

Half Yearly Report - June 30, 2019 (Un-audited)



Bank Alfalah
The Way Forward



Contents

Company Information	2
Directors' Review - English	5
Directors' Review - Urdu	10
Unconsolidated Condensed Interim Financial Statements	11
Independent Auditors' Review Report	12
Unconsolidated Condensed Interim Statement of Financial Position	13
Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)	14
Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)	15
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)	16
Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)	17
Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Un-audited)	18
Consolidated Condensed Interim Financial Statements	52
Consolidated Condensed Interim Statement of Financial Position	53
Consolidated Condensed Interim Profit and Loss Account (Un-audited)	54
Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)	55
Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)	56
Consolidated Condensed Interim Cash Flow Statement (Un-audited)	57
Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Un-audited)	58



Company Information

Board of Directors

HH Sheikh Nahayan Mubarak Al Nahayan
Chairman / Director

Abdulla Nasser Hawaileel Al Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Shehzad Naqvi
Director

Dr. Gyorgy Tamas Ladics
Director

Dr. Ayesha Khan
Director

Nauman Ansari
President / CEO and Director



Senior Management

Nauman Ansari

President and Chief Executive Officer

Aasim Wajid Jawad

Head Strategy

Anjum Hai

Chief Financial Officer

Bilal Asghar

Head Corporate, Investment Banking
and International Business

Faisal Rabbani

Chief Risk Officer

Hafsa Abbasy

Head Human Resource and Learning

Haroon Khalid

Head Compliance and Control

Khawaja Muhammad Ahmed

Head Operations and Corporate Services

Mehreen Ahmed

Head Retail Banking

Mohib Hasan Khan

Chief Information Officer

Muhammad Akram Sawleh

Company Secretary, Head Legal
and Corporate Affairs

Dr. Muhammad Imran

Head Islamic Banking

Muhammad Yahya Khan

Head Digital Banking

Syed Ali Sultan

Head Treasury and Capital Markets

Tahir Khurshid

Head Audit and Inspection

Zahid Anjum

Head Special Assets Management

Chief Financial Officer

Anjum Hai

Company Secretary

Muhammad Akram Sawleh

Auditors

EY Ford Rhodes

Chartered Accountants

Registered/Head Office

B. A. Building
I. I. Chundrigar Road
Karachi, Pakistan
bankalfalah.com

Share Registrar

F.D. Registrar Services (SMC-Pvt) Limited
1705, 17th Floor, Saima Trade Tower-A
I. I. Chundrigar Road
Karachi, Pakistan



Board Committees

Board Audit Committee (BAC)

Shehzad Naqvi
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Dr. Ayesha Khan
Member

Board Human Resources, Remuneration and Nomination Committee (BHR&NC)

Dr. Ayesha Khan
Chairperson

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Dr. Gyorgy Tamas Ladics
Member

Shehzad Naqvi
Member

Board Strategy and Finance Committee (BS&FC)

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Shehzad Naqvi
Member

Nauman Ansari
Member

Board Risk Management Committee (BRMC)

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Member

Shehzad Naqvi
Member

Efstratios Georgios Arapoglou
Member

Nauman Ansari
Member

Board Compensation Committee (BCC)

Dr. Ayesha Khan
Chairperson

Khalid Mana Saeed Al Otaiba
Member

Abdulla Khalil Al Mutawa
Member

Efstratios Georgios Arapoglou
Member

Board Information Technology Committee (BITC)

Dr. Gyorgy Tamas Ladics
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Nauman Ansari
Member

Directors' Review

On behalf of the Board of Directors, we are pleased to present the unconsolidated condensed interim financial statements of Bank Alfalah Limited for the half year ended 30th June, 2019.

Economic Review

Pakistan's economy continued to witness a phase where the government's effort to address structural imbalances saw consolidation and stability being prioritised over growth. In light of the same, the government also revised its growth projections to 2.4%/3.0% for FY20/21.

Progress was however witnessed on the much discussed IMF programme with a Staff Level agreement reached in May '19, which saw Pakistan complete a round of pre-programme conditions to address the imbalances highlighted by the IMF. Discount rates were increased by 150bp; in May '19 MPS to reach 12.25% (policy rate), which was subsequently increased by another 100bp in July 2019 to 13.25%. In addition, FX management was transitioned into a 'market-determined' regime, which has resulted in PKR depreciating by a cumulative c. 35% vs. the US\$ in this cycle. As a precondition of IMF, government has targeted to bring the primary deficit to 0.6% of the GDP in FY20. To achieve this ambitious target, government initiated massive tax reforms in FY20. In this pretext, government has abolished the zero rating of export sectors, removed other tax exemptions, and also initiated administrative measures through the federal budget FY20 to register undocumented segment of the economy.

In terms of key data points, devaluation of the currency and other administrative measures also started gradually reflecting in inflation. YoY inflation as measured by CPI for FY19 rounded off the year at 8.9% for June '19, culminating into an average inflation of 7.34% for FY19. Further administrative measures in the form of an increase in key utilities (electricity and gas tariffs) will likely yield further pressure on inflation in the first half of FY20.

The adjustment process that was initiated 12-18 months ago started showing nascent signs of improvement on the current account deficit, which has seen a reduction of 32% YoY in FY19. This was achieved through import compression measures (imports down 7% YoY to US\$52.2 bn) and support from higher remittances (+10% YoY to US\$21.8bn). Exports however again remained lackluster depicting a decline of 2% YoY to US\$24.2bn. Going forward, while the corrective measures should yield further improvement, meaningful support is also expected from Saudi Deferred Oil Payment Facility expected to be activated from FY20.

Financing of the external deficit and upcoming debt repayments has received a major boost in terms of the IMF stamp of approval on the reform agenda. The same should help Pakistan unlock flows from multilateral agencies and also help Pakistan tap the international capital markets for longer term paper, instead of the short-term commercial borrowing by the government.

The near term pain of the difficult adjustments notwithstanding, the onset of structural reforms has the potential to lead to sustainable long-term benefits subject to economic discipline. This is characterised by the Federal FY20 Budget. Although the Budget is restrictive for some sectors, some of its measures can reduce unproductive activities and also lead to a change in the tax culture in the country, which should lead to making economic activity more inclusive and sustainable when it does pick up.

Review of the Bank's Performance

The highlights of the financial results of the Bank for the half year ended 30th June, 2019 are presented as follows:

	30th June, 2019	31st December, 2018
Financial Position	Rupees in Millions	
Shareholders' Equity	82,191	75,647
Total Deposits*	740,576	702,895
Total Assets	989,173	1,006,218
Advances – net*	494,132	501,636
Investments – net*	250,430	277,660

*Comparative figures do not include an overseas set-up, which was held-for-sale, whereas current year figures include the same as it has been declassified in 2019.

	Half year ended 30th June, 2019	Half year ended 30th June, 2018
Financial Performance	Rupees in Millions	
Net Interest Income and Non-Markup Income	26,647	21,016
Non-Markup Expenses	14,253	11,858
Provisions and Write-offs (net)	980	(850)
Profit before Tax	11,415	10,008
Profit after Tax	6,209	6,039
Basic earnings per share – Rupees	3.50	3.41
Diluted earnings per share - Rupees	3.50	3.40



The Bank delivered higher profits and consistent return on equity and assets despite challenging environment in the second quarter. The Bank's profit before taxation for the half year ended 30th June, 2019 is Rs. 11.415 billion as against Rs. 10.008 billion for the corresponding period last year, showing an impressive growth of 14%. Despite Super Tax charge of Rs. 603 million levied for 2017 through the mini budget in 2019, the Bank's profit after taxation increased by 3% and stood at Rs. 6.209 billion. The Earning Per Share (EPS) stands at Rs. 3.50 (June 2018: Rs. 3.41).

The Bank has strongly positioned itself in this rising interest rate environment. Total revenue for the half year ended was reported at Rs. 26.647 billion compared to Rs. 21.016 billion from the corresponding period last year, improving by 27%. Higher discount rate, rising average deposits and effective balance sheet management have contributed to a strong rise in net interest income. Despite high yielding government securities maturing during the second half of 2018, the Bank has managed an improved revenue. Gain realised on government securities last year and bearish stock market sentiments during the first half of 2019 are the reasons behind variance in non-fund based income. Fee and commission income stood 11% higher than same period last year primarily driven by income from alternate delivery channels, branchless banking, bancassurance, home remittance, trade commission and card related fees.

Administrative expenses have increased by 19% against the previous reporting period. Main factors behind this are annual increments and appraisal cycle, deposit protection insurance which is a new levy, customer promotion costs to tap unbanked segment, investment in digital channels and IT infrastructure, branch expansion, along with overall impact of inflationary adjustments and PKR devaluation. The cost to income ratio of the Bank however has improved to 52% from 56% for the same period last year, as a testament to Bank's focus on cost control.

A net provision charge of Rs. 979,828 million was taken in the first half of 2019, primarily against equity investments and advances, versus a net provision reversal of Rs. 850,456 million compared to same period corresponding year. Last year's reversal included a reversal of Rs. 443,898 million relating to settlement of a case in Afghanistan. A further 9% decline in KSE-100 index during 1H19 led to an impairment being booked on a number of equity scripts. Management was of the view that liquidating positions at such depressed levels was not advisable, as better exit points will accrue once economic and political clarity emerges in the second half of the year. The Bank has managed to adequately cover its non-performing advances of Rs. 17,931 billion and as at 30th June, 2019, the Bank's provision coverage stands at 89.2%. Our NPL ratio stood at 3.5% which continues to remain one of the lowest infection ratio in the industry.

The Bank continued its focus on increasing no cost deposits and with 16.9% growth in non-remunerative current deposits, CASA mix improved to 82.6% as at 30th June, 2019.

The Bank's gross advances were reported at Rs. 511,097 billion. The Bank's strategy is to acquire high quality credit while maintaining a Return on Capital (ROC) benchmark. At the half year end, our gross advances to deposits ratio stands at 69%, and remains a leading indicator for the Bank in the industry.

The shareholders' equity improved despite payment of dividend approved by the shareholders in the AGM held in March 2019. At close of first half, the Bank remains adequately capitalised with CAR at 16.84%.

Assets Held-for-sale

During 2018, the Bank had signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan. Accordingly, the aforesaid business was classified as 'Assets held-for-sale'. However, during the current period, the DAB declined the application for approval and consequently Afghanistan operations are now classified as continuing.

Resultantly, all assets and liabilities of the Bank's Afghanistan operations have been presented as part of the actual balance sheet line items, rather than presented separately as 'Assets held-for-sale', while the balances at December end are still under 'held-for-sale' category as per the prospective treatment required under IFRS. However, all the income and expenses for the Bank's Afghanistan operations previously presented as a separate line item 'profit after taxation from discontinuing operations' have been reclassified and represented as part of the actual profit and loss line items for all prior periods presented. The details have been given in note 23 to the unconsolidated condensed interim financial statements.

Credit Rating

The Bank has been assigned an Entity Rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term by PACRA, with outlook assigned as 'Stable'. The unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of 'AA' (Double A), with Outlook assigned as 'Stable'.

Furthermore, VIS Credit Rating Company Limited (VIS) also assigned an entity rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term to the Bank, with outlook assigned as 'Stable'. The unsecured Tier 1 Capital (Term Finance Certificate) of the Bank has been awarded a credit rating of 'AA-' (Double A Minus), with 'Stable' Outlook.

The assigned ratings reflect the Bank's diversified operations, healthy financial risk profile, strong sponsors and existing market presence. These ratings denote a very low expectation of credit risk, a strong capacity for timely payment of financial commitments in the long-term and the highest capacity for timely repayment in the short-term, respectively.



Future Outlook

Bank Alfalah is well-positioned for sustainable growth and building long-term shareholder value. We will continue to invest in Digital Banking, our technology infrastructure, human capital and strengthening our compliance and controls environment. At the same time, we will continue to focus on building a low cost deposit base, improving the return on capital on risk assets, optimising returns from the banking book and enforcing a strong cost discipline across the Bank. Given the significant rise in interest rates over the last year and the risk of credit headwinds, we will continue to follow prudent risk management practices and manage the loan book optimally.

Dividend and Bonus

The Board of Directors has declared an interim cash dividend of 20% i.e. Rs. 2.0 per share. Last year, Bank declared interim cash dividend of 10% i.e. Re. 1 per share and interim stock dividend of 10% i.e. 10 shares for every 100 shares held.

Acknowledgment

On behalf of the Board, we thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Ministry of Finance and other regulatory authorities for their continued guidance and support. We would also like to express our gratitude to our shareholders, customers, employees and business partners for their patronage.

Nauman Ansari

President and Chief Executive Officer
18th August, 2019
Abu Dhabi

Shehzad Naqvi

Director



تفویض کردہ کریڈٹ ریٹنگ بینک الفلاح کے متنوع آپریشنز، مستحکم مالیاتی رسک پروفائل، اسپانسرز کی مضبوطی اور مارکیٹ میں بینک کی مستحکم پوزیشن کی عکاسی کرتی ہے۔ یہ ریٹنگ بینک کے بہت کم کریڈٹ رسک کے ساتھ طویل مدت کے لیے اپنے مالیاتی وعدوں کی بروقت تکمیل کی بھرپور صلاحیت اور قلیل مدت کے لیے اپنے مالیاتی وعدوں کی تکمیل کی اعلیٰ تر صلاحیت کو ظاہر کرتی ہے۔

آگے بڑھنے کا عزم

بینک الفلاح مستحکم نمو اور شیئر ہولڈر کے لیے مستقل بنیادوں پر ویلیو بنانے کی مؤثر پوزیشن میں ہے۔ ہم ڈیجیٹل بینکنگ، ٹیکنالوجی انفراسٹرکچر، ہیومن کیپیٹل، کمپلائنس اور کنٹریول ماحول کو بہتر بنانے کے لیے مزید سرمایہ کاری کریں گے۔ اس کے ساتھ ساتھ ہم کم لاگت کے ڈپازٹ بیس، کیپیٹل آن رسک ایسیٹ، بینکنگ بک کے منافع جات کو بہتر بنانے اور لاگت میں مضبوط نظم و ضبط لانے کے لیے کوشاں ہیں۔ پچھلے سال کے انٹرسٹ ریٹس کے اضافے اور کریڈٹ رسک کے خدشات کے پیش نظر ہم محتاط رسک مینجمنٹ کے اصولوں اور لون بک کے انتظام کو بہتر بنائیں گے۔

ڈیویڈنڈ اور بونس

بورڈ آف ڈائریکٹرز نے 20% یعنی فی حصص 2 روپے کے عبوری کیش ڈیویڈنڈ کا اعلان کیا ہے۔ پچھلے سال بینک نے اس عبوری مدت کے لیے 10% یعنی 1 روپیہ فی حصص کیش ڈیویڈنڈ اور ہر 100 حصص کے لیے 10 حصص اسٹاک ڈیویڈنڈ کا اعلان کیا تھا۔

اظہار تشکر:

بورڈ کی جانب سے ہم اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، منسٹری آف فنانس اور دیگر ریگولیٹری اتھارٹیز کا تہہ دل سے شکر گزار ہیں کہ انہوں سے مسلسل رہنمائی اور تعاون کا مظاہرہ کیا۔ ہم اپنے شیئر ہولڈرز، کسٹمرز، ملازمین اور بزنس پارٹنرز کے تعاون کے بھی شکر گزار ہیں۔

شہزاد نقوی
ڈائریکٹر

نعمان انصاری
صدر اور چیف ایگزیکٹو آفیسر
18 اگست، 2019
ابوظہبی

دوسری سہ ماہی میں انتہائی مقابلہ ماحول کے باوجود، بینک نے ایکویٹی اور اثاثوں پر زیادہ اور یکساں منافع جات ادا کئے۔ 30 جون، 2019 کو ختم ہونے والے نصف سال کے لیے بینک کا قبل از ٹیکس منافع 11,415 بلین روپے رہا جبکہ پچھلے سال اسی مدت کے لیے 10,008 بلین روپے تھا، جو 14% کی متاثر کن گروتھ کو ظاہر کرتا ہے۔ 2017 کے لیے 603 ملین روپے کا سٹریٹجکس چارج 2019 میں منی بجٹ کے ذریعے نافذ ہوا، اس کے باوجود، بینک کا منافع بعد از ٹیکس 3% سے بڑھ گیا اور 6,209 بلین روپے پر قائم ہوا۔ فی شیئر آمدنی 3.50 روپے پر قائم ہے (جون 2018: 3.41 روپے)۔

بڑھتے ہوئے انٹرسٹ ریٹ کے اس ماحول میں بھی بینک نے خود کو مستحکم رکھا ہوا ہے۔ ختم ہونے والے نصف سال کے لیے گن رہوینو 26,647 بلین روپے ریکارڈ کیا گیا جبکہ پچھلے سال اسی مدت کے لیے 21,016 بلین روپے تھا، یہ اضافہ 27% کا ہے۔ ڈسکاؤنٹ کی بلند شرح، بڑھتے ہوئے اوسط ڈپازٹس اور مؤثر بیلنس شیٹ مینجمنٹ، خالص سود آمدنی میں اضافے کا باعث بنے۔ 2018 کے نصف سال کے دوران زیادہ منافع بخش حکومتی سیکورٹیز واجب الادا ہوتی رہیں، اس کے باوجود بینک نے ایک بہتر روینو منظم کیا۔ نان فنڈ بیسڈ آمدنی میں تبدیلی کی وجہ پچھلے سال حکومتی سیکورٹیز سے حاصل ہونے والے منافع میں اضافہ اور 2019 کے پہلے نصف سال کے دوران اسٹاک مارکیٹ سینیٹیمنٹس میں تبدیلی ہے۔ فیس اور کمیشن انکم 11% پر قائم ہونے کو پچھلے سال کی اسی مدت کے مقابلے میں زیادہ ہے، جو بنیادی طور پر الٹرنیٹ ڈالیوری چینلز، برانچ لیس بینکنگ، بینک اشورنس، ہوم رییمینٹس، ٹریڈ کمیشن اور کارڈ سے متعلق فیس سے حاصل ہونے والی آمدنی سے حاصل ہوا ہے۔

پچھلے مدت کے مقابلے میں انتظامی اخراجات 19% تک بڑھ گئے۔ اس اضافے کے پیچھے جواہم عوامل ہیں ان میں سالانہ انکریمنٹ اور ایپریل سائیکل، ڈپازٹ پروٹیکشن انشورنس جو نیا نفاذ ہے، بینک کی رسائی نہ ہونے والے سیگمنٹ تک کسٹمر پروموشن کی لاگتیں، ڈیجیٹل چینلز اور آئی ٹی انفراسٹرکچر میں سرمایہ کاری، برانچ میں توسیع، مع مہنگائی کے ایڈجسٹمنٹس کا تمام تر اثر اور پاکستانی روپے کی قدر میں کمی شامل ہیں۔ تاہم، بینک کی لاگت کا تناسب آمدنی پچھلے سال کی اسی مدت کے 56% سے 52% بہتر ہوا، کیونکہ بینک لاگت کے کنٹرول پر پوری توجہ دیتا ہے۔

2019 کے پہلے نصف حصے میں ایکویٹی انویسٹمنٹ اور ایڈوانسز کے لیے خالص پرویزن چارج 979,828 ملین روپے تھا جبکہ پچھلے سال اسی مدت کے لیے 850,456 ملین روپے پرویزن ریسرول تھا۔ پچھلے سال کے ریسرول 443,898 ملین روپے تھے جو کہ افغانستان میں ایک سیٹلمنٹ کی کس سے متعلق تھے۔ 2019 کے پہلے نصف حصے کے دوران کے ایس ای۔ 100 انڈیکس 9% کم ہوا، جس سے کئی ایکویٹی اسکرپشن کے مقابلے میں امپورٹنٹ کرنا پڑی۔ مینجمنٹ کی نظر میں اس کمی کی سطح پر لیکویڈیشن پرویزن مناسبت نہیں تھیں، کیونکہ جیسے ہی معاشی اور سیاسی وضاحت سال کے دوسری ششماہی میں داخل ہوتی ہے، بہتر ایکزٹ پوائنٹس حاصل ہونگے۔ بینک نے اپنے نان پرفارمنگ ایڈوانسز کو مناسب طریقے سے 17,931 بلین روپے پر منظم کر لیا ہے اور 30 جون، 2019 تک بینک کے پرویزن کوریج 89.2% پر قائم ہیں۔ ہمارے نان پرفارمنگ ایڈوانسز کا تناسب 3.5% پر قائم ہوا جو کہ انٹرسٹی میں سب سے کم انڈیکس کا تناسب ہے۔

بینک نے اپنی توجہ غیر سودی ڈپازٹس پر رکھی اور غیر نفع بخش کرنٹ ڈپازٹس میں 16.9% اضافے کے ساتھ، CASA مکتس میں 30 جون، 2019 پر 82.6% رہا۔ بینک کے مجموعی ایڈوانسز 511,097 بلین روپے ریکارڈ کیے گئے۔ بینک کی حکمت عملی یہ ہے کہ ریٹرن آن کیپیٹل بیج مارک کو برقرار رکھتے ہوئے اعلیٰ معیار کے کریڈٹس حاصل کیے جائیں۔ ششماہی کے اختتام پر ہمارے مجموعی ایڈوانسز 69% ہیں اور یہ انٹرسٹی میں ایک لیڈنگ انڈیکٹر کے طور پر قائم ہیں۔

