

MOVING FORWARD WITH

PRIDE

Half Yearly Report - June 30, 2020
(Un-audited)



Best Bank 2019



Best Customer Franchise 2019



Bank Alfalah
The Way Forward

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Company Information

Board of Directors

HH Sheikh Nahayan Mabarak 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

Dr. Gyorgy Tamas Ladics
Director

Dr. Ayesha Khan
Director

Khalid Qurashi
Director

Atif Aslam Bajwa
President/CEO and Director

Senior Management

Atif Aslam Bajwa

President and Chief Executive Officer

Aasim Wajid Jawad

Group Head Strategy, Transformation and Customer Experience

Anjum Hai

Chief Financial Officer

Bilal Asghar

Group Head Corporate, Investment Banking and International Business

Faisal Rabbani

Chief Risk Officer

Hafsa Abbasy

Group Head Human Resource and Learning

Haroon Khalid

Group Head Compliance and Control

Khawaja Muhammad Ahmed

Group Head Operations and Corporate Services

Mehreen Ahmed

Group Head Retail Banking

Mohib Hasan Khan

Chief Information Officer

Muhammad Akram Sawleh

Company Secretary, Head of Legal and Corporate Affairs

Dr. Muhammad Imran

Group Head Islamic Banking

Muhammad Yahya Khan

Group Head Digital Banking

Syed Ali Sultan

Group Head Treasury and Capital Markets

Tahir Khurshid

Group Head Audit and Inspection

Zahid Anjum

Group 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 (Pvt) Limited

1705, 17th Floor, Saima Trade Tower-A

I. I. Chundrigar Road

Karachi, Pakistan

Board Committees

Board Audit Committee (BAC)

Khalid Qurashi
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

Khalid Qurashi
Member

Board Strategy and Finance Committee (BS&FC)

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member
Efstratios Georgios Arapoglou
Member

Khalid Qurashi
Member

Atif Aslam Bajwa
Member

Board Risk Management Committee (BRMC)

Khalid Mana Saeed Al Otaiba
Chairman
Abdulla Khalil Al Mutawa
Member

Efstratios Georgios Arapoglou
Member

Khalid Qurashi
Member

Atif Aslam Bajwa
Member

Board Committees

Board Compensation Committee (BCC)

Dr. Ayesha Khan
Chairperson

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
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

Atif Aslam Bajwa
Member

Board Coronavirus Crisis Management Committee (BCCMC)

Efstratios Georgios Arapoglou
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Khalid Qurashi
Member

Dr. Ayesha Khan
Member

Dr. Gyorgy Tamas Ladics
Member

Atif Aslam Bajwa
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 June 30, 2020.

Economic Review

In line with global trends, Pakistan economy too reflected strong under-currents of the Covid 19 pandemic during 1H 2020. The expectations at the start of 2020 regarding Pakistan emerging out of the stabilization phase and heading towards managed growth, took a dent with the onset of the pandemic. Economic activity hit a historic low after imposition of lockdown towards the end March 2020, where policy measures and key economic data points reflected impact of the same.

The government and regulators remained alert and responsive to the emerging economic situation. State Bank of Pakistan (SBP) continued an accommodative monetary policy stance with a cumulative easing of 625bp, bringing the policy rate down to 7%. In addition, the SBP also announced a number of relief measures to facilitate businesses (additional subsidized funding lines) and banks (CAR, financial reporting and provisions-related relaxations). The government launched the largest social protection program (Ehsaas) and offered different economic packages, including a customized package for the construction industry to revive economic activity.

As per the key data points released so far, the COVID slowdown has dragged GDP growth rate for FY20 to negative 0.38%, which is one of the lowest reported in Pakistan's history. Leading the decline was contraction in Large Scale Manufacturing (LSM) by 5.4%. Global lockdowns and economic lull means that exports of goods and services for 1H2020 clocked in at US\$12.7bn, down 17% YoY. Imports too reflected a decline to US\$24bn (down 19% YoY), bringing the trade deficit down 21% to US\$11.3bn for 1H2020.

Remittances remained firm despite the pandemic, reporting a growth of 9% YoY to US\$11.8bn in 1H2020. The interplay between different components of the external account saw Current Account Deficit for 1H2020 shrink 82% YoY to US\$934mn.

In terms of market movements, the currency posted a depreciation of only 0.8% to PKR 168/ USD during 2Q 2020, as the varied forms of global assistance received from IMF, World Bank and G-20, offsetting the drag from COVID.

Equity markets reported a V shaped path correcting sharply towards the end of 1Q (down 28% for the year at one point). The gradual lifting of the lockdown also reflected in market sentiments as well, with the KSE100 rebounding off its lows, resulting in a total reported decline of 16% by 1H2020.

Looking ahead, the move from 'total lockdown' to 'smart-lockdown', as COVID infection rates ease, has initiated a recovery phase. A gradual return to normal however will also bring other key variables to the limelight. For instance, while the package for individual and corporate borrowers is expected to ease the near term asset quality pressures, a sustained across-the-board economic recovery is important to ensure that medium to long term asset quality pressures remain under control for banks. In addition, a rebound in international oil prices and pass through of the same in retail petroleum prices carry implications for inflation and monetary policy going forward. How different variables pan out in 3Q2020 will hence be critical in offering a glimpse into the shape and pace of economic recovery from the COVID lows.

Our Response to COVID-19 Pandemic

The COVID-19 virus has caused a convulsive shock to the world economy including Pakistan. There remains considerable uncertainty around the pathway of the pandemic, the means and speed of any economic recovery and what structural changes it will bring in the longer-term. A board level Coronavirus-Crisis Management Committee was setup at very outset, which continues to closely monitor the situation and developments on local and international fronts and prepare appropriate response measures.

As we adapt to the new challenges presented by this outbreak, we keep the safety and health of our people a topmost priority. The majority of our employees continue to work remotely (while maintaining strong IT security) to increase social distancing for our colleagues in office critical role. We are working to keep our distribution channels open while ensuring compliance with social distancing measures. We are helping our customers to make better use of existing digital and remote channels, and building new experiences to help them manage debt and make full use of SBP loan restructuring programs.

The Bank will continue to play its due role and take concrete steps to support the employees, customers and communities while balancing medium to long term positioning.

Review of the Bank's Performance

The highlights of the financial results of the Bank for the half year ended June 30, 2020 are presented as follows:

	30th June, 2020	31st December, 2019
Financial Position	Rupees in Millions	
Shareholders' Equity	92,503	88,028
Total Assets	1,221,046	1,065,311
Deposits	808,090	782,284
Advances – net	514,452	511,236
Investments – net	492,528	299,098
	Half year ended	Half year ended
	30th June, 2020	30th June, 2019
Financial Performance	Rupees in Millions	
Net Interest Income and Non Markup Income	30,243	26,647
Non Markup Expenses	15,857	14,253
Provisions and write offs (net)	4,788	980
Profit before tax	9,597	11,415
Profit after tax	5,584	6,209
Basic earnings per share – Rupees	3.14	3.50
Diluted earnings per share – Rupees	3.14	3.50

The bank reported profit after taxation of Rs. 5.584 billion for the half year ended June 30, 2020 as compared to Rs. 6.209 billion for the corresponding period, which translate into earning per share of Rs. 3.14 (Jun 2019: Rs. 3.50). In view of economic impact of pandemic, the bank has adopted more conservative view for provision built up against advances which is reflected in this decline. Further impairment provision was also booked upfront instead of taking benefit of SBP relaxation. Operating profit of the bank is higher by 16.1% and stood at Rs. 14.386 billion as compared to Rs. 12.395 billion during same period last year.

On the revenue front, net markup income and non-markup income showed combined growth of 13.5%. Net interest income was 7.8% higher than the corresponding period last year and closed at Rs. 23.361 billion. Despite a sharp decline of 625 basis points in policy rate and certain covid action including early repricing of loans to SMEs/ individuals and suspension of markup in overseas operations as per their central banks' requirements, higher average earning assets along with effective balance sheet management contributed to this rise in the net interest income. Non-markup income stood at Rs. 6.882 billion, higher by 38.2%, with strong contribution from capital gains of Rs. 1.733 billion and FX income of Rs. 2.009 billion due to favorable exchange rate movement. Fee and commission income declined due to low transaction volume amid the lockdown in the country.

Non-markup expenses were contained at 11.3% compared to same period last year. This increase was largely driven by staff costs, IT support and maintenance fee, full year impact of new branches opened last year along with overall impact of inflation and rupee devaluation. The cost to income ratio of the Bank improved to 51.4% as compared to 52.1% during the corresponding period last year.

A net provision charge of Rs. 4.788 billion has been booked against advances and equity investments, versus Rs. 0.980 billion during the same period last year. During the period, the bank in addition to subjective provisioning against clients showing credit weakening has taken a general provision of Rs. 2.0 billion. Given an uncertain economic environment, the bank expects that several borrowers will be impacted due to the pandemic. Many of such borrowers have availed SBP enabled deferment / restructuring and rescheduling relief and since the full potential effect of the economic stress is difficult to predict, the bank has created this general provision. The Bank is continuously reviewing the portfolio to identify accounts susceptible to higher risk resulting from the COVID-19 outbreak. Based on macroeconomic environment, this additional provision will be subsequently reviewed on quarterly basis. The bank also took a conservative view on impairment against equity securities in Q1 2020, booking 100% applicable impairment of Rs. 958.671 million, despite the central bank allowing banks to stagger the impairment over the year. The rebound in the equity markets during Q2 2020 allowed the bank to book reversals of Rs. 576.984 million on disposal of impaired securities, while the benefit of the rebound also reflects in unrealized gain on equities (AFS) of Rs. 2.340 billion at the end of the half year.

Despite having realized significant capital gains on securities during the first six months, total unrealized gain on available for sale investments at the half year end stood at Rs 9.504 billion against Rs. 6.461 billion as at Dec 31, 2019. The gain is majorly on the federal government securities and listed shares.

The Bank's focus remains on re-profiling its deposit base. Total deposits have been reported at Rs. 808.090 billion. The current accounts stood at Rs. 373.892 billion with a growth of 10% compared to December 2019 position. Our CASA ratio improved to 81.25% which remains a leading indicator for the Bank in the industry. The Bank's gross advances were reported at Rs. 537.540 billion and our gross advances to deposits ratio stood at 66.5%.

The Bank is in process of issuing Medium Term Note (MTN) in the form of Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates ("TFCs") of up to PKR 50 billion in multiple tranches having individual instrument maturity of 3 year or more. The instrument will be secured against Government Securities. The issue has been assigned a rating of AAA (Triple-A) by PACRA. . The primary purpose behind the issuance of the TFCs is to hedge the Bank's fixed rate assets.

At the close of the half year, the Bank remains adequately capitalized with CAR at 17.67%.

Dividend

Last year, the Board of Directors had declared an interim cash dividend of 20% (Rs. 2 per share) against nil in current period. This year the State Bank of Pakistan, as a precautionary measure to conserve capital of the banks due to COVID-19 pandemic has advised the banks to suspend dividend for the quarters ended March 31, 2020 and June 30, 2020 vide its circular BPRD/BA&CPD/006315/20 dated April 22, 2020.

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'. During the period, the unsecured subordinated debt (Term Finance Certificates) of the Bank was redeemed by exercising call option; as at the previous reporting period, it was assigned a credit rating of 'AA' (Double A), with Outlook assigned as 'Stable'.

Furthermore, VIS Credit Rating Company Limited (formerly JCR-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 remains well positioned for sustainable growth and building long-term shareholder value in these testing times. We will continue to invest in Digital Banking, our technology infrastructure, human capital and strengthening our compliance and controls environment. In these challenging times, we are there for our staff, clients, customers and communities. Our actions during this global crisis are essential to keeping the economy going. Being an essential service provider, Bank Alfalah continues to play a lead role in the economic growth and providing financial services to the masses. We are working very closely with our customers to assist them in their banking needs and minimize the risk of credit headwinds in these unprecedented times. 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, enforcing a strong cost discipline across the bank and maximizing value for our stakeholders.

Acknowledgment

On behalf of the Board, we would like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Ministry of Finance and other regulatory authorities for their continuous guidance and support. At the same time, we would like to express our gratitude to our shareholders, our customers and business partners for their continued patronage. We are pleased with the performance of the bank's management and employees who serve our clients, communities and shareholders with distinction and dedication.

Atif Aslam Bajwa
President & Chief Executive Officer
August 25, 2020
Karachi

Khalid Qurashi
Director

آگے بڑھنے کا عزم

اس آزمائشی وقت میں بینک الفلاح مستحکم نمو اور شینر ہولڈرز کے لیے مستقل بنیادوں پر ویلیو بنانے کی مؤثر پوزیشن میں ہے۔ ہم ڈیجیٹل بینکنگ، ٹیکنالوجی انفراسٹرکچر، ہیومن کیپیٹل، کمپلائنس اور کنٹرول ماحول کو بہتر بنانے کے لیے مزید سرمایہ کاری کریں گے۔ اس چیلنجنگ وقت میں، ہم اپنے عملے، کلائنٹس، کسٹمرز اور کمیونٹیز کے ساتھ کھڑے ہیں۔ اس عالمی بحران کے دوران ہمارے اقدامات معیشت کو جاری رکھنے کے لیے بہت اہم ہیں۔ ایک اہم سروس پروانڈر کی حیثیت سے بینک الفلاح معاشی ترقی میں ایک بہترین کردار ادا کر رہا ہے اور عوام کو مالی خدمات فراہم کر رہا ہے۔ ہم اپنے صارفین کے ساتھ بھرپور تعاون کر رہے ہیں تاکہ ان کی بینکنگ کی ضروریات کو پورا کیا جاسکے اور کریڈٹ ٹرسٹ کو کم سے کم کیا جاسکے۔ اسی 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 اور اسٹیک ہولڈرز کی ویلیو بڑھانے کے لیے مسلسل کوشاں ہیں۔

اظہار تشکر:

بورڈ کی جانب سے ہم اسٹیٹ بینک آف پاکستان، سیکیورٹیز ایکسچینج کمیشن آف پاکستان، وزارت خزانہ اور دیگر ریگولیٹری اتھارٹیز کی مسلسل رہنمائی اور تعاون کی فراہمی کا شکریہ ادا کرتے ہیں۔ ہم مشاورت اور سرپرستی کرنے والے اپنے معزز شینر ہولڈرز، صارفین، کاروباری شریک اور بینک کے عملے کا بھی تہہ دل سے شکر گزار ہیں۔ ہم بینک کی انتظامیہ اور ملازمین کی کارکردگی سے خوش اور مطمئن ہیں جو ہمارے کلائنٹس، کمیونٹیز اور شینر ہولڈرز کو اپنی بھرپور خدمات پیش کرتے ہیں۔

جناب عارف اسلم باجوہ

صدر اور چیف ایگزیکٹو آفیسر

25 اگست، 2020

کراچی

پچھلے سال اسی مدت کے مقابلے میں نان مارک اخراجات 11.3% پر قائم ہوئے، یہ اضافہ بڑی حد تک عملے پر آنے والی لاگت، آئی ٹی کی معاونت اور مینٹیننس فیس، پچھلے سال کھولی گئی نئی برانچوں کے باعث پورے سال پر پڑنے والے اثرات بمع مہنگائی اور روپے کی مالیت میں کمی سے ہونے والے تمام تر اثر کے باعث ممکن ہوا۔ بینک کی آمدنی کے تناسب کی لاگت 51.4% بہتر ہوئی جو کہ پچھلے سال اسی مدت کے دوران 52.1% تھی۔

