

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah The Beneficent The Merciful

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CORPORATE INFORMATION

Board of Directors

Riyadh S. A. A. Edrees
Faisal A. A. A. Al-Nassar
Bader H. A. M. A. Al-Rabiah
Mansur Khan
Alaa A. Al-Sarawi
Syeda Azra Mujtaba
Muhammad Zarrug Rajab
Mohammad Abdul Aleem
Noorur Rahman Abid
Talal S. A. Al-Shehab
Irfan Siddiqui
Ariful Islam

Chairman
Vice Chairman

President & CEO
Deputy CEO & Executive Director

Shariah Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani
Sheikh Esam Mohamed Ishaq
Dr. Muhammad Imran Ashraf Usmani

Chairman

Board Audit Committee

Mohammad Abdul Aleem
Noorur Rahman Abid
Alaa A. Al-Sarawi
Muhammad Zarrug Rajab

Board Risk Management Committee

Faisal A. A. A. Al-Nassar
Syeda Azra Mujtaba
Ariful Islam

Board Human Resource & Remuneration Committee

Riyadh S. A. A. Edrees
Noorur Rahman Abid
Irfan Siddiqui

Resident Shariah Board Member

Dr. Muhammad Imran Ashraf Usmani

Company Secretary

Muhammad Sohail Khan

Auditors

EY Ford Rhodes

Registered Office and Head Office

Meezan House
C-25, Estate Avenue, SITE, Karachi - 75730, Pakistan
Phone: (9221) 38103500, Fax: (9221) 36406049
24/7 Call Centre: 111-331-331 & 111-331-332

E-mail

info@meezanbank.com

Website

www.meezanbank.com
www.meezanbank.pk

Shares Registrar

THK Associates (Pvt.) Ltd
1st Floor, 40-C,
Block 6, P.E.C.H.S.,
Karachi - 75400, Pakistan.
Phone: (9221) 111-000-322, Fax: (9221) 34168271

DIRECTORS' REVIEW

The Board of Directors is pleased to present the condensed interim unaudited financial statements of Meezan Bank Limited and consolidated financial statements for the half year ended June 30, 2017. The financial highlights of Meezan Bank are given below:

Financial Highlights

Rupees in millions

| Statement of Financial Position | June 30, 2017 | December 31, 2016 | Growth % |
|--------------------------------------------|----------------------|--------------------------|-----------------|
| Islamic financing and related assets - net | 338,896 | 311,530 | 9% |
| Investments / Placements under Bai Muajjal | 261,213 | 259,271 | 1% |
| Total Assets | 679,952 | 657,767 | 3% |
| Deposits | 593,264 | 564,024 | 5% |
| Sub-ordinated Sukuk (Tier II) | 7,000 | 7,000 | 0% |
| Shareholders' Equity | 30,059 | 28,149 | 7% |

Rupees in millions

| Profit & Loss Account | Jan - June 2017 | Jan - June 2016 | Growth % |
|-------------------------------------|------------------------|------------------------|-----------------|
| Net spread earned before provisions | 10,104 | 8,802 | 15% |
| Fee and commission income | 2,133 | 1,307 | 63% |
| Operating income | 13,996 | 11,909 | 18% |
| Administrative and other expenses | (8,588) | (7,475) | 15% |
| Profit before tax | 5,408 | 4,433 | 22% |
| Profit after tax | 3,163 | 2,686 | 18% |
| Earnings per share - Rupees | 3.15 | 2.68 | 18% |
| Number of branches | 571 | 551 | 4% |

By the Grace of Allah, Meezan Bank has maintained its growth momentum and recorded excellent results for the half year ended June 30, 2017. Profit before tax increased to Rs 5,408 million from Rs 4,433 million in corresponding period last year reflecting a growth of 22%. The Bank's net spread before provision increased by 15% primarily due to Bank's continued focus to increase its financings portfolio and maintaining a lower cost of funds.

The Board has decided to increase the paid up capital of the Bank by approving 6% Right Issue of shares to existing shareholders at a price of Rs 50 per share inclusive of Rs 40 as premium per share in the ratio of 6 ordinary shares for every 100 existing ordinary share held by existing shareholders. This increase will support the Bank's growth plan and Capital Adequacy Ratio. The Right Shares offered will rank pari passu in all respect with the existing ordinary shares of the Bank.

Fee and commission income of the Bank grew by 63% over the corresponding period last year with major contribution from trade finance income and other banking services. The Bank's dividend income is higher mainly due to enhanced dividend distribution on its equity investments. The trade business volume handled by the Bank grew by 36% to Rs 327 billion as against Rs 241 billion in the corresponding period of last year.

DIRECTORS' REVIEW

The Bank focused on increasing exposure in financings to all sectors while simultaneously ensuring all the risk parameters are met. The Islamic financings and related assets of the Bank reached to Rs 339 billion to record growth of 9% from December 2016. The Bank's Advance to Deposit Ratio now stands at 57% as compared to 45% in June 2016. Notwithstanding this growth, it is commendable that the Bank has one of the lowest non-performing financings ratio in the banking industry of 2% as against an average of 10% for the industry as a whole that is testimony of the stringent risk acceptance parameter of the Bank. The Bank maintains comfortable level of provisions against its non-performing financings with coverage ratio of 120%.

The availability of Government of Pakistan (GoP) Ijarah Sukuk to deploy surplus liquidity continues to be a challenge for Islamic Banks. One auction of GoP Ijarah Sukuk was held during the half year but unfortunately the issue size was small as compared to the demand for such instrument which led to a price war and the cut-off price was lower than the equivalent instrument available for the conventional banks. This has negatively impacted the Islamic banking industry. The Bank was able to deploy Rs 11 billion in these three year sukuks at a cut off yield of 5.24%, i.e. 124 bps lower than the average three year PIB rate of 6.48% on similar instrument available to conventional banks.

On the liability side, total deposits reached Rs 593 billion to register a growth of 5%. Despite the intense competition in the industry and in the back-drop of a lower discount rate, the Bank not only expanded its deposit base but also continued to maintain an optimal cost of funds through strong relationship management and better customer experience. The CASA mix of the Bank stands at 76% of the total deposits while Current Account mix improved from 35% in 2016 to 36% of total deposits.

Administrative and operating expenses increased to Rs 8,588 million from Rs 7,475 million. The rise in expenses is primarily due to increase in staff expenses, rent and costs associated with new branches - an investment which has reaped fruits for the Bank, as is evident from the strong growth in deposits and profits over the years. The Bank maintained its position as the leading Islamic bank in Pakistan (amongst both Islamic as well as conventional banks) with a branch network of 571 branches in 146 cities.

The Finance Act 2017 has further extended the applicability of one-off Super Tax initially imposed in 2015 at the rate of 4% on the prior year taxable income of the Bank. This has resulted in additional tax charge, for prior year, of Rs 344 million which has negatively impacted the profitability of the Bank.

The Board has approved 17.5% (Rs 1.75 per share) interim cash dividend for 2017. The Bank has maintained unbroken payout record since the Bank's listing on Stock Exchange in the year 2000.

The JCR-VIS Credit Rating Company Limited, an affiliate of Japan Credit Rating Agency, Japan has reaffirmed Bank's long-term entity rating at AA (Double A) and short term rating at A1+ (A One Plus) with stable outlook. The short term rating of A1+ is the highest standard in short term rating. The JCR-VIS Credit Rating Company Limited has also reaffirmed Sub-ordinated (Tier II) sukuk rating at AA- (Double A minus). These ratings indicate sound performance of the Bank.

DIRECTORS' REVIEW

Islamic Banking is growing in Pakistan at a rapid pace and we are thankful to the State Bank of Pakistan and the Ministry of Finance for the support given in developing the Islamic Banking industry. One of the issues being faced by the industry is the shortage of GoP Ijarah Sukuk available to Islamic Banks so that they may meet the Statutory Liquidity requirements required by law and also deploy surplus liquidity. We are hopeful that with the efforts of the Ministry of Finance, SBP's Islamic Banking Department and Implementation Committee for promotion of Islamic Banking, there will be more Sukuk issues during the year.

The Board would like to express its sincere thanks and gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and our Shariah Supervisory Board for their continued guidance and support. We also take this opportunity to thank our valued customers for their patronage, the shareholders and holders of Sub-ordinated Sukuk (Tier II) for their continued support and to the staff for their continuous efforts to make Meezan Bank a success. May Allah Almighty give us the strength and wisdom to further expand our vision of making Islamic banking as banking of first choice.

On behalf of the Board

Riyadh S.A.A. Edrees
Chairman

Irfan Siddiqui
President & CEO

Karachi:
July 26, 2017

ڈائریکٹرز کا تجزیہ

بورڈ آف ڈائریکٹرز مسرت کے ساتھ 30 جون 2017ء کو ختم ہونے والے نصف سال کے لئے میزان بینک لمیٹڈ کے مختصر عبوری غیر جانچ شدہ مالیاتی حسابات اور انصافی مالیاتی حسابات پیش کرتا ہے۔ میزان بینک کے اہم مالیاتی نکات درج ذیل ہیں:

روپے (ملین میں)

اہم مالیاتی نکات

| مالیاتی حیثیت کا جائزہ | 30 جون 2017 | 31 دسمبر 2016 | اضافہ کی شرح % |
|-------------------------------------------------------------|-------------|---------------|----------------|
| اسلامی فنانسنگ اور متعلقہ اثاثے۔ خالص (تمام کٹوتیوں کے بعد) | 338,896 | 311,530 | 9% |
| سرمایہ کاری/بیع معجل کے تحت تعین | 261,213 | 259,271 | 1% |
| کل اثاثے | 679,952 | 657,767 | 3% |
| جمع شدہ رقم (Deposits) | 593,264 | 564,024 | 5% |
| ثانوی (Sub-Ordinated) صکوک (Tier II) | 7,000 | 7,000 | 0% |
| حصص یافتگان کی ایکویٹی | 30,059 | 28,149 | 7% |

| نفع و نقصان کمات | جنوری تا جون 2017 | جنوری تا جون 2016 | اضافہ کی شرح % |
|--------------------------|-------------------|-------------------|----------------|
| تموین سے قبل آمدنی۔ خالص | 10,104 | 8,802 | 15% |
| فیس اور کمیشن کی آمدنی | 2,133 | 1,307 | 63% |
| کاروباری آمدنی | 13,996 | 11,909 | 18% |
| انتظامی اور دیگر اخراجات | (8,588) | (7,475) | 15% |
| قبل از ٹیکس منافع | 5,408 | 4,433 | 22% |
| بعد از ٹیکس منافع | 3,163 | 2,686 | 18% |
| منافع فی حصص (روپوں میں) | 3.15 | 2.68 | 18% |
| شاخوں کی تعداد | 571 | 551 | 4% |