مارچ 2019 میں منعقد ہونے والے سالانہ اجلاس عام میں شیئر ہولڈرز کی طرف سے منظور کردہ ڈیویڈنڈ کی ادائیگی کے باوجود شیئر ہولڈرز کی ایکویٹی میں بہتری آئی۔ بہلی ششماہی کے اختتام پر CAR کا تناسب 16.84% کی مستحکم سطح پر رہا۔

فروخت کیلئے پیش کردہ اثاثے

2018 کے دوران بینک نے افغانستان آپریشنز کی فروخت کیلئے موزوں خریدار سے بزنس ٹرانسفر ایگریمنٹ کیا اور فروخت کی منظوری کے عمل کی تکمیل کیلئے ڈی اے افغانستان بینک (DAB) کو درخواست دی گئی جو افغانستان کا مرکزی بینک ہے، مذکورہ بالا بزنس کو "فروخت کیلئے پیش کردہ اثاثے" کے طور پر درجہ بندی کی گئی۔ تاہم، حالیہ مدت کے دوران، ڈی اے بی نے درخواست منظور کرنے سے انکار کر دیا اور نتیجتاً افغانستان آپریشنز کو جاری آپریشن کے طور پر پیش کیا گیا۔

مذکورہ بالا کے نتیجے میں بینک کے افغانستان آپریشن کے تمام اثاثے اور واجبات کو علیحدہ اثاثے برائے فروخت میں رکھنے کی بجائے بیلنس شیٹ کے لائن آئٹمز میں شامل کر کے پیش کیا گیا ہے۔ جبکہ دسمبر کے اختتام کے بیلنس کو اب بھی اثاثے برائے فروخت، جو کہ IFRS کے مطابق ہیں، میں رکھا گیا ہے۔ تاہم، تمام آمدنی اور اخراجات برائے افغانستان آپریشنز جو کہ گذشتہ مدت میں الگ سے منافع بعد از ٹیکس برائے منقطع آپریشنز کے طور پر رکھا تھا، کو اس بااصل آمدنی اور اخراجات کے لائن آئٹمز میں شامل کیا گیا ہے۔ اسکی تفصیلات نوٹ نمبر 23 غیر انضباطی شدہ عبوری گوشوارے میں موجود ہیں۔

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے بینک کی ریٹنگ طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) تفویض کی گئی۔ بینک کا آؤٹ لک مثبت قرار دیا گیا ہے۔ بینک کے ان سیکورڈ سب آرڈینیٹ ڈیٹ (ٹرم فنانس سرٹیفکیٹ) کی ریٹنگ AA (ڈبل اے) تفویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

کریڈٹ ریٹنگ کمپنی JCR-VIS نے بینک کے فلاح کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) کریڈٹ ریٹنگ تفویض کی ہے۔ بینک کے فلاح کے لیے تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے۔ بینک کے ان سیکورڈ Tier 1 کیپیٹل (ٹرم فنانس سرٹیفکیٹ) کی ریٹنگ AA- (ڈبل اے منس) تفویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

ڈائریکٹر کا جائزہ

بم بورڈ آف ڈائریکٹرز کی جانب سے بینک الفلاح لمیٹڈ کے لیے 30 جون، 2019 کو ختم ہونے والے نصف سال کی غیر انضمام شدہ کنڈینسڈ انٹرم مالیاتی گوشوارے پیش کرنے میں خوشی محسوس کرتے ہیں۔

معاشی جائزہ

پاکستان کی معیشت میں مسلسل ایک رجحان دیکھا گیا ہے کہ غیر متوازن اسٹرکچر کے سلسلے میں حکومت کی طرف سے ترقی پر استحکام اور توازن کو ترجیح دینے کی کوشش کی گئی۔ اسی روشنی میں، حکومت نے مالی سال 20/21 کے لیے ترقی کو 3.0% / 2.4% تک لے جانے کے لیے اس پر نظر ثانی بھی کی۔

تاہم، سب سے زیادہ زیر مباحہ رہنے والے آئی ایم ایف پروگرام میں مئی 2019 کے اسٹاف لیول ایگریمنٹ کے سلسلے میں ترقی دیکھنے میں آئی، جس کی بدولت آئی ایم ایف کی طرف سے نمایاں کی گئی غیر متوازن حالتوں کو توازن میں لانے کے لیے پاکستان نے پری-پروگرام کا ایک مرحلہ پورا کیا۔ ڈسکاؤنٹ کی شرحیں 150bp بڑھ گئیں اور مئی 2019 میں آئی ایم ایف ایس 12.25% (پالیسی ریٹ) تک پہنچ گئی، جو بعد ازاں دوسرے 100bp سے بڑھ کر جولائی 2019 میں 13.25% ہو گئی۔ مزید یہ کہ آئی ایم ایف ایس مینجمنٹ، 'مارکیٹ کی متعین کردہ' نظام میں تبدیل ہو گئی جس کی وجہ سے پاکستانی روپیہ کی قدر میں یو ایس ڈالر (US\$) کے مقابلے میں مجموعی 35% کمی آئی۔ آئی ایم ایف کی لازمی شرط کی طور پر، حکومت نے مالی سال 2020 میں پرائمری ڈیفیسٹ کو جی ڈی پی کے 0.6% تک لانے کا ہدف بنایا۔ اس حوصلہ مندانہ ہدف کو مکمل کرنے کے لیے، حکومت نے مالی سال 2020 میں وسیع سطح پر ٹیکس کی اصلاحات کے لیے اقدام اٹھائے۔ اس حوالے سے، حکومت نے برآمدی سیکٹر کی زیور ریٹنگ کو ختم کر دیا، دیگر ٹیکس استثناء کو ہٹا دیا اور مالی سال 2020 کے وفاقی بجٹ کے ذریعے انتظامی اقدامات بھی اٹھائے تاکہ معیشت کے آس سیگمنٹ کو جو دستاویزی ثبوت کے بغیر ہے، آسے درج کیا جائے۔

اہم ڈیٹا پوائنٹس کے لحاظ سے، کرنسی کی قدر میں کمی اور دیگر انتظامی اقدامات بھی آہستہ آہستہ مہنگائی کی شکل میں ظاہر ہونے لگے۔ مالی سال 2019 کے لیے CPI کے ذریعے اندازہ لگائی گئی سال بہ سال مہنگائی سال کے آخر میں جولائی 2019 کے لیے 8.9% پر واضح طور پر ختم ہوئی اور مالی سال 2019 کے لیے اوسط مہنگائی 7.34% تک بلند ہوئی۔ اہم یوٹیلٹیز (بجلی اور گیس کے ٹیرف) میں اضافے کی شکل میں مزید انتظامی اقدامات سے مالی سال 2020 کے پہلے نصف سال میں مہنگائی پر مزید دباؤ ہوگا۔ ایڈجسٹمنٹ پروسس جو 12-18 ماہ قبل شروع کیا گیا تھا، اس سے کرنٹ اکاؤنٹ ڈیفیسٹ پر بہتری کی ابتدائی علامات ظاہر ہونا شروع ہو گئی ہیں۔ اس کی بدولت مالی سال 2019 میں سال بہ سال 32% کمی دیکھنے میں آئی۔ یہ درآمدی دباؤ کے اقدامات (درآمدی کمی 7% سال بہ سال سے 52.2bn یو ایس ڈالر) اور بلند تر سبلیٹ زر کی سپورٹ (+10% سال بہ سال سے 21.8bn یو ایس ڈالر) کے ذریعے حاصل کیا گیا تھا، تاہم، برآمدات میں کمی رہی جس سے 2% کمی سال بہ سال 24.2bn یو ایس ڈالر ظاہر ہوئی۔ مستقبل میں مثبت اقدامات سے مزید بہتری ہوگی۔ سعودی ڈیفرڈ آنل پیمینٹ فیسیلیٹی سے بااقتصاد تعاون متوقع ہے جس کی مالی سال 2020 میں ایکویٹیٹ ہونے کی توقع ہے۔

ری فارم ایجننڈہ پر آئی ایم ایف کی منظوری کی سمر لگنے کی بدولت بیرونی ڈیفیسٹ کی فنائینسنگ اور آنے والے قرض کی واپس ادائیگیوں میں بڑا اضافہ ہوا۔ اسی کی وجہ سے پاکستان کو ملٹی لیٹرن ایجنسینز سے فلورز کو آن لاک کرنے میں مدد ملے گی اور حکومت کو قلیل مدت کے تجارتی قرضے لینے کی بجائے پاکستان کو طویل مدتی معاہدے کے لیے بین الاقوامی کیپیٹل مارکیٹس میں داخل ہونے میں بھی مدد ملے گی۔

مشکل ایڈجسٹمنٹس کی بدولت متوقع حالات کے باوجود، اسٹرکچرل اصلاحات طویل مدتی فوائد حاصل کرنے کی طاقت رکھتی ہیں جو کہ معاشی نظم و ضبط سے مشروط ہے۔ یہ مالی سال 2020 کے وفاقی بجٹ کے ذریعے بیان کیا گیا ہے۔ اگرچہ بجٹ کچھ سیکٹرز کے لیے بابتد کیا گیا ہے، اس کے کچھ اقدامات غیر پیداواری سرگرمیوں کو کم کر سکتے ہیں اور ملک کے ٹیکس کلچر میں تبدیلی بھی لاسکتے ہیں، جس کی بدولت معاشی سرگرمی مزید مستحکم ہونا چاہیے۔

بینک کی کارکردگی کا جائزہ

30 جون، 2019 کو ختم ہونے والے نصف سال کے لیے بینک کے مالیاتی نتائج کی جھلکیاں مندرجہ ذیل ہیں:

مالی حالت	30 جون، 2019	31 دسمبر، 2018
شیر ہولڈرز کی ایکویٹی	82,191	75,647
گن ڈپازٹس*	740,576	702,895
گن اثاثہ جات	989,173	1,006,218
ایڈوانسز - خالص*	494,132	501,636
سرمایہ کاربایں - خالص*	250,430	277,660

*پچھلے سال کے اعدادوشمار میں اور سیز سیٹ آپ شامل نہیں ہے جو کہ فروخت کے لیے روکا گیا تھا، جبکہ یہ حالیہ سال کے اعدادوشمار میں شامل ہے۔

مالی کارکردگی	ششماہی 30 جون، 2019	ششماہی 30 جون، 2018
خالص سود آمدنی اور نان مارک آپ آمدنی	26,647	21,016
نان مارک آپ اخراجات	14,253	11,858
پروویژنز اور رائٹ آف (خالص)	980	(850)
منافع قبل از ٹیکس	11,415	10,008
منافع بعد از ٹیکس	6,209	6,039
فی شیر ہولڈرز کی آمدنی - روپیہ	3.50	3.41
فی شیر ڈائیلیویوڈ آمدنی - روپیہ	3.50	3.40

**Unconsolidated Condensed Interim
Financial Statements
Half Year Ended June 30, 2019**





Independent Auditors' Review Report

TO THE MEMBERS OF BANK ALFALAH LIMITED REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

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

Scope of Review

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

Conclusion

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

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

EY Ford Rhodes

Chartered Accountant

Karachi

Date: August 18, 2019

Unconsolidated Condensed Interim Statement of Financial Position

As at June 30, 2019

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	7	108,307,457	82,407,700
Balances with other banks	8	9,159,330	3,874,955
Lendings to financial institutions	9	48,087,762	62,172,287
Investments	10	250,430,099	277,660,403
Advances	11	494,132,066	501,636,452
Fixed assets	12	27,020,967	18,272,215
Intangible assets	13	1,260,145	1,283,516
Deferred tax assets		-	-
Other assets	14	50,774,913	35,320,826
Assets held for sale	23	-	23,589,489
		989,172,739	1,006,217,843
LIABILITIES			
Bills payable	15	20,149,900	35,988,225
Borrowings	16	76,280,375	123,738,241
Deposits and other accounts	17	740,575,908	702,895,280
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	11,988,000	11,989,000
Deferred tax liabilities	19	1,994,344	2,070,702
Other liabilities	20	55,993,508	33,454,124
Liabilities directly associated with the assets held for sale	23	-	20,435,396
		906,982,035	930,570,968
NET ASSETS		82,190,704	75,646,875
REPRESENTED BY			
Share capital	21	17,771,651	17,743,629
Reserves		26,117,237	23,050,754
Surplus on revaluation of assets	22	7,872,984	7,382,950
Unappropriated profit		30,428,832	27,469,542
		82,190,704	75,646,875
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 45 form an integral part of these unconsolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



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

For the half year ended June 30, 2019

	Note	Quarter ended June 30, 2019	Quarter ended June 30, 2018 Restated	Half year ended June 30, 2019	Half year ended June 30, 2018 Restated
	4.1	------(Rupees in '000)-----			
Mark-up/Return/Interest Earned	26	20,871,788	13,823,192	41,629,106	28,091,911
Mark-up/Return/Interest Expensed	27	10,381,942	6,021,309	19,977,435	12,735,920
Net Mark-up/Interest Income		10,489,846	7,801,883	21,651,671	15,355,991
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	28	1,828,743	1,627,171	3,511,972	3,143,344
Dividend Income		93,991	184,867	169,777	272,709
Foreign Exchange Income		785,798	469,932	1,263,768	882,858
(Loss) / gain from derivatives		(16,295)	11,243	(12,892)	30,796
(Loss) / gain on securities	29	(37,707)	431,608	(64,198)	1,182,052
Other income	30	53,040	125,225	127,209	147,794
Total non-mark-up / interest income		2,707,570	2,850,046	4,995,636	5,659,553
Total income		13,197,416	10,651,929	26,647,307	21,015,544
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	31	7,150,589	5,856,048	13,887,886	11,665,122
Workers' Welfare Fund	32	124,362	113,749	255,384	192,202
Other charges	33	107,865	283	109,292	1,154
Total non-mark-up / interest expenses		7,382,816	5,970,080	14,252,562	11,858,478
Profit before provisions		5,814,600	4,681,849	12,394,745	9,157,066
Provisions and write offs - net	34	533,752	(250,458)	979,828	(850,456)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,280,848	4,932,307	11,414,917	10,007,522
Taxation	35	2,194,350	2,157,103	5,205,958	3,968,564
PROFIT AFTER TAXATION		3,086,498	2,775,204	6,208,959	6,038,958
-----Rupees-----					
Basic earnings per share - Restated	36	1.74	1.57	3.50	3.41
Diluted earnings per share - Restated	37	1.74	1.56	3.50	3.40

The annexed notes 1 to 45 form an integral part of these unconsolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the half year ended June 30, 2019

Note	Quarter ended June 30, 2019	Quarter ended June 30, 2018 Restated	Half year ended June 30, 2019	Half year ended June 30, 2018 Restated
4.1	----- (Rupees in '000) -----			
Profit after taxation for the period	3,086,498	2,775,204	6,208,959	6,038,958
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Effect of translation of net investment in foreign branches	2,256,158	732,272	2,440,728	1,089,818
Movement in (deficit) / surplus on revaluation of investments - net of tax	(111,745)	(1,451,221)	540,013	(1,768,105)
	2,144,413	(718,949)	2,980,741	(678,287)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in (deficit) / surplus on revaluation of operating fixed assets - net of tax	(42,583)	(8,068)	(49,372)	(16,130)
Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax	(305)	(294)	(607)	(585)
	(42,888)	(8,362)	(49,979)	(16,715)
Total comprehensive income	5,188,023	2,047,893	9,139,721	5,343,956

The annexed notes 1 to 45 form an integral part of these unconsolidated condensed interim financial statements.



Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the half year ended June 30, 2019

	Capital Reserves			Statutory reserve	Revenue Reserves	Surplus/(Deficit) on revaluation		Unappropriated profit	Total	
	Share capital	Reserve for issue of bonus shares	Share premium		Exchange translation reserve	Employee share option compensation reserve	Investments			Fixed / Non Banking Assets
(Rupees in '000)										
Balances as at January 01, 2018	16,075,720	-	4,612,991	2,076,807	11,394,345	72,526	2,635,518	4,649,730	24,200,508	65,718,145
Changes in equity for the half year ended June 30, 2018										
Profit after taxation	-	-	-	-	-	-	-	-	6,038,958	6,038,958
Other comprehensive income - net of tax	-	-	-	1,089,818	-	-	(1,768,105)	-	-	(678,287)
Transfer to statutory reserve	-	-	-	-	1,207,792	-	-	-	(1,207,792)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(16,715)	16,715	-
Transactions with owners, recorded directly in equity										
Final cash dividend for the year ended December 31, 2017 at 15%	-	-	-	-	-	-	-	-	(2,411,358)	(2,411,358)
Amortisation of deferred employee compensation expense	-	-	-	-	-	7,363	-	-	-	7,363
Shares issued under stock option scheme during the period	54,852	-	27,637	-	-	-	-	-	-	82,489
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-
Balance as at June 30, 2018	16,130,572	-	4,695,600	3,166,625	12,602,137	24,917	867,413	4,633,015	26,637,031	68,757,310
Changes in equity for Six months ended December 31, 2018										
Profit after taxation	-	-	-	-	-	-	-	-	4,586,262	4,586,262
Other comprehensive income - net of tax	-	-	-	1,884,824	-	-	(823,683)	2,723,389	126,157	3,910,687
Transfer to statutory reserve	-	-	-	-	670,978	-	-	-	(670,978)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(17,184)	17,184	-
Transactions with owners, recorded directly in equity										
Shares issued during the year	1,613,057	(1,613,057)	-	-	-	-	-	-	-	-
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	-	-	(1,613,057)	-
Interim cash dividend for the half year ended June 30, 2018 at 10%	-	-	-	-	-	-	-	-	(1,613,057)	(1,613,057)
Amortisation of deferred employee compensation expense	-	-	-	-	-	5,673	-	-	-	5,673
Balance as at December 31, 2018	17,743,629	-	4,695,600	5,051,449	13,273,115	30,590	43,790	7,339,220	27,469,542	75,646,875
Changes in equity for the period ended June 30, 2019										
Profit after taxation	-	-	-	-	-	-	-	-	6,208,959	6,208,959
Other comprehensive income - net of tax	-	-	-	2,440,728	-	-	540,013	(17,208)	-	2,963,533
Transfer to statutory reserve	-	-	-	-	620,896	-	-	-	(620,896)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(32,771)	32,771	-
Transactions with owners, recorded directly in equity										
Final cash dividend for the year ended December 31, 2018 at 15%	-	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)
Reversal of amortisation of deferred employee compensation expense	-	-	-	-	-	(5,201)	-	-	-	(5,201)
Shares issued during the period	28,022	-	10,060	-	-	-	-	-	-	38,082
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	25,389	-	-	(25,389)	-	-	-	-
Balance as at June 30, 2019	17,771,651	-	4,731,049	7,492,177	13,894,011	-	583,743	7,289,241	30,428,832	82,190,704

The annexed notes 1 to 45 form an integral part of these unconsolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2019

	Note	Half year ended	
		June 30, 2019	June 30, 2018 Restated
		------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		11,414,917	10,007,522
Dividend income		(169,777)	(272,709)
		11,245,140	9,734,813
Adjustments			
Depreciation		1,653,040	868,446
Amortisation		247,191	246,193
Provisions and write offs - net	34	979,828	(850,456)
Unrealised loss on revaluation of investments classified as held for trading-net		20,351	95,604
Gain on sale of operating fixed assets - net		(93,075)	(119,121)
Finance charge on leased assets		743,989	-
Workers' Welfare Fund		255,384	192,202
Charge for defined benefit plan		76,065	108,084
		3,882,773	540,952
		15,127,913	10,275,765
Decrease / (increase) in operating assets			
Lendings to financial institutions		26,078,364	25,692,236
Held for trading securities		5,213,896	(35,839,455)
Advances		7,876,196	(78,579,679)
Other assets (excluding advance taxation)		(13,280,512)	46,173
		25,887,944	(88,680,725)
(Decrease) / increase in operating liabilities			
Bills payable		(15,838,325)	(2,115,653)
Borrowings		(47,885,708)	(8,977,026)
Deposits		37,680,628	14,656,021
Other liabilities (excluding current taxation)		10,049,873	(1,514,217)
		(15,993,532)	2,049,125
		25,022,325	(76,355,835)
Income tax paid		(1,847,015)	(3,198,226)
Net cash generated from / (used in) operating activities		23,175,310	(79,554,061)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		27,318,179	74,885,315
Net investments in held-to-maturity securities		(4,934,645)	3,404,406
Dividends received		162,544	273,320
Investments in operating fixed assets		(1,455,656)	(566,979)
Proceeds from sale of fixed assets		290,425	382,556
Effect of translation of net investment in foreign branches		2,440,728	1,089,818
Net cash generated from investing activities		23,821,575	79,468,436
CASH FLOWS FROM FINANCING ACTIVITIES			
(Payment) / receipts of subordinated debt		(1,000)	6,999,000
Payment of leased obligations		(1,615,689)	-
Issue of share capital		38,082	82,489
Dividend paid		(2,667,838)	(2,387,785)
Net cash (used in) / generated from financing activities		(4,246,445)	4,693,704
Increase in cash and cash equivalents		42,750,440	4,608,079
Cash and cash equivalents at beginning of the year		105,590,826	95,910,073
Effects of exchange rate changes on cash and cash equivalents		(5,089,430)	(2,488,862)
		100,501,396	93,421,211
Cash and cash equivalents at end of the period		143,251,836	98,029,290

The annexed notes 1 to 45 form an integral part of these unconsolidated condensed interim financial statements.



Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2019

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and its shares are listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank is operating through 644 branches (December 31, 2018: 624 branches) and 24 sub-branches (December 31, 2018: 25 sub-branches). Out of these, 479 (December 31, 2018: 462) are conventional, 154 (December 31, 2018: 151) are Islamic, 10 (December 31, 2018: 10) are overseas and 1 (December 31, 2018: 1) is an offshore banking unit.

2 BASIS OF PRESENTATION

2.1.1 STATEMENT OF COMPLIANCE

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

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

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

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

SBP, vide its email dated July 23, 2019, has deferred the applicability of IFRS 9 'Financial Instrument' for the Bank. Further, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector in Pakistan.

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

2.1.2 These unconsolidated condensed interim financial statements represent separate financial statements of Bank Alfalah Limited in which investment in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results.

2.1.3 Key financial figures of the Islamic Banking branches are disclosed in note 42 to these unconsolidated condensed interim financial statements.

2.1.4 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim unconsolidated financial statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2018.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated condensed interim financial statements except as disclosed in note 4.2.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

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

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

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

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

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except for certain fixed assets and non banking assets acquired in satisfaction of claims are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments are measured at fair value and defined benefit obligations are carried at present value.

3.2 Functional and Presentation Currency

These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2018 except as disclosed below.

Changes in accounting policies

4.1 Change in reporting format

The SBP vide BPRD Circular Letter No.5 dated March 22, 2019 specified the new reporting format for the quarterly and half yearly financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the half year ended June 30, 2019 which has resulted in certain additional disclosures and reclassifications of the items in these unconsolidated condensed interim financial statements.

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

4.2 Adoption of IFRS 16 - 'Leases'

International Accounting Standards Board (IASB) has issued IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.



The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is a lessor.

The Bank has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

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

Right-of-use (RoU) assets

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

Lease liability

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

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/ (decrease)) is as follows:

	January 1, 2019
	Rupees in '000
Assets	
Right-of-use (RoU) asset	9,294,254
Prepayments	(589,476)
Total Assets	<u>8,704,778</u>
Liabilities	
Lease liability	<u>8,704,777</u>

The carrying amounts of the Bank's right-of-use assets, lease liabilities and themovements during the period is as below:

	June 30, 2019	
	RoU asset	Lease liability
	Rupees in '000	
As at January 1, 2019	9,294,254	8,704,777
Depreciation	(878,180)	-
Borrowing cost	-	743,989
Payments	-	(1,054,393)
As at June 30, 2019	<u>8,416,074</u>	<u>8,394,373</u>

Had this standard not been applied, assets and liabilities would have been lower by Rs.8,416.073 million and Rs.8,394.373 million respectively. Rent expense would have been higher by Rs.1,004.607 million and depreciation charge and mark-up expense would have been lower by Rs.878.180 million and Rs.743.988 million respectively.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim unconsolidated financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2018.

6 FINANCIAL RISK MANAGEMENT

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

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

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	15,029,022	11,801,703
Foreign currency	3,269,441	5,711,022
	18,298,463	17,512,725
With State Bank of Pakistan in		
Local currency current account	49,760,612	31,122,141
Foreign currency current account	5,996,282	4,413,423
Foreign currency deposit account	14,835,474	10,931,812
	70,592,368	46,467,376
With other central banks in		
Foreign currency current account	7,218,732	2,733,265
Foreign currency deposit account	1,623,882	744,879
	8,842,614	3,478,144
With National Bank of Pakistan in local currency current account	9,170,409	14,931,225
Prize bonds	1,403,603	18,230
	108,307,457	82,407,700

8 BALANCES WITH OTHER BANKS

In Pakistan in current account	243,210	432,345
Outside Pakistan		
In current account	7,637,162	2,184,134
In deposit account	1,278,958	1,258,476
	8,916,120	3,442,610
	9,159,330	3,874,955

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	27,160,438	15,166,288
Repurchase agreement lendings (Reverse Repo)	2,294,465	37,214,313
Bai Muajjal receivable		
with State Bank of Pakistan	12,088,768	-
with other financial institutions	6,546,695	9,811,504
	18,635,463	9,811,504
	48,090,366	62,192,105
Less: expected credit loss - overseas branches	(2,604)	(19,818)
Lending to Financial Institutions - net of provision	48,087,762	62,172,287



10 INVESTMENTS

10.1 Investments by type:

	June 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
------(Rupees in '000)-----								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	41,650,479	-	(13,182)	41,637,297	45,898,957	-	(13,261)	45,885,696
Pakistan Investment Bonds	-	-	-	-	1,209,673	-	(13,174)	1,196,499
Shares								
Fully paid up ordinary shares / units - Listed	213,579	-	(11,062)	202,517	155,944	-	(22,122)	133,822
Foreign Securities								
Overseas Bonds - Sovereign	446,913	-	3,893	450,806	302,699	-	6,151	308,850
	42,310,971	-	(20,351)	42,290,620	47,567,273	-	(42,406)	47,524,867
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	79,882,058	-	(57,033)	79,825,025	114,893,151	-	(40,902)	114,852,249
Pakistan Investment Bonds	42,205,450	-	(279,038)	41,926,412	26,490,800	-	(464,211)	26,026,589
Government of Pakistan Sukuks	5,325,339	-	42,676	5,368,015	15,726,083	-	(120,264)	15,605,819
Government of Pakistan Euro Bonds	2,015,685	-	15,009	2,030,694	2,440,076	-	(134,045)	2,306,031
Shares								
Fully paid up ordinary shares - Listed	7,314,232	(837,155)	1,142,975	7,620,052	7,371,290	(22,383)	712,253	8,061,160
Fully paid up ordinary shares - Unlisted	382,055	(59,661)	-	322,394	382,055	(59,661)	-	322,394
Preference Shares - Listed	108,835	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities								
Term Finance Certificates	1,529,923	(385,513)	(13,020)	1,131,390	1,504,126	(359,706)	(12,071)	1,132,349
Sukuks	4,403,654	(96,511)	107,639	4,414,782	4,775,082	(96,510)	323,930	5,002,502
Foreign Securities								
Overseas Bonds - Sovereign	1,657,853	-	44,784	1,702,637	1,357,353	-	(49,426)	1,307,927
Overseas Bonds - Others	11,660,443	-	180,870	11,841,313	9,147,217	-	(223,671)	8,923,546
Redeemable Participating Certificates	2,755,285	-	-	2,755,285	2,362,923	-	-	2,362,923
	159,265,812	(1,512,675)	1,184,862	158,937,999	186,583,991	(672,095)	(8,407)	185,903,489
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	24,026,455	-	-	24,026,455	26,280,990	-	-	26,280,990
Government of Pakistan Euro Bonds	-	-	-	-	243,011	-	-	243,011
Other Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215
Non Government Debt Securities								
Term Finance Certificates	524,266	(524,266)	-	-	524,266	(524,266)	-	-
Sukuks	1,961,653	(127,308)	-	1,834,345	2,689,965	(141,399)	-	2,548,566
Foreign Securities								
Overseas Bonds - Sovereign	13,146,103	-	-	13,146,103	8,185,947	-	-	8,185,947
Overseas Bonds - Others	796,917	-	-	796,917	690,721	-	-	690,721
	47,671,760	(651,574)	-	47,020,186	42,737,115	(665,665)	-	42,071,450
Associates	1,816,343	-	-	1,816,343	1,816,343	-	-	1,816,343
Subsidiaries	430,493	(42,981)	-	387,512	430,493	(42,981)	-	387,512
General provision and expected credit loss-								
Overseas operations	-	(22,561)	-	(22,561)	-	(43,258)	-	(43,258)
Total Investments	251,495,379	(2,229,791)	1,164,511	250,430,099	279,135,215	(1,423,999)	(50,813)	277,660,403

10.2 Investments given as collateral	Note	(Un-audited)	(Audited)
		June 30, 2019	December 31, 2018
------(Rupees in 000)-----			
Market Treasury Bills		6,612,474	39,445,702
Pakistan Investment Bonds		2,012,100	15,854,600
Government of Pakistan Sukuks		800,261	-
Overseas Bonds		3,988,458	4,818,676
Sukuk Bonds		2,078,225	3,885,659
		15,491,518	64,004,637

Market value of securities given as collateral is Rs. 15,562.797 million (December 31, 2018: Rs. 63,858.995 million).

10.3 Provision for diminution in value of investments

10.3.1 Opening balance		1,423,999	1,427,028
Afghanistan operations classified as continuing operations	23	583	-
Exchange and other adjustments		3,620	13,876
Charge / reversals			
Charge for the period / year		840,578	128,747
Reversals for the period / year		(38,989)	(98,073)
Reversal on disposals		-	-
		801,589	30,674
Transfers - net		-	(3,947)
Amounts written off		-	(43,632)
Closing balance		2,229,791	1,423,999

10.3.2 Particulars of provision against debt securities

Category of classification	June 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
	NPI	Provision	NPI	Provision
------(Rupees in '000)-----				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,133,598	1,133,598	1,121,881	1,121,881
	1,133,598	1,133,598	1,121,881	1,121,881
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	1,133,598	1,133,598	1,121,881	1,121,881

10.3.3 The market value of securities classified as held-to-maturity as at June 30, 2019 amounted to Rs. 45,758.624 million (December 31, 2018: Rs. 40,750.384 million).



11 ADVANCES

Note	Performing		Non Performing		Total	
	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	403,642,521	402,385,420	16,195,733	17,284,834	419,838,254	419,670,254
Islamic financing and related assets	42.3 72,290,005	85,660,964	1,558,584	1,393,959	73,848,589	87,054,923
Bills discounted and purchased	17,233,451	11,524,510	176,687	143,478	17,410,138	11,667,988
Advances - gross	493,165,977	499,570,894	17,931,004	18,822,271	511,096,981	518,393,165
Provision against advances						
- Specific	11.4 -	-	(15,991,870)	(15,883,399)	(15,991,870)	(15,883,399)
- General	11.4 (973,045)	(873,314)	-	-	(973,045)	(873,314)
	(973,045)	(873,314)	(15,991,870)	(15,883,399)	(16,964,915)	(16,756,713)
Advances - net of provision	492,192,932	498,697,580	1,939,134	2,938,872	494,132,066	501,636,452

- 11.1 Advances include an amount of Rs.124.28 million (December 31, 2018: Rs. 82.95 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OSED departments. These loans carry mark-up at the rates ranging from 9.46% to 23.48% (December 31, 2018: 9.46% to 20.30%) with maturities up to May 2039 (December 31, 2018: December 2038).

	(Un-audited)	(Audited)
	June 30, 2019	December 31, 2018
------(Rupees in '000)-----		
11.2 Particulars of advances (Gross)		
In local currency	482,587,510	493,634,332
In foreign currencies	28,509,471	24,758,833
	<u>511,096,981</u>	<u>518,393,165</u>

- 11.3 Advances include Rs. 17,931.004 million (December 31, 2018: Rs. 18,822.271 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
	Non- Performing	Provision	Non- Performing	Provision
------(Rupees in '000)-----				
Domestic				
Other Assets Especially Mentioned	191,146	6,720	104,121	3,330
Substandard	1,671,942	389,764	3,077,658	762,678
Doubtful	571,718	278,999	552,920	235,663
Loss	14,936,918	14,870,210	14,590,618	14,517,512
	<u>17,371,724</u>	<u>15,545,693</u>	<u>18,325,317</u>	<u>15,519,183</u>
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	42,787	3,536
181 to 365 days	8,640	1,772	104,384	46,637
> 365 days	550,640	444,405	349,783	314,043
	<u>559,280</u>	<u>446,177</u>	<u>496,954</u>	<u>364,216</u>
Total	<u>17,931,004</u>	<u>15,991,870</u>	<u>18,822,271</u>	<u>15,883,399</u>

11.4 Particulars of provision against advances

	June 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	15,883,399	873,314	16,756,713	15,683,771	868,034	16,551,805
Exchange and other adjustments	54,255	22,522	76,777	62,512	2,944	65,456
Charge for the period	1,238,665	77,209	1,315,874	3,007,907	2,336	3,010,243
Reversals	(1,061,740)	-	(1,061,740)	(2,631,522)	-	(2,631,522)
	176,925	77,209	254,134	376,385	2,336	378,721
Amounts written off	(105,667)	-	(105,667)	(179,305)	-	(179,305)
Amounts charged off - agriculture financing	(17,042)	-	(17,042)	(59,964)	-	(59,964)
	(122,709)	-	(122,709)	(239,269)	-	(239,269)
Closing balance	15,991,870	973,045	16,964,915	15,883,399	873,314	16,756,713

11.4.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at June 30, 2019 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 70.71 million (December 31, 2018: Rs. 30.106 million).

11.4.2 General provision includes provision against consumer loans being maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio. Provision against Small Enterprises (SE) portfolio is being maintained at an amount equal to 1% against unsecured performing SE portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operate.

11.4.3 Exposure amounting to Rs. 3,576.38 million (December 31, 2018 : Rs. Nil) relating to certain non performing facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, had not been classified as non-performing, pursuant to a relaxation given by SBP in this respect.

11.4.4 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		(Rupees in '000)	
12 FIXED ASSETS			
Capital work-in-progress	12.1	473,467	175,339
Property and equipment	12.2	18,131,427	18,096,876
Right-of-use assets	4.2	8,416,073	-
		<u>27,020,967</u>	<u>18,272,215</u>
12.1 Capital work-in-progress			
Civil works		333,883	115,840
Equipment		135,221	55,670
Advances to suppliers		1,075	1,075
Others		3,288	2,754
		<u>473,467</u>	<u>175,339</u>

12.2 It includes land and building carried at revalued amount of Rs. 13,665.657 million (December 31, 2018: Rs. 13,907.251 million).



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

12.3 Additions to fixed assets

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

Capital work-in-progress - net of transferred out for capitalisation	298,128	39,932
Property and equipment		
Building on freehold land	8,916	795
Building on leasehold land	14,042	21,267
Lease hold improvement	40,645	24,860
Furniture and fixture	14,497	18,711
Office equipment	927,164	400,355
Vehicles	5,736	10,139
	1,011,000	476,127
Total additions to fixed assets	1,309,128	516,059

12.4 Disposal of fixed assets

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

Leasehold land	192,500	242,489
Building on leasehold	2,700	-
Leasehold improvements	213	12,367
Furniture and fixture	163	2,727
Office equipment	1,774	4,610
Vehicles	-	1,241
Total disposal of fixed assets	197,350	263,434

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

13 INTANGIBLE ASSETS

Capital work-in-progress / advance payment to suppliers	194,374	180,901
Software	1,065,771	1,102,615
	1,260,145	1,283,516

13.1 Additions to intangible assets

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

Capital work-in-progress - net of transferred out for capitalisation	13,473	(17,924)
Directly purchased	209,825	121,664
Total additions to intangible assets	223,298	103,740

13.2 There were no disposals during the periods ended June 30, 2019 and June 30, 2018.

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		14,484,524	11,861,352
Income/ Mark-up accrued in foreign currency - net of provision		704,648	538,855
Advances, deposits, advance rent and other prepayments		2,537,725	2,397,511
Non-banking assets acquired in satisfaction of claims	14.1	608,827	615,517
Dividend receivable		10,001	2,768
Mark to market gain on forward foreign exchange contracts		13,834,311	4,519,604
Mark to market gain on derivatives		32,512	68,224
Stationery and stamps on hand		29,176	37,631
Defined benefit plan		853,731	923,633
Branch adjustment account		20,641	311,104
Accounts receivable		692,172	527,067
Receivable against fraud and forgeries		167,364	206,651
Acceptances		16,683,629	13,319,265
Others		327,079	221,880
		50,986,339	35,551,062
Less: Provision held against other assets	14.2	(370,022)	(389,766)
Other assets (net of provision)		50,616,317	35,161,296
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		158,596	159,530
		50,774,913	35,320,826

14.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 752.968 million (December 31, 2018: Rs. 757.092 million).

14.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments	355,567	371,811
Non banking assets acquired in satisfaction of claims	14,455	17,955
	370,022	389,766

14.2.1 Movement in provision held against other assets

Opening balance		389,766	153,049
Afghanistan operations classified as continuing operations	23	2,998	-
Charge for the period / year		66,515	421,760
Reversals		(5,400)	(10,348)
Amount written off		(86,118)	(144,945)
Exchange and other adjustments		2,261	(29,750)
Closing balance		370,022	389,766



	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	------(Rupees in '000)-----	
15	BILLS PAYABLE	
In Pakistan	19,770,055	35,825,039
Outside Pakistan	379,845	163,186
	<u>20,149,900</u>	<u>35,988,225</u>

16 **BORROWINGS**

Secured

Borrowings from State Bank of Pakistan

Under Export Refinance Scheme

Under Long-Term Finance Facility

Under Financing Facility for Storage of Agriculture Produce (FFSAP)

Under Repurchase Agreement Borrowings

	28,762,611	26,344,557
	13,639,409	11,199,254
	272,044	263,033
	-	35,962,700
	<u>42,674,064</u>	<u>73,769,544</u>

Repurchase agreement borrowings

Bai Muajjal

Total secured

	12,840,174	11,163,509
	<u>2,151,984</u>	<u>19,254,058</u>
	<u>57,666,222</u>	<u>104,187,111</u>

Unsecured

Call borrowings

Overdrawn nostro accounts

Bai Muajjal

Others - Pakistan Mortgage Refinance and KarandaaZ

Total unsecured

	16,448,634	14,951,967
	1,375,389	947,547
	-	3,014,836
	<u>790,130</u>	<u>636,780</u>
	<u>18,614,153</u>	<u>19,551,130</u>
	<u>76,280,375</u>	<u>123,738,241</u>

17 **DEPOSITS AND OTHER ACCOUNTS**

	June 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	278,780,060	74,414,619	353,194,679	253,826,090	31,077,261	284,903,351
Savings deposits	184,111,980	36,261,094	220,373,074	182,286,764	29,222,301	211,509,065
Term deposits	86,617,039	38,560,017	125,177,056	103,144,924	42,383,783	145,528,707
Others	11,001,829	3,199,075	14,200,904	10,007,520	1,920,061	11,927,581
	<u>560,510,908</u>	<u>152,434,805</u>	<u>712,945,713</u>	<u>549,265,298</u>	<u>104,603,406</u>	<u>653,868,704</u>
Financial Institutions						
Current deposits	1,930,285	502,068	2,432,353	2,133,977	533,400	2,667,377
Savings deposits	21,497,811	50,798	21,548,609	30,625,516	53,409	30,678,925
Term deposits	2,429,066	1,203,809	3,632,875	14,220,573	1,401,959	15,622,532
Others	15,886	472	16,358	47,926	9,816	57,742
	<u>25,873,048</u>	<u>1,757,147</u>	<u>27,630,195</u>	<u>47,027,992</u>	<u>1,998,584</u>	<u>49,026,576</u>
	<u>586,383,956</u>	<u>154,191,952</u>	<u>740,575,908</u>	<u>596,293,290</u>	<u>106,601,990</u>	<u>702,895,280</u>

		(Un-audited) June 30, 2019	(Audited) December 31, 2018
		------(Rupees in '000)-----	
18	SUBORDINATED DEBT		
18.1	Term Finance Certificates V - Quoted, Unsecured	4,988,000	4,989,000
Issue amount	Rs. 5,000,000,000		
Issue date	February 2013		
Maturity date	February 2021		
Rating	"AA-" (Double A Minus) by Pakistan Credit Rating Company Limited ("PACRA").		
Security	Unsecured.		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.		
Mark-up	Base Rate + 1.25 percent. Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Call option	There is no call option available to the Bank.		
18.2	Term Finance Certificates - Additional Tier-I - Quoted, Unsecured		
Issue amount	Rs. 7,000,000,000	7,000,000	7,000,000
Issue date	March 2018		
Maturity date	Perpetual.		
Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.		
Security	Unsecured.		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	Perpetual.		
Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date.		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the point of non-viability Trigger Event ; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.		
Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.		
		11,988,000	11,989,000



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

19 DEFERRED TAX LIABILITIES

Deductible Temporary Differences on

- Provision against investments
- Provision against advances
- Provision against other assets
- Provision against lending to financial institutions
- Ijarah depreciation taxed
- Unrealised loss on revaluation of HFT investments

(462,770)	(168,568)
(234,067)	(266,938)
(247,146)	(223,866)
(5,720)	(5,720)
(16,690)	(16,690)
(7,122)	(14,842)
(973,515)	(696,624)

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets and non banking assets
- Surplus on revaluation of investments
- Accelerated tax depreciation
- Exchange translation reserve

1,320,130	1,329,184
414,701	(2,882)
1,233,028	1,284,792
-	156,232
2,967,859	2,767,326

1,994,344	2,070,702
------------------	-----------

20 OTHER LIABILITIES

- Mark-up/ Return/ Interest payable in local currency
- Mark-up/ Return/ Interest payable in foreign currency
- Unearned commission and income on bills discounted and guarantees
- Accrued expenses
- Current taxation
- Acceptances
- Dividends payable
- Mark to market loss on forward foreign exchange contracts
- Mark to market loss on derivatives
- Provision for compensated absences
- Payable against redemption of customer loyalty / reward points
- Charity payable
- Provision against off-balance sheet obligations
- Security deposits against leases, lockers and others
- Workers' Welfare Fund
- Payable to vendors and suppliers
- Indirect taxes payable
- Liabilities against assets subject to lease
- Others

1,829,994	2,107,388
729,220	610,511
270,455	220,584
4,216,215	3,954,081
4,623,612	926,956
16,683,628	13,319,265
77,935	84,229
6,386,599	970,502
115,031	1,169
558,010	498,010
325,962	274,076
261	20
91,777	78,450
7,119,679	6,808,459
1,226,304	970,920
1,183,548	601,657
417,534	449,732
8,394,373	-
1,743,371	1,578,115
55,993,508	33,454,124

20.1 Provision against off-balance sheet obligations

Opening balance	78,450	65,463
Exchange and other adjustments	12,566	13,759
Charge for the period	761	-
Reversals	-	(772)
	761	(772)
Closing balance	91,777	78,450

21 SHARE CAPITAL

21.1 Authorized Capital

(Un-audited) June 30, 2019	(Audited) December 31, 2018		(Un-audited) June 30, 2019	(Audited) December 31, 2018
------(Number of shares)-----			------(Rupees in 000)-----	
<u>2,300,000,000</u>	<u>2,300,000,000</u>	Ordinary shares of Rs. 10 each	<u>23,000,000</u>	<u>23,000,000</u>

21.2 Issued, subscribed and paid up Capital

		Ordinary shares		
891,453,153	888,650,908	Fully paid in cash	8,914,531	8,886,509
885,711,966	885,711,966	Issued as bonus shares	8,857,120	8,857,120
<u>1,777,165,119</u>	<u>1,774,362,874</u>		<u>17,771,651</u>	<u>17,743,629</u>

During the period, the Bank issued 2,802,245 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS).