ایڈوانسز اور ایکویٹی انویسٹمنٹ کے عوض نیٹ پروویژن چارج 4.788 بلین روپے رہا جبکہ پچھلے سال اسی مدت کے دوران 0.980 بلین روپے تھا۔ اس مدت کے دوران، بینک نے کلانٹس کے کریڈٹ میں کمی کے عوض سبجیکٹو پروویژننگ میں اضافے کے ساتھ 2.0 بلین روپے کا جنرل پروویژن حاصل کیا۔ غیر یقینی معاشی ماحول میں، بینک توقع رکھتا ہے کہ وہاں کے باعث کئی قرضدار متاثر ہونگے۔ ان میں سے بہت سے قرضداروں نے اسٹیٹ بینک آف پاکستان کا ڈیفارمنٹ / ری اسٹرکچرنگ / ری شیڈولنگ ریلیف حاصل کر لیا ہے اور کیونکہ معاشی دباؤ کے مکمل متوقع اثر کی پیش گوئی کرنا مشکل ہے، اس لیے بینک نے یہ جنرل پروویژن قائم کیا ہے۔ بینک، پورٹفولیو کا مسلسل جائزہ لے رہا ہے تاکہ COVID-19 کے پھیلاؤ کے نتیجے میں زیادہ خطرے سے متاثر ہونے والے اکاؤنٹس کی شناخت کی جاسکے۔ میکرواکنامک ماحول پر مبنی، اس اضافی پروویژن کا جائزہ سے ماہی بنیاد پر لیا جائے گا۔ بینک نے 2020 کی پہلی سہ ماہی میں ایکویٹی سیکیورٹیز میں ہونے والی کمی کا محتاط جائزہ لیا، 958.671 ملین روپے کی 100% قابل اطلاق کمی ریکارڈ ہوئی، باوجود اس کے کہ، سینٹرل بینک نے بینکوں کو اجازت دی ہے کہ وہ اس کمی کو پورے سال کے دوران پورا کر سکتے ہیں۔ 2020 کی دوسری سہ ماہی کے دوران ایکویٹی مارکیٹس کے رد عمل نے ناقص سیکیورٹیز کے ڈسپوزل پر بینک کو 576.984 ملین روپے کے ریورسلز بک کرنے کے قابل بنایا، جبکہ اس رد عمل کے فائدے کے باعث نصف سال کے اختتام پر 2.340 بلین روپے کی ایکویٹیز پر غیر وصول شدہ سرمایہ بھی ظاہر ہوا۔

پہلے چھ ماہ میں سیکیورٹیز پر نمایاں سرمایہ جاتی منافع وصول ہونے کے باوجود نصف سال کے اختتام پر سین انویسٹمنٹس کے لیے دستیاب غیر وصول شدہ گل منافع 9.504 بلین روپے پر قائم ہوا، جبکہ 31 دسمبر 2019 کو 6.461 بلین روپے تھا۔ یہ منافع زیادہ تر فیڈرل گورنمنٹ سیکیورٹیز اور لسٹڈ شیئرز پر حاصل ہوا۔

بینک کی توجہ اپنی ڈپازٹ بیس کی ری فنانسنگ کرنے پر رہی۔ گل ڈپازٹس 808.090 بلین روپے ریکارڈ کیے گئے۔ کرنٹ اکاؤنٹس 373.892 بلین روپے پر قائم ہونے جو کہ دسمبر 2019 کے مقابلے میں 10% کا اضافہ ہے۔ ہمارے کرنٹ اکاؤنٹ سیونگ اکاؤنٹ کا تناسب 81.25% بڑھا جو اڈ سٹری میں بینک کی لیڈنگ پوزیشن ظاہر کرتا ہے۔ بینک کے مجموعی ایڈوانسز 537.540 بلین روپے پر قائم ہونے اور ڈپازٹس ہمارے مجموعی ایڈوانسز کا تناسب 66.5% پر قائم ہوا۔

بینک، میڈیم ٹرم نوٹ کے اجراء کے پروسس میں مصروف ہے جو کہ ریڈ، سیکیورڈ، لسٹڈ، ریڈیم کیے جانے کے قابل فیکسڈ ریٹ ٹرم فنانش سرٹیفیکٹس ("ٹی ایف سیز") کی شکل میں 50 بلین روپے تک کی ملٹی پل مالیت کے ہونگے جن میں انفرادی انسٹرومنٹ کی میچورٹی 3 سال یا زائد مدت کی ہوگی۔ انسٹرومنٹ کو حکومتی سیکیورٹیز سے محفوظ حاصل ہوگا۔ PACRA کی جانب سے اس اجراء کو AAA (ٹریپل اے) کی ریٹنگ دی گئی ہے۔ ٹی ایف سیز کے اجراء کا بنیادی مقصد بینک کے مقررہ شرح کے اثاثوں کو مالیاتی نقصان سے بچانا ہے۔

نصف سال کے اختتام پر، بینک 17.67% کپیٹل کے موزوں تناسب کے ساتھ مناسب طور پر کپیٹلائزڈ رہا۔

ڈیویڈنڈ

پچھلے سال، بورڈ آف ڈائریکٹرز نے 20% (دو روپے فی شیئر) کے انٹرم کیش ڈیویڈنڈ کا اعلان کیا تھا جبکہ اس سال کوئی اعلان نہیں کیا گیا۔ اس سال، اسٹیٹ بینک آف پاکستان نے وبائی بیماری COVID-19 کے سلسلے میں احتیاطی اقدامات کے طور پر بینکوں کے کپیٹل کو بچانے کے لیے تمام بینکوں کو مشورہ دیا ہے کہ وہ 31 مارچ 2020 اور 30 جون 2020 کے اختتامی سہ ماہیوں کے لیے ڈیویڈنڈ بحوالہ اس کے سرکولر BPRD/BA&CPD/006315/20 کو اپریل 22 تاریخ 2020 کو معطل کر دیں۔

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے بینک کی ایڈیٹیو ریٹنگ طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (ای ون پلس) تفویض کی گئی۔ بینک کا آؤٹ لک 'مثبت' قرار دیا گیا ہے۔ اس مدت کے دوران، بینک کے ان سیکیورڈ سب آرڈینڈ ڈیبٹ (ٹرم فنانش سرٹیفیکٹ) کو کال آپشن کے استعمال سے ریڈیم کیا گیا، کیونکہ پچھلی مدت میں اس کی کریڈٹ ریٹنگ AA (ڈبل اے) تفویض کی گئی تھی اور اس کا آؤٹ لک مثبت قرار دیا گیا۔

مزید یہ کہ VIS، کریڈٹ ریٹنگ کمپنی لمیٹڈ (S&P JCR-VIS) نے بھی بینک الفلاح کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A-1+' (ای ون پلس) کریڈٹ ریٹنگ تفویض کی ہے۔ بینک الفلاح کے لیے تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے، بینک کے ان سیکیورڈ Tier 1 کپیٹل (ٹرم فنانش سرٹیفیکٹ) کی ریٹنگ AA- (ڈبل اے منس) تفویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

تفویض کردہ کریڈٹ ریٹنگ بینک الفلاح کے متنوع آپریٹنگز، 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۔

اس وباء سے بننے والے چیلنجز کا سامنا ہے اس لیے ہم اپنے لوگوں کی حفاظت اور صحت کا سب سے زیادہ خیال رکھتے ہیں۔ دفتر میں سماجی فاصلے کو بڑھانے کے لیے ہمارے زیادہ تر ملازمین گھر سے کام (مضبوط آئی ٹی سیکورٹی کے ساتھ) کر رہے ہیں۔ ہم عوام کے لیے اپنے تمام ڈسٹری بیوشن چینلز فراہم کر رہے ہیں تاکہ سماجی فاصلہ رکھنے کے اقدام کی تکمیل ہوسکے۔ موجودہ ڈیجیٹل اور ریموٹ چینلز کے بہتر استعمال کے لیے ہم اپنے صارفین کے ساتھ بھرپور تعاون کر رہے ہیں اور ساتھ ہی انہیں قرض لینے اور ایس بی بی کے لون ری اسٹرکچرنگ پروگرام کے بھرپور استعمال کے لیے ان کی مدد کر رہے ہیں۔

بینک، اپنے ملازمین، صارفین اور کمیونٹی کے ساتھ تعاون کے لیے اپنا بھرپور کردار ادا کرے گا اور مستحکم اقدامات اٹھانے گا تاکہ طویل مدت تک توازن کی صورت حال برقرار رہے۔

بینک کی کارکردگی کا جائزہ

30 جون 2020 کو ختم ہونے والی ششماہی کے لیے بینک کے مالیاتی نتائج کی جھلکیاں مندرجہ ذیل ہیں:

31 دسمبر، 2019	30 جون، 2020	مالیاتی پوزیشن
88,028	92,503	شینئر ہولڈرز کی ایکونٹی
1,065,311	1,221,046	اثاثوں کی مجموعی مالیت
782,284	808,090	جمع شدہ رقم (ڈپازٹس)
511,236	514,452	ایڈوانسز۔ خالص
299,098	492,528	سرمایہ کاریاں۔ خالص
30 جون، 2019 کو ختم ہونے والی ششماہی	30 جون، 2020 کو ختم ہونے والی ششماہی	مالیاتی کارکردگی
26,647	30,243	خالص سود آمدنی اور نان مارک آپ آمدنی
14,253	15,857	نان مارک آپ اخراجات
980	4,788	پروویژن اور رینٹ آف (خالص)
11,415	9,597	قبل از ٹیکس منافع
6,209	5,584	بعد از ٹیکس منافع
3.50	3.14	بنیادی آمدنی فی شیئر۔ روپے
3.50	3.14	ڈائیلیٹیو ٹڈ آمدنی فی شیئر۔ روپے

30 جون 2020 کو ختم ہونے والے نصف سال کے لیے بینک نے 5,584 بلین روپے بعد از ٹیکس منافع کا اظہار کیا، جو کہ پچھلے سال کی اسی مدت کے لیے 6,209 بلین روپے تھا۔ اس طرح فی شیئر آمدنی 3.14 روپے رہی (جون 2019: 3.50 روپے)۔ وبائی بیماری کے باعث معیشت پر پڑنے والے اثر کے حوالے سے، بینک نے ایڈوانسز کے لیے بننے والے پروویژن پر مزید احتیاط اختیار کی ہے جو اس کمی کا باعث بنی۔ اسٹیٹ بینک آف پاکستان کی طرف سے ملنے والی رعایت سے فائدہ اٹھانے کے بجائے نقصان کے مزید پروویژن بھی پیشگی ٹک کیے گئے۔ بینک کا عملی منافع 16.1% تک بڑھا اور 14,386 بلین روپے پر قائم ہوا جبکہ پچھلے سال اسی مدت کے دوران 12,395 بلین روپے تھا۔

ریونیو کی سطح پر اصل مارک آپ آمدنی اور نان مارک آپ آمدنی کو ملا کر 13.5% کی ترقی دیکھنے میں آئی۔ اصل سودی آمدنی 7.8% تھی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں زیادہ رہی اور 23,361 بلین روپے پر بند ہوئی۔ باوجود اس کے کہ ہالیمسی کی شرح میں 625 بنیادی پوائنٹس کی تیزی سے کمی ہوئی اور کورونا کے وجہ سے پڑنے والے اثر بشمول ایس ایم ایف / انفرادی افراد کے قرضہ جات کی وقت سے پہلے دوبارہ قیمت لگائی گئی اور اوورسیز آپریشنز کے لیے، ان کے سمپٹل بینکوں کی مطلوبات کے مطابق مارک آپ کو معطل کیا گیا، پھر بھی اصل سودی آمدنی میں اس اضافے کی وجہ بلند اوسط آمدنی کے اثاثے اور مؤثر بیلنس شیٹ مینجمنٹ ہیں۔ نان مارک آپ آمدنی 6,882 بلین روپے پر قائم ہوئی جس میں 38.2% کا اضافہ ہے، جو کہ موافق تبادلہ شرح کی وجہ سے 1,733 بلین روپے کے سرمایہ جاتی منافع اور 2,009 روپے کے فارن کرنسی آمدنی کی مضبوط حصہ داری ہے۔ ملک میں لاک ڈاؤن کے دوران ٹرانزیکشن کی تعداد کم ہونے کی وجہ سے فیس اور کمیشن کی آمدنی بھی کم رہی۔

ہم بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2020 کو ختم ہونے والی ششماہی کے لیے بینک الفلاح لمیٹڈ کے غیر انضمام شدہ کنٹریبنٹ عبوری مالیاتی گوشوارے پیش کرنے میں خوشی محسوس کرتے ہیں۔

معاشی جائزہ

عالمی رجحانات کے مطابق، 2020 کی پہلی ششماہی کے دوران وبائی بیماری COVID-19 کی طاقتور روانی کا اثر پاکستان کی معاشی حالت پر بھی پڑا۔ 2020 کے آغاز پر پاکستان استحکامی صورت حال سے باہر آ رہا تھا اور منظم ترقی کی طرف رواں دواں تھا، اور پھر وبائی بیماری کے حملے نے ضرب لگائی۔ مارچ 2020 کے اختتام پر لاک ڈاؤن کے نفاذ کے بعد معاشی سرگرمی میں ایک تاریخی کمی دیکھنے میں آئی، جس سے پالیسی کے اقدامات اور اہم معاشی ڈیٹا پوائنٹس بھی اس سے متاثر ہوئے۔

اس طرح کی معاشی صورت حال کے لیے حکومت اور ضابطہ کار چوکس اور جوابدہ رہے۔ اسٹیٹ بینک آف پاکستان نے 625bp کی مجموعی سہولت کے ساتھ ایک سازگار مالیاتی پالیسی کا انداز جاری رکھا جس سے پالیسی کی شرح 7% تک کم ہو گئی۔ مزید یہ کہ، اسٹیٹ بینک آف پاکستان نے کئی امدادی اقدامات کا بھی اعلان کیا جس سے کاروباروں (اضافی امدادی رقوم کی فراہمی) اور بینکوں (CAR، فنانشل رپورٹنگ اور پروویڈرز سے متعلق رعایات) کو سہولت فراہم کی گئی۔ حکومت نے معاشرتی تحفظ فراہم کرنے کے لیے سب سے بڑے پروگرام (احساس) کا آغاز کیا جس کے تحت معاشی سرگرمی کی بحالی کے لیے مختلف معاشی پیکیجز آفر کیے گئے، جن میں تعمیراتی صنعت کو دیا گیا ایک کسمائزڈ پیکیج بھی شامل ہے۔

اب تک کے سامنے آنے والے اہم ڈیٹا پوائنٹس کے مطابق، COVID نے مالی سال 2020 کے لیے جی ڈی پی کے گروتھ کی شرح کو منفی 0.38% تک گرا دیا ہے جو کہ پاکستان کی تاریخ میں سب سے کم ریکارڈ ہونے والی شرح ہے۔ لارج اسکیل مینو فیکچرنگ میں کمی سب سے زیادہ رہی جو کہ 5.4% ہے۔ عالمی لاک ڈاؤن اور معاشی مندی سے مراد ہے کہ 2020 کی پہلی ششماہی کے لیے اشیاء اور خدمات کی برآمدات 12.7 بلین ڈالر ریکارڈ ہوئی جو سال بہ سال 17% کی کمی کو ظاہر کرتی ہے۔ درآمدات میں بھی کمی دیکھی گئی جو کہ 24 بلین ڈالر رہی (سال بہ سال 19% کم)، جس سے 2020 کی پہلی ششماہی کے لیے ٹریڈ ڈیفیسیٹ 21% یعنی 11.3 بلین ڈالر کم ہوا۔

وبائی بیماری کے باوجود ترسیلات زر میں استحکام رہا اور 2020 کی پہلی ششماہی میں 9% کی سال بہ سال گروتھ یعنی 11.8 بلین ڈالر ریکارڈ کی گئی۔ بیرونی اکاؤنٹ کے مختلف حصوں کے درمیان تعامل میں 2020 کی پہلی ششماہی کے لیے کرنٹ اکاؤنٹ ڈیفیسیٹ میں سال بہ سال 82% کمی ہوئی جو کہ 934 ملین ڈالر رہے۔

مارکیٹ کے محرکات کے لحاظ سے، 2020 کی دوسری سہ ماہی کے دوران کرنسی میں صرف 0.8% یعنی 168 روپے فی ڈالر تک کی کمی دیکھی گئی کیونکہ آئی ایم ایف، ورلڈ بینک اور G-20 کی طرف سے کئی طرح کی عالمی امداد موصول ہوئی تھیں، جس سے COVID کے باعث ہونے والے نقصان کی تلافی ہوئی۔

ایکونٹی مارکیٹ نے V کی شکل کا راستہ اختیار کیا جس سے پہلی سہ ماہی کے اختتام پر تیزی سے درستگی کی گئی (سال کے لیے ایک تقطے پر 28% کی کمی)۔ لاک ڈاؤن میں بتدریج کمی نے مارکیٹ کے رجحانات پر بھی اثر ڈالا، کے ایس ای 100 کے نقصان میں کمی ہوئی، جس کے نتیجے میں 2020 کی پہلی سہ ماہی تک 16% کی گن کی ریکارڈ ہوئی۔

