 31, 2017: USD 13.9 million) provided by the head office for purpose of the initial set up of Branches' operations. The terms of repayment have not yet been agreed and is repayable on demand.			

KPMG

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

Balance at beginning of the period
Remittances received from head office
Revaluation allowed by the State Bank of Pakistan during the period / year

9,506,699	3,775,797
-	5,273,260
953,967	457,642
<u>10,460,666</u>	<u>9,506,699</u>

Deficit on revaluation of Government securities
Related deferred tax asset

(76,577)	(49,308)
26,802	17,258
(49,775)	(32,050)

17.1 Transaction related contingent liabilities

Government	89,403,016	88,082,464
Others	158,756,950	133,973,210
	<u>248,159,966</u>	<u>222,055,674</u>

Letters of credit
Acceptance

<u>4,631,137</u>	<u>1,434,228</u>
<u>2,136,807</u>	<u>646,625</u>

Purchase
Sale

525,212,764	537,532,562
518,959,629	530,373,631

Repurchase
Resale

146,467,408	118,285,067
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18 INCOME / (LOSS) FROM DEALING IN FOREIGN CURRENCIES

This represents exchange differences on forward contracts, foreign currency transactions and balances.

<i>Note</i>	June 30, 2018 (Un-audited)	December 31 2017 (Audited)
	(Rupees in '000)	

Cash and balances with treasury banks		17,498,510	15,585,904
Balances with other banks		1,411,779	1,461,579
Lendings to financial institutions	7	154,934,782	118,285,067
Borrowings from financial institutions	12	(301,191,559)	(303,724,827)
		(127,346,488)	(168,392,277)

К. Г. Ткачев

20 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes head office, other branches of the Bank and key management personnel and staff retirement benefit funds. The transactions with related parties are conducted under normal course of business substantially on the same terms as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk. Pakistan branches also provide advances to employees in accordance with their terms of employment.

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

	Staff Retirement Benefits	Key Management Personnel	Other ICBC branches	Head Office	Total
June 30, 2018 (Un-audited)					
(Rupees in '000)					
Balance sheet					
Balances with other banks	-	-	598,070	813,709	1,411,779
Lendings to financial institutions	-	-	5,467,374	-	5,467,374
Borrowings from financial institutions	-	-	301,191,559	-	301,191,559
Other liabilities	-	-	-	1,689,054	1,689,054
Half year ended June 30, 2018 (Un-audited)					
(Rupees in '000)					
Profit and loss					
Interest / other income	-	-	7,515	3,202	10,717
Interest / other expense	2,322	83,387	3,578,608	3,075	3,667,392
Contingencies & commitments					
Letter of guarantee	-	-	69,714,734	-	69,714,734
Forward exchange contract sale	-	-	210,359,161	-	210,359,161
Forward exchange contract purchase	-	-	210,219,193	-	210,219,193
December 31, 2017 (Audited)					
(Rupees in '000)					
Balance sheet					
Balances with other banks	-	-	1,004,311	457,268	1,461,579
Lendings to financial institutions	-	-	-	-	-
Borrowings	-	-	298,921,504	-	298,921,504
Other liabilities	-	-	-	1,535,020	1,535,020
Half Year Ended June 30, 2017 (Un-audited)					
(Rupees in '000)					
Profit and loss					
Interest / other income	-	-	11,217	2,428	13,645
Interest / other expense	2,391	265,799	1,198,958	361,251	1,828,399
Contingencies & commitments					
Letter of guarantee	-	-	54,497,718	-	54,497,718
Forward exchange contract sale	-	-	184,088,105	-	184,088,105
Forward exchange contract purchase	-	-	184,016,633	-	184,016,633

21 TAXATION

- 21.1** The Finance Act, 2018 has introduced certain amendments relating to taxation of banking companies. As per these amendments, super tax at the rate of 4 percent of the taxable income has been levied for tax year 2019. The effects of above amendments have been incorporated in this condensed interim financial statements.
- 21.2** The tax authorities have passed assessment orders for the tax year 2012 to 2014 and raised an additional demand of Rs. 45 million on account of minimum tax under section 113 of Income Tax Ordinance 2001. The Branches have filed appeals before the appellate forum against these amendments. The management of the Branches is confident that the outcome of the appeal will be decided in favour of the Branches, therefore, no provision is recognised in the condensed interim financial statements.

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22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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. The fair value of unquoted equity securities, other than investment 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.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

22.1 The Branches 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 instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