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

22 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims
- Surplus on revaluation of investment held for sale in Afghanistan

10.1	1,184,862	(8,407)
	8,450,772	8,508,874
	158,596	159,530
	-	303
	<u>9,794,230</u>	<u>8,660,300</u>

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims
- Surplus on revaluation of investment held for sale in Afghanistan

	414,701	(2,943)
	1,289,800	1,298,531
	30,327	30,653
	-	61
	<u>1,734,828</u>	<u>1,326,302</u>

Derivatives

	(186,418)	48,952
	<u>7,872,984</u>	<u>7,382,950</u>

23 ASSETS HELD FOR SALE

23.1 The Bank signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations in 2018 and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan. Accordingly, the aforesaid business was classified as "Asset held for sale". However, during the current period, the DAB vide its letter dated February 27, 2019 declined the application for approval. Consequently, the plan for the disposal has been withdrawn. In line with the requirements of IFRS 5 'Non-current assets held for sale and Discontinued Operations' the results of the Afghanistan operations previously presented in discontinued operations have been reclassified and included in income from continuing operations for all periods presented and the amounts presented for 'assets and liabilities held for sale' in the comparative statement of financial position have not been reclassified or re-presented.



23.2 The financial position of assets classified as held for sale are as follows:

STATEMENT OF FINANCIAL POSITION	(Audited) December 31, 2018 (Rupees in '000)
Assets held for sale	
Cash and balances with treasury banks	4,764,918
Balances with other banks	3,431,895
Lendings to financial institutions	10,470,354
Investments - net	4,596,965
Advances - net	224,090
Fixed assets	9,370
Other assets	91,897
	<u>23,589,489</u>
Liabilities directly associated with the assets held for sale	
Bills payable	4,549
Deposits and other accounts	20,287,651
Deferred tax liabilities	223
Other liabilities	142,973
	<u>20,435,396</u>

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
24 CONTINGENCIES AND COMMITMENTS			
-Guarantees	24.1	62,657,417	57,086,398
-Commitments	24.2	368,274,574	437,946,961
-Other contingent liabilities	24.3	10,303,342	13,222,064
		<u>441,235,333</u>	<u>508,255,423</u>
24.1 Guarantees:			
Financial guarantees		1,379,791	731,536
Performance guarantees		32,861,378	32,153,833
Other guarantees		28,416,248	24,201,029
		<u>62,657,417</u>	<u>57,086,398</u>
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		81,810,459	68,026,025
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	231,792,970	228,265,364
- forward government securities transactions	24.2.2	6,648,639	76,821,957
- derivatives	24.2.3	10,925,796	12,051,091
- forward lending	24.2.4	35,724,584	34,773,260
- operating leases	4.2	-	16,897,381
Commitments for acquisition of:			
- operating fixed assets		881,005	604,674
- intangible assets		491,121	507,209
		<u>368,274,574</u>	<u>437,946,961</u>

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
24.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	153,596,099	140,128,603
	Sale	78,196,871	88,136,761
		<u>231,792,970</u>	<u>228,265,364</u>
24.2.2	Commitments in respect of forward government securities transactions		
	Purchase	4,351,044	39,518,422
	Sale	2,297,595	37,303,535
		<u>6,648,639</u>	<u>76,821,957</u>
24.2.3	Commitments in respect of derivatives		
24.2.3.1	Interest Rate Swaps		
	Purchase	8,194,668	10,650,708
	Sale	-	-
		<u>8,194,668</u>	<u>10,650,708</u>
24.2.3.2	Futures		
	Purchase	-	-
	Sale	2,731,128	1,400,383
		<u>2,731,128</u>	<u>1,400,383</u>
	Total commitments in respect of derivatives	<u>10,925,796</u>	<u>12,051,091</u>
24.2.4	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	24.2.4.1 30,263,689	29,428,567
	Commitments in respect of investments	5,460,895	5,344,693
		<u>35,724,584</u>	<u>34,773,260</u>

24.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.



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

24.3 Other contingent liabilities

24.3.1 Claims against the Bank not acknowledged as debts

10,303,342 13,222,064

These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

24.4 Contingency for tax payable

24.4.1 There were no tax related contingencies other than as disclosed in note 35.2.

25 DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.

25.1 Product Analysis

Counterparties	June 30, 2019 (Un-audited)					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
	----- (Rupees in '000) -----					
With Banks for Hedging	16	8,194,668	(65,805)	-	-	-
With FIs other than banks Hedging	-	-	-	144	2,731,128	(16,714)
Total Hedging	16	8,194,668	(65,805)	144	2,731,128	(16,714)

Counterparties	December 31, 2018 (Audited)					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
	----- (Rupees in '000) -----					
With Banks for Hedging	21	10,650,708	88,487	-	-	-
With FIs other than banks Hedging	-	-	-	88	1,400,383	(21,432)
Total Hedging	21	10,650,708	88,487	88	1,400,383	(21,432)

	Note	(Un-audited)	
		Half year ended	
		June 30, 2019	June 30, 2018
		------(Rupees in '000)-----	
26	MARK-UP/RETURN/INTEREST EARNED		
	On:		
	a) Loans and advances	26,870,229	16,110,392
	b) Investments	7,078,549	10,808,713
	c) Lendings to financial institutions	2,584,211	748,779
	d) Balances with banks	12,773	48,962
	e) Securities purchased under resale agreements / Bai Muajjal	5,083,344	375,065
		<u>41,629,106</u>	<u>28,091,911</u>
27	MARK-UP/RETURN/INTEREST EXPENSED		
	On:		
	a) Deposits	15,562,311	8,573,054
	b) Borrowings	1,494,293	621,659
	c) Securities sold under repurchase agreements	612,817	2,704,332
	d) Subordinated debt and ADT-1 instrument	672,448	447,310
	e) Cost of foreign currency swaps against foreign currency deposits / borrowings	1,568,988	344,598
	f) Reward points	66,578	44,967
		<u>19,977,435</u>	<u>12,735,920</u>
28	FEE & COMMISSION INCOME		
	Branch banking customer fees	649,015	770,869
	Consumer finance related fees	122,691	107,841
	Card related fees (debit and credit cards)	491,465	376,782
	Credit related fees	61,891	99,608
	Investment banking fees	104,624	103,773
	Commission on trade	762,023	621,162
	Commission on guarantees	186,730	212,890
	Commission on cash management	18,194	8,802
	Commission on remittances including home remittances	135,692	94,906
	Commission on bancassurance	237,546	202,417
	Card acquiring business	131,206	128,297
	Wealth Management Fee	20,450	37,324
	Commission on EOBI	57,503	52,083
	Commission on BISP	175,301	111,522
	Alternate Delivery Channels (ADC)	236,097	174,552
	Others	121,544	40,516
		<u>3,511,972</u>	<u>3,143,344</u>
29	(LOSS) / GAIN ON SECURITIES		
	Realised	29.1	(43,847)
	Unrealised - held for trading	10.1	(20,351)
			<u>(64,198)</u>
29.1	Realised (loss) / gain on:		
	Federal Government Securities		(5,162)
	Shares		(77,078)
	Foreign Securities		38,393
			<u>(43,847)</u>
30	OTHER INCOME		
	Rent on property	12,541	11,507
	Gain on sale of fixed assets-net	93,075	119,121
	Profit from sale of leased assets	21,593	17,166
		<u>127,209</u>	<u>147,794</u>



Note	(Un-audited)	
	Half year ended	
	June 30, 2019	June 30, 2018

------(Rupees in '000)-----

31 OPERATING EXPENSES

Total compensation expense

31.1 6,056,664 4,939,449

Property expense

Rent and taxes	114,434	1,023,417
Utilities cost	397,165	413,601
Security (including guards)	303,579	322,387
Repair and maintenance (including janitorial charges)	248,119	218,570
Depreciation	1,076,143	222,996
	2,139,440	2,200,971

Information technology expenses

Software maintenance	534,852	448,321
Hardware maintenance	124,591	107,904
Depreciation	174,014	200,903
Amortisation	247,191	246,193
Network charges	187,786	171,006
	1,268,434	1,174,327

Other operating expenses

Directors' fees and allowances	130,376	54,484
Fees and allowances to Shariah Board	3,900	3,360
Legal and professional charges	94,818	149,553
Outsourced services costs	523,854	669,621
Travelling and conveyance	259,753	244,691
Clearing and custodian charges	39,513	37,805
Depreciation	402,883	444,547
Training and development	51,850	40,987
Postage and courier charges	177,984	108,581
Communication	143,008	141,161
Stationery and printing	250,377	218,196
Marketing, advertisement and publicity	863,796	267,364
Donations	1,580	22,994
Auditors' remuneration	27,752	18,266
Brokerage and commission	98,769	72,602
Entertainment	102,742	104,194
Repairs and maintenance	186,608	131,797
Insurance (including DPC premium)	605,216	294,001
Cash handling charges	225,392	165,489
CNIC verification	49,223	56,251
Others	183,954	104,431
	4,423,348	3,350,375
	13,887,886	11,665,122

31.1 Total compensation expense

Managerial remuneration

i) Fixed	4,684,048	3,876,286
ii) Variable:		
a) Cash bonus / awards etc.	744,138	572,353
b) Bonus and awards in shares etc.	(5,201)	7,363
Charge for defined benefit plan	76,065	108,084
Contribution to defined contribution plan	199,862	162,969
Medical	77,897	5,347
Conveyance	115,260	89,632
Staff compensated absences	60,000	72,623
Others	37,236	5,593
Sub-total	5,989,305	4,900,250
Sign-on bonus	53,398	37,850
Severance allowance	13,961	1,349
Grand Total	6,056,664	4,939,449

32 WORKERS WELFARE FUND

Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged and conflicting judgments were rendered by various courts. Appeals against these orders were filed in the Honourable Supreme Court.

The Honourable Supreme Court of Pakistan vide its order dated November 10, 2016 held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue filed review petitions against the above judgment. These petitions are currently pending with the Honourable Supreme Court of Pakistan.

A legal advice was obtained by the Pakistan Banking Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the amount charged for Workers Welfare Fund since 2008 has not been reversed.

	Note	(Un-audited) Half year ended	
		June 30, 2019	June 30, 2018
33 OTHER CHARGES		------(Rupees in '000)-----	
Penalties imposed by State Bank of Pakistan		<u>109,292</u>	<u>1,154</u>
34 PROVISIONS & WRITE OFFS - NET			
Provisions against lending to financial institutions		(20,095)	-
Provisions for diminution in value of investments	10.3.1	801,589	(82,742)
Provisions against loans & advances	11.4	254,134	(495,546)
Provision against other assets	14.2.1	61,115	(157,628)
Provision against off-balance sheet obligations	20.1	761	2,837
Recovery of written off / charged off bad debts		<u>(117,676)</u>	<u>(117,377)</u>
		<u>979,828</u>	<u>(850,456)</u>
35 TAXATION			
Current		4,940,084	4,285,804
Prior years	35.1	603,587	(219,843)
Deferred		<u>(337,713)</u>	<u>(97,397)</u>
		<u>5,205,958</u>	<u>3,968,564</u>

- 35.1** The Finance Act, 2018 had revised the applicability of super tax brought into effect through Finance Act, 2015 for rehabilitation of temporary displaced persons for Tax Years 2019, 2020 and 2021 at the rates of 4%, 3% and 2% respectively on the taxable income for respective years. However, Finance Supplementary (Second Amendment) Act, 2019 has levied super tax @ 4% on taxable income for the Tax Year 2018 (Accounting year 2017) retrospectively and same rate of 4% revised up to Tax Year 2021. Accordingly, in addition to the current tax charge of super tax, provision amounting to Rs.603 million also made for Tax Year 2018 (Accounting Year 2017) in these unconsolidated condensed interim financial statements.



- 35.2 a) The income tax assessments of the Bank have been finalized upto and including tax year 2018. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2014, 2017 and 2018, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs.789.862 million (December 31, 2018 : Rs.789.862 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.306.334 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) In respect of monitoring of withholding taxes, the Bank has received order from tax authorities. The Bank has not made provision amounting to Rs.24.920 million against tax demand for tax year 2019 as management is of the view that the matter will be settled in Bank's favour in appeals.
- c) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2018 : Rs.77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

		<u>(Un-audited)</u>	
		June 30, 2019	<u>(Restated)</u> June 30, 2018
		------(Rupees in '000)-----	
36	BASIC EARNINGS PER SHARE		
	Profit for the period	<u>6,208,959</u>	<u>6,038,958</u>
		------(Number of shares in '000)-----	
	Weighted average number of ordinary shares	<u>1,775,230</u>	<u>1,772,970</u>
		------(Rupees)-----	
	Basic earnings per share	<u>3.50</u>	<u>3.41</u>
37	DILUTED EARNINGS PER SHARE		
		------(Rupees in '000)-----	
	Profit for the period	<u>6,208,959</u>	<u>6,038,958</u>
		------(Number of shares in '000)-----	
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>1,775,230</u>	<u>1,775,170</u>
		------(Rupees)-----	
	Diluted earnings per share	<u>3.50</u>	<u>3.40</u>

38 FAIR VALUE MEASUREMENTS

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

38.1 Fair value of financial instruments

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

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

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

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

The table 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, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- (Rupees in '000) -----			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	170,787,443	-	170,787,443
Shares	7,822,569	-	-	7,822,569
Non-Government Debt Securities	-	5,546,172	-	5,546,172
Foreign Securities	-	16,750,041	-	16,750,041
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	13,834,311	-	13,834,311
Forward sale of foreign exchange	-	(6,386,599)	-	(6,386,599)
Derivatives purchases	-	32,512	-	32,512
Derivatives sales	-	(115,031)	-	(115,031)
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- (Rupees in '000) -----			
Financial assets - measured at fair value				
- Investments				
Federal Government Securities	-	205,872,883	-	205,872,883
Shares	8,194,982	-	-	8,194,982
Non-Government Debt Securities	-	6,134,851	-	6,134,851
Foreign Securities	-	12,903,246	-	12,903,246
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	4,519,604	-	4,519,604
Forward sale of foreign exchange	-	(970,502)	-	(970,502)
Derivatives purchases	-	68,224	-	68,224
Derivatives sales	-	(1,169)	-	(1,169)



38.2 Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 12 and 14. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

38.3 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 current period.

38.4 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in ordinary shares of listed companies.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuks, Overseas Government Sukuks, Overseas and Euro Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts, and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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.

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps and futures is determined using prices and curves through Bloomberg.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates. Floating rate PIBs are revalued using PKFRV rates.
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuks, debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Ordinary shares - listed	The fair value of investments in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Operating fixed assets and non banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

39 SEGMENT INFORMATION

39.1 Segment details with respect to Business Activities

	For the period ended June 30, 2019 (Un-audited)							Total
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	
Profit and loss								
Net mark-up/return/profit	(2,152,420)	10,419,204	4,140,785	8,832,249	(2,090)	1,228,594	(814,651)	21,651,671
Inter segment revenue - net	14,282,004	(6,578,984)	(414,176)	(8,230,233)	222,579	139,389	579,421	-
Non mark-up / return / interest income	2,026,466	659,922	580,858	870,440	238,356	384,364	235,230	4,995,636
Total income	14,156,050	4,500,142	4,307,467	1,472,456	458,845	1,752,347	-	26,647,307
Segment direct expenses	5,919,812	451,070	1,739,866	211,318	752,709	744,109	4,433,678	14,252,562
Inter segment expense allocation	2,790,450	375,698	673,568	127,590	369,514	96,858	(4,433,678)	-
Total expenses	8,710,262	826,768	2,413,434	338,908	1,122,223	840,967	-	14,252,562
Provisions / (reversals)	(116,403)	241,523	9,656	831,625	-	13,427	-	979,828
Profit before tax	5,562,191	3,431,851	1,884,377	301,923	(663,378)	897,953	-	11,414,917

	As at June 30, 2019 (Un-audited)							Total
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	
Balance Sheet								
Cash and bank balances	51,695,190	9,524,218	25,667,434	13,546,713	531,565	16,501,667	-	117,466,787
Investments	1,318,298	694,426	13,945,993	196,264,281	-	37,263,946	943,155	250,430,099
Net inter segment lending	287,782,764	-	-	-	10,203,838	-	79,528,033	377,514,635
Lendings to financial institutions	148,095,975	243,085,794	33,910,524	2,295,287	-	11,877,665	4,286	48,087,762
Advances - performing	601,565	793,291	72,192,776	-	11	22,332,541	6,485,835	492,192,932
Advances - non-performing	27,204,613	8,069,821	8,552,892	16,112,908	582,981	1,357,468	17,175,342	1,939,134
Others	516,698,405	262,167,550	154,681,811	228,219,189	11,318,395	89,446,390	104,155,634	79,056,025
Total assets								1,366,687,374
Borrowings	11,221,217	26,958,490	5,700,903	12,555,330	-	18,696,825	1,147,610	76,280,375
Subordinated debt	-	-	-	-	-	-	11,988,000	11,988,000
Deposits and other accounts	478,737,953	84,965,723	116,763,371	-	11,132,470	48,872,467	103,924	740,575,908
Net inter segment borrowing	-	144,187,767	11,759,343	205,148,085	-	16,419,440	-	377,514,635
Others	25,881,964	6,055,570	18,669,916	12,277,177	185,925	2,934,230	12,132,970	78,137,752
Total liabilities	515,841,134	262,167,550	152,893,533	229,980,592	11,318,395	86,922,962	25,372,504	1,284,496,670
Net assets	857,271	-	1,786,278	(1,761,403)	-	2,523,428	78,783,130	82,190,704
Equity								82,190,704
Contingencies and commitments	49,805,775	308,442,262	34,203,205	6,648,639	-	32,786,950	9,348,502	441,235,333



For the period ended June 30, 2018 (Un-audited)

	(Rupees in '000)							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
Profit and loss								
Net mark-up/return/profit	52,589	5,686,325	2,439,765	6,436,908	-	1,074,211	(391,807)	15,355,991
Inter segment revenue - net	7,918,898	(3,280,206)	(11,007)	(4,953,146)	82,289	65,334	177,838	-
Non mark-up / return / interest income	2,015,941	407,209	504,661	2,110,998	16,460,4	242,171	213,969	5,659,553
Total income	9,987,428	2,813,328	2,991,419	3,594,760	246,893	1,381,716	-	21,015,544
Segment direct expenses	5,098,726	321,922	1,439,402	202,242	284,774	658,883	3,852,529	11,858,478
Inter segment expense allocation	2,688,403	305,074	613,403	120,983	50,952	73,714	(3,852,529)	-
Total expenses	7,787,129	626,996	2,052,805	323,225	335,726	732,597	-	11,858,478
Provisions / (reversals)	(95,076)	(381,202)	186,594	4,689	-	(565,461)	-	(850,456)
Profit before tax	2,295,375	2,567,534	752,020	3,266,846	(88,833)	1,214,580	-	10,007,522

As at December 31, 2018 (Audited)

	(Rupees in '000)							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
Balance sheet								
Cash and bank balances	54,448,024	11,605,738	12,496,503	2,298,193	334,892	5,099,305	-	86,282,655
Investments	860,704	694,426	23,200,001	221,983,048	-	29,434,619	1,487,605	277,660,403
Net inter segment lending	288,412,271	-	-	-	4,241,251	-	67,128,974	359,782,496
Lendings to financial institutions	-	-	17,986,558	33,315,352	-	10,870,377	-	62,172,287
Advances - performing	153,750,402	235,172,283	85,573,392	-	-	19,233,298	4,968,205	498,697,580
Advances - non-performing	366,716	1,453,002	262,226	-	-	132,738	724,190	2,938,872
Others	16,456,975	10,628,391	7,575,451	6,258,899	407,786	24,497,323	12,641,221	78,466,046
Total assets	514,295,092	259,553,840	147,094,131	263,855,492	4,983,929	89,267,660	86,950,195	1,366,000,339
Borrowings	10,460,314	22,698,781	6,019,338	62,173,164	-	22,092,452	294,192	123,738,241
Subordinated debt	-	-	-	-	-	-	11,989,000	11,989,000
Deposits and other accounts	464,574,928	92,224,318	113,525,994	-	4,899,848	27,670,192	-	702,895,280
Net inter segment borrowing	-	135,169,568	10,386,749	201,340,936	-	12,885,243	-	359,782,496
Others	38,622,551	9,554,126	15,229,222	1,186,034	84,081	23,234,243	4,038,190	91,948,447
Total liabilities	513,657,793	259,646,793	145,161,303	264,700,134	4,983,929	85,882,130	16,321,382	1,290,353,464
Net Assets	637,299	(92,953)	1,932,828	(844,642)	-	3,385,530	70,628,813	75,646,875
Equity								
Contingencies and commitments	58,274,791	76,420,934	31,777,895	296,162,272	47,934	30,646,372	14,925,225	508,255,423