مستقبل پر جائزہ لیتے ہوئے، 'مکمل لاک ڈاؤن' کو تبدیل کر کے 'اسمارٹ لاک ڈاؤن' کر دیا گیا، کیونکہ COVID کے پھیلنے کی شرحوں میں کمی آئی جس سے صحت یابی کے دور کا آغاز ہوا۔ تاہم، نارمل زندگی کی طرف بتدریج واپسی عوام کی توجہ میں دیگر اہم تغیرات بھی لانے کی۔ مثال کے طور پر، انفرادی اور کارپوریٹ قرضداروں کے لیے پیکیج میں قریب مدت کے ایسیٹ کوالٹی کے دباؤ میں سہولت متوقع کی جاتی ہے، جو معاشی بحالی کے لیے سب کو برداشت کرنا ضروری ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ درمیانی سے طویل مدتی ایسیٹ کوالٹی کے دباؤ بینکوں کے قابو میں رہیں۔ مزید یہ کہ، تیل کی قیمتوں میں بین الاقوامی سطح پر واپسی ہوئی اور نئی پیٹرول کی ریٹیل قیمتوں میں بھی ہوا، جس سے آنے والی مہنگائی اور مالیاتی پالیسی کے لیے ایک اشارہ ہے۔ 2020 کی تیسری سہ ماہی میں COVID سے متاثرہ معاشی حالت کی بنیاد اور رفتار میں کٹنے مختلف تغیرات سامنے آئیں گے اس کا اندازہ لگانا بہت مشکل ہے۔

وبائی مرض COVID-19 کے حوالے سے ہمارے اقدامات

COVID-19 وائرس نے پاکستان سمیت دنیا کی معیشت کو ایک بڑا دھچکا دیا ہے۔ اس وبائی مرض کے پھیلاؤ، اس کے باعث کمی معاشی بحالی کے ذرائع اور رفتار اور طویل مدت میں کیا گیا ساختی تبدیلیاں آئیں گی، ان سب حوالوں سے کافی غیر یقینی صورت حال کا سامنا ہے۔ اس سلسلے میں، ایک بورڈ لیول کی کورونا وائرس کرائسز مینجمنٹ کمیٹی تشکیل دی گئی جو اس صورت حال اور اس حوالے سے مقامی اور بین الاقوامی معاذ پر ہونے والی ڈیویلپمنٹس کا بہت قریب سے جائزہ لیتی ہے اور بچاؤ کے لیے موزوں اقدامات تیار کرتی ہے۔

Bank Alfalah Limited

**Unconsolidated Condensed Interim
Financial Statements**

Half Year Ended June 30, 2020

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 2020** 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 2020 and 30 June 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2020.

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 28, 2020

Unconsolidated Condensed Interim Statement of Financial Position

As at June 30, 2020

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	7	94,048,182	100,731,873
Balances with other banks	8	8,225,349	4,709,968
Lendings to financial institutions	9	31,905,861	71,434,895
Investments	10	492,528,296	299,098,115
Advances	11	514,452,477	511,235,949
Fixed assets	12	29,222,592	29,087,028
Intangible assets	13	1,264,946	1,257,361
Deferred tax assets		-	-
Other assets	14	49,398,377	47,755,956
		1,221,046,080	1,065,311,145
LIABILITIES			
Bills payable	15	21,702,138	17,169,059
Borrowings	16	224,315,803	102,842,330
Deposits and other accounts	17	808,089,714	782,284,196
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,000,000	11,987,000
Deferred tax liabilities	19	3,234,309	3,450,993
Other liabilities	20	64,200,711	59,549,991
		1,128,542,675	977,283,569
NET ASSETS		92,503,405	88,027,576
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		28,221,609	26,046,019
Surplus on revaluation of assets	21	12,175,923	11,367,004
Unappropriated profit		34,334,222	32,842,902
		92,503,405	88,027,576
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 43 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, 2020

	Note	Quarter ended June 30, 2020	Quarter ended June 30, 2019	Half year ended June 30, 2020	Half year ended June 30, 2019
------(Rupees in '000)-----					
Mark-up/Return/Interest Earned	24	24,042,785	20,885,495	49,948,454	41,646,185
Mark-up/Return/Interest Expensed	25	12,462,496	10,381,942	26,587,358	19,977,435
Net Mark-up/Interest Income		11,580,289	10,503,553	23,361,096	21,668,750
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	26	1,307,765	1,815,036	2,959,609	3,494,893
Dividend Income		109,597	93,991	196,653	169,777
Foreign Exchange Income		953,013	785,798	2,008,614	1,263,768
Gain / (loss) from derivatives		8	(16,295)	(61,228)	(12,892)
Gain / (loss) on securities	27	1,778,650	(37,707)	1,732,659	(64,198)
Other income	28	23,490	47,934	45,544	127,209
Total non-mark-up / interest income		4,172,523	2,688,757	6,881,851	4,978,557
Total income		15,752,812	13,192,310	30,242,947	26,647,307
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29	7,484,585	7,145,483	15,539,080	13,887,886
Workers' Welfare Fund	30	165,653	124,362	275,775	255,384
Other charges	31	1,413	107,865	42,503	109,292
Total non-mark-up / interest expenses		7,651,651	7,377,710	15,857,358	14,252,562
Profit before provisions		8,101,161	5,814,600	14,385,589	12,394,745
Provisions and write offs - net	32	3,260,857	533,752	4,788,451	979,828
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		4,840,304	5,280,848	9,597,138	11,414,917
Taxation	33	2,077,342	2,194,350	4,012,918	5,205,958
PROFIT AFTER TAXATION		2,762,962	3,086,498	5,584,220	6,208,959
-----Rupees-----					
Basic earnings per share	34	1.55	1.74	3.14	3.50
Diluted earnings per share	35	1.55	1.74	3.14	3.50

The annexed notes 1 to 43 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, 2020

	Quarter ended June 30, 2020	Quarter ended June 30, 2019	Half year ended June 30, 2020	Half year ended June 30, 2019
------(Rupees in '000)-----				
Profit after taxation for the period	2,762,962	3,086,498	5,584,220	6,208,959
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	80,685	2,256,158	1,617,168	2,440,728
Movement in surplus / (deficit) on revaluation of investments - net of tax	1,570,877	(111,745)	828,771	540,013
	1,651,562	2,144,413	2,445,939	2,980,741
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	(9,572)	(42,583)	(19,022)	(49,372)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(418)	(305)	(830)	(607)
	(9,990)	(42,888)	(19,852)	(49,979)
Total comprehensive income	4,404,534	5,188,023	8,010,307	9,139,721

The annexed notes 1 to 43 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 Changes in Equity (Un-audited)

For the half year ended June 30, 2020

	Capital Reserves			Statutory reserve	Revenue Reserves	Surplus/(Deficit) on revaluation		Unappropriated profit	Total
	Share capital	Share premium	Exchange translation reserve		Employee share option compensation reserve	Investments	Fixed and Non Banking Assets		
(Rupees in '000)									
Balances as at January 01, 2019	17,743,629	4,695,600	5,051,449	13,273,115	30,590	43,730	7,339,220	27,469,542	75,646,875
Changes in equity for the half year 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	-
Reversal of deferred employee compensation expense	-	-	-	-	(5,201)	-	-	-	(5,201)
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,389	-	-	(25,389)	-	-	-	-
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)
Shares issued under stock option scheme during the period	28,022	10,060	-	-	-	-	-	-	38,082
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
Changes in equity for six months ended December 31, 2019									
Profit after taxation	-	-	-	-	-	-	-	6,486,558	6,486,558
Other comprehensive income - net of tax	-	-	(719,874)	-	-	3,461,215	101,199	62,104	2,904,644
Transfer to statutory reserve	-	-	-	648,656	-	-	-	(648,656)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(68,394)	68,394	-
Transactions with owners, recorded directly in equity									
interim cash dividend for the half year ended June 30, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at December 31, 2019	17,771,651	4,731,049	6,772,303	14,542,667	-	4,044,958	7,322,046	32,842,902	88,027,576
Changes in equity for the period ended June 30, 2020									
Profit after taxation	-	-	-	-	-	-	-	5,584,220	5,584,220
Other comprehensive income - net of tax	-	-	1,617,168	-	-	828,771	-	-	2,445,939
Transfer to statutory reserve	-	-	-	558,422	-	-	-	(558,422)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(19,852)	19,852	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at June 30, 2020	17,771,651	4,731,049	8,389,471	15,101,089	-	4,873,729	7,302,194	34,334,222	92,503,405

The annexed notes 1 to 43 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, 2020

	Note	Half year ended	
		June 30, 2020	June 30, 2019
------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		9,597,138	11,414,917
Dividend income		(196,653)	(169,777)
		9,400,485	11,245,140
Adjustments			
Depreciation		1,846,019	1,648,637
Amortisation		225,082	247,191
Provisions and write offs - net	32	4,788,451	979,828
Unrealised (gain) / loss on revaluation of investments classified as held for trading-net		(35,983)	20,351
Gain on sale of operating fixed assets - net		(13,212)	(93,075)
Borrowing cost on lease liability		680,791	743,989
Workers' Welfare Fund		275,775	255,384
Charge for defined benefit plan		85,341	60,000
Staff compensated absences		72,000	60,000
		7,924,264	3,922,305
		17,324,749	15,167,445
(Increase) / decrease in operating assets			
Lendings to financial institutions		28,961,345	26,078,364
Held for trading securities		(49,240,571)	5,213,896
Advances		(7,586,128)	7,876,196
Other assets (excluding advance taxation)		(1,681,455)	(13,280,512)
		(29,546,809)	25,887,944
increase / (decrease) in operating liabilities			
Bills payable		4,533,079	(15,838,325)
Borrowings		120,651,327	(47,885,708)
Deposits		25,805,518	37,680,628
Other liabilities (excluding current taxation)		1,153,289	10,010,341
		152,143,213	(16,033,064)
		139,921,153	25,022,325
		(2,792,832)	(1,847,015)
Income tax paid			
Net cash generated from / (used in) operating activities		137,128,321	23,175,310
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(148,484,154)	27,318,179
Net investments in held-to-maturity securities		5,830,717	(4,934,645)
Dividends received		196,581	162,544
Investments in operating fixed assets		(1,278,297)	(1,455,656)
Proceeds from sale of fixed assets		44,455	290,425
Effect of translation of net investment in foreign branches		1,617,168	2,440,728
Net cash (used in) / generated from investing activities		(142,073,530)	23,821,575
CASH FLOWS FROM FINANCING ACTIVITIES			
(Payment) / receipts of subordinated debt		(4,987,000)	(1,000)
Payment of leased obligations		(1,101,231)	(1,615,689)
Issuance of share capital		-	38,082
Dividend paid		(3,523,350)	(2,667,838)
Net cash (used in) / generated from financing activities		(9,611,581)	(4,246,445)
(Decrease) / Increase in cash and cash equivalents		(14,556,790)	42,750,440
Cash and cash equivalents at beginning of the year		138,649,846	105,590,826
Effects of exchange rate changes on cash and cash equivalents		(3,595,114)	(5,089,430)
		135,054,732	100,501,396
Cash and cash equivalents at end of the period		120,497,942	143,251,836

The annexed notes 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the half year ended June 30, 2020

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 676 branches (December 31, 2019: 674 branches) and 24 sub-branches (December 31, 2019: 24 sub-branches). Out of these, 501 (December 31, 2019: 501) are conventional, 164 (December 31, 2019: 162) are Islamic, 10 (December 31, 2019: 10) are overseas and 1 (December 31, 2019: 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) as 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. 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 BPRD Circular No. 04 of 2019 dated 23 October 2019 has directed banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements; except for overseas branches where such standards are applicable.

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 40 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, 2019.

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

There are certain interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are either 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.

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 9 'Financial Instruments'	January 01, 2021
Covid-19-Related Rent Concessions - Amendment to IFRS 16	June 01, 2020
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

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 1 – First time adoption of IFRSs	January 01, 2014
IFRS 17 – Insurance Contracts	January 01, 2023

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 which are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments which are measured at fair value and defined benefit obligations which 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, 2019.

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, 2019, except for the calculation of general provision stated in note 6.1.1.

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, 2019, except for the following additional considerations due to the COVID - 19.

6.1 Risk management in the current economic scenario

The COVID - 19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit for retail asset classification by 44 percent to Rs 180 million, thus resulting in reduced risk weighted assets; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on loan obligations by one year; and (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

COVID 19 has impacted the banks in Pakistan from various facets which includes increase in overall credit risk pertaining to loans and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of Branches, managing cyber security threat and managing investment banking activities including arrangement of syndicate loans, debt and capital advisory services etc. Major aspects of COVID 19 on the Bank is discussed below:

6.1.1 Assets quality and credit risk

The Risk department of the Bank is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. Since many of such covid affected borrowers have availed the SBP enabled deferment / restructuring & rescheduling relief, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. The Bank anticipates that it is appropriate to maintain a general loan loss reserve given the uncertainty that may prevail until the pandemic is over. Accordingly, the management of the Bank has estimated a general provision of Rs. 2,000 million which approximates to 1.5% of the restructured portfolio as at June 30, 2020. Had this change of estimate not been made, advances and the profit after tax for the half year ended would have been higher by Rs. 2,000 million and Rs. 1,163 million respectively.

The Bank has further strengthened its credit review procedures in the light of COVID 19. The Bank has also conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained is sufficient.

6.1.2 Liquidity management

Bank has received applications for deferral of principal and / or restructuring / rescheduling and is expected to receive further such applications. These applications are being reviewed by the bank as per its established policies. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Bank has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

6.1.3 Equity investments

The Bank has investment in equity securities and despite SBP relaxation, has taken the full impact of impairment in these unconsolidated condensed interim financial statements.

6.1.4 Foreign Exchange Risk

Due to recent economic slowdown, the PKR has been devalued against USD significantly from December 31, 2019 and the USD / PKR parity stood at Rs 168.05 as at June 30, 2020. The exchange rate is expected to remain volatile till the uncertainty around COVID 19 resolves. The Bank has reviewed the Net Open Position of the bank and has had no significant impact on P&L.

6.1.5 Operations

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs and the Bank continues to meet the expectations of their clients as they would in a normal scenario.