الحمد للہ، میزان بینک نے ترقی کی رفتار کو برقرار رکھا ہے اور 30 جون 2017ء کو ختم ہونے والے نصف سال کے لئے بہترین نتائج حاصل کئے ہیں۔ قبل از ٹیکس منافع گزشتہ سال کی اسی مدت کے 4,433 ملین روپے کے مقابلے میں بڑھ کر 5,408 ملین روپے ہو گیا ہے جو 22 فیصد اضافے کی عکاسی کرتا ہے۔ بینک کی تموین سے قبل خالص آمدنی میں 15 فیصد کا اضافہ ہوا جس کی بنیادی وجہ یہ تھی کہ بینک نے اپنے فنانسنگ پورٹ فولیو میں اضافے پر مسلسل توجہ مرکوز رکھی اور فنڈز کی کم لاگت برقرار رکھی۔

بورڈ نے موجودہ حصص یافتگان کو 50 روپے فی حصص بشمول 40 روپے فی حصص بطور پربیم کی قیمت پر 6 فیصد رائٹ الیٹو کی منظوری دے کر بینک کے ادا شدہ سرمائے میں اضافے کا فیصلہ کیا ہے جس کا تناسب موجودہ حصص یافتگان کی ملکیت میں موجود ہر 100 عمومی حصص پر 6 حصص ہے۔ یہ اضافہ بینک کی ترقی کے پلان اور Capital Adequacy Ratio میں معاون ہوگا۔ پیش کردہ رائٹ الیٹو شیعہ زکا درجہ ہر لحاظ سے موجودہ عمومی حصص کے مساوی ہوگا۔

بینک کی فیس اور کمیشن کی مددیں ہونے والی آمدنی میں گزشتہ سال کی اسی مدت کے مقابلے میں 63 فیصد کا اضافہ ہوا جس میں بڑا حصہ تجارتی کاروبار اور دیگر بینکاری خدمات سے حاصل شدہ آمدنی کا تھا۔ بینک کی ڈیویڈنڈ کی آمدنی قدرے زیادہ رہی اور اس کی بنیادی وجہ اس کی ایکویٹی سرمایہ کاریوں پر ڈیویڈنڈ کی زیادہ وصولی تھی۔ بینک کے تجارتی کاروبار کا حجم گزشتہ سال کی اسی مدت کے 241 ارب روپے کے مقابلے میں 36 فیصد بڑھ کر 327 ارب روپے ہو گیا۔

بینک نے تمام شعبہ جات کو فنانسنگ کی فراہمی میں اضافے پر توجہ مرکوز رکھی اور اس کے ساتھ ساتھ تمام تر انڈسٹریوں پر قابو پاتے ہوئے زیادہ منافع کے حصول کو ممکن بنایا۔ بینک کی اسلامی فنانسنگ اور متعلقہ اثاثے 339 ارب روپے تک پہنچ گئے اور دسمبر 2016 سے 09 فیصد کا اضافہ دیکھنے میں آیا۔ بینک کا ایڈوائس ٹو ڈپازٹ رلیٹو (ADR) جون 2016 کے 45 فیصد کے مقابلے میں 57 فیصد ہو گیا ہے۔ اس اضافے کے باوجود یہ امر قابل تعریف ہے کہ بینک کی غیر فعال فنانسنگ کی شرح 2 فیصد ہے جو بینکاری صنعت کی کم ترین شرحوں میں سے ایک ہے جبکہ مجموعی طور پر بینکاری صنعت کی اوسط شرح 10 فیصد ہے، جس سے بینک کے کڑے رسک ایکسپنچس پیرامیٹر (Risk Acceptance Parameter) کی تصدیق ہوتی ہے۔ بینک نے اپنی غیر فعال فنانسنگ کی مددیں 120 فیصد کو رتیج کی شرح کے ساتھ پروویڈنڈز کی تسلی بخش شرح برقرار رکھی ہے۔

اضافی لکویڈیٹی کی تقسیم کے لئے حکومت پاکستان کے اجارہ صکوک کی دستیابی اسلامی بینکوں کے لئے بدستور ایک چیلنج رہی۔ نصف سال میں حکومت پاکستان کے کلی (Sovereign) اجارہ صکوک کا صرف ایک اجراء ہوا لیکن بدقسمتی سے اس کا حجم مساوی انسٹرومنٹ کی طلب کے مقابلے میں کم تھا جس سے مقابلہ نرخ کا آغاز ہوا اور اس کی اختتامی قیمت روایتی بینکوں کے لئے دستیاب مساوی انسٹرومنٹ سے کم تھی۔ اس سے اسلامی بینکاری کی صنعت پر منفی اثرات مرتب ہوئے۔ بینک 5.24 فیصد کے ساتھ تین سالوں کے صکوک کے لئے 11 ارب روپے مختص کر سکا جو کہ روایتی بینکوں کو دستیاب مساوی انسٹرومنٹ (PIB) پر 6.48 فیصد کی اوسط تین سالہ شرح سے 124 بیس پوائنٹس کم شرح ہے۔

واجبات کے ضمن میں کل جمع شدہ رقم 5 فیصد کے اضافے کے ساتھ 593 ارب روپے تک پہنچ گئیں۔ بینکاری صنعت میں سخت مقابلے اور کم ڈسکاؤنٹ ریٹ کے پس منظر کے باوجود، بینک نے نہ صرف اپنی جمع شدہ رقم میں اضافہ کیا بلکہ مضبوط تعلقاتی انتظام کاری اور صارفین کو بہتر خدمات کی فراہمی کے ذریعے فنڈز کی موزوں ترین لاگت کا تسلسل بھی برقرار رکھا۔ بینک کی کل جمع شدہ رقم میں CASA (کرنٹ اکاؤنٹ سیونگز اکاؤنٹ) کا حصہ 76 فیصد ہے جبکہ کرنٹ اکاؤنٹ کا حصہ 2016 میں کل جمع شدہ رقم کے 35 فیصد سے بڑھ کر 36 فیصد ہو گیا۔

انتظامی اور عمل آوری کے اخراجات 7,475 ملین روپے سے بڑھ کر 8,588 ملین روپے ہو گئے۔ اخراجات میں اضافہ بنیادی طور پر عملے پر ہونے والے اخراجات، کرائے اور نئی شاخوں سے متعلق اخراجات کی وجہ سے ہے تاہم یہ ایک سرمایہ کاری ہے جو بینک کے لئے شراعت اور ثابت ہوئی ہے، جیسا کہ گزشتہ برسوں میں جمع شدہ رقم اور منافع میں ہونے والے اضافے سے اس کی توثیق ہوتی ہے۔ بینک نے 146 شہروں میں 571 شاخوں کے نیٹ ورک کے ساتھ (اسلامی اور اس کے ساتھ ساتھ روایتی بینکوں کے درمیان) پاکستان کے سب سے بڑے اسلامی بینک ہونے کا اعزاز برقرار رکھا ہے۔

فنانس ایکٹ 2017 کے نفاذ سے سپرنٹنڈنٹ کی اطلاع میں مزید توسیع کی گئی جو ابتدائی طور پر 2015 میں 4 فیصد کی شرح سے بینک کی گزشتہ سال کی قابل ٹیکس (Taxable) آمدنی پر عائد کیا گیا تھا۔ اس کا نتیجہ گزشتہ سال کے لئے 344 ملین روپے کے اضافی ٹیکس کی صورت میں برآمد ہوا جس سے بینک کے منافع پر منفی اثرات مرتب ہوئے۔

بورڈ نے 2017 کے لئے 17.5 فیصد (1.75 روپے فی حصص) عبوری نقد ڈیویڈنڈ کی منظوری دی ہے۔ بینک نے 2000ء میں اسٹاک ایکسچینج میں شمولیت کے بعد سے اب تک بلا تعطل ادائیگیوں کا ریکارڈ برقرار رکھا ہے۔

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے، جو جاپان کریڈٹ ریٹنگ ایجنسی سے الحاق شدہ ہے، بینک کی طویل المیعاد ریٹنگ AA (ڈبل اے) اور قلیل المیعاد ریٹنگ A1+ (اے ون پلس) کی مستحکم آثار کے ساتھ دوبارہ توثیق کی ہے۔ قلیل المیعاد ریٹنگ میں A1+ ریٹنگ سب سے اعلیٰ درجہ ہے۔ JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے بینک کے ثانوی صکوک (Tier II) کی AA- (ڈبل اے مائنس) ریٹنگ کی بھی دوبارہ توثیق کی ہے۔ یہ ریٹنگز بینک کی اطمینان بخش کارکردگی کی نشاندہی کرتی ہیں۔

پاکستان میں اسلامی بینکاری کی شرح میں تیز رفتاری سے اضافہ ہو رہا ہے اور ہم اسٹیٹ بینک آف پاکستان اور وزارت خزانہ کے مشکور ہیں جنہوں نے اسلامی بینکاری کی صنعت کی ترقی اور فروغ میں مدد دی۔ اس صنعت کو درپیش مسائل میں سے ایک اسلامی بینکوں کو حکومت پاکستان کے اجارہ صکوک کی کم تعداد میں دستیابی ہے تاکہ وہ قانونی طور پر درکار لیکویڈیٹی (Statutory Liquidity) کی ضروریات پوری کر سکیں اور اضافی لیکویڈیٹی تقسیم کر سکیں۔ ہم امید کرتے ہیں کہ وزارت خزانہ اور اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری شعبے اور اسلامی بینکاری کے فروغ کے لئے قائم کردہ ایمپلیمینٹیشن کمیٹی (Implementation Committee) کی کاوشوں سے اس سال نئے صکوک جاری کیے جائیں گے۔

میزان بینک کا بورڈ اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور ہمارے شریعہ سپروائزرز بورڈ کا ان کی مسلسل معاونت اور رہنمائی کے لیے تہہ دل سے مشکور ہے۔ اس موقع پر ہم اپنے معزز صارفین کے مسلسل اعتماد اور سرپرستی، اپنے شیئر ہولڈرز اور ثانوی صکوک (Tier II) ہولڈرز کے تعاون اور اپنے ملازمین کی مسلسل جدوجہد کے لیے ان کا شکریہ ادا کرتے ہیں جنہوں نے میزان بینک کو کامیابی کی ان بلندیوں سے ہمکنار کیا۔ اللہ تعالیٰ ہمیں حوصلہ اور دانائی عطا کرے تاکہ ہم اسلامی بینکاری کو بینکاری کا پہلا انتخاب بنانے کے اپنے خواب کو تعبیر کی نئی بلندیوں تک لے جاسکیں۔

(منجانب بورڈ)

عرفان صدیقی
صدر اور CEO

ریاض ایس۔ اے۔ اے۔ اور ایس
چیئرمین

کراچی:

26 جولائی 2017

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM UNCONSOLIDATED FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Meezan Bank Limited (the Bank) as at 30 June 2017 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement and condensed interim unconsolidated statement of changes in equity and notes to the condensed interim unconsolidated financial information for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim unconsolidated financial information 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 information 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 condensed interim unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matters

- 1) The condensed interim unconsolidated financial information of the Bank for the half year ended 30 June 2016 and for the year ended 31 December 2016 were reviewed and audited by another firm of chartered accountants who have expressed unmodified conclusion and opinion thereon dated 25 August 2016 and 22 February 2017 respectively.
- 2) The figures for the quarters ended 30 June 2017 and 30 June 2016 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been subject to the review and therefore, we do not express a conclusion thereon.