RELATED PARTY TRANSACTIONS

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

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

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	As at June 30, 2019 (Un-audited)					As at December 31, 2018 (Audited)				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
Balances with other banks	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Opening balance	-	-	-	-	1,500,000	-	-	-	-	1,500,000
Addition during the period / year	-	-	-	-	2,474,328	-	-	-	-	134,478,646
Repaid during the period / year	-	-	-	-	(2,474,328)	-	-	-	-	(135,978,646)
Closing balance	-	-	-	-	-	-	-	-	-	-
Investments	-	-	430,493	1,816,343	992,661	-	-	430,493	1,816,343	1,267,808
Opening balance	-	-	-	-	-	-	-	-	-	464,122
Investment made during the period / year	-	-	-	-	(287,122)	-	-	-	-	(739,269)
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	430,493	1,816,343	705,539	-	-	430,493	1,816,343	992,661
Provision for diminution in value of investments	-	-	42,981	-	3,936	-	-	42,981	-	3,936
Advances	105,650	449,323	-	-	3,354,510	-	458,240	-	-	7,591,327
Opening balance	-	250,637	-	-	798,056	-	206,246	-	-	6,738,397
Addition during the period / year	(7,282)	(91,943)	-	-	(1,169,707)	(6,068)	(96,965)	-	-	(8,301,258)
Repaid during the period / year	-	20,900	-	-	(9)	111,718	(116,198)	-	-	(2,673,956)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	98,368	628,917	-	-	2,982,850	105,650	449,323	-	-	3,354,510
Provision held against advances	-	-	-	-	-	-	-	-	-	-
Other assets	8,301	53,877	-	-	140,427	5,507	42,368	-	-	134,900
Interest / mark-up accrued	-	-	-	-	853,731	-	-	-	-	910,433
Receivable from staff retirement fund	-	-	-	-	3,286	-	-	-	832	5,973
Prepayment / rent receivable	-	-	-	-	927	-	-	-	-	1,858
Profit receivable on Sukuk	-	-	-	-	50,000	-	-	-	-	50,000
Advance against shares	-	-	-	-	-	-	-	-	-	-



	As at June 30, 2019 (Un-audited)				As at December 31, 2018 (Audited)				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates

	(Rupees in '000)									
Borrowings										
Opening balance	-	-	-	-	-	-	-	-	-	502,800
Borrowings during the period / year	-	-	-	-	-	-	-	-	-	35,346,898
Settled during the period / year	-	-	-	-	-	-	-	-	-	(35,849,698)
Closing balance	-	-	-	-	-	-	-	-	-	-

	(Rupees in '000)									
Subordinated debt										
Opening balance	-	-	-	-	-	-	-	-	45,044	19,964
Redemption / Sold during the period / year	-	-	-	-	-	-	-	-	(45,044)	(19,964)
Closing balance	-	-	-	-	-	-	-	-	-	-

	(Rupees in '000)									
Deposits and other accounts										
Opening balance	7,438	193,954	48,155	1,056,941	3,217,578	6,275	160,416	59,984	1,509,943	4,178,787
Received during the period / year	274,873	1,883,346	1,206,480	14,710,653	35,704,700	206,294	1,360,283	5,531,871	33,685,682	82,662,966
Withdrawn during the period / year	(216,396)	(1,660,465)	(1,225,581)	(14,392,438)	(34,982,922)	(205,131)	(1,337,204)	(5,943,700)	(34,136,664)	(87,183,776)
Transfer in / (out) - net	-	(14,261)	-	(225)	(725)	-	10,459	-	-	3,565,601
Closing balance	65,915	402,574	29,054	1,375,156	3,939,131	7,438	193,954	48,155	1,056,941	3,217,578

	(Rupees in '000)									
Other liabilities										
Interest / mark-up payable	-	304	-	-	5,168	11	1,960	494	7,446	11,918
Unearned rent	-	-	-	227	-	-	-	-	-	-
Others	-	3,804	53	-	3,961	-	2,085	201	-	3,961

	(Rupees in '000)									
Contingencies and commitments										
Other contingencies	-	-	-	187,261	-	-	-	-	162,468	-

	For the period ended June 30, 2019 (Un-audited)									
--	---	--	--	--	--	--	--	--	--	--

	(Rupees in '000)									
Income										
Mark-up / return / interest earned	2,793	11,953	-	-	229,316	2,461	10,286	-	-	217,368
Fee and commission income	-	-	19,527	-	-	-	-	35,647	-	-
Dividend income	-	-	-	-	12,511	-	-	-	99,000	-
Other income	-	-	-	3,833	-	-	-	-	1,872	10,301

	(Rupees in '000)									
Expenses										
Mark-up / return / interest paid	16	5,336	2,187	38,754	99,789	10	3,220	1,372	26,788	94,349
Other operating expenses	252,764	792,321	438	-	304,594	133,927	634,855	398	-	695,200

	(Rupees in '000)									
Dividend paid	415,204	7,630	-	7,193	1,179,097	317,458	6,241	-	473	820,394
Insurance premium paid	-	-	-	477,484	-	-	-	-	444,773	-
Insurance claims settled	-	-	-	170,880	-	-	-	-	170,495	-

	For the period ended June 30, 2018 (Un-audited)									
--	---	--	--	--	--	--	--	--	--	--

	(Rupees in '000)									
Income										
Mark-up / return / interest earned	2,793	11,953	-	-	229,316	2,461	10,286	-	-	217,368
Fee and commission income	-	-	19,527	-	-	-	-	35,647	-	-
Dividend income	-	-	-	-	12,511	-	-	-	99,000	-
Other income	-	-	-	3,833	-	-	-	-	1,872	10,301

	(Rupees in '000)									
Expenses										
Mark-up / return / interest paid	16	5,336	2,187	38,754	99,789	10	3,220	1,372	26,788	94,349
Other operating expenses	252,764	792,321	438	-	304,594	133,927	634,855	398	-	695,200

	(Rupees in '000)									
Dividend paid	415,204	7,630	-	7,193	1,179,097	317,458	6,241	-	473	820,394
Insurance premium paid	-	-	-	477,484	-	-	-	-	444,773	-
Insurance claims settled	-	-	-	170,880	-	-	-	-	170,495	-

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,771,651	17,743,629
---------------------------------	------------	------------

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	63,682,348	59,809,769
Eligible Additional Tier 1 (ADT 1) Capital	6,995,435	7,000,000
Total Eligible Tier 1 Capital	70,677,783	66,809,769
Eligible Tier 2 Capital	17,286,967	15,239,737
Total Eligible Capital (Tier 1 + Tier 2)	87,964,750	82,049,506

Risk Weighted Assets (RWAs):

Credit risk	455,142,405	485,931,845
Market risk	6,568,513	2,633,885
Operational risk	60,607,038	60,607,038
Total	522,317,956	549,172,768

Common Equity Tier 1 Capital Adequacy ratio

12.19% 10.89%

Tier 1 Capital Adequacy Ratio

13.53% 12.17%

Total Capital Adequacy Ratio

16.84% 14.94%

In line with Basel III Capital Adequacy guidelines, following capital requirements are applicable to the Bank:

Common Equity Tier 1 Capital Adequacy ratio

6.00% 6.00%

Tier 1 Capital Adequacy Ratio

7.50% 7.50%

Total Capital Adequacy Ratio

11.90% 11.90%

For Capital adequacy calculation, Bank has adopted Standardized Approach for Credit & Market Risk related exposures and Alternate Standardized Approach (ASA) for operational risk.

Leverage Ratio (LR):

Eligible Tier-1 Capital	70,677,783	66,809,769
Total exposures	1,176,433,735	1,185,191,511
Leverage ratio	6.01%	5.64%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	281,063,104	252,703,051
Total Net Cash Outflow	178,321,805	162,363,261
Liquidity coverage ratio	158%	156%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	666,690,131	630,592,999
Total Required Stable Funding	479,318,512	472,759,179
Net Stable Funding Ratio	139%	133%



42 ISLAMIC BANKING BUSINESS

The bank is operating 155 Islamic banking branches including 1 sub branch (December 31, 2018: 152 branches including 1 sub branch) and 121 Islamic banking windows (December 31, 2018: 121 Islamic banking windows) as at June 30, 2019.

STATEMENT OF FINANCIAL POSITION

	Note	(Un-audited)	(Audited)
		June 30, 2019	December 31, 2018
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		24,019,538	11,718,901
Balances with other banks		1,647,896	777,602
Due from financial institutions	42.1	33,910,524	17,986,558
Investments	42.2	13,945,993	23,200,001
Islamic financing and related assets - net	42.3	72,604,968	85,835,618
Fixed assets		4,989,425	2,788,299
Intangible assets		28,646	3,273
Due from Head Office		-	-
Other assets		3,534,821	4,783,879
Total Assets		154,681,811	147,094,131
LIABILITIES			
Bills payable		4,965,337	3,854,125
Due to financial institutions		5,700,903	6,019,338
Deposits and other accounts	42.4	116,763,371	113,525,994
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		16,385	112,207
Other liabilities		13,688,194	11,262,890
		141,134,190	134,774,554
NET ASSETS		13,547,621	12,319,577
REPRESENTED BY			
Islamic Banking Fund		1,800,000	1,800,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		1,788,278	1,932,828
Unappropriated/ Unremitted profit	42.5	9,959,343	8,586,749
		13,547,621	12,319,577
CONTINGENCIES AND COMMITMENTS			
	42.6		

The profit and loss account of the Bank's Islamic banking branches for the period ended June 30, 2019 is as follows:

PROFIT AND LOSS ACCOUNT

		(Un-audited)	
		Half year ended June 30, 2019	Half year ended June 30, 2018
		------(Rupees in '000)-----	
Profit / return earned	42.7	6,317,430	3,972,425
Profit / return expensed	42.8	2,176,645	1,474,660
Net Profit / return		4,140,785	2,497,765
Other income			
Fee and Commission Income		439,327	399,370
Foreign Exchange Income		138,468	86,328
Gain / (loss) on securities		(19,445)	11
Other Income		22,508	18,952
Total other income		580,858	504,661
Total Income		4,721,643	3,002,426
Other expenses			
Operating expenses		2,323,548	2,036,009
Workers Welfare Fund		49,408	16,786
Other charges		40,478	10
Total other expenses		2,413,434	2,052,805
Profit / (loss) before provisions		2,308,209	949,621
Provisions and write offs - net		9,656	186,594
Profit / (loss) before taxation		2,298,553	763,027
Taxation		925,959	301,576
Profit / (loss) after taxation		1,372,594	461,451



42.1 Due from Financial Institutions

	June 30, 2019 (Un-audited)			December 31, 2018 (Audited) (Restated)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	(Rupees in '000)					
Unsecured	15,275,061	-	15,275,061	8,175,054	-	8,175,054
Bai Muajjal Receivable						
from other Financial Institutions	6,546,695	-	6,546,695	9,811,504	-	9,811,504
from State Bank of Pakistan	12,088,768	-	12,088,768	-	-	-
	33,910,524	-	33,910,524	17,986,558	-	17,986,558

42.2 Investments

	June 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees in '000)							
By segment:								
Federal Government Securities								
Ijarah Sukuks	491,943	-	(11,443)	480,500	11,532,764	-	(6,033)	11,526,731
Other Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215
	7,708,309	-	(11,443)	7,696,866	15,654,979	-	(6,033)	15,648,946
Non Government Debt Securities								
Listed	-	-	-	-	-	-	-	-
Unlisted	6,268,796	(127,308)	107,639	6,249,127	7,368,524	(141,399)	323,930	7,551,055
	6,268,796	(127,308)	107,639	6,249,127	7,368,524	(141,399)	323,930	7,551,055
Total Investments	13,977,105	(127,308)	96,196	13,945,993	23,023,503	(141,399)	317,897	23,200,001

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

42.3 Islamic financing and related assets

Ijarah	12,616,556	11,472,292
Murabaha	6,039,188	8,467,690
Musharaka	29,145,709	41,654,940
Diminishing Musharaka	1,887,059	1,779,050
Salam	6,329,925	2,694,881
Other Islamic Modes	5,100,223	3,691,855
Advances against Islamic assets	9,581,947	11,201,704
Inventory related to Islamic financing	3,147,982	6,092,511
Gross Islamic financing and related assets	73,848,589	87,054,923
Less: provision against Islamic financings		
- Specific	(1,145,583)	(1,101,967)
- General	(98,038)	(117,338)
	(1,243,621)	(1,219,305)
Islamic financing and related assets - net of provision	72,604,968	85,835,618

42.4 Deposits

	June 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
------(Rupees in '000)-----						
Customers						
Current deposits	50,126,183	4,146,693	54,272,876	43,975,307	3,272,005	47,247,312
Savings deposits	42,909,948	2,880,164	45,790,112	46,196,859	2,749,769	48,946,628
Term deposits	14,809,201	194,548	15,003,749	13,325,851	181,518	13,507,369
Other deposits	985,920	206,008	1,191,928	3,305,410	154,481	3,459,891
	108,831,252	7,427,413	116,258,665	106,803,427	6,357,773	113,161,200
Financial Institutions						
Current deposits	2,016	-	2,016	4,273	-	4,273
Savings deposits	502,690	-	502,690	360,521	-	360,521
Term deposits	-	-	-	-	-	-
	504,706	-	504,706	364,794	-	364,794
	109,335,958	7,427,413	116,763,371	107,168,221	6,357,773	113,525,994

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

42.5 Islamic Banking Business Unappropriated Profit

Opening Balance	8,586,749	7,340,325
Add: Islamic Banking profit before taxation for the period	2,298,553	2,011,460
Less: Taxation	(925,959)	(765,036)
Closing Balance	9,959,343	8,586,749

42.6 Contingencies and Commitments

-Guarantees	3,534,522	3,603,386
-Commitments	37,093,153	23,113,159
	40,627,675	26,716,545

(Un-audited)
Half year ended

June 30, June 30,
2019 2018

------(Rupees in '000)-----

42.7 Profit/Return Earned of Financing, Investments and Placement

Financing	3,754,440	2,440,988
Investments	521,085	1,104,072
Placements	2,041,905	427,365
	6,317,430	3,972,425

42.8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	1,812,317	1,298,059
Due to Financial Institutions	358,751	176,601
Reward points	5,577	-
	2,176,645	1,474,660



42.9 Pls Pool Management- Islamic Banking Group (IBG)

42.9.1 The pools, their key features and risk and reward characteristics.

The profit and loss sharing between the Rabbul Maal (depositor) and Mudarib (Bank - IBG) is based upon the underlying principles of Mudaraba, where Bank also contributes its equity to general pool of funds, and becomes the capital provider.

Currently IBG is managing following pools:

- 1) General Pool for LCY Depositors
- 2) FCY Pool for Foreign Currency (USD, GBP and EURO) depositors
- 3) Fls Pool for Treasury Purposes
- 4) IERS Pool for Islamic Export Refinance Scheme facilities
- 5) Special pool

All the Mudaraba based Remunerative deposits shall be considered as an investment from Rabbul Maal in the pool, along with IBG's own share of equity, which is also commingled in the pool. The applications of these funds are on Advances, Investments, and Placements for generating profits to be shared among the depositors as per the Weightage system.

The IERS pool is maintained as per the guideline under SBP IERS Scheme.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

42.9.2 Avenues/sectors where Mudaraba based deposits have been deployed.	(Un-audited)	(Audited)
	June 30, 2019	December 31, 2018
	------(Rupees in '000)-----	
Agriculture, forestry, hunting and fishing	4,000,000	15,000,000
Automobile and transportation equipment	1,516,662	2,097,804
Cement	4,898,350	5,385,332
Chemical and pharmaceuticals	2,813,466	2,190,108
Construction	1,130,751	729,632
Electronics and electrical appliances	823,948	2,374,655
Exports / imports	2,166,872	755,014
Financial	599,748	879,968
Food and allied products	3,711,124	4,229,633
Footwear and leather garments	515,540	522,909
Individuals	13,672,130	12,390,545
Insurance	6,487	9,911
Metal and allied industries	1,568,797	820,436
Mining and quarrying	2,713	3,665
Oil and allied	31,412	47,846
Power (electricity), gas, water, sanitary	10,490,822	9,176,794
Services	605,606	743,714
Sugar	3,325,895	827,065
Textile	11,904,332	16,789,601
Transport, storage and communication	1,424,969	1,856,348
Wholesale and retail trade	3,151,676	3,467,685
Others	5,487,289	6,756,258
Total Gross Islamic Financing and Related Assets	73,848,589	87,054,923
Total gross investments	13,977,105	23,023,503
Total Islamic placements	33,910,524	17,986,558
Total Invested Funds	121,736,218	128,064,984

42.9.3 The major components of Profit distribution and charging of the expenses.

Profit is distributed among the Mudaraba deposits on the basis of underlying principles of weightage mechanism which are announced before the beginning of the concerned period. Only direct attributable expenses such as depreciation on ijarah assets, brokerage, CIB Charges, bad debts write off on advances and loss on sale of investments etc are charged to the pool. Expenses of pool(s) do not include general and specific provisioning created against non-performing financings and diminution in the value of investments.

42.9.4 The Bank managed the following general and specific pools during the period:

General Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share (Rupees in '000)	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba (Rupees in '000)
			Mudarib Share / Fee	Rabbul Maal Share				
PKR Pool	Monthly	10.47%	50.00%	50.00%	1,556,502	5.46%	3.75%	57,349
USD Pool	Monthly	1.88%	85.00%	15.00%	38,182	0.64%	0.00%	-
GBP Pool	Monthly	1.91%	85.00%	15.00%	8,101	1.10%	0.00%	-
EUR Pool	Monthly	2.73%	85.00%	15.00%	8,789	1.01%	0.00%	-

Specific pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share (Rupees in '000)	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba (Rupees in '000)
			Bank Share	SBP Share				
Islamic Export Refinance (IERS) Pool	Monthly	8.06%	84.59%	15.41%	277,107	Nil	1.12%	3,117
Special Pool (Saving)	Monthly	10.81%	20.52%	79.48%	3,249	8.45%	0.00%	-
Special Pool (TDR)	Monthly	11.82%	21.23%	78.78%	-	10.43%	0.00%	-

43 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on August 18, 2019 has declared an interim cash dividend of 20%, i.e. Re. 2 per share (June 30, 2018: 10%) and an interim stock dividend of nil (June 30, 2018: 10%). These unconsolidated condensed interim financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

44 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on August 18, 2019 by the Board of Directors of the Bank.

45 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements, wherever necessary to facilitate comparison.