6.1.6 Capital Adequacy Ratio

Under the current scenario, the Banks are under pressure to extend further credit to its borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Bank from Capital Adequacy Ratio perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Bank for its tier 2 capital. Further, the regulatory limit for retail loans has also increased by SBP to 180 million, which will now result in reduced Risk Weighted Assets for some of its loans. In addition to the measures by SBP, the Senior management of the Bank is continuously monitoring the impacts of various decisions of its CAR and taking further lending decisions based on the overall impacts on RWA. The Bank also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

(Un-audited) June 30, 2020	(Audited) December 31, 2019
------(Rupees in 000)-----	

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	15,086,299	15,799,677
Foreign currency	3,609,837	2,418,292
	18,696,136	18,217,969
With State Bank of Pakistan in		
Local currency current account	41,840,512	44,854,841
Foreign currency current account	6,739,412	5,551,990
Foreign currency deposit account	8,607,873	14,084,512
	57,187,797	64,491,343
With other central banks in		
Foreign currency current account	8,466,434	8,529,825
Foreign currency deposit account	711,264	659,039
	9,177,698	9,188,864
With National Bank of Pakistan in local currency current account	8,934,622	8,469,281
Prize bonds	51,929	364,416
	94,048,182	100,731,873

8 BALANCES WITH OTHER BANKS

In Pakistan in current account	57,476	574,335
Outside Pakistan		
In current account	8,139,575	3,535,371
In deposit account	28,298	600,262
	8,167,873	4,135,633
	8,225,349	4,709,968

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	19,985,708	30,552,042
Repurchase agreement lendings (Reverse Repo)	9,500,000	24,931,724
Bai Muajjal receivable		
with State Bank of Pakistan	-	9,018,518
with other financial institutions	2,440,344	6,942,429
	2,440,344	15,960,947
	31,926,052	71,444,713
Less: expected credit loss - overseas branches	(20,191)	(9,818)
Lending to Financial Institutions - net of provision	31,905,861	71,434,895

10 INVESTMENTS
Note
10.1 Investments by type:

	June 30, 2020 (Un-audited)				December 31, 2019 (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	70,596,243	-	35,422	70,631,665	20,533,478	-	(14,058)	20,519,420
Pakistan Investment Bonds	3,041,736	-	2,748	3,044,484	5,148,051	-	(12,795)	5,135,256
Shares								
Fully paid up ordinary shares / units								
- Listed	136,071	-	(3,608)	132,463	449,778	-	4,858	454,636
Non Government Debt Securities								
Sukuks	2,000,000	-	-	2,000,000	-	-	-	-
Foreign Securities								
Overseas Bonds - Sovereign	493,570	-	1,421	494,991	915,694	-	2,043	917,737
	76,267,620	-	35,983	76,303,603	27,047,001	-	(19,952)	27,027,049
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	154,453,424	-	1,492,511	155,945,935	72,573,764	-	(14,777)	72,558,987
Pakistan Investment Bonds	124,450,108	-	4,928,239	129,378,347	92,232,030	-	3,220,117	95,452,147
Government of Pakistan Sukuks	21,253,614	-	(96,191)	21,157,423	4,212,347	-	86,367	4,298,714
Government of Pakistan Euro Bonds	2,084,437	-	(82,146)	2,002,291	1,925,652	-	40,577	1,966,229
Shares								
Fully paid up ordinary shares - Listed	5,910,644	(1,410,991)	2,339,578	6,839,231	5,605,847	(1,029,285)	2,506,441	7,083,003
Fully paid up ordinary shares								
- Unlisted	1,151,285	(59,661)	-	1,091,624	1,151,285	(59,661)	-	1,091,624
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	1,576,039	(431,649)	(10,237)	1,134,153	1,753,977	(409,577)	(22,887)	1,321,513
Sukuks	18,635,123	(96,511)	183,427	18,722,039	4,817,886	(96,510)	170,457	4,891,833
Foreign Securities								
Overseas Bonds - Sovereign	14,220,838	-	379,868	14,600,706	10,206,335	-	144,151	10,350,486
Overseas Bonds - Others	17,204,228	-	369,331	17,573,559	19,409,473	-	330,542	19,740,015
Redeemable Participating Certificates	3,010,741	-	-	3,010,741	2,727,165	-	-	2,727,165
	364,084,316	(2,132,647)	9,504,380	371,456,049	216,749,596	(1,728,868)	6,460,988	221,481,716
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	16,719,521	-	-	16,719,521	25,968,179	-	-	25,968,179
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Non Government Debt Securities								
Term Finance Certificates	914,266	(524,266)	-	390,000	714,266	(524,266)	-	190,000
Sukuks	1,221,002	(107,938)	-	1,113,064	1,255,831	(120,898)	-	1,134,933
Foreign Securities								
Overseas Bonds - Sovereign	17,087,945	-	-	17,087,945	13,901,861	-	-	13,901,861
Overseas Bonds - Others	838,494	-	-	838,494	771,808	-	-	771,808
	43,997,594	(632,204)	-	43,365,390	49,828,311	(645,164)	-	49,183,147
Associates								
	1,177,606	-	-	1,177,606	1,177,606	-	-	1,177,606
Subsidiaries								
	300,000	(42,981)	-	257,019	300,000	(42,981)	-	257,019
General provision and expected credit loss-								
Overseas operations	-	(31,371)	-	(31,371)	-	(28,422)	-	(28,422)
Total Investments	485,827,136	(2,839,203)	9,540,363	492,528,296	295,102,514	(2,445,435)	6,441,036	299,098,115

10.1.1 The adoption of IFRS 9 at Bahrain Operations of the Bank has resulted in investments in Redeemable Participating Certificates held abroad, being mandatorily measured at "Fair Value through Profit and Loss Account". However, based on the clarification received from the State Bank of Pakistan (SBP) vide their letter No. BPRD/RPD/2018-16203 dated July 26, 2018, such investments have been reported and measured under "Available for Sale" investments in these unconsolidated condensed interim financial statements.

10.2 Investments given as collateral	(Un-audited)	(Audited)
	June 30,	December 31,
	2020	2019
	----- (Rupees in 000) -----	
Market Treasury Bills	63,281,546	10,243,269
Pakistan Investment Bonds	56,415,883	10,841,800
Government of Pakistan Sukuks	1,680,506	-
Overseas Bonds	6,523,455	4,630,519
Sukuk Bonds	3,190,371	4,641,103
	131,091,761	30,356,691

Market value of securities given as collateral is Rs. 131,785.386 million (December 31, 2019: Rs. 30,746.266 million)

10.3 Provision for diminution in value of investments	(Un-audited)	(Audited)
	June 30,	December 31,
	2020	2019
	----- (Rupees in 000) -----	
10.3.1 Opening balance	2,445,435	1,423,999
Exchange and other adjustments	2,582	3,548
Charge / reversals		
Charge for the period / year	981,111	1,589,125
Reversals for the period / year	(12,960)	(49,130)
Reversal on disposals	(576,965)	(522,107)
	391,186	1,017,888
Closing balance	2,839,203	2,445,435

10.3.2 Particulars of provision against debt securities

Category of classification	June 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	1,160,364	1,160,364	1,151,251	1,151,251
Overseas	-	-	-	-
Total	1,160,364	1,160,364	1,151,251	1,151,251

10.3.3 The market value of securities classified as held-to-maturity as at June 30, 2020 amounted to Rs. 45,346.556 million (December 31, 2019: Rs. 49,648.885 million).

11 ADVANCES

Note	Performing		Non Performing		Total	
	June 30, 2020 (Un-audited)	December 31, 2019 (Audited)	June 30, 2020 (Un-audited)	December 31, 2019 (Audited)	June 30, 2020 (Un-audited)	December 31, 2019 (Audited)
	------(Rupees in '000)-----					
Loans, cash credits, running finances, etc.	413,915,929	403,040,273	22,874,469	20,686,613	436,790,398	423,726,886
Islamic financing and related assets	85,919,383	87,309,952	1,644,255	1,532,279	87,563,638	88,842,231
Bills discounted and purchased	12,648,207	17,203,494	537,770	198,336	13,185,977	17,401,830
Advances - gross	512,483,519	507,553,719	25,056,494	22,417,228	537,540,013	529,970,947
Provision against advances						
- Specific	-	-	(20,180,969)	(17,740,415)	(20,180,969)	(17,740,415)
- General	(2,906,567)	(994,583)	-	-	(2,906,567)	(994,583)
	(2,906,567)	(994,583)	(20,180,969)	(17,740,415)	(23,087,536)	(18,734,998)
Advances - net of provision	509,576,952	506,559,136	4,875,525	4,676,813	514,452,477	511,235,949

11.1 Advances include an amount of Rs.134.923 million (December 31, 2019: Rs. 147.568 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 24.42% (December 31, 2019: 9.46% to 24.46%) with maturities up to December 2039 (December 31, 2019: December 2039).

11.2 Particulars of advances (Gross)	(Un-audited) (Audited)	
	June 30, 2020	December 31, 2019
	------(Rupees in '000)-----	
In local currency	501,971,084	490,264,805
In foreign currencies	35,568,929	39,706,142
	<u>537,540,013</u>	<u>529,970,947</u>

11.3 Advances include Rs. 25,056.494 million (December 31, 2019: Rs. 22,417.228 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	------(Rupees in '000)-----			
Domestic				
Other Assets Especially Mentioned	225,610	13,832	1,712,714	8,347
Substandard	972,740	225,116	2,382,226	579,152
Doubtful	6,144,653	2,417,968	1,918,480	947,661
Loss	17,134,484	17,061,705	15,868,239	15,777,510
	<u>24,477,487</u>	<u>19,718,621</u>	21,881,659	17,312,670
Overseas				
Not past due but impaired > 365 days	579,007	462,348	535,569	427,745
Total	<u>25,056,494</u>	<u>20,180,969</u>	22,417,228	17,740,415

11.4 Particulars of provision against advances

Note	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	17,740,415	994,583	18,734,998	15,883,399	873,314	16,756,713
Exchange and other adjustments	36,400	16,097	52,497	36,327	26,819	63,146
Charge for the period	3,559,431	1,895,887	5,455,318	4,262,029	94,450	4,356,479
Reversals	(1,015,954)	-	(1,015,954)	(2,222,967)	-	(2,222,967)
	2,543,477	1,895,887	4,439,364	2,039,062	94,450	2,133,512
Amounts written off	(104,272)	-	(104,272)	(201,332)	-	(201,332)
Amounts charged off - agriculture financing	(35,051)	-	(35,051)	(17,041)	-	(17,041)
	(139,323)	-	(139,323)	(218,373)	-	(218,373)
Closing balance	20,180,969	2,906,567	23,087,536	17,740,415	994,583	18,734,998

11.4.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at June 30, 2020 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 75.412 million (December 31, 2019: Rs. 70.090 million).

11.4.2 During the period, non performing loans and provisions were reduced by Rs. 515 million due to a debt property swap transaction.

11.4.3 General provision includes:

(i) Provision held in accordance with SBP's prudential regulations against:

- Conventional consumer loans being maintained at an amount equal to 1% of the secured (auto and house loans) performing portfolio and 4% of the unsecured (personal loans and credit cards) performing portfolio;
- Islamic auto loans being maintained at an amount equal to 1% of the secured performing portfolio and for Islamic house loans, at an amount equal to 0.5% of the secured performing portfolio;
- Small Enterprises (SE) portfolio being maintained at an amount equal to 1% against unsecured performing SE portfolio;

(ii) Provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches (iii) Provision of Rs. 2,000 million (December 31, 2019: Nil) as explained in Note 6.1.1.

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.

11.4.5 The State Bank of Pakistan, vide BPRD circular letter 13 of 2020 dated March 26, 2020, has relaxed certain classification criteria of SBP Prudential Regulation R-B (Classification and Provisioning of Assets) to soften the impact of COVID-19 on the banks and to give relief to the bank's borrowers. Accordingly, certain exposures as at June 30, 2020 relating to facilities of customers have not been classified as non-performing.

Note		(Un-audited)	(Audited)
		June 30, 2020	December 31, 2019
----- (Rupees in '000) -----			
12	FIXED ASSETS		
	Capital work-in-progress	664,900	643,413
	Property and equipment	19,345,268	19,256,348
	Right-of-use assets	9,212,424	9,187,267
		<u>29,222,592</u>	<u>29,087,028</u>
12.1	Capital work-in-progress		
	Civil works	341,826	328,506
	Equipment	302,141	295,383
	Others	20,933	19,524
		<u>664,900</u>	<u>643,413</u>

12.2 It includes land and building carried at revalued amount of Rs. 13,909.888 million (December 31, 2019: Rs. 13,927.961 million).

(Un-audited)	
June 30, 2020	June 30, 2019
------(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	21,487	298,128
Property and equipment		
Building on freehold land	26,202	8,916
Building on leasehold land	33,916	14,042
Lease hold improvement	119,969	40,645
Furniture and fixture	109,770	14,497
Office equipment	700,869	927,164
Vehicles	34,000	5,736
	1,024,726	1,011,000
Total additions to fixed assets	1,046,213	1,309,128

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
Building on leasehold	-	2,700
Leasehold improvements	8,551	213
Furniture and fixture	369	163
Office equipment	6,742	1,774
Vehicles	15,581	-
Total disposal of fixed assets	31,243	197,350

(Un-audited) June 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----	

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	336,798	253,483
Software	928,148	1,003,878
	1,264,946	1,257,361

(Un-audited)	
June 30, 2020	June 30, 2019
------(Rupees in '000)-----	

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	83,315	13,473
Directly purchased	149,234	209,825
Total additions to intangible assets	232,549	223,298

13.2 There were no disposals during the periods ended June 30, 2020 and June 30, 2019.

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----			
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		20,207,467	21,292,325
Income/ Mark-up accrued in foreign currency - net of provision		1,058,288	1,092,865
Advances, deposits, advance rent and other prepayments		2,270,482	1,842,797
Advance against subscription of share		82,312	82,312
Non-banking assets acquired in satisfaction of claims	14.1	1,275,466	763,935
Dividend receivable		1,142	1,070
Mark to market gain on forward foreign exchange contracts		3,407,048	2,436,300
Mark to market gain on derivatives		-	20,977
Stationery and stamps on hand		20,904	23,164
Defined benefit plan		933,837	1,019,177
Due from card issuing banks		568,622	886,234
Accounts receivable		3,065,241	829,639
Receivable against fraud and forgeries		91,426	117,010
Acceptances		15,120,262	16,645,791
Receivable against DSC/SSC and overseas government securities		809,738	259,983
Others		488,455	429,854
		49,400,690	47,743,433
Less: Provision held against other assets	14.2	(243,794)	(230,236)
Other assets (net of provision)		49,156,896	47,513,197
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		241,481	242,759
		49,398,377	47,755,956

14.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 1,516.036 million (December 31, 2019: Rs. 1,005.256 million).

14.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments	233,189	219,631
Non banking assets acquired in satisfaction of claims	10,605	10,605
	243,794	230,236

14.2.1 Movement in provision held against other assets

Opening balance	230,236	389,766
Exchange and other adjustments	5,277	(9,149)
Charge for the period / year	12,538	72,108
Reversals for the period / year	(4,257)	(54,540)
	8,281	17,568
Amount written off	-	(167,949)
Closing balance	243,794	230,236

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	------(Rupees in '000)-----	
15	BILLS PAYABLE	
In Pakistan	21,284,283	16,950,808
Outside Pakistan	417,855	218,251
	21,702,138	17,169,059
16	BORROWINGS	
	Secured	
Borrowings from State Bank of Pakistan under:		
Export Refinance Scheme	37,892,127	31,680,935
Long-Term Finance Facility	20,562,957	17,892,935
Financing Facility for Storage of Agriculture Produce (FFSAP)	399,082	325,330
Refinance For Wages & Salaries	5,434,710	-
Repurchase Agreement Borrowings	70,046,443	5,000,000
	134,335,319	54,899,200
Repurchase agreement borrowings	53,563,375	16,064,786
Bai Muajjal	5,841,822	19,192,374
Total secured	193,740,516	90,156,360
	Unsecured	
Call borrowings	24,015,832	10,126,463
Overdrawn nostro accounts	1,761,297	939,151
Others		
- Pakistan Mortgage Refinance Company	491,406	494,646
- Karandaaz Risk Participation	666,768	502,375
- Other financial institutions	3,639,984	623,335
Total unsecured	30,575,287	12,685,970
	224,315,803	102,842,330

17 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	298,172,252	73,328,366	371,500,618	270,727,709	66,720,895	337,448,604
Savings deposits	232,133,243	33,038,677	265,171,920	191,870,815	33,470,756	225,341,571
Term deposits	100,343,595	48,067,062	148,410,657	106,891,979	52,368,120	159,260,099
Others	10,482,121	2,610,434	13,092,555	9,393,064	2,215,457	11,608,521
	641,131,211	157,044,539	798,175,750	578,883,567	154,775,228	733,658,795
Financial Institutions						
Current deposits	1,615,240	776,114	2,391,354	1,885,877	468,616	2,354,493
Savings deposits	6,813,236	59,965	6,873,201	28,412,020	56,425	28,468,445
Term deposits	227,166	127,831	354,997	17,579,094	78,196	17,657,290
Others	273,392	21,020	294,412	144,086	1,087	145,173
	8,929,034	984,930	9,913,964	48,021,077	604,324	48,625,401
	650,060,245	158,029,469	808,089,714	626,904,644	155,379,552	782,284,196

(Un-audited) June 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----	

18 SUBORDINATED DEBT

18.1 Term Finance Certificates V - Quoted, Unsecured	-	4,987,000
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During the period, the Bank, after obtaining bondholders' approval, inserted a call option in the Term Finance Certificates V and subsequently exercised that call option after completing required regulatory requirements. Accordingly, the said TFC was redeemed on May 18, 2020, being the option exercise date.

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.		