EY Ford Rhodes

Chartered Accountants

Engagement Partner: **Arslan Khalid**

Karachi

Date: 26 July 2017

CONDENSED INTERIM UNCONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017

| | Note | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|----------------------------------------------------|------|---------------------------------|-----------------------------------|
| | | Rupees in '000 | |
| ASSETS | | | |
| Cash and balances with treasury banks | 7 | 53,119,088 | 56,036,849 |
| Balances with other banks | 8 | 3,138,236 | 12,021,351 |
| Due from financial institutions | 9 | 143,761,016 | 129,115,165 |
| Investments - net | 10 | 117,452,159 | 130,156,297 |
| Islamic financing and related assets - net | 11 | 338,895,950 | 311,530,270 |
| Operating fixed assets | 12 | 11,627,626 | 8,924,328 |
| Deferred tax asset | | - | - |
| Other assets - net | | 11,957,841 | 9,982,837 |
| | | 679,951,916 | 657,767,097 |
| LIABILITIES | | | |
| Bills payable | | 10,025,498 | 9,130,998 |
| Due to financial institutions | | 22,192,170 | 32,005,501 |
| Deposits and other accounts | 13 | 593,263,637 | 564,023,853 |
| Sub-ordinated Sukuk | 14 | 7,000,000 | 7,000,000 |
| Deferred tax liabilities | | 675,470 | 1,362,909 |
| Other liabilities | | 15,110,257 | 13,770,218 |
| | | 648,267,032 | 627,293,479 |
| NET ASSETS | | 31,684,884 | 30,473,618 |
| REPRESENTED BY | | | |
| Share capital | 15 | 10,027,379 | 10,027,379 |
| Reserves | | 10,332,330 | 9,699,685 |
| Unappropriated profit | | 9,699,167 | 8,422,009 |
| | | 30,058,876 | 28,149,073 |
| Surplus on revaluation of investments - net of tax | 16 | 1,626,008 | 2,324,545 |
| | | 31,684,884 | 30,473,618 |
| CONTINGENCIES AND COMMITMENTS | 17 | | |

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

CONDENSED INTERIM UNCONSOLIDATED

PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2017

| | Note | Quarter ended June 30, 2017 | Half year ended June 30, 2017 | Quarter ended June 30, 2016 | Half year ended June 30, 2016 |
|--------------------------------------------------------------------------------------------|------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Rupees in '000 | | | | | |
| Profit / return earned on Islamic financing and related assets, investments and placements | 18 | 9,011,822 | 17,336,536 | 7,487,045 | 14,953,820 |
| Profit on deposits and other dues expensed | 19 | 3,655,404 | 7,232,824 | 2,926,668 | 6,151,845 |
| Net spread earned | | 5,356,418 | 10,103,712 | 4,560,377 | 8,801,975 |
| Reversal of provision against non-performing Islamic financing and related assets - net | 11.8 | (43,547) | (21,366) | (90,669) | (222,920) |
| Provision / (reversal of provision) against diminution in the value of investments | 10.3 | 92,484 | 128,581 | (50,110) | (76,576) |
| Bad debts written off directly | | - | - | - | - |
| | | 48,937 | 107,215 | (140,779) | (299,496) |
| Net spread after provisions | | 5,307,481 | 9,996,497 | 4,701,156 | 9,101,471 |
| OTHER INCOME | | | | | |
| Fee, commission and brokerage income | | 1,083,764 | 2,132,629 | 680,931 | 1,307,336 |
| Dividend income | | 505,371 | 543,911 | 167,240 | 279,600 |
| Income from dealing in foreign currencies | | 282,866 | 445,811 | 378,698 | 643,674 |
| Capital gain on sale of investments - net | | 335,676 | 707,060 | 201,221 | 471,027 |
| Other income | | 84,501 | 170,416 | 46,433 | 105,517 |
| Total other income | | 2,292,178 | 3,999,827 | 1,474,523 | 2,807,154 |
| | | 7,599,659 | 13,996,324 | 6,175,679 | 11,908,625 |
| OTHER EXPENSES | | | | | |
| Administrative expenses | | 4,445,388 | 8,473,365 | 3,753,247 | 7,385,333 |
| Other reversal of provisions | | (3,251) | (8,323) | (868) | (101) |
| Other charges | | 9,788 | 10,268 | 316 | 381 |
| Workers Welfare Fund | | 67,590 | 112,591 | 47,817 | 89,602 |
| Total other expenses | | 4,519,515 | 8,587,901 | 3,800,512 | 7,475,215 |
| | | 3,080,144 | 5,408,423 | 2,375,167 | 4,433,410 |
| Extraordinary / unusual items | | - | - | - | - |
| PROFIT BEFORE TAXATION | | 3,080,144 | 5,408,423 | 2,375,167 | 4,433,410 |
| Taxation - Current | 20 | 1,229,720 | 2,212,486 | 891,814 | 1,419,290 |
| - Prior years | | 344,016 | 344,016 | 175,280 | 175,280 |
| - Deferred | | (145,064) | (311,304) | (40,860) | 153,212 |
| | | 1,428,672 | 2,245,198 | 1,026,234 | 1,747,782 |
| PROFIT AFTER TAXATION | | 1,651,472 | 3,163,225 | 1,348,933 | 2,685,628 |
| Rupees | | | | | |
| Basic and diluted earnings per share | 21 | 1.64 | 3.15 | 1.35 | 2.68 |

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. A. Al-Nassar
Director

Mansur Khan
Director

CONDENSED INTERIM UNCONSOLIDATED**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

| | Quarter ended June 30, 2017 | Half year ended June 30, 2017 | Quarter ended June 30, 2016 | Half year ended June 30, 2016 |
|-------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|--------------------------------------|----------------------------------------|
| | Rupees in '000 | | | |
| Profit after taxation for the period | 1,651,472 | 3,163,225 | 1,348,933 | 2,685,628 |
| Other comprehensive income | - | - | - | - |
| Comprehensive income transferred to statement of changes in equity | 1,651,472 | 3,163,225 | 1,348,933 | 2,685,628 |
| Components of comprehensive income not transferred to equity | | | | |
| <i>Items that may be reclassified to profit and loss account</i> | | | | |
| (Deficit) / surplus on revaluation of investments | (227,341) | (1,074,672) | 589,409 | 243,360 |
| Deferred tax on revaluation of investments | 79,569 | 376,135 | (206,293) | (85,176) |
| Total comprehensive income for the period | 1,503,700 | 2,464,688 | 1,732,049 | 2,843,812 |

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. A. Al-Nassar
Director

Mansur Khan
Director

**CONDENSED INTERIM UNCONSOLIDATED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

| | Note | Half year ended June 30, 2017 | Half year ended June 30, 2016 |
|-----------------------------------------------------------------------------------------|------|----------------------------------------|----------------------------------------|
| Rupees in '000 | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 5,408,423 | 4,433,410 |
| Less: Dividend income | | (543,911) | (279,600) |
| | | 4,864,512 | 4,153,810 |
| Adjustments for non-cash charges | | | |
| Depreciation | | 722,090 | 657,385 |
| Amortization | | 81,794 | 80,151 |
| Reversal of provision against non-performing islamic financing and related assets - net | | (21,366) | (222,920) |
| Provision / (reversal of provision) against diminution in the value of investments | | 128,581 | (76,576) |
| Gain on sale of operating fixed assets | | (40,896) | (29,429) |
| | | 870,203 | 408,611 |
| | | 5,734,715 | 4,562,421 |
| (Increase) / decrease in operating assets | | | |
| Due from financial institutions | | (14,645,851) | 28,580,629 |
| Islamic financing and related assets | | (27,344,314) | (17,470,552) |
| Other assets | | (1,529,259) | 4,504,511 |
| | | (43,519,424) | 15,614,588 |
| Increase / (decrease) in operating liabilities | | | |
| Bills payable | | 894,500 | 3,971,772 |
| Due to financial institutions | | (9,813,331) | 6,531,849 |
| Deposits and other accounts | | 29,239,784 | 29,162,325 |
| Other liabilities | | 905,330 | (2,293,125) |
| | | 21,226,283 | 37,372,821 |
| | | (16,558,426) | 57,549,830 |
| Income tax paid | | (2,122,134) | (1,216,112) |
| Net cash (used in) / generated from operating activities | | (18,680,560) | 56,333,718 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net investment in securities | | 11,500,885 | (48,602,996) |
| Dividends received | | 98,166 | 146,079 |
| Investments in operating fixed assets | | (3,543,749) | (1,547,759) |
| Proceeds from disposal of operating fixed assets | | 77,463 | 49,578 |
| Net cashflow generated from / (used in) investing activities | | 8,132,765 | (49,955,098) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (1,253,081) | (1,252,744) |
| Net cashflow used in financing activities | | (1,253,081) | (1,252,744) |
| Net (decrease) / increase in cash and cash equivalents | | (11,800,876) | 5,125,876 |
| Cash and cash equivalents at the beginning of the period | | 68,058,200 | 54,860,696 |
| Cash and cash equivalents at the end of the period | 22 | 56,257,324 | 59,986,572 |