**Consolidated Condensed Interim
Financial Statements
Half Year Ended June 30, 2019**



Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2019

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	7	108,307,524	82,407,736
Balances with other banks	8	9,240,737	3,911,554
Lendings to financial institutions	9	48,087,762	62,172,287
Investments	10	252,379,195	279,251,731
Advances	11	494,133,737	501,639,727
Fixed assets	12	27,068,598	18,317,042
Intangible assets	13	1,294,011	1,317,271
Deferred tax assets		-	-
Other assets	14	51,184,136	35,998,315
Assets held for sale	23	-	23,589,489
		991,695,700	1,008,605,152
LIABILITIES			
Bills payable	15	20,149,900	35,988,225
Borrowings	16	76,307,909	124,017,735
Deposits and other accounts	17	740,546,854	702,847,125
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	11,988,000	11,989,000
Deferred tax liabilities	19	2,533,239	2,500,097
Other liabilities	20	56,198,043	33,805,722
Liabilities directly associated with the assets held for sale	23	-	20,435,396
		907,723,945	931,583,300
NET ASSETS		83,971,755	77,021,852
REPRESENTED BY			
Share capital	21	17,771,651	17,743,629
Reserves		26,117,241	23,050,754
Surplus on revaluation of assets	22	7,878,497	7,389,127
Unappropriated profit		31,557,475	28,323,585
Total equity attributable to the equity holders of the Bank		83,324,864	76,507,095
Non-controlling interest		646,891	514,757
		83,971,755	77,021,852
CONTINGENCIES AND COMMITMENTS			
	24		

The annexed notes 1 to 44 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



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

For the half year ended June 30, 2019

	Note	Quarter ended June 30, 2019	Quarter ended June 30, 2018 (Restated)	Half year ended June 30, 2019	Half year ended June 30, 2018 (Restated)
	4.1	------(Rupees in '000)-----			
Mark-up / return / interest earned	26	20,871,744	13,825,331	41,628,966	28,094,001
Mark-up / return / interest expensed	27	10,382,564	6,022,652	19,979,226	12,738,378
Net mark-up / interest income		10,489,180	7,802,679	21,649,740	15,355,623
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	1,940,808	1,725,552	3,734,019	3,383,248
Dividend income		93,991	84,867	169,777	172,804
Foreign exchange income		785,798	469,932	1,263,768	882,858
(Loss) / gain from derivatives		(16,295)	11,243	(12,892)	30,796
(Loss) / gain on securities	29	(37,710)	431,501	(63,094)	1,181,945
Share of profit from associates		283,642	328,648	342,227	336,373
Other Income	30	65,872	125,370	142,979	150,289
Total non-mark-up / interest income		3,116,106	3,177,113	5,576,784	6,138,313
Total Income		13,605,286	10,979,792	27,226,524	21,493,936
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	31	7,253,193	5,935,313	14,056,081	11,837,852
Workers' Welfare Fund	32	125,258	114,343	257,210	194,400
Other charges	33	107,865	283	109,292	1,154
Total non-mark-up / interest expenses		7,486,316	6,049,939	14,422,583	12,033,406
Profit before provisions		6,118,970	4,929,853	12,803,941	9,460,530
Provisions and write offs - net	34	533,752	(250,458)	979,828	(850,456)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,585,218	5,180,311	11,824,113	10,310,986
Taxation	35	2,301,606	2,251,679	5,340,499	4,088,275
PROFIT AFTER TAXATION		3,283,612	2,928,632	6,483,614	6,222,711
Attributable to:					
Equity holders of the Bank		3,269,922	2,911,504	6,451,823	6,180,300
Non-controlling interest		13,690	17,128	31,791	42,411
		3,283,612	2,928,632	6,483,614	6,222,711
		------(Rupees)-----			
Basic earnings per share - Restated	36	1.84	1.64	3.63	3.49
Diluted earnings per share - Restated	37	1.84	1.64	3.63	3.48

The annexed notes 1 to 44 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the half year ended June 30, 2019

	Note	Quarter ended June 30, 2019	Quarter ended June 30, 2018 Restated	Half year ended June 30, 2019	Half year ended June 30, 2018 Restated
----- (Rupees in '000) -----					
Profit after taxation	4.1	3,283,612	2,928,632	6,483,614	6,222,711
Other comprehensive income					
Items that may be reclassified to profit and loss account in subsequent periods:					
Effect of translation of net investment in foreign branches		2,256,162	732,272	2,440,732	1,089,818
Movement in (deficit) / surplus on revaluation of investments - net of tax		(118,234)	(1,462,943)	538,928	(1,773,147)
		2,137,928	(730,671)	2,979,660	(683,329)
Items that will not be reclassified to profit and loss account in subsequent periods:					
Movement in (deficit) / surplus on revaluation of operating fixed assets - net of tax		(42,583)	(8,068)	(49,372)	(16,130)
Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax		(305)	(294)	(607)	(585)
		(42,888)	(8,362)	(49,979)	(16,715)
Total comprehensive income		5,378,652	2,189,599	9,413,295	5,522,667
Total comprehensive income attributable to:					
Equity holders of the Bank		5,367,480	2,172,715	9,381,925	5,480,361
Non-controlling interest		11,172	16,884	31,370	42,306
		5,378,652	2,189,599	9,413,295	5,522,667

The annexed notes 1 to 44 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



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

For the half year ended June 30, 2019

	Capital Reserves				Statutory reserve	Revenue Reserves Employee share option compensation reserve	Surplus/(Deficit) on revaluation		Unappropriated profit	40000		
	Share capital	Reserve for issue of bonus shares	Share premium	Exchange translation reserve			Investments	Fixed / Non Banking Assets		Sub-total	Non Controlling Interest	Total
(Rupees in '000)												
Balance as at January 01, 2018	16,075,720	-	4,612,991	2,076,807	11,994,345	72,526	2,658,141	4,651,231	24,784,242	66,326,003	422,781	66,748,784
Changes in equity for the quarter ended June 30, 2018												
Profit after taxation	-	-	-	-	-	-	-	-	6,180,300	6,180,300	42,411	6,222,711
Other comprehensive income - net of tax	-	-	-	1,089,888	-	-	(1,773,042)	-	-	(683,224)	(105)	(683,329)
Transfer to statutory reserve	-	-	-	-	1,207,792	-	-	-	(1,207,792)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(16,715)	16,715	-	-	-
Transactions with owners, recorded directly in equity												
Final cash dividend for the year ended December 31, 2017 at 15%	-	-	-	-	-	-	-	-	(2,411,358)	(2,411,358)	-	(2,411,358)
Amortisation of deferred employee compensation expense	-	-	-	-	-	7,363	-	-	-	7,363	-	7,363
Shares issued under stock option scheme during the period	54,852	-	27,637	-	-	-	-	-	-	82,489	-	82,489
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-	-	-
Balance as at June 30, 2018	16,130,572	-	4,695,600	3,166,625	12,602,137	24,917	885,099	4,634,516	27,362,107	69,501,573	465,087	69,966,660
Changes in equity for nine months ended December 31, 2018												
Profit after taxation	-	-	-	-	-	-	-	-	4,718,545	4,718,545	50,019	4,768,564
Other comprehensive income - net of tax	-	-	-	1,884,824	-	-	(835,192)	2,721,888	122,841	3,894,361	(349)	3,894,012
Transfer to statutory reserve	-	-	-	-	670,978	-	-	-	(670,978)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(17,184)	17,184	-	-	-
Transactions with owners, recorded directly in equity												
Shares issued during the year	1,613,057	(1,613,057)	-	-	-	-	-	-	-	-	-	-
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	-	-	(1,613,057)	-	-	-
Interim cash dividend for the half year ended June 30, 2018 at 10%	-	-	-	-	-	-	-	-	(1,613,057)	(1,613,057)	-	(1,613,057)
Amortisation of deferred employee compensation expense	-	-	-	-	-	5,673	-	-	-	5,673	-	5,673
Balance as at December 31, 2018	17,743,629	-	4,695,600	5,051,449	13,273,115	30,590	49,907	7,339,220	28,323,585	76,507,095	514,757	77,021,852
Changes in equity for the period ended June 30, 2019												
Profit after taxation	-	-	-	-	-	-	-	-	6,451,823	6,451,823	31,791	6,483,614
Other comprehensive income - net of tax	-	-	-	2,440,732	-	-	539,349	(17,208)	-	2,962,873	(421)	2,962,452
Transfer to statutory reserve	-	-	-	-	620,896	-	-	-	(620,896)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(32,771)	32,771	-	-	-
Transactions with owners, recorded directly in equity												
Final cash dividend for the year ended December 31, 2018 at 15%	-	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)	-	(2,661,544)
Reversal of amortisation of deferred employee compensation expense	-	-	-	-	-	(5,201)	-	-	-	(5,201)	-	(5,201)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	-	157,500	157,500
Cost of issuance of shares by the subsidiary company	-	-	-	-	-	-	-	-	(15,299)	(15,299)	(9,701)	(25,000)
Movement in reserves due to capital injection by non-controlling interest	-	-	-	-	-	-	-	-	47,035	47,035	(47,035)	-
Shares issued during the period	28,022	-	10,060	-	-	-	-	-	-	38,082	-	38,082
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	25,389	-	-	(25,389)	-	-	-	-	-	-
Balance as at June 30, 2019	17,771,651	-	4,731,049	7,492,181	13,894,011	-	589,256	7,289,241	31,557,475	83,324,864	646,891	83,971,755

The annexed notes 1 to 44 form an integral part of these consolidated condensed interim financial statements.

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2019

Note	Half year ended	
	June 30, 2019	June 30, 2018
4.1	Restated ----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
	11,824,113	10,310,986
Profit before taxation		
Dividend income	(169,777)	(172,804)
Share of profit from associates	(342,227)	(336,373)
	<u>11,312,109</u>	<u>9,801,809</u>
Adjustments		
Depreciation	1,660,477	875,379
Amortisation	247,747	246,914
Provisions and write offs - net	979,828	(850,456)
Unrealised loss on revaluation of investments classified as held for trading - net	20,351	95,661
Gain on sale of operating fixed assets - net	(108,845)	(121,616)
Finance charge on leased assets	743,998	-
Workers' Welfare Fund	257,210	194,400
Charge for defined benefit plan	76,065	108,084
	<u>3,876,831</u>	<u>548,366</u>
	<u>15,188,940</u>	<u>10,350,175</u>
Decrease / (increase) in operating assets		
Lendings to financial institutions	26,078,364	25,692,236
Held for trading securities	5,221,644	(35,854,066)
Advances	7,877,800	(78,578,482)
Other assets (excluding advance taxation)	(13,047,352)	270,578
	<u>26,130,456</u>	<u>(88,469,734)</u>
(Decrease) / increase in operating liabilities		
Bills payable	(15,838,325)	(2,115,653)
Borrowings	(48,137,668)	(9,029,678)
Deposits	37,699,729	14,654,379
Other liabilities (excluding current taxation)	9,995,859	(1,770,665)
	<u>(16,280,405)</u>	<u>1,738,383</u>
	<u>25,038,991</u>	<u>(76,381,176)</u>
Contribution made to gratuity fund	-	-
Income tax paid	(1,875,325)	(3,230,208)
Net cash generated from / (used in) operating activities	<u>23,163,666</u>	<u>(79,611,384)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	27,318,179	74,885,314
Net investments in held-to-maturity securities	(4,934,645)	3,404,406
Investment in associated companies	24,374	(44,566)
Dividends received from associates	27,324	-
Dividends received	162,544	273,320
Investments in operating fixed assets	(1,543,409)	(576,545)
Proceed from sale proceeds of fixed assets	382,965	382,556
Effect of translation of net investment in foreign branches	2,440,726	1,089,818
Net cash generated from investing activities	<u>23,878,058</u>	<u>79,414,303</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Redemption) / issuance of sub-ordinated debt	(1,000)	6,999,000
Payment of leased obligations	(1,615,689)	-
Issue of share capital	38,082	82,489
Dividend paid	(2,667,838)	(2,387,785)
Net cash (used in) / generated from financing activities	<u>(4,246,445)</u>	<u>4,693,704</u>
Increase in cash and cash equivalents	<u>42,795,279</u>	<u>4,496,623</u>
Cash and cash equivalents at beginning of the year	105,627,461	96,149,218
Effects of exchange rate changes on cash and cash equivalents	(5,089,430)	(2,488,862)
	<u>100,538,031</u>	<u>93,660,356</u>
Cash and cash equivalents at end of the period	<u>143,333,310</u>	<u>98,156,979</u>

The annexed notes 1 to 44 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2019

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company: Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 01, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and its shares are listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank is operating through 644 branches (December 31, 2018: 624 branches) and 24 sub-branches (December 31, 2018: 25 sub-branches). Out of these, 479 (December 31, 2018: 462) are conventional, 154 (December 31, 2018: 151) are Islamic, 10 (December 31, 2018: 10) are overseas and 1 (December 31, 2018: 1) is an offshore banking unit.

Subsidiaries

	Percentage of Holding	
	June 2019	December 2018
Alfalah Securities (Private) Limited, Pakistan	61.20%	97.91%
Alfalah GHP Investment Management Limited, Pakistan	40.22%	40.22%

1.2 In addition the Group maintains investments in the following:

Associates

Alfalah Insurance Company Limited	30%	30%
Sapphire Wind Power Company Limited	30%	30%
TriconBoston Consulting Corporation (Private) Limited	9.25%	9.25%

Investment in mutual funds established under trust structure not consolidated as subsidiaries - Note 2.4

Alfalah GHP Islamic Pension Fund	25.96%	29.76%
Alfalah GHP Pension Fund	25.32%	24.94%
Alfalah GHP Money Market Fund	0.00%	0.80%
Alfalah GHP Income Fund	23.75%	20.51%
Alfalah GHP Sovereign Fund	18.35%	3.22%
Alfalah GHP Income Multiplier Fund	0.0008%	0.0004%
Alfalah GHP Islamic Income Fund	0.05%	0.05%
Alfalah GHP Cash Fund	0.00%	4.02%


2 BASIS OF PRESENTATION

2.1 These consolidated condensed interim financial statements represent financial statements of Holding Company - Bank Alfalah Limited and its subsidiaries. The assets and liabilities of subsidiaries have been consolidated on a line-by-line basis and the investment held by the holding company is eliminated against the corresponding share capital of subsidiaries in these consolidated condensed interim financial statements.

2.2 STATEMENT OF COMPLIANCE

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

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



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

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

SBP, vide its email dated July 23, 2019, has deferred the applicability of IFRS 9 'Financial Instrument' for the Bank. Further, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector in Pakistan.

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

2.3 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with investee and has the ability to effect those return through its power over the investee.

These consolidated condensed interim financial statements incorporate the financial statements of subsidiaries from the date that control commences until the date that control ceases.

Associates are those entities on which the Group has significant influence, but not control, over the financial and operating policies. Associates as well as investment in mutual funds established under trust structure (not consolidated as subsidiaries) are accounted for using the equity method.

Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries which are not owned by the Holding Company. Material intra-group balances and transactions are eliminated.

2.4 The Group has investment in mutual funds established under Trust structure, which are subsidiaries of the Group under IFRS 10, but have not been considered for the purposes of consolidation in accordance with the directives issued by the Securities and Exchange Commission of Pakistan (SECP) through S.R.O 56(I) /2016 dated January 28, 2016. The said SRO states that the requirements of consolidation under the Companies Act 2017 and IFRS 10 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, for the purposes of Consolidated Financial Statements of the Group, the investments in these funds have been accounted for as associates as explained in note 2.3 to these consolidated financial statements.

2.5 Key financial figures of the Islamic Banking branches are disclosed in note 42 to the unconsolidated condensed interim financial statements.

2.6 The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim consolidated financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.



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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 01, 2019 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated condensed interim financial statements.

2.7 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
Definition of Material - Amendments to IAS 1 and IAS 8	January 01, 2020
The Conceptual Framework for Financial Reporting	January 01, 2020
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
The above standards, amendments and interpretations are not expected to have any material impact on the Group's financial statements in the period of initial application.	
Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.	

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

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated condensed interim financial statements have been prepared under the historical cost convention except for certain fixed assets and non banking assets acquired in satisfaction of claims are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments are measured at fair value and defined benefit obligations are carried at present value.

3.2 Functional and Presentation Currency

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the financial statements of the Group for the year ended December 31, 2018 except as disclosed below.

Changes in accounting policies

4.1 Change in reporting format

The SBP vide BPRD Circular Letter No.5 dated March 22, 2019 specified the new reporting format for the quarterly and half yearly financial statements of banking companies. The new format has revised the disclosure requirements of the Group for the half year ended June 30, 2019 which has resulted in certain additional disclosures and reclassifications of the items in these consolidated condensed interim financial statements.

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

4.2 Adoption of IFRS 16 - 'Leases'

International Accounting Standards Board (IASB) has issued IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is a lessor.

The Bank has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

'Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

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

Right-of-use (RoU) assets

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

Lease liability

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

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/ (decrease)) is as follows:

	January 1, 2019
	Rupees in '000
Assets	
Right-of-use (RoU) asset	9,294,254
Prepayments	<u>(589,476)</u>
Total assets	<u><u>8,704,778</u></u>
Liabilities	
Lease liability	<u><u>8,704,778</u></u>

The carrying amounts of the Bank's right-of-use assets, lease liabilities and themovements during the period is as below:

	June 30, 2019	
	RoU asset	Lease liability
	Rupees in '000	
As at January 1, 2019	9,294,254	8,704,777
Depreciation	(878,180)	-
Borrowing cost	-	743,989
Payments	-	<u>(1,054,393)</u>
As at June 30, 2019	<u><u>8,416,074</u></u>	<u><u>8,394,373</u></u>

Had this standard not been applied, assets and liabilities would have been lower by Rs.8,416.073 million and Rs.8,394.373 million respectively. Rent expense would have been higher by Rs.1,004.607 million and depreciation charge and mark-up expense would have been lower by Rs.878.180 million and Rs.743.988 million respectively.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim consolidated financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

6 FINANCIAL RISK MANAGEMENT

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



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

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	15,029,089	11,801,739
Foreign currency	3,269,441	5,711,022
	18,298,530	17,512,761
With State Bank of Pakistan in		
Local currency current account	49,760,612	31,122,141
Foreign currency current account	5,996,282	4,413,423
Foreign currency deposit account	14,835,474	10,931,812
	70,592,368	46,467,376
With other central banks in		
Foreign currency current account	7,218,732	2,733,265
Foreign currency deposit account	1,623,882	744,879
	8,842,614	3,478,144
With National Bank of Pakistan in local currency current account	9,170,409	14,931,225
Prize bonds	1,403,603	18,230
	108,307,524	82,407,736

8 BALANCES WITH OTHER BANKS

In Pakistan in current account		
In current account	285,250	457,760
In deposit account	39,367	11,184
	324,617	468,944
Outside Pakistan		
In current account	7,637,162	2,184,134
In deposit account	1,278,958	1,258,476
	8,916,120	3,442,610
	9,240,737	3,911,554

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	27,160,438	15,166,288
Repurchase agreement lendings (Reverse Repo)	2,294,465	37,214,313
Bai Muajjal receivable		
with State Bank of Pakistan	12,088,768	-
with other financial institutions	6,546,695	9,811,504
	18,635,463	9,811,504
	48,090,366	62,192,105
Less: Expected credit loss - overseas branches	(2,604)	(19,818)
Lending to financial institutions - net of provision	48,087,762	62,172,287

10 INVESTMENTS

10.1 Investments by type:

	June 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- (Rupees in '000) -----								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	41,650,479	-	(13,182)	41,637,297	45,898,957	-	(13,261)	45,885,696
Pakistan Investment Bonds	-	-	-	-	1,209,673	-	(13,174)	1,196,499
Shares								
Fully paid up ordinary shares / units - Listed	213,579	-	(11,062)	202,517	164,797	-	(23,227)	141,570
Foreign Securities								
Overseas Bonds - Sovereign	446,913	-	3,893	450,806	302,699	-	6,151	308,850
	42,310,971	-	(20,351)	42,290,620	47,576,126	-	(43,511)	47,532,615
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	79,882,058	-	(57,033)	79,825,025	114,893,151	-	(40,902)	114,852,249
Pakistan Investment Bonds	42,205,450	-	(279,038)	41,926,412	26,490,800	-	(464,211)	26,026,589
Government of Pakistan Sukuks	5,325,339	-	42,676	5,368,015	15,726,083	-	(120,264)	15,605,819
Government of Pakistan Euro Bonds	2,015,685	-	15,009	2,030,694	2,440,076	-	(134,045)	2,306,031
Shares								
Fully paid up ordinary shares - Listed	7,333,750	(837,155)	1,148,195	7,644,790	7,390,808	(22,383)	718,558	8,086,983
Fully paid up ordinary shares - Unlisted	382,055	(59,661)	-	322,394	382,055	(59,661)	-	322,394
Preference Shares - Listed	108,835	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities								
Term Finance Certificates	1,529,923	(385,513)	(13,020)	1,131,390	1,504,126	(359,706)	(12,071)	1,132,349
Sukuks	4,403,654	(96,511)	107,639	4,414,782	4,775,082	(96,510)	323,930	5,002,502
Foreign Securities								
Overseas Bonds - Sovereign	1,657,853	-	44,784	1,702,637	1,357,353	-	(49,426)	1,307,927
Overseas Bonds - Others	11,660,443	-	180,870	11,841,313	9,147,217	-	(223,671)	8,923,546
Redeemable Participating Certificates	2,755,285	-	-	2,755,285	2,362,923	-	-	2,362,923
	159,285,330	(1,512,675)	1,190,082	158,962,737	186,603,509	(672,095)	(2,102)	185,929,312
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	24,026,455	-	-	24,026,455	26,280,990	-	-	26,280,990
Government of Pakistan Euro Bonds	-	-	-	-	243,011	-	-	243,011
Other Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215
Non Government Debt Securities								
Term Finance Certificates	524,266	(524,266)	-	-	524,266	(524,266)	-	-
Sukuks	1,961,653	(127,308)	-	1,834,345	2,689,965	(141,399)	-	2,548,566
Foreign Securities								
Overseas Bonds - Sovereign	13,146,103	-	-	13,146,103	8,185,947	-	-	8,185,947
Overseas Bonds - Others	796,917	-	-	796,917	690,721	-	-	690,721
	47,671,760	(651,574)	-	47,020,186	42,737,115	(665,665)	-	42,071,450
Associates (valued at equity method)								
Alfalah Insurance Company Limited	361,005	-	-	361,005	340,921	-	-	340,921
Sapphire Wind Power Company Limited	2,018,359	-	-	2,018,359	1,905,883	-	-	1,905,883
TriconBoston Consulting Corporation (Pvt) Limited	976,249	-	-	976,249	793,893	-	-	793,893
Alfalah GHP Money Market Fund	-	-	-	-	298,913	-	-	298,913
Alfalah GHP Income Multiplier Fund	7	-	-	7	6	-	-	6
Alfalah GHP Sovereign Fund	430,616	-	-	430,616	75,600	-	-	75,600
Alfalah GHP Income Fund	163,242	-	-	163,242	157,437	-	-	157,437
Alfalah GHP Islamic Income Fund	6,032	-	-	6,032	5,827	-	-	5,827
Alfalah GHP Pension Fund	87,664	-	-	87,664	86,881	-	-	86,881
Alfalah GHP Islamic Pension Fund	85,040	-	-	85,040	85,951	-	-	85,951
Alfalah GHP Cash Fund	-	-	-	-	10,300	-	-	10,300
	4,128,213	-	-	4,128,213	3,761,612	-	-	3,761,612
General provision and expected credit loss-								
Overseas operations	-	(22,561)	-	(22,561)	-	(43,258)	-	(43,258)
Total Investments	253,396,274	(2,186,810)	1,169,731	252,379,195	280,678,362	(1,381,018)	(45,613)	279,251,731



10.2 Investments given as collateral	Note	(Un-audited)	(Audited)
		June 30,	December 31,
		2019	2018
		----- (Rupees in 000) -----	
Market Treasury Bills		6,612,474	39,445,702
Pakistan Investment Bonds		2,012,100	15,854,600
Government of Pakistan Sukuks		800,261	-
Overseas Bonds		3,988,458	4,818,676
Sukuk Bonds		2,078,225	3,885,659
		<u>15,491,518</u>	<u>64,004,637</u>

Market value of securities given as collateral is Rs. 15,562.797 million (December 31, 2018: Rs. 63,858.995 million).