	7,000,000	11,987,000
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Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
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------(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
- Unrealised loss on revaluation of held for trading investments

	(979,913)	(682,296)
	(1,476,877)	(566,205)
	(354,168)	(341,904)
	(8,072)	(1,997)
	-	(6,983)
	(2,819,030)	(1,599,385)

Taxable Temporary Differences on:

- Surplus on revaluation of fixed assets and non banking assets
- Surplus on revaluation of available for sale investments
- Unrealised gain on revaluation of held for trading investments
- Accelerated tax depreciation

	1,288,340	1,299,030
	3,326,533	2,261,346
	12,595	-
	1,425,871	1,490,002
	6,053,339	5,050,378

	3,234,309	3,450,993
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20 OTHER LIABILITIES

- Mark-up/ Return/ Interest payable in local currency
- Mark-up/ Return/ Interest payable in foreign currency
- Unearned fee 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
- Branch adjustment account
- ADC settlement accounts
- 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
- Lease Liability
- Others

	3,822,208	3,539,887
	899,874	710,032
	679,366	295,257
	5,308,697	5,433,669
	8,881,626	6,379,668
	15,120,262	16,645,791
	124,020	93,040
	1,911,753	3,658,322
	1,216,111	35,385
	245,707	233,567
	1,627,924	405,493
	612,000	540,000
	398,781	372,334
	445	1,155
	123,027	129,249
	8,391,592	7,121,497
	1,754,363	1,478,588
	493,430	637,962
	1,128,498	754,542
	9,904,614	9,367,014
	1,556,413	1,717,539
	64,200,711	59,549,991

20.1 Provision against off-balance sheet obligations

Opening balance	129,249	78,450
Exchange and other adjustments	8,772	11,113
Charge for the period	-	39,686
Reversals	(14,994)	-
	(14,994)	39,686
Closing balance	123,027	129,249

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
----- (Rupees in 000) -----			
21	SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS		
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	9,504,380	6,460,988
- Fixed Assets		8,349,052	8,378,317
- Non-banking assets acquired in satisfaction of claims		241,481	242,759
		18,094,913	15,082,064
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		3,326,533	2,261,346
- Fixed Assets		1,252,827	1,263,070
- Non-banking assets acquired in satisfaction of claims		35,512	35,960
		4,614,872	3,560,376
Derivatives		(1,304,118)	(154,684)
		12,175,923	11,367,004
22	CONTINGENCIES AND COMMITMENTS		
-Guarantees	22.1	69,019,957	63,456,341
-Commitments	22.2	461,677,887	496,023,657
-Other contingent liabilities	22.3	10,777,592	10,150,887
		541,475,436	569,630,885
22.1	Guarantees:		
Financial guarantees		624,302	639,642
Performance guarantees		35,174,735	34,663,032
Other guarantees		33,220,920	28,153,667
		69,019,957	63,456,341
22.2	Commitments:		
Documentary credits and short-term trade-related transactions			
- Letters of credit		87,563,207	93,696,623
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	192,286,818	305,449,119
- forward government securities transactions	22.2.2	123,421,348	39,382,735
- derivatives	22.2.3	19,258,599	17,745,535
- forward lending	22.2.4	36,995,747	38,052,512
Commitments for acquisition of:			
- operating fixed assets		1,876,446	1,283,925
- intangible assets		275,722	413,208
		461,677,887	496,023,657

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----			
22.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	128,928,224	185,084,250
	Sale	63,358,594	120,364,869
		<u>192,286,818</u>	<u>305,449,119</u>
22.2.2	Commitments in respect of forward government securities transactions		
	Purchase	113,888,459	11,353,334
	Sale	9,532,889	28,029,401
		<u>123,421,348</u>	<u>39,382,735</u>
22.2.3	Commitments in respect of derivatives (Interest Rate Swaps)		
	Purchase	19,258,599	17,745,535
	Sale	-	-
		<u>19,258,599</u>	<u>17,745,535</u>
22.2.4	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	31,598,343	32,688,405
	Commitments in respect of investments	5,397,404	5,364,107
		<u>36,995,747</u>	<u>38,052,512</u>

22.2.4.1 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.

22.3 Other contingent liabilities

22.3.1 Claims against the Bank not acknowledged as debts 10,777,592 10,150,887

These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of collateral 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.

22.4 Contingency for tax payable

22.4.1 There were no tax related contingencies other than as disclosed in note 33.1.

23 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.

Product Analysis	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Interest Rate Swaps			Interest Rate Swaps		
	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						
	31	19,258,599	(1,216,111)	30	17,745,535	(14,408)
	<u>31</u>	<u>19,258,599</u>	<u>(1,216,111)</u>	<u>30</u>	<u>17,745,535</u>	<u>(14,408)</u>

	Note	(Un-audited)	
		Half year ended	
		June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
24	MARK-UP/RETURN/INTEREST EARNED		
	On:		
	a) Loans and advances	28,551,768	26,887,308
	b) Investments	17,934,668	7,078,549
	c) Lendings to financial institutions	2,232,333	2,584,211
	d) Balances with banks	47,822	12,773
	e) On securities purchased under resale agreements / Bai Muajjal	1,181,863	5,083,344
		<u>49,948,454</u>	<u>41,646,185</u>
25	MARK-UP/RETURN/INTEREST EXPENSED		
	On:		
	a) Deposits	18,575,620	15,562,311
	b) Borrowings	1,729,179	750,304
	c) Securities sold under repurchase agreements	2,599,257	612,817
	d) Subordinated debt	767,993	672,448
	e) Cost of foreign currency swaps against foreign currency deposits / borrowings	2,193,316	1,568,988
	f) Borrowing cost on leased properties	680,791	743,989
	g) Reward points	41,202	66,578
		<u>26,587,358</u>	<u>19,977,435</u>
26	FEE & COMMISSION INCOME		
	Branch banking customer fees	537,192	649,015
	Consumer finance related fees	108,217	122,691
	Card related fees (debit and credit cards)	249,098	491,465
	Credit related fees	37,439	61,891
	Investment banking fees	185,185	104,624
	Commission on trade	631,989	744,944
	Commission on guarantees	103,974	186,730
	Commission on cash management	20,882	18,194
	Commission on remittances including home remittances	226,656	135,692
	Commission on bancassurance	202,962	237,546
	Card acquiring business	155,895	131,206
	Wealth Management Fee	40,704	20,450
	Commission on Employees' Old-Age Benefit Institution (EOBI)	47,833	57,503
	Commission on Benazir Income Support Programme (BISP)	236,256	175,301
	Alternate Delivery Channels (ADC)	154,338	236,097
	Others	20,989	121,544
		<u>2,959,609</u>	<u>3,494,893</u>
27	GAIN / (LOSS) ON SECURITIES		
	Realised	27.1	1,696,676
	Unrealised - held for trading	10.1	35,983
			<u>1,732,659</u>
27.1	Realised gain / (loss) on:		
	Federal Government Securities	2,385,853	(5,162)
	Shares	(659,335)	(77,078)
	Foreign Securities	(29,842)	38,393
		<u>1,696,676</u>	<u>(43,847)</u>
28	OTHER INCOME		
	Rent on property	12,208	12,541
	Gain on sale of fixed assets-net	13,212	93,075
	Profit on termination of leased contracts (Ijarah)	19,845	21,593
	Others	279	-
		<u>45,544</u>	<u>127,209</u>

29	OPERATING EXPENSES	Note	(Un-audited)	
			Half year ended	
			June 30, 2020	June 30, 2019
			(Rupees in '000)	
	Total compensation expense	29.1	7,353,184	6,205,491
	Property expense			
	Rent and taxes		106,437	114,434
	Utilities cost		455,729	397,165
	Security (including guards)		391,037	303,579
	Repair and maintenance (including janitorial charges)		304,327	248,119
	Depreciation on right-of-use assets		932,883	878,180
	Depreciation on non-banking assets acquired in satisfaction of claims		4,747	4,403
	Depreciation on owned assets		246,925	193,560
			2,442,085	2,139,440
	Information technology expenses			
	Software maintenance		615,208	534,852
	Hardware maintenance		268,794	124,591
	Depreciation		207,385	174,014
	Amortisation		225,082	247,191
	Network charges		204,420	187,786
			1,520,889	1,268,434
	Other operating expenses			
	Directors' fees and allowances		152,583	130,376
	Fees and allowances to Shariah Board		3,900	3,900
	Legal and professional charges		202,000	94,818
	Outsourced services costs		446,902	523,854
	Travelling and conveyance		203,434	259,753
	Clearing and custodian charges		40,954	39,513
	Depreciation		458,826	402,883
	Training and development		52,525	51,850
	Postage and courier charges		130,684	177,984
	Communication		183,031	143,008
	Stationery and printing		282,477	250,377
	Marketing, advertisement and publicity		447,420	863,796
	Donations		20,000	1,580
	Auditors' remuneration		28,746	27,752
	Brokerage and commission		80,635	98,769
	Entertainment		95,965	102,742
	Repairs and maintenance		228,622	186,608
	Insurance		484,724	456,389
	Cash handling charges		315,177	225,392
	CNIC verification		37,414	49,223
	Others		326,903	183,954
			4,222,922	4,274,521
			15,539,080	13,887,886
29.1	Total compensation expense			
	Managerial remuneration			
	i) Fixed		5,429,274	4,709,292
	ii) Variable:			
	a) Cash Bonus / Awards etc.		870,430	744,138
	b) Bonus and Awards in Shares etc.		-	(5,201)
	Charge for defined benefit plan		85,341	60,000
	Contribution to defined contribution plan		227,418	190,683
	Medical		278,579	211,732
	Conveyance		131,618	115,260
	Staff compensated absences		72,000	60,000
	Others		86,356	52,228
	Sub-total		7,181,016	6,138,132
	Sign-on bonus		8,650	53,398
	Severance allowance		163,518	13,961
	Grand Total		7,353,184	6,205,491

30 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, 2020	June 30, 2019
		----- (Rupees in '000) -----	
31 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		42,237	109,292
Penalties imposed by other regulatory bodies		266	-
		42,503	109,292
32 PROVISIONS & WRITE OFFS - NET			
Provisions / (reversal) against lending to financial institutions		9,018	(20,095)
Provisions for diminution in value of investments	10.3.1	391,186	801,589
Provisions against loans & advances	11.4	4,439,364	254,134
Provision against other assets	14.2.1	8,281	61,115
Provisions / (reversal) against off-balance sheet obligations	20.1	(14,994)	761
Other provisions / write off - net		25,360	-
Recovery of written off / charged off bad debts		(69,764)	(117,676)
		4,788,451	979,828
33 TAXATION			
Current		5,341,562	4,940,084
Prior years		(46,772)	603,587
Deferred		(1,281,872)	(337,713)
		4,012,918	5,205,958

- 33.1 a) The income tax assessments of the Bank have been finalized upto and including tax year 2019. 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 Honourable 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 2019, 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.667.746 million (December 31, 2019 : Rs.857.729 million). As a result of appeals filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.184.218 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) 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, 2019 : 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.
- c) Bank has received an order from a provincial tax authority wherein tax authority has demanded sales tax on banking services and penalty amounting to Rs.410.619 million (excluding default surcharge) allegedly for short payment of sales tax for the year 2012. Bank has filed appeal before Commissioner Appeals after consultation with tax advisor. 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)	
		June 30, 2020	June 30, 2019
		----- (Rupees in '000) -----	
34	BASIC EARNINGS PER SHARE		
	Profit for the period	<u>5,584,220</u>	<u>6,208,959</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares	<u>1,777,165</u>	<u>1,775,230</u>
		----- (Rupees) -----	
	Basic earnings per share	<u>3.14</u>	<u>3.50</u>
35	DILUTED EARNINGS PER SHARE		
	Profit for the period	<u>5,584,220</u>	<u>6,208,959</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>1,777,165</u>	<u>1,775,230</u>
		----- (Rupees) -----	
	Diluted earnings per share	<u>3.14</u>	<u>3.50</u>

36 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.

36.1 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, 2020 (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	-	382,160,145	-	382,160,145
Shares	6,971,694	-	-	6,971,694
Non-Government Debt Securities	-	21,856,192	-	21,856,192
Foreign Securities	-	35,679,997	-	35,679,997
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	3,407,048	-	3,407,048
Forward sale of foreign exchange	-	(1,911,753)	-	(1,911,753)
Derivatives purchases	-	(1,216,111)	-	(1,216,111)
December 31, 2019 (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	-	199,930,753	-	199,930,753
Shares	7,537,639	-	-	7,537,639
Non-Government Debt Securities	-	6,213,346	-	6,213,346
Foreign Securities	-	33,735,403	-	33,735,403
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,436,300	-	2,436,300
Forward sale of foreign exchange	-	(3,658,322)	-	(3,658,322)
Derivatives purchases	-	(14,408)	-	(14,408)

36.2 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.

36.3 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.

36.4 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.

37 SEGMENT INFORMATION
37.1 Segment details with respect to Business Activities

	For the period ended June 30, 2020 (Un-audited)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	Total	
	(Rupees in '000)								
Profit and loss									
Net mark-up/return/profit	(4,111,862)	10,858,427	4,568,914	11,546,327	(3,238)	1,223,199	(720,671)	23,361,096	
Inter segment revenue - net	17,673,508	(7,552,675)	(381,675)	(11,111,492)	340,367	122,341	909,626	-	
Non mark-up / return / interest income	1,653,876	840,586	532,612	3,551,405	292,264	200,063	(188,955)	6,881,851	
Total Income	15,215,522	4,146,338	4,719,851	3,986,240	629,393	1,543,603	-	30,242,947	
Segment direct expenses	6,582,082	466,265	1,914,382	203,244	738,893	191,684	5,032,808	15,857,358	
Inter segment expense allocation	3,291,615	454,817	738,574	160,756	254,446	132,600	(5,032,808)	-	
Total expenses	9,873,697	921,082	2,652,956	364,000	993,339	1,052,284	-	15,857,358	
Provisions / (reversals)	213,553	2,225,585	(2,953)	381,439	1,179	(30,352)	2,000,000	4,788,451	
Profit before tax	5,128,272	999,671	2,069,848	3,240,801	(565,125)	523,671	(2,000,000)	9,597,138	
	As at June 30, 2020 (Un-audited)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	Total	
	(Rupees in '000)								
Balance Sheet									
Cash and bank balances	50,713,385	11,006,012	16,414,723	8,912,488	333,785	14,893,138	-	102,273,531	
Investments	1,510,189	1,084,426	46,246,945	383,312,436	-	59,659,654	714,646	492,528,296	
Net inter segment lending	339,483,057	-	-	-	9,398,526	-	84,224,559	433,106,142	
Lendings to financial institutions	-	-	11,140,405	9,500,000	-	11,265,456	-	31,905,861	
Advances - performing	128,455,955	263,135,543	85,854,000	-	5,884	26,190,963	5,934,607	509,576,952	
Advances - non-performing	1,111,426	3,250,652	370,660	-	274	116,659	25,854	4,875,525	
Others	27,649,705	8,547,008	13,825,068	3,777,887	1,525,348	3,092,524	21,468,375	79,885,915	
Total assets	548,923,717	287,023,641	173,851,801	405,502,811	11,263,817	115,218,394	112,368,041	1,654,152,222	
Borrowings	13,805,269	41,624,378	10,512,774	134,639,728	-	23,733,654	-	224,315,803	
Subordinated debt	-	-	-	-	-	-	7,000,000	7,000,000	
Deposits and other accounts	501,676,035	102,290,638	126,073,663	-	10,814,229	67,227,924	7,225	808,089,714	
Net inter segment borrowing	-	133,925,627	14,764,817	262,035,778	-	22,379,920	-	433,106,142	
Others	32,441,627	9,182,998	20,670,228	4,140,465	449,588	3,108,909	19,143,343	89,137,158	
Total liabilities	547,922,931	287,023,641	172,021,482	400,815,971	11,263,817	116,450,407	26,150,568	1,561,648,817	
Net assets	1,000,786	-	1,830,319	4,686,840	-	(1,232,013)	86,217,473	92,503,405	
Equity									
Contingencies and commitments	48,376,216	108,209,524	49,558,309	281,953,975	149,686	51,479,514	1,748,212	541,475,436	

* Others include head office related activities.