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. A. Al-Nassar
Director

Mansur Khan
Director

CONDENSED INTERIM UNCONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

| | Share capital | Statutory reserve * | Capital reserves Non-Distributable Capital Reserve Gain on Bargain Purchase | Revenue reserve General reserve | Unappropriated profit | Total |
|-----------------------------------------------------------------|-------------------|---------------------|-----------------------------------------------------------------------------------|------------------------------------|-----------------------|-------------------|
| | Rupees in '000 | | | | | |
| Balance as at January 1, 2016 | 10,027,379 | 5,403,050 | 3,117,547 | 66,766 | 6,942,042 | 25,556,784 |
| Total comprehensive income for the period | | | | | | |
| Profit after taxation for the half year ended June 30, 2016 | - | - | - | - | 2,685,628 | 2,685,628 |
| Transactions with owners recognised directly in equity | | | | | | |
| Final cash dividend for the year 2015 | - | - | - | - | (1,253,422) | (1,253,422) |
| Transfer to statutory reserve | - | 537,126 | - | - | (537,126) | - |
| Balance as at June 30, 2016 | 10,027,379 | 5,940,176 | 3,117,547 | 66,766 | 7,837,122 | 26,988,990 |
| Total comprehensive income for the period | | | | | | |
| Profit after taxation for the half year ended December 31, 2016 | - | - | - | - | 2,875,983 | 2,875,983 |
| Remeasurement gain on defined benefit plan - net of tax | - | - | - | - | 38,891 | 38,891 |
| Transactions with owners recognised directly in equity | | | | | | |
| Interim cash dividend for the year 2016 | - | - | - | - | (1,754,791) | (1,754,791) |
| Transfer to statutory reserve | - | 575,196 | - | - | (575,196) | - |
| Balance as at December 31, 2016 | 10,027,379 | 6,515,372 | 3,117,547 | 66,766 | 8,422,009 | 28,149,073 |
| Total comprehensive income for the period | | | | | | |
| Profit after taxation for the half year ended June 30, 2017 | - | - | - | - | 3,163,225 | 3,163,225 |
| Transactions with owners recognised directly in equity | | | | | | |
| Final cash dividend for the year 2016 | - | - | - | - | (1,253,422) | (1,253,422) |
| Transfer to statutory reserve | - | 632,645 | - | - | (632,645) | - |
| Balance as at June 30, 2017 | 10,027,379 | 7,148,017 | 3,117,547 | 66,766 | 9,699,167 | 30,058,876 |

* This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 28 form an integral part of this condensed interim unconsolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. A. Al-Nassar
Director

Mansur Khan
Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Bank Limited (the Bank) was incorporated in Pakistan on January 27, 1997, as a public limited company under the Companies Act, 2017 (previously Companies Ordinance, 1984), and its shares are quoted on the Pakistan Stock Exchange. The Bank was registered as an 'Investment Finance Company' on August 8, 1997, and carried on the business of investment banking as permitted under SRO 585(I)/87 dated July 13, 1987, in accordance and in conformity with the principles of Islamic Shariah. The 'Certificate of Commencement of Business' was issued to the Bank on September 29, 1997.
- 1.2** The Bank was granted a 'Scheduled Islamic Commercial Bank' license on January 31, 2002, and formally commenced operations as a Scheduled Islamic Commercial Bank with effect from March 20, 2002, on receiving notification in this regard from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities.
- 1.3** The Bank was operating through five hundred and seventy one branches as at June 30, 2017 (December 31, 2016: five hundred and seventy one branches). Its registered office is at Meezan House, C-25, Estate Avenue, SITE, Karachi, Pakistan.
- 1.4** Based on the financial statements of the Bank for the year ended December 31, 2016, the JCR-VIS Credit Rating Company Limited has reaffirmed the Bank's long-term rating as 'AA' and the short-term rating as 'A1+' with stable outlook.

2 BASIS OF PRESENTATION

The Bank provides Islamic financing and related assets mainly through Murabaha, Istisna, Tijarah, Ijarah, Musharakah, Diminishing Musharakah, Running Musharakah, Bai Muajjal, Musawammah, Export Refinance under Islamic Export Refinance Scheme and Service Ijarah.

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

3 STATEMENT OF COMPLIANCE

- 3.1** This condensed interim unconsolidated financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified by SECP, provisions of the Companies Ordinance, 1984 (repealed - note 3.1.1), the Banking Companies Ordinance, 1962, and the directives issued by the SECP and SBP. Wherever the requirements of provisions of the Companies Ordinance, 1984 (repealed - note 3.1.1), the Banking Companies Ordinance, 1962, the IFAS issued by the SECP and directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of the Companies Ordinance, 1984 (repealed - note 3.1.1) and the Banking Companies Ordinance, 1962, IFAS notified by the SECP and the directives issued by the SECP and the SBP shall prevail.
- 3.1.1** The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as allowed by the SECP vide its press release dated July 20, 2017, this condensed interim unconsolidated financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

3.2 The disclosures made in this condensed interim unconsolidated financial information have been limited based on the format prescribed by the SBP 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 a full set of annual financial statements and this condensed interim unconsolidated financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2016.

3.3 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in this condensed interim unconsolidated financial information.

4 BASIS OF MEASUREMENT

4.1 This condensed interim unconsolidated financial information has been prepared under the historical cost convention except that certain investments, foreign currency balances and commitments in respect of certain foreign exchange contracts have been marked to market and carried at fair value in accordance with the requirements of the SBP. In addition, obligation in respect of staff retirement benefit is carried at present value.

4.2 Functional and presentation currency

This condensed interim unconsolidated financial information has been presented in Pakistani Rupee, which is the Bank's functional and presentation currency.

4.3 Rounding off

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2016.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2016.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

| | Note | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|------------------------------------------------|------|---------------------------------|-----------------------------------|
| 7 CASH AND BALANCES WITH TREASURY BANKS | | Rupees in '000 | |
| In hand | | | |
| - local currency | | 16,981,991 | 14,725,026 |
| - foreign currencies | | 2,444,455 | 2,159,517 |
| With the State Bank of Pakistan in | | | |
| - local currency current accounts | 7.1 | 19,107,086 | 20,323,435 |
| - foreign currency current accounts | 7.1 | 3,353,409 | 3,138,134 |
| With National Bank of Pakistan in | | | |
| - local currency current accounts | | 11,232,147 | 15,690,737 |
| | | <u>53,119,088</u> | <u>56,036,849</u> |

- 7.1** These represent local and foreign currency amounts required to be maintained by the Bank with the SBP as stipulated by the SBP. These accounts are non-remunerative in nature.

| | Note | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|-----------------------------------------------|------|---------------------------------|-----------------------------------|
| 8 BALANCES WITH OTHER BANKS | | Rupees in '000 | |
| In Pakistan | | | |
| - in current accounts | | 2,601,686 | 2,000,041 |
| - in deposit accounts / term deposit receipts | | - | 9,000,000 |
| Outside Pakistan | | | |
| - in current accounts | | 492,194 | 814,335 |
| - in deposit accounts | 8.1 | 44,356 | 206,975 |
| | | <u>3,138,236</u> | <u>12,021,351</u> |

- 8.1** The return on these balances is around 0.28% (December 31, 2016: 0.28%) per annum.

| | Note | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|-----------------------------------------------------|------|---------------------------------|-----------------------------------|
| 9 DUE FROM FINANCIAL INSTITUTIONS | | Rupees in '000 | |
| Bai Muajjal: | | | |
| With Scheduled banks / other | | | |
| financial institutions - Secured | 9.1 | 143,761,016 | 77,829,747 |
| With State Bank of Pakistan | | - | 31,413,175 |
| With Scheduled banks / other financial institutions | | 15,500 | 19,887,743 |
| | | 143,776,516 | 129,130,665 |
| Commodity Murabaha | | 26,066 | 26,066 |
| | | 143,802,582 | 129,156,731 |
| Provision against non-performing amounts due | | | |
| from financial institutions | | (41,566) | (41,566) |
| | | <u>143,761,016</u> | <u>129,115,165</u> |

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9.1 These carry average return of 5.76% per annum (December 31, 2016: 5.75% per annum) and are due to mature on various dates ranging between July 2017 to April 2018 (December 31, 2016: January 2017 to December 2017).

10 INVESTMENTS - NET

| | Note | June 30, 2017 (Unaudited) | | | December 31, 2016 (Audited) | | |
|---------------------------------------------------------------|------|---------------------------|------------------------|-------------|-----------------------------|------------------------|-------------|
| | | Held by the bank | Given as collateral | Total | Held by the bank | Given as collateral | Total |
| Rupees in '000 | | | | | | | |
| 10.1 Investments by types | | | | | | | |
| Available for sale securities | | 85,547,414 | - | 85,547,414 | 96,995,615 | - | 96,995,615 |
| Held to maturity securities | | 28,000,000 | - | 28,000,000 | 28,000,000 | - | 28,000,000 |
| In related parties | | | | | | | |
| Subsidiary (unlisted) | | 63,050 | - | 63,050 | 63,050 | - | 63,050 |
| Associates (listed) | | 1,849,436 | - | 1,849,436 | 1,902,120 | - | 1,902,120 |
| Investments at cost / carrying value | | 115,459,900 | - | 115,459,900 | 126,960,785 | - | 126,960,785 |
| Less: Provision against diminution in value of investments | 10.3 | (509,293) | - | (509,293) | (380,712) | - | (380,712) |
| Investments - net of provision | | 114,950,607 | - | 114,950,607 | 126,580,073 | - | 126,580,073 |
| Surplus on revaluation of available for sale securities | | 2,501,552 | - | 2,501,552 | 3,576,224 | - | 3,576,224 |
| Total investments | | 117,452,159 | - | 117,452,159 | 130,156,297 | - | 130,156,297 |

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| | Note | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|----------------------------------------------------------------|------|---------------------------------|-----------------------------------|
| Rupees in '000 | | | |
| 10.2 Investments by segments | | | |
| Federal Government Securities | | | |
| GOP Ijarah Sukuk | | 81,092,071 | 96,937,287 |
| Sukuk certificates / bonds | | | |
| Sukuk Certificates | | 21,596,075 | 16,090,897 |
| Global Sukuk Bonds | | 5,830,090 | 7,543,519 |
| Fully paid up ordinary shares | | | |
| Listed companies | | 4,125,054 | 3,519,788 |
| Unlisted companies | | | |
| - subsidiary | | 63,050 | 63,050 |
| - others | | 854,124 | 854,124 |
| Units of open end funds | | | |
| - associates | | 1,849,436 | 1,902,120 |
| - others | | 50,000 | 50,000 |
| Total investment at cost / carrying value | | 115,459,900 | 126,960,785 |
| Less: Provision against diminution in the value of investments | 10.3 | (509,293) | (380,712) |
| Investments (net of provision) | | 114,950,607 | 126,580,073 |
| Surplus on revaluation of available for sale securities | | 2,501,552 | 3,576,224 |
| Total investments | | 117,452,159 | 130,156,297 |

10.3 Provision for diminution in value of investments

| | June 30, 2017 (Unaudited) | | | December 31, 2016 (Audited) | | |
|-------------------------------------------|---------------------------|----------------|----------------|-----------------------------|-----------|-----------|
| | Associates | Others | Total | Associates | Others | Total |
| Rupees in '000 | | | | | | |
| Opening balance | - | 380,712 | 380,712 | 24,514 | 420,871 | 445,385 |
| Charge / (reversal) for the period / year | | | | | | |
| - on associates (unlisted) | - | - | - | 3,611 | - | 3,611 |
| On available for sale securities | | | | | | |
| - charge for the period / year | - | 136,167 | 136,167 | - | 33,840 | 33,840 |
| - reversals for the period / year | - | (7,586) | (7,586) | - | (102,124) | (102,124) |
| | - | 128,581 | 128,581 | 3,611 | (68,284) | (64,673) |
| Transfers | - | - | - | (28,125) | 28,125 | - |
| Closing balance | - | 509,293 | 509,293 | - | 380,712 | 380,712 |