10.3 Provision for diminution in value of investments

10.3.1 Opening balance		1,381,018	1,427,028
Afghanistan operations classified as continuing operations	23	583	-
Exchange and other adjustments		3,620	13,876
Charge / reversals			
Charge for the period / year		840,578	85,766
Reversals for the period / year		(38,989)	(98,073)
Reversal on disposals		-	-
		801,589	(12,307)
Transfers - net		-	(3,947)
Amounts written off		-	(43,632)
Closing balance		<u>2,186,810</u>	<u>1,381,018</u>

10.3.2 Particulars of provision against debt securities

Category of classification	June 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
	NPI	Provision	NPI	Provision
Domestic	----- (Rupees in '000) -----			
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,133,598	1,133,598	1,121,881	1,121,881
	<u>1,133,598</u>	<u>1,133,598</u>	1,121,881	1,121,881
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	<u>1,133,598</u>	<u>1,133,598</u>	1,121,881	1,121,881

10.3.3 The market value of securities classified as held-to-maturity as at June 30, 2019 amounted to Rs. 45,758.624 million (December 31, 2018: Rs. 40,750.384 million).

11 ADVANCES

Note	Performing		Non Performing		Total	
	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.	403,644,193	402,388,697	16,197,003	17,286,103	419,841,196	419,674,800
Islamic financing and related assets	72,290,005	85,660,964	1,558,584	1,393,959	73,848,589	87,054,923
Bills discounted and purchased	17,233,451	11,524,510	176,687	143,478	17,410,138	11,667,988
Advances - gross	493,167,649	499,574,171	17,932,274	18,823,540	511,099,923	518,397,711
Provision against advances						
- Specific	11.4	-	(15,993,140)	(15,884,669)	(15,993,140)	(15,884,669)
- General	11.4	(973,046)	-	-	(973,046)	(873,315)
		(973,046)	(15,993,140)	(15,884,669)	(16,966,186)	(16,757,984)
Advances - net of provision	492,194,603	498,700,856	1,939,134	2,938,871	494,133,737	501,639,727

11.1 Advances include an amount of Rs.124.28 million (December 31, 2018: Rs. 82.95 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OSED departments. These loans carry mark-up at the rates ranging from 9.46% to 23.48% (December 31, 2018: 9.46% to 20.30%) with maturities up to May 2039 (December 31, 2018: December 2038).

11.2 Particulars of advances (Gross)	(Un-audited)	(Audited)
	June 30, 2019	December 31, 2018
	----- (Rupees in '000) -----	
In local currency	482,590,452	493,638,878
In foreign currencies	28,509,471	24,758,833
	511,099,923	518,397,711

11.3 Advances include Rs. 17,932.274 million (December 31, 2018: Rs. 18,823.540 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	----- (Rupees in '000) -----			
Domestic				
Other Assets Especially Mentioned	191,146	6,720	104,121	3,330
Substandard	1,671,942	389,764	3,077,658	762,678
Doubtful	571,718	278,999	552,920	235,663
Loss	14,938,188	14,871,480	14,591,887	14,518,782
	17,372,994	15,546,963	18,326,586	15,520,453
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	42,787	3,536
181 to 365 days	8,640	1,772	104,384	46,637
> 365 days	550,640	444,405	349,783	314,043
	559,280	446,177	496,954	364,216
Total	17,932,274	15,993,140	18,823,540	15,884,669



11.4 Particulars of provision against advances

	June 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	15,884,669	873,315	16,757,984	15,685,041	868,035	16,553,076
Exchange and other adjustments	54,255	22,522	76,777	62,512	2,944	65,456
Charge for the year	1,238,665	77,209	1,315,874	3,007,907	2,336	3,010,243
Reversals	(1,061,740)	-	(1,061,740)	(2,631,522)	-	(2,631,522)
	176,925	77,209	254,134	376,385	2,336	378,721
Amounts written off	(105,667)	-	(105,667)	(179,305)	-	(179,305)
Amounts charged off - agriculture financing	(17,042)	-	(17,042)	(59,964)	-	(59,964)
	(122,709)	-	(122,709)	(239,269)	-	(239,269)
Closing balance	15,993,140	973,046	16,966,186	15,884,669	873,315	16,757,984

11.4.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at June 30, 2019 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 70.71 million (December 31, 2018: Rs. 30.106 million).

11.4.2 General provision includes provision against consumer loans being maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio. Provision against Small Enterprises (SE) portfolio is being maintained at an amount equal to 1% against unsecured performing SE portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operate.

11.4.3 Exposure amounting to Rs. 3,576.38 million (December 31, 2018 : Rs. Nil) relating to certain non performing facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, had not been classified as non-performing, pursuant to a relaxation given by SBP in this respect.

11.4.4 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

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

12 FIXED ASSETS

Capital work-in-progress	12.1	473,467	175,339
Property and equipment	12.2	18,179,058	18,141,703
Right-of-use assets	4.2	8,416,073	-
		<u>27,068,598</u>	<u>18,317,042</u>

12.1 Capital work-in-progress

Civil works	333,883	115,840
Equipment	135,221	55,670
Advances to suppliers	1,075	1,075
Others	3,288	2,754
	<u>473,467</u>	<u>175,339</u>

12.2 It includes land and building carried at revalued amount of Rs. 13,665.657 million (December 31, 2018: Rs. 13,907.251 million).

12.3 Additions to fixed assets

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

	(Un-audited)	
	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
Capital work-in-progress - net of transferred out for capitalisation	298,128	39,932
Property and equipment		
Building on Freehold land	8,916	795
Building on Leasehold land	14,042	21,267
Lease hold improvement	40,645	24,860
Furniture and fixture	14,497	18,711
Office equipment	927,619	408,918
Vehicles	15,596	10,139
	1,021,315	484,690
Total additions to fixed assets	1,319,443	524,622

12.4 Disposal of fixed assets

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

Leasehold land	192,500	242,489
Building on leasehold	2,700	-
Leasehold improvements	307	12,367
Furniture and fixture	6,169	2,727
Office equipment	65,289	4,611
Vehicles	7,155	1,241
Total disposal of fixed assets	274,120	263,435

13 INTANGIBLE ASSETS

Capital work-in-progress / advance payment to suppliers
Software / membership card

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
	----- (Rupees in '000) -----	
Capital work-in-progress / advance payment to suppliers	194,374	180,901
Software / membership card	1,099,637	1,136,370
	1,294,011	1,317,271

13.1 Additions to intangible assets

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

Capital work-in-progress - net of transferred out for capitalisation	13,473	(17,924)
Directly purchased	210,493	122,666
Total additions to intangible assets	223,966	104,742

13.2 There were no disposals during the periods ended June 30, 2019 and June 30, 2018.



	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
-----Rupees in '000-----			
14 OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		14,484,524	11,880,512
Income / mark-up accrued in foreign currency - net of provision		704,648	538,855
Advances, deposits, advance rent and other prepayments		3,230,236	2,663,485
Advance taxation (payments less provisions)		-	90,885
Non-banking assets acquired in satisfaction of claims	14.1	608,827	615,517
Dividend receivable		10,001	2,768
Mark to market gain on forward foreign exchange contracts		13,834,311	4,519,604
Mark to market gain on derivatives		32,512	68,224
Stationery and stamps on hand		29,176	37,631
Defined benefit plan		853,731	923,633
Branch adjustment account		20,641	311,104
Accounts receivable		1,000,654	1,393,630
Receivable against fraud and forgeries		167,364	206,651
Acceptances		16,683,628	13,319,265
Others		274,428	195,906
		<u>51,934,681</u>	<u>36,767,670</u>
Less: Provision held against other assets	14.2	(909,141)	(928,885)
Other assets (net of provision)		51,025,540	35,838,785
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		158,596	159,530
		<u>51,184,136</u>	<u>35,998,315</u>

14.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 752.968 million (December 31, 2018: Rs. 757.092 million).

14.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments	894,686	910,930
Non banking assets acquired in satisfaction of claims	14,455	17,955
	<u>909,141</u>	<u>928,885</u>

14.2.1 Movement in provision held against other assets

Opening balance	928,885	692,236
Afghanistan operations classified as continuing operations	23	2,998
Charge for the period / year	66,515	421,760
Reversals	(5,400)	(10,416)
Amount written off	(86,118)	(144,945)
Exchange and other adjustments	2,261	(29,750)
Closing balance	<u>909,141</u>	<u>928,885</u>

15 BILLS PAYABLE

	(Un-audited) June 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----		
In Pakistan	19,770,055	35,825,039
Outside Pakistan	379,845	163,186
	20,149,900	35,988,225

16 BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Under Export Refinance Scheme

Under Long-Term Finance Facility

Under Financing Facility for Storage of Agriculture Produce (FFSAP)

Under Repurchase Agreement Borrowings

28,762,611	26,344,557
13,639,409	11,199,254
272,044	263,033
-	35,962,700
42,674,064	73,769,544

Repurchase agreement borrowings

Bai Muajjal

Other short term borrowings

Total secured

12,840,174	11,163,509
2,151,984	19,254,058
27,534	279,494
57,693,756	104,466,605

Unsecured

Call borrowings

Overdrawn nostro accounts

Bai Muajjal

Others - Pakistan Mortgage Refinance and KarandaaZ

Total unsecured

16,448,634	14,951,967
1,375,389	947,547
-	3,014,836
790,130	636,780
18,614,153	19,551,130

76,307,909	124,017,735
-------------------	--------------------

17 DEPOSITS AND OTHER ACCOUNTS

June 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
------(Rupees in '000)-----					

Customers

Current deposits

Savings deposits

Term deposits

Others

278,751,006	74,414,619	353,165,625	253,826,090	31,077,261	284,903,351
184,111,980	36,261,094	220,373,074	182,286,764	29,222,301	211,509,065
86,617,039	38,560,017	125,177,056	103,144,924	42,383,783	145,528,707
11,001,829	3,199,075	14,200,904	10,007,520	1,920,061	11,927,581
560,481,854	152,434,805	712,916,659	549,265,298	104,603,406	653,868,704

Financial Institutions

Current deposits

Savings deposits

Term deposits

Others

1,930,285	502,068	2,432,353	2,130,211	533,400	2,663,611
21,497,811	50,798	21,548,609	30,581,127	53,409	30,634,536
2,429,066	1,203,809	3,632,875	14,220,573	1,401,959	15,622,532
15,886	472	16,358	47,926	9,816	57,742
25,873,048	1,757,147	27,630,195	46,979,837	1,998,584	48,978,421
586,354,902	154,191,952	740,546,854	596,245,135	106,601,990	702,847,125



		(Un-audited) June 30, 2019	(Audited) December 31, 2018
		------(Rupees in '000)-----	
18 SUBORDINATED DEBT			
18.1 Term Finance Certificates V - Quoted, Unsecured		4,988,000	4,989,000
Issue amount	Rs. 5,000,000,000		
Issue date	February 2013		
Maturity date	February 2021		
Rating	"AA-" (Double A Minus) by Pakistan Credit Rating Company Limited ("PACRA").		
Security	Unsecured.		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.		
Mark-up	Base Rate + 1.25 percent. Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the mark-up due at the end of that period.		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Call option	There is no call option available to the Bank.		
18.2 Term Finance Certificates - Additional Tier-I - Quoted, Unsecured			
Issue amount	Rs. 7,000,000,000	7,000,000	7,000,000
Issue date	March 2018		
Maturity date	Perpetual.		
Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.		
Security	Unsecured.		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	Perpetual.		
Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date.		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event; (ii) the point of non-viability Trigger Event; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.		
Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.		
		11,988,000	11,989,000

19 DEFERRED TAX LIABILITIES

Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----		
Deductible Temporary Differences on:		
- Provision against investments	(462,770)	(168,568)
- Provision against advances	(234,067)	(266,938)
- Provision against other assets	(247,146)	(224,973)
- Provision against lending to financial institutions	(5,720)	(5,720)
- Ijarah depreciation taxed	(16,690)	(16,690)
- Unrealised loss on revaluation of HFT investments	(7,122)	(14,532)
	(973,515)	(697,421)
Taxable Temporary Differences on:		
- Surplus on revaluation of fixed assets	1,320,130	1,329,184
- Surplus on revaluation of investments	414,701	(2,882)
- Share of profit from associates	538,895	428,524
- Accelerated tax depreciation	1,233,028	1,286,460
- Exchange translation reserve	-	156,232
	3,506,754	3,197,518
	2,533,239	2,500,097

20 OTHER LIABILITIES

Mark-up / return / interest payable in local currency	1,829,994	2,108,495
Mark-up / return / interest payable in foreign currency	729,220	610,511
Unearned commission and income on bills discounted and guarantees	270,455	220,584
Accrued expenses	4,272,597	4,206,509
Current taxation	4,528,737	926,956
Acceptances	16,683,628	13,319,265
Dividends payable	77,935	84,229
Mark to market loss on forward foreign exchange contracts	6,386,599	970,502
Mark to market loss on derivatives	115,031	1,169
Provision for compensated absences	558,010	498,010
Payable against redemption of customer loyalty / reward points	325,962	274,076
Charity payable	261	20
Provision against off-balance sheet obligations	20.1 91,777	78,450
Security deposits against leases, lockers and others	7,119,679	6,808,459
Workers' Welfare Fund	1,236,872	979,662
Payable to vendors and suppliers	1,309,570	606,480
Indirect taxes payable	533,084	563,970
Liabilities against assets subject lease	4.2 8,394,373	-
Others	1,734,259	1,548,375
	56,198,043	33,805,722

20.1 Provision against off-balance sheet obligations

Opening balance	78,450	65,463
Exchange and other adjustments	12,566	13,759
Charge for the period	761	-
Reversals	-	(772)
	761	(772)
Closing balance	91,777	78,450



21 SHARE CAPITAL

21.1 Authorized Capital

(Un-audited) June 30, 2019 ----- (Number of shares)-----	(Audited) December 31, 2018 ----- (Number of shares)-----	(Un-audited) June 30, 2019 ----- (Rupees in '000)-----	(Audited) December 31, 2018 ----- (Rupees in '000)-----
<u>2,300,000,000</u>	<u>2,300,000,000</u>	<u>23,000,000</u>	<u>23,000,000</u>

Ordinary shares of Rs. 10 each

21.2 Issued, subscribed and paid up Capital

		(Un-audited) June 30, 2019 ----- (Rupees in '000)-----	(Audited) December 31, 2018 ----- (Rupees in '000)-----
	Ordinary shares		
<u>891,453,153</u>	888,650,908	<u>8,914,531</u>	8,886,509
<u>885,711,966</u>	885,711,966	<u>8,857,120</u>	8,857,120
	Fully paid in cash		
	Issued as bonus shares		
<u>1,777,165,119</u>	<u>1,774,362,874</u>	<u>17,771,651</u>	<u>17,743,629</u>

During the period, the Bank issued 2,802,245 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS).

22 SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of

- Available for sale securities
- Fixed assets
- Non-banking assets acquired in satisfaction of claims
- Surplus on revaluation of investment held for sale in Afghanistan

Note	(Un-audited) June 30, 2019 ----- (Rupees in '000)-----	(Audited) December 31, 2018 ----- (Rupees in '000)-----
10.1	<u>1,190,082</u>	(2,102)
	<u>8,450,772</u>	8,508,874
	<u>158,596</u>	159,530
	-	303
	<u>9,799,450</u>	8,666,605

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities
- Fixed assets
- Non-banking assets acquired in satisfaction of claims
- Surplus on revaluation of investment held for sale in Afghanistan

<u>414,701</u>	(2,943)
<u>1,289,800</u>	1,298,531
<u>30,327</u>	30,653
-	61
<u>1,734,828</u>	1,326,302

Derivatives

(186,418) 48,952

Surplus on revaluation of available for sale securities attributable to non controlling interest

293 (128)

7,878,497 7,389,127

23 ASSETS HELD FOR SALE

23.1 The Holding Company signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations in 2018 and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan. Accordingly, the aforesaid business was classified as "Asset held for sale". However, during the current period, the DAB vide its letter dated February 27, 2019 declined the application for approval. Consequently, the plan for the disposal has been withdrawn. In line with the requirements of IFRS 5 'Non-current assets held for sale and Discontinued Operations' the results of the Afghanistan operations previously presented in discontinued operations have been reclassified and included in income from continuing operations for all periods presented and the amounts presented for 'assets and liabilities held for sale' in the comparative statement of financial position have not been reclassified or re-presented.

23.2 The financial position of assets classified as held for sale are as follows:

STATEMENT OF FINANCIAL POSITION	(Audited) December 31, 2018 (Rupees in '000)
Assets held for sale	
Cash and balances with treasury banks	4,764,918
Balances with other banks	3,431,895
Lendings to financial institutions	10,470,354
Investments - net	4,596,965
Advances - net	224,090
Fixed assets	9,370
Other assets	91,897
	<u>23,589,489</u>
Liabilities directly associated with the assets held for sale	
Bills payable	4,549
Deposits and other accounts	20,287,651
Deferred tax liabilities	223
Other liabilities	142,973
	<u>20,435,396</u>

	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
----- (Rupees in '000) -----			
24 CONTINGENCIES AND COMMITMENTS			
-Guarantees	24.1	62,657,417	57,086,398
-Commitments	24.2	368,274,574	437,956,428
-Other contingent liabilities	24.3	10,303,342	13,222,064
		<u>441,235,333</u>	<u>508,264,890</u>
24.1 Guarantees:			
Financial guarantees		1,379,791	731,536
Performance guarantees		32,861,378	32,153,833
Other guarantees		28,416,248	24,201,029
		<u>62,657,417</u>	<u>57,086,398</u>
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		81,810,459	68,026,025
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	231,792,970	228,265,364
- forward government securities transactions	24.2.2	6,648,639	76,821,957
- derivatives	24.2.3	10,925,796	12,051,091
- forward lending	24.2.4	35,724,584	34,773,260
- operating leases	4.2	-	16,906,848
Commitments for acquisition of:			
- operating fixed assets		881,005	604,674
- intangible assets		491,121	507,209
		<u>368,274,574</u>	<u>437,956,428</u>



	Note	(Un-audited) June 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
24.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	153,596,099	140,128,603
	Sale	<u>78,196,871</u>	<u>88,136,761</u>
		<u>231,792,970</u>	<u>228,265,364</u>
24.2.2	Commitments in respect of forward government securities transactions		
	Purchase	4,351,044	39,518,422
	Sale	<u>2,297,595</u>	<u>37,303,535</u>
		<u>6,648,639</u>	<u>76,821,957</u>
24.2.3	Commitments in respect of derivatives		
24.2.3.1	Interest Rate Swaps		
	Purchase	8,194,668	10,650,708
	Sale	<u>-</u>	<u>-</u>
		<u>8,194,668</u>	<u>10,650,708</u>
24.2.3.2	Futures		
	Purchase	-	-
	Sale	<u>2,731,128</u>	<u>1,400,383</u>
		<u>2,731,128</u>	<u>1,400,383</u>
	Total commitments in respect of derivatives	<u>10,925,796</u>	<u>12,051,091</u>
24.2.4	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	24.2.4.1 30,263,689	29,428,567
	Commitments in respect of investments	<u>5,460,895</u>	<u>5,344,693</u>
		<u>35,724,584</u>	<u>34,773,260</u>

24.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

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

24.3 Other contingent liabilities

24.3.1 Claims against the Bank not acknowledged as debts

10,303,342 13,222,064

These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these consolidated condensed interim financial statements.