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, 2020 (Un-audited)				As at December 31, 2019 (Audited)					
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)				(Rupees in '000)					
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	-	-
Addition during the period / year	-	-	-	58,890,224	-	-	-	-	-	21,936,072
Repaid during the period / year	-	-	-	(58,890,224)	-	-	-	-	-	(21,936,072)
Closing balance	-	-	-	-	-	-	-	-	-	-
Investments										
Opening balance	-	-	300,000	1,177,606	1,191,425	-	-	430,493	1,816,343	997,661
Investment made during the period / year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period / year	-	-	-	(10)	(10)	-	-	-	-	(570,466)
Transfer in / (out) - net	-	-	-	-	-	-	-	(130,493)	(638,727)	769,230
Closing balance	-	-	300,000	1,177,606	1,191,415	-	-	300,000	1,177,606	1,191,425
Provision for diminution in value of Investments										
Opening balance	-	-	42,981	-	3,936	-	-	42,981	-	3,936
Advances										
Opening balance	91,129	661,838	-	-	4,200,405	105,650	449,323	-	-	3,354,510
Addition during the period / year	-	101,934	-	-	604,298	-	394,810	-	-	2,785,243
Repaid during the period / year	(77,583)	(108,163)	-	-	(2,500,785)	(14,520)	(169,822)	-	-	(0,937,348)
Transfer in / (out) - net	70,247	25,069	-	-	-	-	(12,473)	-	-	-
Closing balance	83,793	680,678	-	-	2,303,918	91,129	661,838	-	-	4,200,405
Provision held against advances										
Opening balance	-	-	-	-	-	-	-	-	-	-
Other assets										
Interest / mark-up accrued	1,320	77,324	-	-	130,299	10,939	69,192	-	-	96,163
Receivable from staff retirement fund	-	-	-	-	933,837	-	-	-	-	1,019,178
Prepayment / rent receivable	-	-	-	-	42,731	-	-	-	-	27,995
Advance against shares	-	-	-	-	50,000	-	-	-	-	82,312

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) (Audited)
June 30, December 31,
2020 2019
------(Rupees in '000)-----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,771,651	17,771,651
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	68,910,617	66,649,897
Eligible Additional Tier 1 (ADT 1) Capital	7,000,000	7,000,000
Total Eligible Tier 1 Capital	75,910,617	73,649,897
Eligible Tier 2 Capital	22,887,753	20,026,784
Total Eligible Capital (Tier 1 + Tier 2)	98,798,370	93,676,681

Risk Weighted Assets (RWAs):

Credit risk	489,446,350	483,571,672
Market risk	5,867,675	7,377,863
Operational risk	63,886,413	63,886,413
Total	559,200,438	554,835,948

Common Equity Tier 1 Capital Adequacy ratio	12.32%	12.01%
Tier 1 Capital Adequacy Ratio	13.57%	13.27%
Total Capital Adequacy Ratio	17.67%	16.88%

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	11.50%	12.50%

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	75,910,617	73,649,897
Total exposures	1,508,442,606	1,263,841,607
Leverage ratio	5.03%	5.83%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	329,128,224	285,456,439
Total Net Cash Outflow	189,946,818	174,614,928
Liquidity coverage ratio	173%	163%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	739,054,276	687,962,685
Total Required Stable Funding	526,362,661	499,005,864
Net Stable Funding Ratio	140%	138%

40 ISLAMIC BANKING BUSINESS

The Bank is operating 164 Islamic banking branches (December 31, 2019: 162 branches), 1 sub branch (December 31, 2019: 1 sub branch) and 121 Islamic banking windows (December 31, 2019: 121 Islamic banking windows) as at June 30, 2020.

STATEMENT OF FINANCIAL POSITION

	Note	(Un-audited)	(Audited)
		June 30, 2020	December 31, 2019
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		14,481,193	12,870,647
Balances with other banks		1,933,530	816,895
Due from financial institutions	40.1	11,140,405	37,791,008
Investments	40.2	46,246,945	13,738,131
Islamic financing and related assets - net	40.3	86,224,660	87,512,377
Fixed assets		5,771,706	5,921,069
Intangible assets		26,560	28,653
Due from Head Office		-	-
Other assets		8,026,802	6,317,493
Total Assets		173,851,801	164,996,273
LIABILITIES			
Bills payable		3,433,355	4,016,519
Due to financial institutions		10,512,774	6,973,823
Deposits and other accounts	40.4	126,073,663	122,023,365
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		173,049	159,203
Other liabilities		17,063,824	16,713,272
		157,256,665	149,886,182
NET ASSETS		16,595,136	15,110,091
REPRESENTED BY			
Islamic Banking Fund		1,800,000	1,800,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		1,830,317	1,837,884
Unappropriated/ Unremitted profit	40.5	12,964,819	11,472,207
		16,595,136	15,110,091
CONTINGENCIES AND COMMITMENTS	40.6		

PROFIT AND LOSS ACCOUNT

(Un-audited)

	Half year ended June 30, 2020	Half year ended June 30, 2019
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------(Rupees in '000)-----

Profit / return earned	40.7	7,255,628	6,317,430
Profit / return expensed	40.8	2,686,714	2,176,645
Net Profit / return		4,568,914	4,140,785
Other income			
Fee and Commission Income		341,516	439,327
Foreign Exchange Income		170,942	138,468
Loss on securities		(57)	(19,445)
Other Income		20,211	22,508
Total other income		532,612	580,858
Total Income		5,101,526	4,721,643
Other expenses			
Operating expenses		2,590,340	2,323,548
Workers Welfare Fund		50,031	49,408
Other charges		12,585	40,478
Total other expenses		2,652,956	2,413,434
Profit before provisions		2,448,570	2,308,209
Provisions and write offs - net		(2,953)	9,656
Profit before taxation		2,451,523	2,298,553
Taxation		959,362	925,959
Profit after taxation		1,492,161	1,372,594

40.1 Due from Financial Institutions

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Unsecured	8,700,061	-	8,700,061	21,830,061	-	21,830,061
Bai Muajjal Receivable						
from other Financial Institutions	2,440,344	-	2,440,344	6,942,429	-	6,942,429
from State Bank of Pakistan	-	-	-	9,018,518	-	9,018,518
	11,140,405	-	11,140,405	37,791,008	-	37,791,008

40.2 Investments

	June 30, 2020 (Un-audited)				December 31, 2019 (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	17,220,399	-	(24,924)	17,195,475	496,004	-	(1,004)	495,000
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
	24,436,765	-	(24,924)	24,411,841	7,712,370	-	(1,004)	7,711,366
Non Government Debt Securities								
Unlisted	21,759,615	(107,938)	183,427	21,835,104	5,977,205	(120,898)	170,458	6,026,765
Total Investments	46,196,380	(107,938)	158,503	46,246,945	13,689,575	(120,898)	169,454	13,738,131

(Un-audited) (Audited)
June 30, December 31,
2020 2019
------(Rupees in '000)-----

40.3 Islamic financing and related assets

Ijarah	13,001,434	13,316,958
Murabaha	5,108,182	8,513,403
Musharaka	37,224,119	37,064,167
Diminishing Musharaka	1,810,070	1,798,472
Salam	2,507,944	3,160,589
Other Islamic Modes	7,214,794	5,319,660
Advances against Islamic assets	13,200,277	15,870,982
Inventory related to Islamic financing	6,417,801	3,742,307
Islamic Long Term Finance Facility Plant & Machinery	50,124	55,693
SBP Refinance Scheme For Wages & Salaries	1,028,893	-
Gross Islamic financing and related assets	87,563,638	88,842,231
Less: provision against Islamic financings		
- Specific	(1,273,790)	(1,246,416)
- General	(65,188)	(83,438)
	(1,338,978)	(1,329,854)
Islamic financing and related assets - net of provision	86,224,660	87,512,377

40.4 Deposits

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
------(Rupees in '000)-----						
Customers						
Current deposits	57,914,868	4,577,982	62,492,850	49,796,551	3,924,311	53,720,862
Savings deposits	45,783,229	2,436,668	48,219,897	42,140,823	2,579,906	44,720,729
Term deposits	13,867,773	398,191	14,265,964	14,952,359	245,276	15,197,635
Other deposits	710,213	122,030	832,243	2,359,360	181,527	2,540,887
	118,276,083	7,534,871	125,810,954	109,249,093	6,931,020	116,180,113
Financial Institutions						
Current deposits	16,188	-	16,188	2,827	-	2,827
Savings deposits	246,521	-	246,521	310,398	-	310,398
Term deposits	-	-	-	5,530,027	-	5,530,027
	262,709	-	262,709	5,843,252	-	5,843,252
	118,538,792	7,534,871	126,073,663	115,092,345	6,931,020	122,023,365

40.5 Islamic Banking Business Unappropriated Profit

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----		
Opening Balance	11,472,207	8,586,749
Add: Islamic Banking profit before taxation for the period	2,451,523	4,777,753
Less: Taxation	(959,362)	(1,892,751)
Less: Transfer from surplus on revaluation of assets to unappropriated profit - net	451	456
Closing Balance	12,964,819	11,472,207

40.6 Contingencies and Commitments

-Guarantees	3,429,310	3,044,844
-Commitments	46,128,999	43,105,936
	49,558,309	46,150,780

40.7 Profit/Return Earned of Financing, Investments and Placement

	(Un-audited) Half year ended June 30, 2020	June 30, 2019
------(Rupees in '000)-----		
Financing	4,572,448	3,754,440
Investments	817,242	521,085
Placements	1,865,938	2,041,905
	7,255,628	6,317,430

40.8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	2,371,566	1,812,317
Due to Financial Institutions	101,933	56,631
Cost of foreign currency swaps against foreign currency deposits / borrowings	14,655	162,000
Borrowing cost on lease liability	192,445	140,120
Reward points	6,115	5,577
	2,686,714	2,176,645

40.9 Pls Pool Management- Islamic Banking Group (IBG)

40.9.1 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) FIs 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.

40.9.2 Avenues/sectors where Mudaraba based deposits have been deployed.	(Un-audited)	(Audited)
	June 30, 2020	December 31, 2019
	----- (Rupees in '000) -----	
Agriculture, forestry, hunting and fishing	12,473,047	12,471,430
Automobile and transportation equipment	2,047,463	1,749,256
Cement	4,571,002	4,985,228
Chemical and pharmaceuticals	4,016,207	2,953,882
Construction	2,830,149	2,385,646
Electronics and electrical appliances	428,450	914,608
Exports / imports	17,700	486,837
Financial	263,086	488,492
Food and allied products	3,938,662	5,107,360
Footwear and leather garments	547,963	563,986
Individuals	15,005,261	14,678,109
Insurance	4,978	6,370
Metal and allied industries	3,071,299	2,638,609
Mining and quarrying	1,098	1,745
Oil and allied	1,889,826	454,678
Power (electricity), gas, water, sanitary	9,408,012	12,795,756
Services	1,206,761	1,468,208
Sugar	2,385,566	1,347,178
Textile	18,250,563	17,915,169
Transport, storage and communication	454,556	1,284,021
Wholesale and retail trade	2,566,226	3,335,626
Glass & Ceramics	129,203	100,532
Paper & Board	656,587	395,403
Technology & Communication	12,197	14,027
Others	1,387,776	300,075
Total Gross Islamic Financing and Related Assets	87,563,638	88,842,231
Total gross investments	46,196,380	13,689,575
Total Islamic placements	11,140,405	37,791,008
Total Invested Funds	144,900,423	140,322,814

40.9.3 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.

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

Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Mudarib Share / Fee	Rabbul Maal Share				
					(Rupees in '000)			
							(Rupees in '000)	
General Pool								
PKR Pool	Monthly	11.06%	11.06%	11.06%	11.06%	11.06%	11.06%	11.06%
USD Pool	Monthly	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
GBP Pool	Monthly	3.78%	3.78%	3.78%	3.78%	3.78%	3.78%	3.78%
EUR Pool	Monthly	4.55%	4.55%	4.55%	4.55%	4.55%	4.55%	4.55%
Specific Pool								
Special Pool (Saving)	Monthly	13.75%	27.69%	72.31%	8,287	10.03%	0.00%	-
Special Pool (TDR)	Monthly	13.85%	15.72%	84.29%	17,305	12.83%	0.00%	-

Specific Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Bank Share	SBP Share				
					(Rupees in '000)			
							(Rupees in '000)	

Islamic Export Refinance (IERS) Pool	Monthly	9.54%	88.03%	11.97%	567,073	Nil	0.99%	5,636
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41 NON-ADJUSTING EVENT

41.1 The State Bank of Pakistan, vide its circular BPRD/BA&CPD/006315/20 dated April 22, 2020, has advised the banks to suspend dividend for the quarters ended March 31, 2020 and June 30, 2020. This is a precautionary measure to conserve capital and enhance the lending and loss absorption capacity of the banks caused due to COVID-19 pandemic. Last year, the Board of Directors had declared an interim cash dividend of 20% (Rs. 2 per share).

41.2 The Bank is in process of issuing Medium Term Note (MTN) in the form of Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates ("TFCs") of up to PKR 50,000 Million in multiple tranches having individual instrument maturity of 3 year or more. The instrument will be secured against Government Securities. The bond is rated AAA (Triple A) by Pakistan Credit Rating Company Limited ("PACRA"). The primary purpose behind the issuance of the TFCs is to hedge the Bank's fixed rate assets. These unconsolidated condensed interim financial statements do not include the effect of these TFCs which will be accounted for subsequent to the period end.

42 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on August 25, 2020 by the Board of Directors of the Bank.

43 GENERAL

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

The effect of reclassification, rearrangement, restatement in the comparative information presented in the unconsolidated condensed interim financial statement for the half year ended June 30, 2020 is as follows:

Description of Item	Nature	Rs '000	From	To
Receivable from Visa, Mastercard and other switches	Asset	886,234	Other Assets - adjustment account	Branch Other Assets - Due from card issuing banks
Receivable against DSC/SSC and overseas government securities	Asset	259,983	Other Assets - Others	Other Assets - Receivable against DSC/SSC and overseas government securities
Payable against ATM / ADC settlement accounts	Liability	405,493	Other Assets - adjustment account	Branch Other Liabilities - ADC settlement accounts
Commission on bills discounting	Income	17,079	Fee and commission income - Commission on trade	Markup income - Loans and advances
Borrowing cost on lease liability	Expense	743,989	Markup expensed - Borrowings	Markup expensed - Borrowing cost on leased liabilities
Medical, Group life and Pay continuation insurance	Expense	148,826	Administrative Expenses - Insurance	Administrative Expenses - Compensation expenses
Depreciation on right-of-use assets	Expense	878,180	Administrative Expenses - Depreciation on owned assets	Administrative Expenses - Depreciation on right-of-use assets
Depreciation on properties acquired under debt asset swap arrangements	Expense	4,403	Administrative Expenses - Depreciation on assets	Administrative Expenses - Depreciation on non-banking assets acquired in satisfaction of claims

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Bank Alfalah Limited

**Consolidated Condensed Interim
Financial Statements**

Half Year Ended June 30, 2020

Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2020

Note (Un-audited) (Audited)
June 30, December 31,
2020 2019
------(Rupees in '000)-----

ASSETS

Cash and balances with treasury banks	7	94,048,498	100,731,903
Balances with other banks	8	8,341,077	4,926,851
Lendings to financial institutions	9	31,905,861	71,434,895
Investments	10	494,640,748	300,905,557
Advances	11	514,455,611	511,237,779
Fixed assets	12	29,236,581	29,107,720
Intangible assets	13	1,267,843	1,260,320
Deferred tax assets		-	-
Other assets	14	49,808,551	48,144,414
		1,223,704,770	1,067,749,439

LIABILITIES

Bills payable	15	21,702,138	17,169,059
Borrowings	16	224,455,389	103,133,573
Deposits and other accounts	17	808,083,138	782,274,860
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,000,000	11,987,000
Deferred tax liabilities	19	4,028,031	4,137,405
Other liabilities	20	64,481,965	59,764,355
		1,129,750,661	978,466,252

NET ASSETS

93,954,109 **89,283,187**

REPRESENTED BY

Share capital		17,771,651	17,771,651
Reserves		28,221,609	26,046,019
Surplus / (deficit) on revaluation of assets	21	12,188,067	11,376,517
Unappropriated profit		35,682,107	33,996,699
Total equity attributable to the equity holders of the Bank		93,863,434	89,190,886
Non-controlling interest		90,675	92,301
		93,954,109	89,283,187

CONTINGENCIES AND COMMITMENTS

22

The annexed notes 1 to 42 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, 2020