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| | Note | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|-----------------------------------------------------------------------------|------|---------------------------------|-----------------------------------|
| | | Rupees in '000 | |
| 11 ISLAMIC FINANCING AND RELATED ASSETS - NET | | | |
| In Pakistan | | | |
| - Murabaha financing | 11.1 | 5,611,976 | 7,786,937 |
| - Advances against Murabaha | | 4,619,770 | 3,993,151 |
| - Murabaha inventory | | 8,711,934 | 4,967,432 |
| - Financing under Islamic Export Refinance - Murabaha | 11.2 | 226,826 | 723,956 |
| - Advances against Islamic Export Refinance - Murabaha | | 42,022 | 122,221 |
| - Net investment in Ijarah | | 144,865 | 149,054 |
| - Net book value of assets / investment in Ijarah under IFAS-2 | 11.3 | 25,219,930 | 20,671,262 |
| | | 25,364,795 | 20,820,316 |
| - Advances against Ijarah | | 4,939,716 | 3,906,242 |
| - Diminishing Musharakah financing - Housing | | 10,374,448 | 9,374,585 |
| - Diminishing Musharakah financing - Others | | 55,220,928 | 79,478,870 |
| - Advances against Diminishing Musharakah | | 14,152,335 | 12,971,982 |
| - Running Musharakah financing | | 97,574,171 | 70,517,803 |
| - Financing under Islamic Export Refinance - Running Musharakah | | 8,058,567 | 7,784,000 |
| - Musharakah financing | | 746,640 | 746,640 |
| - Wakalah Tul Istithmar | | 22,750,000 | 12,750,000 |
| - Advances against Wakalah Tul Istithmar | | 8,500,000 | - |
| - Istisna financing | | 1,943,081 | 3,155,616 |
| - Advances against Istisna | | 23,405,461 | 28,112,137 |
| - Istisna inventory | | 4,361,069 | 1,876,007 |
| - Financing under Islamic Export Refinance - Istisna | | 183,836 | 128,743 |
| - Advances against Islamic Export Refinance - Istisna | | 3,925,021 | 7,261,153 |
| - Financing under Islamic Export Refinance - Istisna - Inventory | | 512,590 | 828,634 |
| - Tijarah financing | | 598,711 | 337,506 |
| - Tijarah inventory | | 8,264,734 | 5,182,105 |
| - Financing under Islamic Export Refinance - Tijarah | | 335,744 | 244,051 |
| - Financing under Islamic Export Refinance - Tijarah - Inventory | | 446,516 | 227,584 |
| - Musawammah financing | 11.6 | 5,230,548 | 7,159,774 |
| - Musawammah Inventory | | 3,075,482 | 2,590,940 |
| - Advances against Musawammah | | 7,504,919 | 4,908,188 |
| - Financing under Islamic Export Refinance - Musawammah | 11.4 | 157,848 | 325,512 |
| - Advances against Islamic Export Refinance - Musawammah | | 26,500 | 100,000 |
| - Islamic Export Refinance - Musawammah - Inventory | | - | 110,000 |
| - Bai Muajjal financing | 11.5 | 155,529 | 101,496 |
| - Advances against future Service Ijarah | | 3,125,000 | 718,750 |
| - Labbaik (Qard for Hajj and Umrah) | | 4,387 | 5,871 |
| - Financing against bills - Salam | | 9,079,443 | 13,183,818 |
| - Financing against bills - Murabaha - Advance | | 1,738 | 1,738 |
| - Advances against Salam financing | | 2,394,548 | 2,000,000 |
| - Staff financing | | 2,961,378 | 2,739,104 |
| - Other financing | | 2,370,783 | 2,374,002 |
| Gross Islamic financing and related assets | | 346,958,994 | 319,616,864 |
| Less: Provision against non-performing Islamic financing and related assets | 11.8 | (8,063,044) | (8,086,594) |
| Islamic financing and related assets - net of provisions | | 338,895,950 | 311,530,270 |

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| | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------|
| | Rupees in '000 | |
| 11.1 Murabaha receivable - gross | 5,890,912 | 8,134,131 |
| Less: Deferred murabaha income | (87,941) | (119,342) |
| Profit receivable shown in other assets | (190,995) | (227,852) |
| Murabaha financing | 5,611,976 | 7,786,937 |
| 11.2 Financing under Islamic Export Refinance - Murabaha - gross | 237,253 | 741,100 |
| Less: Deferred income | (1,134) | (4,616) |
| Profit receivable shown in other assets | (9,293) | (12,528) |
| Financing under Islamic Export Refinance - Murabaha | 226,826 | 723,956 |
| 11.3 Net book value of assets / investments in Ijarah under IFAS 2 is net of accumulated depreciation of Rs 13,112 million (Dec 31, 2016: Rs 10,951 million). | | |
| | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
| | Rupees in '000 | |
| 11.4 Financing under Islamic Export Refinance - Musawammah | 159,743 | 329,995 |
| Less: Deferred income | (667) | (2,973) |
| Profit receivable shown in other assets | (1,228) | (1,510) |
| Financing under Islamic Export Refinance - Musawammah | 157,848 | 325,512 |
| 11.5 Bai Muajjal financing - gross | 186,250 | 133,325 |
| Less: Deferred income | (10,615) | (10,835) |
| Profit receivable shown in other assets | (20,106) | (20,994) |
| Bai Muajjal financing | 155,529 | 101,496 |
| 11.6 Musawammah financing - gross | 5,387,328 | 7,340,823 |
| Less: Deferred income | (71,006) | (107,675) |
| Profit receivable shown in other assets | (85,774) | (73,374) |
| Musawammah financing | 5,230,548 | 7,159,774 |

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11.7 Islamic financing and related assets include Rs 6,708 million (December 31, 2016: Rs 6,847 million) which have been placed under non-performing status as detailed below:

| Category of classification | June 30, 2017 (Unaudited) | | | | |
|-----------------------------------|---------------------------|----------|------------------|--------------------|------------------|
| | Domestic | Overseas | Total | Provision required | Provision held |
| | Rupees in '000 | | | | |
| Other Assets Especially Mentioned | 916 | - | 916 | 14 | 14 |
| Substandard | 209,906 | - | 209,906 | 50,152 | 50,152 |
| Doubtful | 39,455 | - | 39,455 | 16,747 | 16,747 |
| Loss | 6,457,353 | - | 6,457,353 | 6,434,978 | 6,434,978 |
| | <u>6,707,630</u> | <u>-</u> | <u>6,707,630</u> | <u>6,501,891</u> | <u>6,501,891</u> |

| Category of classification | December 31, 2016 (Audited) | | | | |
|-----------------------------------|-----------------------------|----------|------------------|--------------------|------------------|
| | Domestic | Overseas | Total | Provision required | Provision held |
| | Rupees in '000 | | | | |
| Other Assets Especially Mentioned | 16,018 | - | 16,018 | 12 | 12 |
| Substandard | 221,688 | - | 221,688 | 52,569 | 52,569 |
| Doubtful | 48,473 | - | 48,473 | 21,037 | 21,037 |
| Loss | 6,561,113 | - | 6,561,113 | 6,518,585 | 6,518,585 |
| | <u>6,847,292</u> | <u>-</u> | <u>6,847,292</u> | <u>6,592,203</u> | <u>6,592,203</u> |

11.8 Particulars of provision against non-performing Islamic Financing and related assets:

| | June 30, 2017 (Unaudited) | | | December 31, 2016 (Audited) | | |
|------------------------------|---------------------------|------------------|------------------|-----------------------------|------------------|------------------|
| | Specific | General | Total | Specific | General | Total |
| | Rupees in '000 | | | | | |
| Opening balance | 6,592,203 | 1,494,391 | 8,086,594 | 6,840,068 | 1,366,772 | 8,206,840 |
| Charge for the period / year | 28,537 | 66,762 | 95,299 | 235,753 | 127,619 | 363,372 |
| Less: Reversals | (116,665) | - | (116,665) | (483,618) | - | (483,618) |
| | (88,128) | 66,762 | (21,366) | (247,865) | 127,619 | (120,246) |
| Amount written off | (2,184) | - | (2,184) | - | - | - |
| Closing balance | <u>6,501,891</u> | <u>1,561,153</u> | <u>8,063,044</u> | <u>6,592,203</u> | <u>1,494,391</u> | <u>8,086,594</u> |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
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- 11.9** The Bank maintains general reserve (provision) 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.

In addition, the Bank has also maintained a general provision of Rs 1,125 million (December 31, 2016: Rs 1,125 million) against financing made on prudent basis, in view of the prevailing economic conditions. This general provision is in addition to the requirements of the Prudential Regulations.

- 11.10** In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financing. The accumulated benefit availed as at June 30, 2017 amounts to Rs 10.0 million (December 31, 2016: Rs 10.2 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs 6.5 million as at June 30, 2017. The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

12 OPERATING FIXED ASSETS

| | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|--------------------------|------------------------------------------|--------------------------------------------|
| | ———— Rupees in '000 ———— | |
| Capital work-in-progress | 3,130,842 | 314,408 |
| Property and equipment | 8,094,980 | 8,193,642 |
| | 11,225,822 | 8,508,050 |
| Intangible assets | 401,804 | 416,278 |
| | 11,627,626 | 8,924,328 |

| | June 30, 2017 (Unaudited) | June 30, 2016 (Unaudited) |
|--------------------------------------------|------------------------------------------|------------------------------------------|
| | ———— Rupees in '000 ———— | |
| Additions to fixed assets - at cost | 3,543,749 | 1,547,759 |
| Disposals of fixed assets - at cost | 181,684 | 99,706 |

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| | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|---------------------------------------|---------------------------------|-----------------------------------|
| | Rupees in '000 | |
| 13 DEPOSITS AND OTHER ACCOUNTS | | |
| Customers | | |
| - Fixed deposits | 139,981,648 | 141,796,085 |
| - Savings deposits | 230,283,105 | 220,228,372 |
| - Current accounts - non-remunerative | 215,042,653 | 195,597,883 |
| - Margin | 3,539,655 | 2,118,269 |
| | 588,847,061 | 559,740,609 |
| Financial institutions | | |
| - Remunerative deposits | 4,016,443 | 3,331,027 |
| - Non-remunerative deposits | 400,133 | 952,217 |
| | 4,416,576 | 4,283,244 |
| | 593,263,637 | 564,023,853 |
| 13.1 Particulars of deposits | | |
| In | | |
| - local currency | 562,983,309 | 535,076,218 |
| - foreign currencies | 30,280,328 | 28,947,635 |
| | 593,263,637 | 564,023,853 |