June 30, 2018 (Un-audited)										
Note	Carrying Amount					Fair value				
	Held for trading	Available for sale	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
(Rupees in '000)										
On balance sheet financial instruments										
Financial assets measured at fair value										
Other assets - forward foreign exchange contracts	22.2	10,335,451	-	-	-	10,335,451	-	10,335,451	-	10,335,451
Investments	22.2	-	197,662,076	-	-	197,662,076	-	197,662,076	-	197,662,076
Financial assets not measured at fair value										
Cash and bank balances with treasury banks	22.2	-	-	17,498,510	-	17,498,510				
Balances with other banks	22.2	-	-	1,411,779	-	1,411,779				
Lendings to financial institutions	22.2	-	-	154,934,782	-	154,934,782				
Advances - net	22.2	-	-	17,447,943	-	17,447,943				
Other assets	22.2	-	-	736,171	-	736,171				
		10,335,451	197,662,076	192,029,185	-	400,026,712				
Financial liabilities measured at fair value										
Other liabilities - forward foreign exchange contracts	22.2	2,143,474	-	-	-	2,143,474	-	2,143,474	-	2,143,474
Financial liabilities not measured at fair value										
Bills payable		-	-	-	4,907,821	4,907,821				
Borrowings from financial institutions	22.2	-	-	-	301,191,559	301,191,559				
Deposits and other accounts	22.2	-	-	-	86,924,452	86,924,452				
Other liabilities	22.2	-	-	-	4,166,733	4,166,733				
		2,143,474	-	-	377,190,565	379,334,039				
Off balance sheet financial instruments										
Forward purchase of foreign exchange contracts	22.2	525,212,764	-	-	-	525,212,764	-	525,212,764	-	525,212,764
Forward sale of foreign exchange contracts	22.2	518,959,629	-	-	-	518,959,629	-	518,959,629	-	518,959,629
December 31, 2017 (Audited)										
Note	Carrying Amount					Fair value				
	Held for trading	Available for sale	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
(Rupees in '000)										
On balance sheet financial instruments										
Financial assets measured at fair value										
Other assets - forward foreign exchange contracts	22.2	11,554,013	-	-	-	11,554,013	-	11,554,013	-	11,554,013
Investments	22.2	-	235,089,040	-	-	235,089,040	-	235,089,040	-	235,089,040
Financial assets not measured at fair value										
Cash and bank balances with treasury banks	22.2	-	-	15,585,904	-	15,585,904				
Balances with other banks	22.2	-	-	1,461,579	-	1,461,579				
Lending to financial institutions	22.2	-	-	118,285,067	-	118,285,067				
Advances - net	22.2	-	-	8,164,082	-	8,164,082				
Other assets	22.2	-	-	480,873	-	480,873				
		11,554,013	235,089,040	143,977,505	-	390,620,558				
Financial liabilities measured at fair value										
Other liabilities - forward foreign exchange contracts	22.2	3,785,499	-	-	-	3,785,499	-	3,785,499	-	3,785,499
Financial liabilities not measured at fair value										
Bills payable		-	-	-	4,573,858	4,573,858				
Borrowings from financial institutions	22.2	-	-	-	303,724,827	303,724,827				
Deposits and other accounts	22.2	-	-	-	57,698,198	57,698,198				
Other liabilities	22.2	-	-	-	3,697,387	3,697,387				
		3,785,499	-	-	369,694,270	373,479,769				
Off balance sheet financial instruments										
Forward purchase of foreign exchange contracts	22.2	537,532,562	-	-	-	537,532,562	-	537,532,562	-	537,532,562
Forward sale of foreign exchange contracts	22.2	530,373,631	-	-	-	530,373,631	-	530,373,631	-	530,373,631

22.2 The Branches have not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are reasonable approximation of fair values.

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SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Others	Total
Half Year ended June 30, 2018 (Un-audited)				
(Rupees in '000)				
Total income	288,741	11,616,778	-	11,905,519
Total expenses	(201,043)	(7,246,396)	(26,338)	(7,473,777)
Net income	87,698	4,370,382	(26,338)	4,431,742
Half Year ended June 30, 2018 (Un-audited)				
(Rupees in '000)				
Segment assets	17,447,943	371,507,147	11,738,784	400,693,874
Segment liabilities	16,513,133	351,602,878	12,169,947	380,285,958
(%)				
Segment return on assets (ROA)	2.72%	3.14%	0.00%	
Segment cost of funds	1.99%	2.06%	0.21%	
Half Year ended June 30, 2017 (Un-audited)				
(Rupees in '000)				
Total income	206,638	8,013,576	-	8,220,214
Total expenses	(103,041)	(5,166,555)	(43,730)	(5,313,326)
Net income	103,597	2,847,021	(43,730)	2,906,888
Half Year ended June 30, 2017 (Un-audited)				
(Rupees in '000)				
Segment assets	5,649,426	338,677,082	2,233,794	346,560,302
Segment liabilities	5,397,773	323,590,762	7,972,170	336,960,705
(%)				
Segment return on assets (ROA)	3.52%	2.82%	0.00%	
Segment cost of funds	1.85%	1.91%	0.40%	

LIQUIDITY RISK

Branch calculates the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as per SBP Basel III Liquidity Standards issued under BPRD circular no. 08 dated June 23, 2016. As of June 30, 2018, the Bank's LCR stood at 201.67% (December 2017: 157.2%) and NSFR stood at 118.9% (December 2017: 127.0%) against the SBP's minimum requirement of 90% and 100% respectively.

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

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

- **IFRS 9 'Financial Instruments' - effective date: Annual periods beginning on or after 1 July 2018 and 1 January 2019**

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

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- **IFRS 15 'Revenue from contracts with customers' - effective date: Annual periods beginning on or after 1 July 2018**

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

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

The Branch is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of the standard.

- **IFRS 16 Leases' - effective date: Annual period beginning on or after 1 January 2019**

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

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

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

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

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

These condensed interim financial statements are presented in Pak Rupees which is the presentation currency of the Branches and rounded off to the nearest thousand rupees.

26 DATE OF AUTHORISATION

These condensed interim financial statements was authorised for issue by the Chief Executive Officer and Head of Finance of the Branches on 08 August 2018

Wang


Chen Yuncheng
Chief Executive Officer


David Xie
Head of Finance