	Note	Quarter ended June 30, 2020	Quarter ended June 30, 2019 (Restated)	Half year ended June 30, 2020	Half year ended June 30, 2019 (Restated)
------(Rupees in '000)-----					
Mark-up/Return/Interest Earned	24	24,044,753	20,885,442	49,952,669	41,646,036
Mark-up/Return/Interest Expended	25	12,467,637	10,383,704	26,595,634	19,980,873
Net Mark-up/ Interest Income		11,577,116	10,501,738	23,357,035	21,665,163
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	26	1,344,544	1,840,855	3,042,353	3,549,097
Dividend Income		64,847	93,991	151,903	169,777
Foreign Exchange Income		953,013	785,798	2,008,614	1,263,768
Gain / (loss) from derivatives		8	(16,295)	(61,228)	(12,892)
Gain / (loss) on securities	27	1,780,257	(37,710)	1,732,773	(63,094)
Share of profit from associates		235,939	115,135	343,649	159,068
Other Income	28	23,490	51,121	45,556	133,281
Total non-markup/interest Income		4,402,098	2,832,895	7,263,620	5,199,005
Total Income		15,979,214	13,334,633	30,620,655	26,864,168
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29	7,519,988	7,181,280	15,614,254	13,940,596
Workers Welfare Fund	30	165,653	124,362	275,775	255,384
Other charges	31	1,413	107,865	42,503	109,292
Total non-markup/interest expenses		7,687,054	7,413,507	15,932,532	14,305,272
Profit before provisions		8,292,160	5,921,126	14,688,123	12,558,896
Provisions and write offs - net	32	3,260,857	533,752	4,788,451	979,828
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,031,303	5,387,374	9,899,672	11,579,068
Taxation	33	2,145,779	2,235,163	4,121,385	5,262,665
PROFIT AFTER TAXATION		2,885,524	3,152,211	5,778,287	6,316,403
Profit / (loss) attributable to:					
Equity holders of the Bank		2,886,125	3,155,752	5,778,308	6,324,011
Non-controlling interest		(601)	(3,541)	(21)	(7,608)
		2,885,524	3,152,211	5,778,287	6,316,403
------(Rupees)-----					
Basic earnings per share - Restated	34	1.62	1.78	3.25	3.56
Diluted earnings per share - Restated	35	1.62	1.78	3.25	3.56

The annexed notes 1 to 42 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, 2020

	Quarter ended June 30, 2020	Quarter ended June 30, 2019 (Restated)	Half year ended June 30, 2020	Half year ended June 30, 2019 (Restated)
	----- (Rupees in '000) -----			
Profit after taxation for the period	2,885,524	3,152,211	5,778,287	6,316,403
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	80,685	2,256,162	1,617,168	2,440,732
Movement in surplus / (deficit) on revaluation of investments - net of tax	1,574,080	(118,234)	824,632	538,928
Movement in share of surplus / (deficit) on revaluation of investments of associate - net of tax	5,262	(957)	5,165	-
	1,654,765	2,137,928	2,446,965	2,979,660
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	(9,572)	(42,583)	(19,022)	(49,372)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(418)	(305)	(830)	(607)
	(9,990)	(42,888)	(19,852)	(49,979)
Total comprehensive income	4,530,299	5,247,251	8,205,400	9,246,084
Total comprehensive income / (loss) attributable to:				
Equity holders of the Bank	4,534,918	5,252,353	8,207,026	9,254,113
Non-controlling interest	643	(6,059)	(1,626)	(8,029)
	4,530,299	5,247,251	8,205,400	9,246,084

The annexed notes 1 to 42 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, 2020

	Capital Reserves			Statutory reserve	Revenue Reserves	Surplus/(Deficit) on revaluation		Unappropriated profit	Sub-total	Non Controlling Interest	Total
	Share capital	Share premium	Exchange translation reserve		Employee share option compensation reserve	Investments	Fixed / Non Banking Assets				
	(Rupees in '000)										
Balance as at January 01, 2019	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 half year ended June 30, 2019											
Profit after taxation	-	-	-	-	-	-	-	6,324,011	6,324,011	(7,608)	6,316,403
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	-	-	-
Reversal of deferred employee compensation expense	-	-	-	-	(5,201)	-	-	-	(5,201)	-	(5,201)
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,389	-	-	(25,389)	-	-	-	-	-	-
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)	-
Reclassification of subsidiary and associate - net of tax	-	-	-	-	-	-	-	(91,033)	(91,033)	(512,475)	(603,508)
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)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	157,500	157,500
Shares issued during the period	28,022	10,060	-	-	-	-	-	-	38,082	-	38,082
Balance as at June 30, 2019	17,771,651	4,731,049	7,492,181	13,894,011	-	589,256	7,289,241	31,338,630	83,106,019	95,017	83,201,036
Changes in equity for six months ended December 31, 2019											
Profit after taxation	-	-	-	-	-	-	-	6,722,789	6,722,789	(7,385)	6,715,404
Other comprehensive income - net of tax	-	-	(719,878)	-	-	3,465,215	101,199	69,872	2,916,408	4,669	2,921,077
Transfer to statutory reserve	-	-	-	648,656	-	-	-	(648,656)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(68,394)	68,394	-	-	-
Transactions with owners, recorded directly in equity											
Interim cash dividend for the half year ended June 30, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Balance as at December 31, 2019	17,771,651	4,731,049	6,772,303	14,542,667	-	4,054,471	7,322,046	33,996,699	89,190,886	92,301	89,283,187
Changes in equity for the half year ended June 30, 2020											
Profit after taxation	-	-	-	-	-	-	-	5,778,308	5,778,308	(21)	5,778,287
Other comprehensive income - net of tax	-	-	1,617,168	-	-	831,402	-	-	2,448,570	(1,605)	2,446,965
Transfer to statutory reserve	-	-	-	558,422	-	-	-	(558,422)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(19,852)	19,852	-	-	-
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Balance as at June 30, 2020	17,771,651	4,731,049	8,389,471	15,101,089	-	4,885,873	7,302,194	35,682,107	93,863,434	90,675	93,954,109

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2020

	Half year ended	
	June 30, 2020	June 30, 2019 (Restated)
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,899,672	11,579,068
Dividend income	(151,903)	(169,777)
Share of profit from associates	(343,649)	(159,068)
	<u>9,404,120</u>	<u>11,250,223</u>
Adjustments		
Depreciation	1,853,274	1,651,044
Amortisation	226,543	247,592
Provisions and write offs - net	4,788,451	979,828
Unrealised (gain) / loss on revaluation of investments classified as held for trading - net	(36,008)	20,351
Gain on sale of operating fixed assets - net	(13,224)	(99,147)
Borrowing cost on lease liability	680,907	743,989
Workers' Welfare Fund	275,775	255,384
Charge for defined benefit plan	85,341	60,000
Staff compensated absences	72,000	60,000
	<u>7,933,059</u>	<u>3,919,041</u>
	<u>17,337,179</u>	<u>15,169,264</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	28,961,345	26,078,364
Held for trading securities	(49,243,097)	5,221,644
Advances	(7,587,432)	7,879,471
Other assets (excluding advance taxation)	(1,704,334)	(12,885,977)
	<u>(29,573,518)</u>	<u>26,293,502</u>
Increase / (decrease) in operating liabilities		
Bills payable	4,533,079	(15,838,325)
Borrowings	120,499,670	(48,137,668)
Deposits	25,808,278	37,722,189
Other liabilities (excluding current taxation)	1,224,725	9,891,385
	<u>152,065,752</u>	<u>(16,362,419)</u>
	<u>139,829,413</u>	<u>25,100,347</u>
Income tax paid	(2,795,264)	(1,875,325)
Net cash generated from operating activities	<u>137,034,149</u>	<u>23,225,022</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(148,484,157)	27,318,179
Net investments in held-to-maturity securities	5,830,717	(4,934,645)
Dividends received	196,831	162,544
Investments in operating fixed assets	(1,279,083)	(1,543,409)
Proceed from sale proceeds of fixed assets	44,467	373,267
Effect of translation of net investment in foreign branches	1,617,168	2,440,726
Net cash (used in) / generated from investing activities	<u>(142,074,057)</u>	<u>23,816,662</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of sub-ordinated debt	(4,987,000)	(1,000)
Payment of leased obligations	(1,107,401)	(1,615,689)
Issuance of share capital	-	38,082
Dividend paid	(3,523,350)	(2,667,838)
Net cash used in financing activities	<u>(9,617,751)</u>	<u>(4,246,445)</u>
	<u>(14,657,659)</u>	<u>42,795,239</u>
(Decrease) / Increase in cash and cash equivalents	<u>138,866,759</u>	<u>105,627,461</u>
Cash and cash equivalents at beginning of the year	(3,595,114)	(5,089,430)
Effects of exchange rate changes on cash and cash equivalents	135,271,645	100,538,031
Cash and cash equivalents at end of the period	<u>120,613,986</u>	<u>143,333,270</u>

The annexed notes 1 to 42 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, 2020

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 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 676 branches (December 31, 2019: 674 branches) and 24 sub-branches (December 31, 2019: 24 sub-branches). Out of these, 501 (December 31, 2019: 501) are conventional, 164 (December 31, 2019: 162) are Islamic, 10 (December 31, 2019: 10) are overseas and 1 (December 31, 2019: 1) is an offshore banking unit.

Subsidiary

	Percentage of Holding	
	June 2020	December 2019
Alfalah CLSA Securities (Private) Limited, Pakistan Formerly: Alfalah Securities (Private) Limited	61.20%	61.20%

1.2 In addition the Group maintains investments in the following:

Associates

Alfalah Insurance Company Limited	30.00%	30.00%
Sapphire Wind Power Company Limited	30.00%	30.00%
Alfalah GHP Investment Management Limited, Pakistan	40.22%	40.22%

1.2.1 During 2019, Alfalah GHP Investment Management Limited was declassified as subsidiary and classified as an associate effective January 1, 2019 based on management's reassessment of control over the entity. Consequently, the profit and loss statement of the group for the half year ended June 30, 2019 has been restated. Instead of line by line consolidation of the P&L items of Alfalah GHP Investment Management Limited, share of profit of this entity has been reported.

1.2.2 During 2019, TriconBoston Consulting (Private) Limited was classified from associate to available for sale investment effective January 1, 2019 based on management's reassessment of significant influence over the investee. Consequently, the profit and loss statement of the group for the half year ended June 30, 2019 has been restated and excludes share of profit of TriconBoston Consulting (Private) Limited.

2 BASIS OF PRESENTATION

2.1 These consolidated condensed interim financial statements represent financial statements of Holding Company - Bank Alfalah Limited and its subsidiary. The assets and liabilities of subsidiary 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 (IFS).

SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements ; except for overseas branches and subsidiary where such standards are applicable.

2.2.1 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.

Key financial figures of the Islamic Banking branches are disclosed in note 40 to the unconsolidated condensed interim financial statements.

- 2.3** 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 unconsolidated financial statements for the year ended December 31, 2019.

2.4 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 1, 2020 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.

2.5 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 9 'Financial Instruments'	January 01, 2021
Covid-19-Related Rent Concessions - Amendment to IFRS 16	June 01, 2020
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint	
Amendments to IFRS 10 and IAS 28	Not yet finalised
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 1 – First time adoption of IFRSs	January 01, 2014
IFRS 17 – Insurance Contracts	January 01, 2023

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 which are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments which are measured at fair value and defined benefit obligations which 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, 2019.

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, 2019 except for the calculation of general provision stated in note 6.1.1.

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, 2019, except for the following additional considerations due to the COVID - 19:

6.1 Risk management in the current economic scenario

The COVID - 19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on loan obligations by one year; and (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

COVID 19 has impacted the banks in Pakistan from various facets which includes increase in overall credit risk pertaining to loans and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of Branches, managing cyber security threat and managing investment banking activities including arrangement of syndicate loans, debt and capital advisory services etc. Major aspects of COVID 19 on the Bank is discussed below:

6.1.1 Assets quality and credit risk

The Risk department of the Bank is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. Since many of such covid affected borrowers have availed the SBP enabled deferment / restructuring & rescheduling relief, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. The Bank anticipates that it is appropriate to maintain a general loan loss reserve given the uncertainty that may prevail until the pandemic is over. Accordingly, the management of the Bank has estimated a general provision of Rs. 2,000 million which approximates to 1.5% of the restructured portfolio as at June 30, 2020. Had this change of estimate not been made, advances and the profit after tax for the half year ended would have been higher by Rs. 2,000 million and Rs. 1,163 million respectively.

The Bank has further strengthened its credit review procedures in the light of COVID 19. The Bank has also conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained is sufficient.

6.1.2 Liquidity management

The Bank has received applications for deferral of principal and / or restructuring / rescheduling and is expected to receive further such applications. These applications are being reviewed by the bank as per its established policies. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Bank has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

6.1.3 Equity investments

The Bank has investment in equity securities and despite SBP relaxation, has taken the full impact of impairment in these consolidated condensed interim financial statements.

6.1.4 Foreign Exchange Risk

Due to recent economic slowdown, the PKR has been devalued against USD significantly from December 31, 2019 and the USD / PKR parity stood at Rs 168.05 as at June 30, 2020. The exchange rate is expected to remain volatile till the uncertainty around COVID 19 resolves. The Bank has reviewed the Net Open Position of the bank and has had no significant impact on P&L.

6.1.5 Operations

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs and the Bank continues to meet the expectations of their clients as they would in a normal scenario.

6.1.6 Capital Adequacy Ratio

Under the current scenario, the Banks are under pressure to extend further credit to its borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Bank from Capital Adequacy Ratio perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Bank for its tier 2 capital. Further the regulatory limit for retail loans has also increased by SBP to 180 million, which will now result in reduced Risk Weighted Assets for some of its loans. In addition to the measures by SBP, the Senior management of the Bank is continuously monitoring the impacts of various decisions of its CAR and taking further lending decisions based on the overall impacts on RWA. The Bank also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----		

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	15,086,341	15,799,707
Foreign currency	3,609,837	2,418,292
	18,696,178	18,217,999
With State Bank of Pakistan in		
Local currency current account	41,840,512	44,854,841
Foreign currency current account	6,739,412	5,551,990
Foreign currency deposit account	8,607,873	14,084,512
	57,187,797	64,491,343
With other central banks in		
Foreign currency current account	8,466,434	8,529,825
Foreign currency deposit account	711,264	659,039
	9,177,698	9,188,864
With National Bank of Pakistan in local currency current account		
Prize bonds	8,934,896	8,469,281
	51,929	364,416
	94,048,498	100,731,903

8 BALANCES WITH OTHER BANKS

In Pakistan		
In current account	112,511	726,795
In deposit account	60,693	64,423
	173,204	791,218
Outside Pakistan		
In current account	8,139,575	3,535,371
In deposit account	28,298	600,262
	8,167,873	4,135,633
	8,341,077	4,926,851

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	19,985,708	30,552,042
Repurchase agreement lendings (Reverse Repo)	9,500,000	24,931,724
Bai Muajjal receivable		
with State Bank of Pakistan	-	9,018,518
with other financial institutions	2,440,344	6,942,429
	2,440,344	15,960,947
	31,926,052	71,444,713
Less: expected credit loss - overseas branches	(20,191)	(9,818)
Lending to Financial Institutions - net of provision	31,905,861	71,434,895