14 SUB-ORDINATED SUKUK

In 2016, the Bank issued regulatory Shariah compliant unsecured, subordinated privately placed Tier II Sukuk based on Mudaraba of Rs. 7,000 million as instrument of redeemable capital under section 66 of the Companies Act, 2017. The brief description of sukuk is as follows:

| | |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Credit Rating | AA- (Double A minus) by JCR-VIS Credit Rating Company Limited. |
| Tenor | 10 years from the issue date. |
| Profit payment frequency | Semi-annually in arrears. |
| Redemption | Bullet payment at the end of the tenth year. |
| Expected Periodic Profit Amount (Mudaraba Profit Amount) | The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Bank under the SBP guidelines of pool management. Last announced profit rate on the Sukuk is 6.78% per annum. |
| Call Option | The Bank may call Tier II Sukuk with prior approval of SBP on or after five years from the date of issue. |
| Loss Absorbency | The Tier II Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP. |
| Lock-in-Clause | Profit and/or redemption amount can be held back in respect of the Tier II Sukuk, if such payment will result in a shortfall in the Issuer's minimum capital or capital adequacy ratio requirement. |

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15 SHARE CAPITAL

15.1 Authorised capital

| June 30, 2017 | December 31, 2016 | | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|----------------------------|----------------------|-----------------------------------|---------------------------------|-----------------------------------|
| ———— Number of Shares ———— | | | ———— Rupees in '000 ———— | |
| <u>2,000,000,000</u> | <u>2,000,000,000</u> | Ordinary shares of Rs. 10 each | <u>20,000,000</u> | <u>20,000,000</u> |

15.2 Issued, subscribed and paid-up capital

| June 30, 2017 | December 31, 2016 | | | |
|----------------------------|----------------------|------------------------|-------------------|-------------------|
| ———— Number of Shares ———— | | | | |
| | | Ordinary Shares | | |
| <u>456,353,635</u> | 456,353,635 | Fully paid in cash | <u>4,563,536</u> | 4,563,536 |
| <u>546,384,260</u> | 546,384,260 | Issued as bonus shares | <u>5,463,843</u> | 5,463,843 |
| <u>1,002,737,895</u> | <u>1,002,737,895</u> | | <u>10,027,379</u> | <u>10,027,379</u> |

16 SURPLUS ON REVALUATION OF INVESTMENTS

| | | |
|------------------------------------|------------------|--------------------|
| Quoted shares/units of mutual fund | 1,581,795 | 2,016,102 |
| Other securities | <u>919,757</u> | <u>1,560,122</u> |
| | 2,501,552 | 3,576,224 |
| Less: Deferred tax liability | <u>(875,544)</u> | <u>(1,251,679)</u> |
| | <u>1,626,008</u> | <u>2,324,545</u> |

17 CONTINGENCIES AND COMMITMENTS

17.1 Direct credit substitutes

| | | |
|-------------------------------|----------------|----------------|
| Guarantee favoring - Banks | <u>349,211</u> | <u>209,015</u> |
|-------------------------------|----------------|----------------|

17.2 Transaction related contingent liabilities

| | | |
|--------------------|-------------------|-------------------|
| Guarantee favoring | | |
| - Government | 11,749,117 | 10,925,552 |
| - Banks | 243,492 | 244,589 |
| - Others | 4,569,897 | 4,066,533 |
| | <u>16,562,506</u> | <u>15,236,674</u> |

17.3 Trade related contingent liabilities

| | | |
|--------------------------|-------------------|-------------------|
| Import letters of credit | 48,174,020 | 51,612,802 |
| Acceptances | 5,993,315 | 4,323,808 |
| | <u>54,167,335</u> | <u>55,936,610</u> |

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17.4 The Income Tax Department has amended the deemed assessment orders of the Bank for the tax years upto 2015. The additions/ disallowances were mainly due to allocation of expenses relating to dividends and capital gain, allowability of provision against loans and advances, provision against investments and provision against other assets. In the amended order for tax year 2015, additional issues with respect to the taxability of gain on bargain purchase and non-adjustment of loss pertaining to HSBC Bank Middle East - Pakistan Branches have also been raised. The Bank has obtained stay order from the High Court of Sindh against the demands raised through the amended order for the tax year 2015. Both the Bank and the department have filed appeals with the Appellate Authorities in respect of the aforementioned matters.

The management of the Bank, in consultation with its tax advisors, is confident that the decision in respect of the above matters would be in Bank's favour and accordingly no provision has been made in this condensed interim unconsolidated financial statements with respect thereto. The additional tax liability in respect of gain on bargain purchase and non-adjustment of loss pertaining to HSBC Bank Middle East – Pakistan Branches is Rs. 1,096 million and Rs. 706 million respectively.

| | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|-----------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------|
| | ————— Rupees in '000 ————— | |
| 17.5 Commitments in respect of forward exchange contracts | | |
| Purchases | <u>73,451,074</u> | 72,008,025 |
| Sales | <u>58,863,211</u> | 69,766,108 |
| 17.6 Commitments for the acquisition of operating fixed assets | <u>117,072</u> | 129,320 |
| 17.7 Commitments in respect of Islamic financing and related assets | <u>150,618,014</u> | 123,675,880 |
| 17.8 Other commitments | | |
| Bills for collection (inland) | 129,918 | 144,063 |
| Bills for collection (foreign) | <u>33,670,967</u> | 30,342,514 |
| | <u>33,800,885</u> | 30,486,577 |
| | June 30, 2017 (Unaudited) | June 30, 2016 (Unaudited) |
| | ————— Rupees in '000 ————— | |
| 18 PROFIT / RETURN EARNED ON ISLAMIC FINANCINGS AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS | | |
| On financings to: | | |
| - Customers | 9,979,569 | 7,035,039 |
| On investments in | | |
| - Available for sale securities | 2,317,293 | 4,255,145 |
| - Held for trading securities | - | 5,547 |
| - Held to maturity securities | 776,168 | 403,093 |
| On deposits with financial institutions | <u>4,263,506</u> | 3,254,996 |
| | <u>17,336,536</u> | 14,953,820 |

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| | Note | June 30, 2017 (Unaudited) | June 30, 2016 (Unaudited) |
|----------------------------------------------------------|------|---------------------------------|---------------------------------|
| 19 RETURN ON DEPOSITS AND OTHER DUES EXPENSED | | Rupees in '000 | |
| Deposits and other accounts | | 6,210,112 | 5,941,518 |
| Other Musharakahs / Mudarabas | | 1,022,712 | 210,327 |
| | | <u>7,232,824</u> | <u>6,151,845</u> |

20 TAXATION

The Finance Act 2017 has further extended the application of super tax brought into effect through Finance Act, 2015 for rehabilitation of temporary displaced persons. Accordingly, the Bank has recognized prior year tax charge of Rs. 344.016 million in the current period (2016: Rs 275.647 million) which is determined at the applicable tax rate of 4 percent on taxable income for the tax year 2017 (i.e. year ended December 31, 2016).

| | Note | June 30, 2017 (Unaudited) | June 30, 2016 (Unaudited) |
|------------------------------------------------|------|---------------------------------|---------------------------------|
| 21 BASIC AND DILUTED EARNINGS PER SHARE | | Rupees in '000 | |
| Profit after taxation for the period | | 3,163,225 | 2,685,628 |
| | | Number | |
| Weighted average number of ordinary shares | | 1,002,737,895 | 1,002,737,895 |
| | | Rupees | |
| Basic earnings per share | 21.1 | 3.15 | 2.68 |

21.1 There were no convertible dilutive potential ordinary shares outstanding on June 30, 2017 and June 30, 2016.

| | Note | June 30, 2017 (Unaudited) | June 30, 2016 (Unaudited) |
|---------------------------------------|------|---------------------------------|---------------------------------|
| 22 CASH AND CASH EQUIVALENTS | | Rupees in '000 | |
| Cash and balances with treasury banks | 7 | 53,119,088 | 44,288,226 |
| Balances with other banks | 8 | 3,138,236 | 15,698,346 |
| | | <u>56,257,324</u> | <u>59,986,572</u> |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

| June 30, 2017 (Unaudited) | | | | |
|-------------------------------------------------------|-----------------------|----------------|----------------|--------------|
| RECURRING FAIR VALUE MEASUREMENTS | Level 1 | Level 2 | Level 3 | Total |
| INVESTMENTS - NET | Rupees in '000 | | | |
| <i>Financial Assets</i> | | | | |
| <i>Available for sale securities</i> | | | | |
| Ordinary shares - listed | 5,455,490 | - | - | 5,455,490 |
| Units of open end fund | 49,726 | - | - | 49,726 |
| GOP Sukuk | - | 53,981,753 | - | 53,981,753 |
| WAPDA Sukuk | - | 144,888 | - | 144,888 |
| PIA Sukuk | - | 1,500,000 | - | 1,500,000 |
| Global Sukuk Bonds | 5,858,835 | - | - | 5,858,835 |
| Forward purchase of foreign exchange contracts | - | 73,884,739 | - | 73,884,739 |
| Forward sale of foreign exchange contracts | - | 59,217,248 | - | 59,217,248 |

| December 31, 2016 (Audited) | | | | |
|-------------------------------------------------------|-----------------------|----------------|----------------|--------------|
| RECURRING FAIR VALUE MEASUREMENTS | Level 1 | Level 2 | Level 3 | Total |
| INVESTMENTS - NET | Rupees in '000 | | | |
| <i>Financial Assets</i> | | | | |
| <i>Available for sale securities</i> | | | | |
| Ordinary shares - listed | 5,368,668 | - | - | 5,368,668 |
| Units of open end fund | 51,150 | - | - | 51,150 |
| GOP Sukuk | - | 70,512,182 | - | 70,512,182 |
| WAPDA Sukuk | - | 289,775 | - | 289,775 |
| PIA Sukuk | - | 1,515,000 | - | 1,515,000 |
| Global Sukuk Bonds | 7,514,305 | - | - | 7,514,305 |
| Forward purchase of foreign exchange contracts | - | 72,555,307 | - | 72,555,307 |
| Forward sale of foreign exchange contracts | - | 70,252,958 | - | 70,252,958 |

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

Valuation techniques used in determination of fair values within level 2

| Item | Valuation approach and input used |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GOP Sukuks WAPDA Sukuk PIA Sukuk | The fair value of GoP Ijarah Sukuks, WAPDA Sukuk and PIA Sukuk quoted are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from eight different pre-defined / approved dealers / brokers. |
| Forward foreign exchange contracts | The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan. |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