24.4 Contingency for tax payable

24.4.1 There were no tax related contingencies other than as disclosed in note 35.2.

25 DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.

25.1 Product Analysis

Counterparties	June 30, 2019 (Un-audited)					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
	----- (Rupees in '000) -----					
With Banks for Hedging	16	8,194,668	(65,805)	-	-	-
With FIs other than banks Hedging	-	-	-	144	2,731,128	(16,714)
Total Hedging	16	8,194,668	(65,805)	144	2,731,128	(16,714)

Counterparties	December 31, 2018 (Audited)					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
	----- (Rupees in '000) -----					
With Banks for Hedging	21	10,650,708	88,487	-	-	-
With FIs other than banks Hedging	-	-	-	88	1,400,383	(21,432)
Total Hedging	21	10,650,708	88,487	88	1,400,383	(21,432)



	Note	(Un-audited)	
		Half year ended	
		June 30, 2019	June 30, 2018
------(Rupees in '000)-----			
26 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		26,870,089	16,112,482
b) Investments		7,078,549	10,808,713
c) Lendings to financial institutions		2,584,211	748,779
d) Balances with banks		12,773	48,962
e) Securities purchased under resale agreements / Bai Muajjal		5,083,344	375,065
		<u>41,628,966</u>	<u>28,094,001</u>
27 MARK-UP/RETURN/INTEREST EXPENSED			
On:			
a) Deposits		15,564,102	8,575,512
b) Borrowings		1,494,293	621,659
c) Securities sold under repurchase agreements		612,817	2,704,332
d) Subordinated debt and ADT-1 instrument		672,448	447,310
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		1,568,988	344,598
f) Reward points		66,578	44,967
		<u>19,979,226</u>	<u>12,738,378</u>
28 FEE & COMMISSION INCOME			
Branch banking customer fees		648,964	770,769
Consumer finance related fees		122,691	107,841
Card related fees (debit and credit cards)		491,465	376,782
Credit related fees		61,891	99,608
Investment banking fees		104,624	103,773
Commission on trade		762,023	621,162
Commission on guarantees		186,730	212,890
Commission on cash management		18,194	8,802
Commission on remittances including home remittances		135,692	94,906
Commission on bancassurance		237,546	202,417
Card acquiring business		131,206	128,297
Wealth management fee		20,450	37,324
Commission on EOBi		57,503	52,083
Commission on BISP		175,301	111,522
Alternate Delivery Channel (ADC)		236,097	174,552
Brokerage / commission income		54,255	61,371
Management fee		192,622	210,247
Others		96,765	8,902
		<u>3,734,019</u>	<u>3,383,248</u>
29 (LOSS) / GAIN ON SECURITIES			
Realised	29.1	(42,743)	1,277,606
Unrealised - held for trading	10.1	(20,351)	(95,661)
		<u>(63,094)</u>	<u>1,181,945</u>
29.1 Realised (loss) / gain on:			
Federal Government Securities		(5,162)	1,174,909
Shares		(75,974)	97,790
Foreign securities		38,393	4,907
		<u>(42,743)</u>	<u>1,277,606</u>
30 OTHER INCOME			
Rent on property		12,541	11,507
Gain on sale of fixed assets-net		108,845	121,616
Profit from sale of leased assets		21,593	17,166
		<u>142,979</u>	<u>150,289</u>

31	OPERATING EXPENSES	Note	(Un-audited)	
			Half year ended	
			June 30, 2019	June 30, 2018
			------(Rupees in '000)-----	
	Total compensation expense	31.1	6,177,907	5,049,197
	Property expense			
	Rent and taxes		130,823	1,037,821
	Insurance		3,106	2,837
	Utilities cost		403,686	419,805
	Security (including guards)		303,579	322,387
	Repair and maintenance (including janitorial charges)		252,909	223,102
	Depreciation		1,076,143	222,996
			2,170,246	2,228,948
	Information technology expenses			
	Software maintenance		534,852	448,321
	Hardware maintenance		124,591	107,904
	Depreciation		174,014	200,903
	Amortisation		247,747	246,914
	Network charges		196,696	178,177
			1,277,900	1,182,219
	Other operating expenses			
	Directors' fees and allowances		130,376	54,484
	Fees and allowances to Shariah Board		3,900	3,360
	Legal and professional charges		97,815	151,768
	Outsourced services costs		523,854	669,621
	Travelling and conveyance		266,874	250,616
	Clearing and custodian charges		39,513	37,805
	Depreciation		410,320	451,480
	Training and development		52,526	41,980
	Postage and courier charges		177,984	108,581
	Communication		143,525	141,633
	Stationery and printing		251,858	219,188
	Marketing, advertisement and publicity		862,428	262,609
	Donations		1,580	22,994
	Auditors' remuneration		28,963	20,395
	Brokerage and Commission		98,769	72,145
	Entertainment		103,021	104,659
	Repairs and maintenance		186,608	131,797
	Insurance		605,216	294,001
	Cash handling charges		225,392	165,489
	CNIC verification		49,223	56,251
	Others		170,283	116,632
			4,430,028	3,377,488
			14,056,081	11,837,852
31.1	Total compensation expense			
	Managerial remuneration			
	i) Fixed		4,805,291	3,986,034
	ii) Variable:			
	a) Cash bonus / awards etc.		744,138	572,353
	b) Bonus and awards in shares etc.		(5,201)	7,363
	Charge for defined benefit plan		76,065	108,084
	Contribution to defined contribution plan		199,862	162,969
	Medical		77,897	5,347
	Conveyance		115,260	89,632
	Staff compensated absences		60,000	72,623
	Others		37,236	5,593
	Sub-total		6,110,548	5,009,998
	Sign-on bonus		53,398	37,850
	Severance allowance		13,961	1,349
	Grand Total		6,177,907	5,049,197



32 WORKERS' WELFARE FUND

Through Finance Act, 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged and conflicting judgments were rendered by various courts. Appeals against these orders were filed in the Honourable Supreme Court.

The Honourable Supreme Court of Pakistan vide its order dated November 10, 2016 held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue filed review petitions against the above judgment. These petitions are currently pending with the Honourable Supreme Court of Pakistan.

A legal advice was obtained by the Pakistan Banking Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the amount charged for Workers Welfare Fund since 2008 has not been reversed.

	Note	(Un-audited)	
		Half year ended	
		June 30, 2019	June 30, 2018
		------(Rupees in '000)-----	
33 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		109,292	1,154
34 PROVISIONS & WRITE OFFS - NET			
Provisions against lending to financial institutions		(20,095)	-
Provisions for diminution in value of investments	10.3.1	801,589	(82,742)
Provisions against loans & advances	11.4	254,134	(495,546)
Provision against other assets	14.2.1	61,115	(157,628)
Provision against off-balance sheet obligations	20.1	761	2,837
Recovery of written off / charged off bad debts		(117,676)	(117,377)
		979,828	(850,456)
35 TAXATION			
Current		4,964,404	4,324,912
Prior years	35.1	603,587	(219,843)
Deferred		(227,492)	(16,794)
		5,340,499	4,088,275

35.1 The Finance Act, 2018 had revised the applicability of super tax brought into effect through Finance Act, 2015 for rehabilitation of temporary displaced persons for Tax Years 2019, 2020 and 2021 at the rates of 4%, 3% and 2% respectively on the taxable income for respective years. However, Finance Supplementary (Second Amendment) Act, 2019 has levied super tax @ 4% on taxable income for the Tax Year 2018 (Accounting year 2017) retrospectively and same rate of 4% revised up to Tax Year 2021. Accordingly, in addition to the current tax charge of super tax, provision amounting to Rs.603 million also made for Tax Year 2018 (Accounting Year 2017) in these unconsolidated condensed interim financial statements.

- 35.2 a) The income tax assessments of the Bank have been finalized upto and including tax year 2018. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2014, 2017 and 2018, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs.789.862 million (December 31, 2018 : Rs.789.862 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.306.334 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) In respect of monitoring of withholding taxes, the Bank has received order from tax authorities. The Bank has not made provision amounting to Rs.24.920 million against tax demand for tax year 2019 as management is of the view that the matter will be settled in Bank's favour in appeals.
- c) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2018 : Rs.77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

	(Un-audited)	(Restated)
	June 30, 2019	June 30, 2018
	------(Rupees in '000)-----	
36 BASIC EARNINGS PER SHARE		
Profit for the period attributable to equity holders of the Bank	<u>6,451,823</u>	<u>6,180,300</u>
	------(Number of shares in '000)-----	
Weighted average number of ordinary shares	<u>1,775,230</u>	<u>1,772,970</u>
	------(Rupees)-----	
Basic earnings per share	<u>3.63</u>	<u>3.49</u>
37 DILUTED EARNINGS PER SHARE		
	------(Rupees in '000)-----	
Profit for the period attributable to equity holders of the Bank	<u>6,451,823</u>	<u>6,180,300</u>
	------(Number of shares in '000)-----	
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>1,775,230</u>	<u>1,775,170</u>
	------(Rupees)-----	
Diluted earnings per share	<u>3.63</u>	<u>3.48</u>



38 FAIR VALUE MEASUREMENTS

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

38.1 Fair value of financial instruments

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

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or 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 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, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	170,787,443	-	170,787,443
Shares	7,847,307	-	-	7,847,307
Non-Government Debt Securities	-	5,546,172	-	5,546,172
Foreign Securities	-	16,750,041	-	16,750,041
Others	-	-	-	-
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	13,834,311	-	13,834,311
Forward sale of foreign exchange	-	(6,386,599)	-	(6,386,599)
Derivatives purchases	-	32,512	-	32,512
Derivatives sales	-	(115,031)	-	(115,031)
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
- Investments				
Federal Government Securities	-	205,872,883	-	205,872,883
Shares	8,228,553	-	-	8,228,553
Non-Government Debt Securities	-	6,134,851	-	6,134,851
Foreign Securities	-	12,903,246	-	12,903,246
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	4,519,604	-	4,519,604
Forward sale of foreign exchange	-	(970,502)	-	(970,502)
Derivatives purchases	-	68,224	-	68,224
Derivatives sales	-	(1,169)	-	(1,169)

38.2 Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 12 and 14. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

38.3 The Holding Company'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 current period.

38.4 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in ordinary shares of listed companies.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuks, Overseas Government Sukuks, Overseas and Euro Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts, and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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.

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps and futures is determined using prices and curves through Bloomberg.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates. Floating rate PIBs are revalued using PKFRV rates.
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuks, debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Ordinary shares - listed	The fair value of investments in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Operating fixed assets and non banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these condensed interim consolidated financial statements.

39 SEGMENT INFORMATION
39.1 Segment details with respect to Business Activities

For the period ended June 30, 2019 (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
	(Rupees in '000)									
Profit and loss										
Net mark-up/return/profit	(2,152,420)	10,419,204	4,140,785	8,832,249	(2,090)	1,228,594	(3,587)	1,656	(814,651)	21,649,740
Inter segment revenue - net	14,282,004	(6,578,984)	(414,176)	(8,230,233)	222,579	139,389	-	-	579,421	-
Non mark-up/return/interest income	2,026,466	659,922	580,858	870,440	238,356	384,364	61,813	229,631	524,934	5,576,784
Total Income	14,156,050	4,500,142	4,307,467	1,472,456	458,845	1,752,347	58,226	231,287	289,704	27,226,524
Segment direct expenses	5,919,812	451,070	1,739,866	211,318	752,709	744,109	53,143	142,093	4,408,463	14,422,583
Inter segment expense allocation	2,790,450	375,698	673,568	127,590	375,698	96,858	-	-	(4,433,678)	-
Total expenses	8,710,262	826,768	2,413,434	338,908	1,122,223	840,967	53,143	142,093	(25,215)	14,422,583
Provisions / (reversals)	(116,403)	241,523	9,656	831,625	-	13,427	-	-	-	979,828
Profit before tax	5,562,191	3,431,851	1,884,377	301,923	(663,378)	897,953	5,083	89,194	314,919	11,824,113

As at June 30, 2019 (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
	(Rupees in '000)									
Balance sheet										
Cash and bank balances	51,695,190	9,524,218	25,667,434	13,537,514	531,565	16,501,667	87,175	3,498	-	117,548,261
Investments	1,318,298	694,426	13,945,993	196,264,281	-	37,263,946	24,738	772,600	2,094,913	252,379,195
Net inter segment lending	287,782,764	-	-	-	10,203,838	-	-	-	79,528,033	377,514,635
Lendings to financial institutions	-	-	33,910,524	2,295,287	-	11,877,665	-	-	4,286	48,087,762
Advances - performing	148,095,975	243,085,794	72,192,776	72,192,776	11	22,332,541	-	1,672	6,485,834	492,194,603
Advances - non-performing	601,565	793,291	412,192	-	-	113,103	-	-	18,983	1,939,134
Others	27,204,613	8,069,821	8,552,892	16,112,908	582,981	1,357,468	256,887	284,737	17,122,438	79,546,745
Total assets	516,698,405	262,167,550	154,681,811	228,209,990	11,318,395	89,446,390	370,800	1,062,507	105,254,487	1,369,210,335
Borrowings	11,221,217	26,958,490	5,700,903	12,555,330	-	18,696,825	27,534	-	1,147,610	76,307,909
Subordinated debt	-	-	-	-	-	-	-	-	11,988,000	11,988,000
Deposits and other accounts	478,737,953	84,965,723	116,763,371	-	11,132,470	48,872,467	-	-	74,870	740,546,854
Net inter segment borrowing	-	144,187,767	11,799,343	205,148,085	-	16,419,440	-	-	-	377,514,635
Others	25,881,964	6,055,570	18,669,916	12,277,177	185,925	2,934,230	98,400	139,340	12,638,660	76,881,182
Total liabilities	515,841,134	262,167,550	152,893,533	229,980,592	11,318,395	86,922,962	125,934	139,340	25,849,140	1,285,238,580
Net assets	857,271	-	1,788,278	(1,770,602)	-	2,523,428	244,866	923,167	79,405,347	83,971,755
Equity										
Contingencies and commitments	49,805,775	308,442,262	34,203,205	6,648,639	-	32,786,950	-	-	9,348,502	441,235,333



For the period ended June 30, 2018 (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
Profit and loss										
Net mark-up/return/profit	52,589	5,686,325	2,497,765	6,436,908	-	1,074,211	(1,266)	898	(391,807)	15,355,623
Inter segment revenue - net	7,918,898	(3,280,206)	(11,007)	(4,953,146)	82,289	65,334	-	-	177,838	-
Non mark-up/return/interest income	2,015,941	407,209	504,661	2,110,998	164,604	242,171	63,538	224,908	404,283	6,138,313
Total income	9,987,428	2,813,328	2,991,419	3,594,760	246,893	1,381,716	62,272	225,806	190,314	21,493,936
Segment direct expenses	5,098,726	321,922	1,439,402	202,242	284,774	658,883	90,955	116,144	3,820,358	12,033,406
Inter segment expense allocation	2,688,403	305,074	613,403	120,983	50,952	73,714	-	-	(3,852,529)	-
Total expenses	7,787,129	626,996	2,052,805	323,225	335,726	732,597	90,955	116,144	(92,171)	12,033,406
Provisions / (reversals)	(95,076)	(381,202)	186,594	4,689	-	(565,461)	-	-	-	(850,456)
Profit before tax	2,295,375	2,567,534	752,020	3,266,846	(88,833)	1,214,580	(28,683)	109,662	222,485	10,310,986

As at December 31, 2018 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
Balance sheet										
Cash and bank balances	54,448,024	11,605,738	12,496,503	2,247,343	334,892	5,099,305	82,792	4,693	-	86,319,290
Investments	860,704	694,426	23,200,001	221,983,048	-	29,434,619	33,571	720,915	2,324,447	279,251,731
Net inter segment lending	288,412,271	-	-	-	4,241,251	-	-	-	67,128,974	359,782,496
Lendings to financial institutions	153,750,402	235,172,283	85,573,392	33,315,352	-	10,870,377	-	-	4,968,203	62,172,287
Advances - performing	366,716	1,453,002	262,226	-	-	19,233,298	2,167	1,111	724,189	498,700,856
Advances - non-performing	16,456,975	10,628,391	7,575,451	6,258,899	407,786	24,497,323	446,267	336,849	12,614,176	2,938,871
Others	514,295,092	259,553,840	147,094,131	263,804,642	4,983,929	89,267,660	564,797	1,063,568	87,759,989	7,922,117
Total assets	10,460,314	22,698,781	6,019,338	62,173,164	-	22,092,452	279,494	-	294,192	124,017,735
Borrowings	-	-	-	-	-	-	-	-	11,989,000	11,989,000
Subordinated debt	-	-	-	-	-	-	-	-	(48,155)	702,847,125
Deposits and other accounts	464,574,928	92,224,318	113,525,994	-	4,899,848	27,670,192	-	-	-	359,782,496
Net inter segment borrowing	-	135,169,568	10,386,749	201,340,936	-	12,885,243	-	-	-	2,938,871
Others	38,622,551	9,554,126	15,229,222	1,186,034	84,081	23,234,243	175,901	206,308	4,436,974	92,729,440
Total liabilities	513,657,793	259,646,793	145,161,303	264,700,134	4,983,929	85,882,130	455,395	206,308	16,672,011	1,291,365,796
Net Assets	637,299	(92,953)	1,932,828	(895,492)	-	3,385,530	109,402	857,260	71,087,978	77,021,852
Equity										
Contingencies and commitments	58,274,791	76,420,934	31,777,895	296,162,272	47,934	30,646,372	9,467	-	14,925,225	508,264,890

RELATED PARTY TRANSACTIONS

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

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

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	Key management personnel As at June 30, 2019 (Un-audited)		Key management personnel As at December 31, 2018 (Audited)	
	Directors/ CEO	Associates Other related parties	Directors/ CEO	Associates Other related parties
Balances with other banks				
Lendings to financial institutions				
Opening balance	-	-	-	1,500,000
Addition during the period / year	-	2,474,328	-	134,478,646
Repaid during the period / year	-	(2,474,328)	-	(135,978,646)
Closing balance	-	-	-	-
Investments				
Opening balance	-	3,761,612	-	3,213,322
Investment made during the period / year	-	717,825	-	330,829
Investment redeemed / disposed off during the period / year	-	(693,461)	-	(205,000)
Equity method adjustment	-	344,227	-	422,461
Transfer in / (out) - net	-	-	-	-
Closing balance	-	4,128,213	-	3,761,612
Provision for diminution in value of investments				
Opening balance	105,650	-	-	-
Addition during the period / year	-	3,354,510	-	-
Repaid during the period / year	(7,282)	798,056	(6,068)	-
Transfer in / (out) - net	-	(4,169,707)	111,718	-
Closing balance	98,368	629,760	105,650	3,354,510
Provision held against advances				
Opening balance	8,301	-	5,507	-
Interest / mark-up accrued	-	141,354	-	47,013
Receivable from staff retirement fund	-	853,731	-	923,633
Prepayment / rent receivable	-	3,286	-	832
Profit receivable on Sukuk	-	-	-	1,858
Advance against shares	-	50,000	-	50,000
Others	-	-	-	-
		180,332	1,216	194,013
	3,431	-	-	-



	As at June 30, 2019 (Un-audited)		As at December 31, 2018 (Audited)	
	Directors/ CEO	Key management personnel	Associates	Other related parties
Borrowings				
Opening balance	-	-	-	502,800
Borrowings during the period / year	-	-	-	35,346,898
Settled during the period / year	-	-	-	(35,849,698)
Closing balance	-	-	-	-
Subordinated debt				
Opening balance	-	-	-	19,964
Redemption / sold during the period / year	-	-	-	(19,964)
Closing balance	-	-	-	-
Deposits and other accounts				
Opening balance	7,438	194,191	1,056,739	3,217,781
Received during the period / year	274,873	1,947,499	14,710,653	35,704,700
Withdrawn during the period / year	(216,396)	(1,724,388)	(4,592,438)	(34,983,125)
Transfer in / (out) - net	-	(14,261)	-	(225)
Closing balance	65,915	403,046	1,374,954	3,936,131
Other liabilities				
Interest / mark-up payable	-	328	-	5,168
Unearned rent	-	-	227	-
Others	-	3,804	4,253	3,961
Contingencies and Commitments				
Other contingencies	-	-	187,261	-
	For the period ended June 30, 2019 (Un-audited)			
	For the period ended June 30, 2018 (Un-audited)			
Income				
Mark-up / return / interest earned	2,793	11,953	-	229,316
Dividend income	-	-	-	12,511
Other income	-	-	189,545	-
Expenses				
Mark-up / return / interest paid	16	5,336	38,754	98,789
Other operating expenses	252,764	808,186	32,362	304,594
Dividend paid	415,204	7,630	7,193	1,179,097
Insurance premium paid	-	-	477,484	-
Insurance claims settled	-	-	170,880	-



41 CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

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

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,771,651	17,743,629
---------------------------------	------------	------------

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	64,838,970	60,664,411
Eligible Additional Tier 1 (ADT 1) Capital	6,648,892	6,827,751
Total Eligible Tier 1 Capital	71,487,862	67,492,162
Eligible Tier 2 Capital	17,210,936	15,255,654
Total Eligible Capital (Tier 1 + Tier 2)	88,698,798	82,747,816

Risk Weighted Assets (RWAs):

Credit risk	463,232,558	493,039,647
Market risk	6,667,013	2,783,951
Operational risk	61,403,300	61,403,300
Total	531,302,871	557,226,898

Common Equity Tier 1 Capital Adequacy ratio	12.20%	10.89%
Tier 1 Capital Adequacy Ratio	13.46%	12.11%
Total Capital Adequacy Ratio	16.69%	14.85%

In line with Basel III Capital Adequacy guidelines, following capital requirements are applicable to the Bank:

Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	11.90%	11.28%

For Capital adequacy calculation, Bank has adopted Standardized Approach for Credit & Market Risk related exposures and Alternate Standardized Approach (ASA) for operational risk.

Leverage Ratio (LR):

Eligible Tier-1 Capital	71,487,861	67,492,162
Total exposures	1,215,817,477	1,187,548,541
Leverage ratio	5.88%	5.68%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	281,063,104	252,703,051
Total net cash outflow	178,321,805	162,363,261
Liquidity coverage ratio	158%	156%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	666,690,131	630,592,999
Total Required Stable Funding	479,318,512	472,759,179
Net Stable Funding Ratio	139%	133%



42 NON-ADJUSTING EVENT

The Board of Directors of the Bank in its meeting held on August 18, 2019 has declared an interim cash dividend of 20%, i.e. Re. 2 per share (June 30, 2018: 10%) and an interim stock dividend of nil (June 30, 2018: 10%). These consolidated condensed interim financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

43 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on August 18, 2019 by the Board of Directors of the Bank.

44 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison.



Bank Alfalah

Bank Alfalah Limited
B. A. Building, I. I. Chundrigar Road
Karachi, Pakistan.
111 777 786
bankalfalah.com