24 SEGMENT DETAILS

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

| | Corporate Finance | Trading & Sales | Retail Banking | Corporate & Commercial Banking | Payment & Settlement | Agency Services | Total |
|------------------------------------|----------------------|--------------------|-------------------|--------------------------------------|-------------------------|--------------------|--------------|
| Rupees in '000 | | | | | | | |
| June 30, 2017 (Unaudited) | | | | | | | |
| Total income | 815,336 | 8,645,248 | 4,748,368 | 7,120,218 | - | 7,193 | 21,336,363 |
| Total expenses | (675,290) | (7,513,094) | (3,878,466) | (6,103,770) | - | (2,518) | (18,173,138) |
| Net income | 140,046 | 1,132,154 | 869,902 | 1,016,448 | - | 4,675 | 3,163,225 |
| Segment assets | 21,655,774 | 303,964,556 | 87,941,060 | 266,390,526 | - | - | 679,951,916 |
| Segment non performing assets | 181,683 | 1,484,406 | 1,706,553 | 5,302,908 | - | - | 8,675,550 |
| Segment provision held* | 181,683 | 327,610 | 1,947,705 | 6,197,703 | - | - | 8,654,701 |
| Segment liabilities | 926,034 | 14,931,551 | 615,152,807 | 17,256,640 | - | - | 648,267,032 |
| Segment return on assets (ROA) (%) | 1.50% | 0.73% | 2.20% | 0.79% | - | - | - |
| Segment cost of funds (%) | 2.44% | 2.44% | 2.44% | 2.44% | - | - | - |

June 30, 2016 (Unaudited)

| | | | | | | | |
|------------------------------------|------------|-------------|-------------|-------------|---|---------|--------------|
| Total income | 630,017 | 9,003,162 | 3,147,244 | 4,971,750 | - | 8,801 | 17,760,974 |
| Total expenses | (505,035) | (7,801,095) | (2,570,115) | (4,196,021) | - | (3,080) | (15,075,346) |
| Net income | 124,982 | 1,202,067 | 577,129 | 775,729 | - | 5,721 | 2,685,628 |
| Segment assets | 13,799,643 | 322,367,692 | 66,446,725 | 168,816,609 | - | - | 571,430,669 |
| Segment non performing assets | 190,586 | 869,495 | 1,818,248 | 5,275,597 | - | - | 8,153,926 |
| Segment provision held* | 156,603 | 212,206 | 1,910,767 | 6,517,562 | - | - | 8,797,138 |
| Segment liabilities | 422,835 | 1,795,502 | 519,128,908 | 22,145,924 | - | - | 543,493,169 |
| Segment return on assets (ROA) (%) | 1.78% | 0.78% | 2.08% | 0.90% | - | - | - |
| Segment cost of funds (%) | 2.57% | 2.57% | 2.57% | 2.57% | - | - | - |

*Includes general provision

25 RELATED PARTY TRANSACTIONS

25.1 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 include major shareholders, subsidiary company, associated companies, retirement benefit funds, directors, and key management personnel and their close family members.

25.2 Banking transactions with related parties are entered in the normal course of business.

25.3 Subsidiary company:

- Al Meezan Investment Management Limited

25.4 Key management personnel:

- President and Chief Executive Officer
- Deputy Chief Executive Officer

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

25.5 Details of transactions with related parties and balances with them as at the period / year end are as follows;

| | Total | | Subsidiary | | Associates | | Key management personnel/Directors | | Other related parties | |
|---------------------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|------------------------------------|------------------------------|--------------------------------|------------------------------|
| | Jun 30, 2017 (Unaudited) | Dec 31, 2016 (Audited) | Jun 30, 2017 (Unaudited) | Dec 31, 2016 (Audited) | Jun 30, 2017 (Unaudited) | Dec 31, 2016 (Audited) | Jun 30, 2017 (Unaudited) | Dec 31, 2016 (Audited) | Jun 30, 2017 (Unaudited) | Dec 31, 2016 (Audited) |
| | Rupees in '000 | | | | | | | | | |
| Islamic financing and related assets | 319,595 | 2,484,365 | - | - | 319,595 | 2,484,365 | - | - | - | - |
| Deposits | 4,257,744 | 3,678,711 | 19,543 | 24,001 | 1,535,166 | 1,300,974 | 353,454 | 402,039 | 2,349,581 | 1,951,697 |
| Investments | 1,912,485 | 3,022,967 | 63,050 | 63,050 | 1,849,435 | 2,959,917 | - | - | - | - |
| Other Balances | | | | | | | | | | |
| Profit receivable on Islamic financings | 1,544 | 26,418 | - | - | 1,544 | 26,418 | - | - | - | - |
| Dividend receivable | 453,039 | 4,286 | 260,000 | - | 193,039 | 4,286 | - | - | - | - |
| Fee receivable | 44,356 | 27,984 | 27,156 | 19,989 | 17,200 | 7,995 | - | - | - | - |
| Payable to defined benefit plan | 370,841 | 370,282 | - | - | - | - | 264,257 | 246,926 | 106,584 | 123,356 |
| Advance against Diminishing Musharakah | - | 52,994 | - | - | - | 52,994 | - | - | - | - |
| Accrued expenses | 4,869 | 46,129 | 4,869 | 46,129 | - | - | - | - | - | - |
| Letters of guarantee (unfunded) | 100 | 1,201,101 | 100 | 100 | - | 1,201,001 | - | - | - | - |
| Letters of credit (unfunded) | 13,823 | 938,923 | - | - | 13,823 | 938,923 | - | - | - | - |

Balances pertaining to parties that were related at the beginning of the period but ceased to be related during any part of the current period are not reflected as part of the closing balance. However, new related parties have been added during the period. The same are accounted for through the movement presented above.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

| Total | | Subsidiary | | Associates | | Key management personnel/Directors | | Other related parties | |
|----------------|--------------|--------------|--------------|--------------|--------------|------------------------------------|--------------|-----------------------|--------------|
| Jun 30, 2017 | Jun 30, 2016 | Jun 30, 2017 | Jun 30, 2016 | Jun 30, 2017 | Jun 30, 2016 | Jun 30, 2017 | Jun 30, 2016 | Jun 30, 2017 | Jun 30, 2016 |
| (Unaudited) | | | | | | | | | |
| Rupees in '000 | | | | | | | | | |

Transactions, income and expenses

| | | | | | | | | | | |
|------------------------------------------------------------------------------------------------------|---------|---------|---------|--------|---------|---------|--------|--------|---------|---------|
| Profit earned on Investments / Islamic financings | 136,096 | 37,868 | - | - | 136,096 | 37,868 | - | - | - | - |
| Profit on deposits expensed | 92,869 | 83,471 | 526 | 594 | 19,011 | 17,257 | 6,292 | 2,835 | 67,040 | 62,785 |
| Dividend income earned | 472,612 | 129,667 | 260,000 | - | 212,612 | 129,667 | - | - | - | - |
| Investments made | 183,264 | 415,974 | - | - | 183,264 | 415,974 | - | - | - | - |
| Capital gain - net | 29,013 | 12,507 | - | - | 29,013 | 12,507 | - | - | - | - |
| Charge for defined benefit plan | 106,584 | 105,451 | - | - | - | - | - | - | 106,584 | 105,451 |
| Contribution to defined contribution plan | 119,070 | 101,895 | - | - | - | - | - | - | 119,070 | 101,895 |
| Contribution to staff benevolent fund | 15,642 | 14,271 | - | - | - | - | - | - | 15,642 | 14,271 |
| Fees expensed | 9,725 | 5,000 | 9,725 | 5,000 | - | - | - | - | - | - |
| Fees and commission earned | 167,805 | 60,308 | 46,946 | 59,044 | 120,859 | 1,264 | - | - | - | - |
| Charity paid | 5,000 | - | - | - | - | - | - | - | 5,000 | - |
| Remuneration to the directors and key management personnel including fees to non-executive directors | 97,478 | 88,324 | - | - | - | - | 97,478 | 88,324 | - | - |

26 NON-ADJUSTING EVENT

The Board of Directors in their meeting held on July 26, 2017 has announced an interim cash dividend @17.5%. This condensed interim unconsolidated financial information does not include the effect of this appropriation which will be accounted for subsequent to the period end.

27 GENERAL

27.1 Comparative information has been re-classified, re-arranged or additionally incorporated in this financial information, wherever necessary to facilitate comparison and better presentation.

28 DATE OF AUTHORISATION

This condensed interim unconsolidated financial information was authorised for issue on July 26, 2017 by the Board of Directors of the Bank.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. A. Al-Nassar
Director

Mansur Khan
Director

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL INFORMATION**

CONDENSED INTERIM CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017

| | June 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|-------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------|
| | Rupees in '000 | |
| ASSETS | | |
| Cash and balances with treasury banks | 53,119,088 | 56,037,043 |
| Balances with other banks | 3,175,171 | 12,067,855 |
| Due from financial institutions | 143,761,016 | 129,115,165 |
| Investments - net | 122,812,235 | 134,796,574 |
| Islamic financing and related assets - net | 338,895,950 | 311,530,270 |
| Operating fixed assets | 11,724,404 | 9,031,686 |
| Deferred tax asset | - | - |
| Other assets - net | 11,939,469 | 10,689,082 |
| | 685,427,333 | 663,267,675 |
| LIABILITIES | | |
| Bills payable | 10,025,498 | 9,130,998 |
| Due to financial institutions | 22,192,170 | 32,005,501 |
| Deposits and other accounts | 593,244,094 | 563,999,852 |
| Sub-ordinated Sukuk | 7,000,000 | 7,000,000 |
| Deferred tax liabilities | 1,134,540 | 1,955,203 |
| Other liabilities | 16,037,218 | 14,403,557 |
| | 649,633,520 | 628,495,111 |
| NET ASSETS | 35,793,813 | 34,772,564 |
| REPRESENTED BY | | |
| Share capital | 10,027,379 | 10,027,379 |
| Reserves | 10,356,646 | 9,724,001 |
| Unappropriated profit | 12,462,979 | 11,340,678 |
| | 32,847,004 | 31,092,058 |
| NON-CONTROLLING INTEREST | 1,200,896 | 1,221,989 |
| | 34,047,900 | 32,314,047 |
| Surplus on revaluation of investments (including amount relating to share of profit from associates) - net of tax | 1,745,913 | 2,458,517 |
| | 35,793,813 | 34,772,564 |

The annexed notes from 1 to 3 form an integral part of this condensed interim consolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. A. Al-Nassar
Director

Mansur Khan
Director

**CONDENSED INTERIM CONSOLIDATED
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

| | Quarter ended June 30, 2017 | Half year ended June 30, 2017 | Quarter ended June 30, 2016 | Half year ended June 30, 2016 |
|-----------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|--------------------------------------|----------------------------------------|
| Rupees in '000 | | | | |
| Profit / return earned on Islamic financing and related assets, investments and placements | 9,016,367 | 17,341,123 | 7,487,049 | 14,953,768 |
| Profit on deposits and other dues expensed | 3,655,202 | 7,232,298 | 2,926,476 | 6,151,251 |
| Net spread earned | 5,361,165 | 10,108,825 | 4,560,573 | 8,802,517 |
| Reversal of provision against non-performing islamic financing and related assets - net | (43,547) | (21,366) | (90,669) | (222,920) |
| Provision / (reversal of provision) against diminution in the value of investments | 92,484 | 128,581 | (50,110) | (76,576) |
| Bad debts written off directly | - | - | - | - |
| Net spread after provisions | 48,937 | 107,215 | (140,779) | (299,496) |
| | 5,312,228 | 10,001,610 | 4,701,352 | 9,102,013 |
| OTHER INCOME | | | | |
| Fee, commission and brokerage income | 1,661,283 | 3,140,809 | 943,021 | 1,810,518 |
| Dividend income | 52,331 | 90,871 | 93,202 | 205,562 |
| Income from dealing in foreign currencies | 282,866 | 445,811 | 378,698 | 643,674 |
| Capital gain on sale of investments - net | 375,398 | 843,307 | 225,198 | 499,795 |
| Other income | 111,408 | 247,664 | 74,498 | 168,161 |
| Total other income | 2,483,286 | 4,768,462 | 1,714,617 | 3,327,710 |
| | 7,795,514 | 14,770,072 | 6,415,969 | 12,429,723 |
| OTHER EXPENSES | | | | |
| Administrative expenses | 4,620,007 | 8,893,046 | 3,955,762 | 7,712,363 |
| Other reversal of provisions | (3,251) | (8,323) | (868) | (101) |
| Other charges | 9,788 | 10,268 | 316 | 381 |
| Workers Welfare Fund | 199,495 | 147,025 | 56,026 | 102,967 |
| Total other expenses | 4,826,039 | 9,042,016 | 4,011,236 | 7,815,610 |
| | 2,969,475 | 5,728,056 | 2,404,733 | 4,614,113 |
| Share of results of associates before taxation | (196,331) | (206,887) | 345,215 | 513,083 |
| | 2,773,144 | 5,521,169 | 2,749,948 | 5,127,196 |
| Extraordinary / unusual items | - | - | - | - |
| PROFIT BEFORE TAXATION | 2,773,144 | 5,521,169 | 2,749,948 | 5,127,196 |
| Taxation - Current | 1,350,066 | 2,436,481 | 993,176 | 1,577,211 |
| - Prior years | 391,525 | 391,525 | 175,280 | 175,280 |
| - Deferred | (272,805) | (436,954) | (29,513) | 223,313 |
| | 1,468,786 | 2,391,052 | 1,138,943 | 1,975,804 |
| PROFIT AFTER TAXATION | 1,304,358 | 3,130,117 | 1,611,005 | 3,151,392 |
| Attributable to: | | | | |
| Equity shareholders of the Bank | 1,286,589 | 3,010,215 | 1,537,014 | 3,006,972 |
| Non-controlling interest | 17,769 | 119,902 | 73,991 | 144,420 |
| | 1,304,358 | 3,130,117 | 1,611,005 | 3,151,392 |
| Rupees | | | | |
| Basic and diluted earnings per share | 1.28 | 3.00 | 1.53 | 3.00 |

The annexed notes from 1 to 3 form an integral part of this condensed interim consolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. A. Al-Nassar
Director

Mansur Khan
Director

CONDENSED INTERIM CONSOLIDATED

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2017

| | Quarter ended June 30, 2017 | Half year ended June 30, 2017 | Quarter ended June 30, 2016 | Half year ended June 30, 2016 |
|---------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|--------------------------------------|----------------------------------------|
| | Rupees in '000 | | | |
| Profit after tax for the period attributable to: | | | | |
| Equity shareholders of the Bank | 1,286,589 | 3,010,215 | 1,537,014 | 3,006,972 |
| Non-controlling interest | 17,769 | 119,902 | 73,991 | 144,420 |
| | 1,304,358 | 3,130,117 | 1,611,005 | 3,151,392 |
| Other Comprehensive income | | | | |
| Item that may not be reclassified to profit and loss account | | | | |
| Remeasurement of defined benefit plan - net of tax | (1,557) | (1,847) | 1,651 | 1,651 |
| Non-controlling interest - net of tax | (839) | (995) | 889 | 889 |
| | (2,396) | (2,842) | 2,540 | 2,540 |
| Comprehensive income transferred to statement of changes in equity | 1,301,962 | 3,127,275 | 1,613,545 | 3,153,932 |
| Components of comprehensive income not transferred to equity | | | | |
| Items that may be reclassified to profit and loss account | | | | |
| Share in results of associates relating to investment classified as 'available for sale' | (30,849) | (21,641) | 26,390 | 26,390 |
| Deferred tax on share of profit from associates | 10,797 | 7,574 | (9,237) | (9,237) |
| (Deficit) / Surplus on revaluation of investments | (227,341) | (1,074,672) | 589,409 | 243,360 |
| Deferred tax on revaluation of investments | 79,569 | 376,135 | (206,293) | (85,176) |
| Total comprehensive income for the period | 1,134,138 | 2,414,671 | 2,013,814 | 3,329,269 |

The annexed notes from 1 to 3 form an integral part of this condensed interim consolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. A. Al-Nassar
Director

Mansur Khan
Director

CONDENSED INTERIM CONSOLIDATED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

| | Half year ended June 30, 2017 | Half year ended June 30, 2016 |
|-----------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| | Rupees in '000 | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 5,521,169 | 5,127,196 |
| Less: Dividend income | (90,871) | (205,562) |
| | 5,430,298 | 4,921,634 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | 743,697 | 675,282 |
| Amortization | 85,521 | 87,773 |
| Reversal of provision against non-performing Islamic financing and related assets - net | (21,366) | (222,920) |
| Provision / (reversal of provision) against diminution in value of investments | 128,581 | (76,576) |
| Remeasurement of defined benefit plan | (2,842) | 2,540 |
| Gain on sale of operating fixed assets | (40,896) | (31,267) |
| Share of results from associates | 206,887 | (513,083) |
| | 1,099,582 | (78,251) |
| | 6,529,880 | 4,843,383 |
| (Increase) / decrease in operating assets | | |
| Due from financial institutions | (14,645,851) | 28,580,629 |
| Islamic financing and related assets | (27,344,314) | (17,470,552) |
| Other assets | (1,257,682) | 4,421,625 |
| | (43,247,847) | 15,531,702 |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | 894,500 | 3,971,772 |
| Due to financial institutions | (9,813,331) | 6,531,849 |
| Deposits and other accounts | 29,244,242 | 29,159,575 |
| Other liabilities | 1,129,692 | (2,157,375) |
| | 21,455,103 | 37,505,821 |
| | (15,262,864) | 57,880,906 |
| Income tax paid | (2,324,378) | (1,356,022) |
| Net cash (used in) / generated from operating activities | (17,587,242) | 56,524,884 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net investment in securities | 10,552,558 | (48,781,471) |
| Dividends received | 98,166 | 146,079 |
| Investments in operating fixed assets | (3,558,503) | (1,561,237) |
| Proceeds from sale of fixed assets | 77,463 | 50,064 |
| Net cash generated from / (used in) investing activities | 7,169,684 | (50,146,565) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend paid to equity shareholders of the Bank | (1,253,081) | (1,252,744) |
| Dividend paid to non controlling interest | (140,000) | - |
| Net cash used in financing activities | (1,393,081) | (1,252,744) |
| Net (decrease) / increase in cash and cash equivalents | (11,810,639) | 5,125,575 |
| Cash and cash equivalents at the beginning of the period | 68,104,898 | 54,891,498 |
| Cash and cash equivalents at the end of the period | 56,294,259 | 60,017,073 |

The annexed notes from 1 to 3 form an integral part of this condensed interim consolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

CONDENSED INTERIM CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2017

| Share capital | Capital reserves | | Revenue reserve | Unappropriated profit | Non controlling interest | Total |
|----------------|---------------------|------------------------------------------------------------|-----------------|-----------------------|--------------------------|-------------|
| | Statutory reserve * | Non-Distributable Capital Reserve Gain on Bargain Purchase | General reserve | | | |
| Rupees in '000 | | | | | | |
| 10,027,379 | 5,403,050 | 3,117,547 | 91,082 | 9,238,479 | 944,623 | 28,822,160 |
| - | - | - | - | 3,006,972 | 144,420 | 3,151,392 |
| - | - | - | - | 1,651 | 889 | 2,540 |
| - | - | - | - | (1,253,422) | - | (1,253,422) |
| - | 537,126 | - | - | (537,126) | - | - |
| 10,027,379 | 5,940,176 | 3,117,547 | 91,082 | 10,456,554 | 1,089,932 | 30,722,670 |
| - | - | - | - | 3,174,929 | 276,102 | 3,451,031 |
| - | - | - | - | 39,182 | 155 | 39,337 |
| - | - | - | - | - | (144,200) | (144,200) |
| - | - | - | - | (1,754,791) | - | (1,754,791) |
| - | 575,196 | - | - | (575,196) | - | - |
| 10,027,379 | 6,515,372 | 3,117,547 | 91,082 | 11,340,678 | 1,221,989 | 32,314,047 |
| - | - | - | - | 3,010,215 | 119,902 | 3,130,117 |
| - | - | - | - | (1,847) | (995) | (2,842) |
| - | - | - | - | - | (140,000) | (140,000) |
| - | - | - | - | (1,253,422) | - | (1,253,422) |
| - | 632,645 | - | - | (632,645) | - | - |
| 10,027,379 | 7,148,017 | 3,117,547 | 91,082 | 12,462,979 | 1,200,896 | 34,047,900 |

* This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 3 form an integral part of this condensed interim consolidated financial information.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. Al-Nassar
Director

Mansur Khan
Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

1 BASIS OF PRESENTATION

- 1.1** This condensed interim consolidated financial information include the unaudited financial statements of Meezan Bank Limited (MBL) (the holding company) and Al-Meezan Investment Management Limited (AMIML) (the subsidiary) collectively referred as the 'Group' and associates namely, Al-Meezan Mutual Fund, Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Sovereign Fund, Meezan Tahaffuz Pension Fund, KSE Meezan Index Fund, Meezan Balanced Fund, Meezan Financial Planning Fund of Funds, Meezan Strategic Allocation Fund, Meezan Gold fund and Meezan Energy Fund.
- 1.2** This condensed interim consolidated financial information has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

This condensed interim consolidated financial information comprise of the statement of financial position as at June 30, 2017 and the profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity for the half year ended June 30, 2017.

2 ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2016.

3 DATE OF AUTHORISATION

This condensed interim consolidated financial information was authorised for issue on July 26, 2017 by the Board of Directors of the Holding company.

Riyadh S. A. A. Edrees
Chairman

Irfan Siddiqui
President & Chief Executive

Faisal A. A. A. Al-Nassar
Director

Mansur Khan
Director