10 INVESTMENTS

Note

10.1 Investments by type:

	June 30, 2020 (Un-audited)				December 31, 2019 (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	70,596,243	-	35,422	70,631,665	20,533,478	-	(14,058)	20,519,420
Pakistan Investment Bonds	3,041,736	-	2,748	3,044,484	5,148,051	-	(12,795)	5,135,256
Shares								
Fully paid up ordinary shares / units - Listed	221,872	-	(3,583)	218,289	537,793	-	118	537,911
Non Government Debt Securities								
Sukuks	2,000,000	-	-	2,000,000	-	-	-	-
Foreign Securities								
Overseas Bonds - Sovereign	493,570	-	1,421	494,991	915,694	-	2,043	917,737
	76,353,421	-	36,008	76,389,429	27,135,016	-	(24,692)	27,110,324
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	154,453,424	-	1,492,511	155,945,935	72,573,764	-	(14,777)	72,558,987
Pakistan Investment Bonds	124,450,108	-	4,928,239	129,378,347	92,232,030	-	3,220,117	95,452,147
Government of Pakistan Sukuks	21,253,614	-	(96,191)	21,157,423	4,212,347	-	86,367	4,298,714
Government of Pakistan Euro Bonds	2,084,437	-	(82,146)	2,002,291	1,925,652	-	40,577	1,966,229
Shares								
Fully paid up ordinary shares - Listed	5,921,686	(1,410,991)	2,344,404	6,855,099	5,616,886	(1,029,285)	2,515,407	7,103,008
Fully paid up ordinary shares - Unlisted	1,151,285	(59,661)	-	1,091,624	1,151,285	(59,661)	-	1,091,624
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	1,576,039	(431,649)	(10,237)	1,134,153	1,753,977	(409,577)	(22,887)	1,321,513
Sukuks	18,635,123	(96,511)	183,427	18,722,039	4,817,886	(96,510)	170,457	4,891,833
Foreign Securities								
Overseas Bonds - Sovereign	14,220,838	-	379,868	14,600,706	10,206,333	-	144,151	10,350,486
Overseas Bonds - Others	17,204,228	-	369,331	17,573,559	19,409,473	-	330,542	19,740,015
Redeemable Participating Certificates	3,010,741	-	-	3,010,741	2,727,165	-	-	2,727,165
	364,095,358	(2,132,647)	9,509,206	371,471,917	216,760,635	(1,728,868)	6,469,954	221,501,721
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	16,719,521	-	-	16,719,521	25,968,179	-	-	25,968,179
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Non Government Debt Securities								
Term Finance Certificates	914,266	(524,266)	-	390,000	714,266	(524,266)	-	190,000
Sukuks	1,221,002	(107,938)	-	1,113,064	1,255,831	(120,898)	-	1,134,933
Foreign Securities								
Overseas Bonds - Sovereign	17,087,945	-	-	17,087,945	13,901,861	-	-	13,901,861
Overseas Bonds - Others	838,494	-	-	838,494	771,808	-	-	771,808
	43,997,594	(632,204)	-	43,365,390	49,828,311	(645,164)	-	49,183,147
Associates (valued at equity method)								
Alfaluh Insurance Company Limited	441,335	-	-	441,335	396,575	-	-	396,575
Sapphire Wind Power Company Limited	2,569,041	-	-	2,569,041	2,341,597	-	-	2,341,597
Alfaluh GHP Investment Management Limited	435,007	-	-	435,007	400,615	-	-	400,615
	3,445,383	-	-	3,445,383	3,138,787	-	-	3,138,787
General provision and expected credit loss- Overseas operations	-	(31,371)	-	(31,371)	-	(28,422)	-	(28,422)
Total Investments	487,891,756	(2,796,222)	9,545,214	494,640,748	296,862,749	(2,402,454)	6,445,262	300,905,557

10.1.1 The adoption of IFRS 9 at Bahrain Operations of the Bank has resulted in investments in Redeemable Participating Certificates held abroad, being mandatorily measured at "Fair Value through Profit and Loss Account". However, based on the clarification received from the State Bank of Pakistan (SBP) vide their letter No. BPRD/RPD/2018-16203 dated July 26, 2018, such investments have been reported and measured under "Available for Sale" investments in these consolidated condensed interim financial statements.

10.2 Investments given as collateral	(Un-audited)	(Audited)
	June 30, 2020	December 31, 2019
	------(Rupees in '000)-----	
Market Treasury Bills	63,281,546	10,243,269
Pakistan Investment Bonds	56,415,883	10,841,800
Government of Pakistan Sukuks	1,680,506	-
Overseas Bonds	6,523,455	4,630,519
Sukuk Bonds	3,190,371	4,641,103
	131,091,761	30,356,691

Market value of securities given as collateral is Rs. 131,785.386 million (December 31, 2019: Rs. 30,746.266 million).

10.3 Provision for diminution in value of investments

10.3.1 Opening balance	2,402,454	1,381,018
Exchange and other adjustments	2,582	3,548
Charge / reversals		
Charge for the year	981,111	1,589,125
Reversals for the year	(12,960)	(49,130)
Reversal on disposals	(576,965)	(522,107)
	391,186	1,017,888
Closing Balance	2,796,222	2,402,454

10.3.2 Particulars of provision against debt securities

Category of classification	June 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	NPI	Provision	NPI	Provision
Domestic	------(Rupees in '000)-----			
Loss	1,160,364	1,160,364	1,151,251	1,151,251
Overseas	-	-	-	-
Total	1,160,364	1,160,364	1,151,251	1,151,251

10.3.3 The market value of securities classified as held-to-maturity as at June 30, 2020 amounted to Rs. 45,346.556 million (December 31, 2019 : Rs. 49,648.885 million).

11 ADVANCES

Note	Performing		Non Performing		Total	
	June 30, 2020 (Un-audited)	December 31, 2019 (Audited)	June 30, 2020 (Un-audited)	December 31, 2019 (Audited)	June 30, 2020 (Un-audited)	December 31, 2019 (Audited)
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	413,919,063	403,042,104	22,875,739	20,687,883	436,794,802	423,729,987
Islamic financing and related assets	85,919,383	87,309,952	1,644,255	1,532,279	87,563,638	88,842,231
Bills discounted and purchased	12,648,207	17,203,494	537,770	198,336	13,185,977	17,401,830
Advances - gross	512,486,653	507,555,550	25,057,764	22,418,498	537,544,417	529,974,048
Provision against advances						
- Specific	11.4	-	(20,182,239)	(17,741,685)	(20,182,239)	(17,741,685)
- General	11.4	(2,906,567)	(994,584)	-	(2,906,567)	(994,584)
		(2,906,567)	(994,584)	(20,182,239)	(23,088,806)	(18,736,269)
Advances - net of provision	509,580,086	506,560,966	4,875,525	4,676,813	514,455,611	511,237,779

11.1 Advances include an amount of Rs. 134.923 million (December 31, 2019: Rs. 147.568 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 24.42% (December 31, 2019: 9.46% to 24.46%) with maturities up to December 2039 (December 31, 2019: December 2039).

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----		
11.2 Particulars of advances (Gross)		
In local currency	501,975,488	490,267,906
In foreign currencies	35,568,929	39,706,142
	<u>537,544,417</u>	<u>529,974,048</u>

11.3 Advances include Rs. 25,057.764 million (December 31, 2019: Rs. 22,418.498 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
------(Rupees in '000)-----				
Domestic				
Other Assets Especially Mentioned	225,610	13,832	1,712,714	8,347
Substandard	972,740	225,116	2,382,226	579,152
Doubtful	6,144,653	2,417,968	1,918,480	947,661
Loss	17,135,754	17,062,975	15,869,509	15,778,780
	<u>24,478,757</u>	<u>19,719,891</u>	21,882,929	17,313,940
Overseas				
Not past due but impaired				
> 365 days	579,007	462,348	535,569	427,745
Total	<u>25,057,764</u>	<u>20,182,239</u>	22,418,498	17,741,685

11.4 Particulars of provision against advances

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	17,741,685	994,584	18,736,269	15,884,669	873,315	16,757,984
Exchange and other adjustments	36,400	16,096	52,496	36,327	26,819	63,146
Charge for the year	3,559,431	1,895,887	5,455,318	4,262,029	94,450	4,356,479
Reversals	(1,015,954)	-	(1,015,954)	(2,222,967)	-	(2,222,967)
	2,543,477	1,895,887	4,439,364	2,039,062	94,450	2,133,512
Amounts written off	(104,272)	-	(104,272)	(201,332)	-	(201,332)
Amounts charged off - agriculture financing	(35,051)	-	(35,051)	(17,041)	-	(17,041)
	(139,323)	-	(139,323)	(218,373)	-	(218,373)
Closing balance	20,182,239	2,906,567	23,088,806	17,741,685	994,584	18,736,269

11.4.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at June 30, 2020 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 75.412 million (December 31, 2019: Rs. 70.090 million).

11.4.2 During the period, non performing loans and provisions were reduced by Rs. 515 million due to a debt property swap transaction.

11.4.3 General provision includes:

(I) Provision held in accordance with SBP's prudential regulations against:

- Conventional consumer loans being maintained at an amount equal to 1% of the secured (auto and house loans) performing portfolio and 4% of the unsecured (personal loans and credit cards) performing portfolio;

- Islamic auto loans being maintained at an amount equal to 1% of the secured performing portfolio and for Islamic house loans, at an amount equal to 0.5% of the secured performing portfolio;

- Small Enterprises (SE) portfolio being maintained at an amount equal to 1% against unsecured performing SE portfolio;

(II) Provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates; and

(III) General provision of Rs. 2,000 million (December 31, 2019: Nil) as explained in Note 6.1.1.

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.

11.4.4 The State Bank of Pakistan, vide BPRD circular letter 13 of 2020 dated March 26, 2020, has relaxed certain classification criteria of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets) to soften the impact of COVID-19 on the banks and to give relief to the bank's borrowers. Accordingly, certain exposures as at June 30, 2020 relating to facilities of customers have not been classified as non-performing.

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
		----- (Rupees in '000) -----	
12 FIXED ASSETS			
Capital work-in-progress	12.1	664,900	643,413
Property and equipment	12.2	19,356,331	19,268,783
Right-of-use assets		9,215,350	9,195,524
		<u>29,236,581</u>	<u>29,107,720</u>
12.1 Capital work-in-progress			
Civil works		341,826	328,506
Equipment		302,141	295,383
Others		20,933	19,524
		<u>664,900</u>	<u>643,413</u>

12.2 It includes land and building carried at revalued amount of Rs. 13,909.888 million (December 31, 2019: Rs. 13,927.961 million).

(Un-audited)	
June 30, 2020	June 30, 2019
----- (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	21,487	298,128
Property and equipment		
Building on Freehold land	26,202	8,916
Building on Leasehold land	33,916	14,042
Lease hold improvement	119,969	40,645
Furniture and fixture	109,770	14,497
Office equipment	701,302	927,619
Vehicles	34,000	15,596
	1,025,159	1,021,315
Total additions to fixed assets	1,046,646	1,319,443

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
Building on leasehold	-	2,700
Leasehold improvements	8,551	307
Furniture and fixture	369	6,169
Office equipment	6,742	65,289
Vehicles	15,581	7,155
Total disposal of fixed assets	31,243	274,120

(Un-audited) June 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----	

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	336,798	253,483
Software / membership card	931,045	1,006,837
	1,267,843	1,260,320

(Un-audited)	
June 30, 2020	June 30, 2019
----- (Rupees in '000) -----	

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	83,315	13,473
Directly purchased	149,292	210,493
Total additions to intangible assets	232,607	223,966

13.2 There were no disposals during the periods ended June 30, 2020 and June 30, 2019.

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----			
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		20,207,467	21,292,859
Income/ Mark-up accrued in foreign currency - net of provision		1,058,288	1,092,865
Advances, deposits, advance rent and other prepayments		2,425,887	2,040,310
Advance against subscription of share		82,312	82,312
Non-banking assets acquired in satisfaction of claims	14.1	1,275,466	763,935
Dividend receivable		1,142	1,070
Mark to market gain on forward foreign exchange contracts		3,407,048	2,436,300
Mark to market gain on derivatives		-	20,977
Stationery and stamps on hand		20,904	23,164
Defined benefit plan		933,837	1,019,177
Due from card issuing banks		568,622	886,234
Accounts receivable		3,065,241	829,639
Receivable against tradeable market securities		794,735	730,033
Receivable against fraud and forgeries		91,426	117,010
Acceptances		15,120,262	16,645,791
Receivable against DSC/SSC and overseas government securities		809,738	259,983
Others		487,608	429,351
		50,349,983	48,671,010
Less: Provision held against other assets	14.2	(782,913)	(769,355)
Other Assets (Net of Provision)		49,567,070	47,901,655
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		241,481	242,759
		49,808,551	48,144,414

14.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 1,516.036 million (December 31, 2019: Rs. 1,005.256 million).

14.2 Provision held against other assets

Advances, deposits, advance rent & other prepayments	772,308	758,750
Non banking assets acquired in satisfaction of claims	10,605	10,605
	782,913	769,355

14.3 Movement in provision held against other assets

Opening balance	769,355	928,885
Exchange and other adjustments	5,277	(9,149)
Charge for the year	12,538	72,108
Reversals	(4,257)	(54,540)
	8,281	17,568
Amount Written off	-	(167,949)
Closing balance	782,913	769,355

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	------(Rupees in '000)-----	
15	BILLS PAYABLE	
In Pakistan	21,284,283	16,950,808
Outside Pakistan	417,855	218,251
	21,702,138	17,169,059
16	BORROWINGS	
	Secured	
Borrowings from State Bank of Pakistan under:		
Export Refinance Scheme	37,892,127	31,680,935
Long-Term Finance Facility	20,562,957	17,892,935
Financing Facility for Storage of Agriculture Produce (FFSAP)	399,082	325,330
Refinance For Wages & Salaries	5,434,710	-
Repurchase Agreement Borrowings	70,046,443	5,000,000
	134,335,319	54,899,200
Repurchase agreement borrowings	53,563,375	16,064,786
Bai Muajjal	5,841,822	19,192,374
Others	139,586	291,243
Total secured	193,880,102	90,447,603
	Unsecured	
Call borrowings	24,015,832	10,126,463
Overdrawn nostro accounts	1,761,297	939,151
Others		
- Pakistan Mortgage Refinance Company	491,406	494,646
- Karandaaz Risk Participation	666,768	502,375
- Other financial institutions	3,639,984	623,335
Total unsecured	30,575,287	12,685,970
	224,455,389	103,133,573

17 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	298,172,252	73,328,366	371,500,618	270,727,709	66,720,895	337,448,604
Savings deposits	232,133,243	33,038,677	265,171,920	191,870,815	33,470,756	225,341,571
Term deposits	100,343,595	48,067,062	148,410,657	106,891,979	52,368,120	159,260,099
Others	10,482,121	2,610,434	13,092,555	9,393,064	2,215,457	11,608,521
	641,131,211	157,044,539	798,175,750	578,883,567	154,775,228	733,658,795
Financial Institutions						
Current deposits	1,610,141	776,114	2,386,255	1,877,599	468,616	2,346,215
Savings deposits	6,811,759	59,965	6,871,724	28,410,962	56,425	28,467,387
Term deposits	227,166	127,831	354,997	17,579,094	78,196	17,657,290
Others	273,392	21,020	294,412	144,086	1,087	145,173
	8,922,458	984,930	9,907,388	48,011,741	604,324	48,616,065
	650,053,669	158,029,469	808,083,138	626,895,308	155,379,552	782,274,860

		(Un-audited) June 30, 2020	(Audited) December 31, 2019
		----- (Rupees in '000) -----	
18 SUBORDINATED DEBT			
18.1 Term Finance Certificates V - Quoted, Unsecured		-	4,987,000

During the period, the Bank, after obtaining bondholders' approval, inserted a call option in the Term Finance Certificates V and subsequently exercised that call option after completing required regulatory requirements. Accordingly, the said TFC was redeemed on May 18, 2020, being the option exercise date.

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.		
		<u>7,000,000</u>	<u>11,987,000</u>

19 DEFERRED TAX LIABILITIES

Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----		
Deductible Temporary Differences on		
- Provision against investments	(979,913)	(682,296)
- Provision against advances	(1,476,877)	(566,205)
- Provision against other assets	(354,168)	(343,011)
- Provision against lending to financial institutions	(8,072)	(1,997)
- Unrealised loss on revaluation of HFT investments	-	(7,438)
	(2,819,030)	(1,600,947)
Taxable Temporary Differences on		
- Surplus on revaluation of fixed assets and non banking assets	1,288,340	1,299,030
- Surplus on revaluation of available for sale investments	3,326,533	2,262,421
- Unrealised gain on revaluation of HFT investments	12,595	-
- Share of profit and other comprehensive income from associates	793,722	686,413
- Accelerated tax depreciation	1,425,871	1,490,488
	6,847,061	5,738,352
	4,028,031	4,137,405

20 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency	3,822,208	3,541,232
Mark-up/ Return/ Interest payable in foreign currency	899,874	710,032
Unearned fee commission and income on bills discounted and guarantees	679,366	295,257
Accrued expenses	5,324,747	5,439,895
Current taxation	8,837,923	6,334,458
Acceptances	15,120,262	16,645,791
Dividends payable	124,020	93,040
Mark to market loss on forward foreign exchange contracts	1,911,753	3,658,322
Mark to market loss on derivatives	1,216,111	35,385
Branch adjustment account	245,707	233,567
ADC settlement accounts	1,627,924	405,493
Provision for Compensated absences	612,000	540,000
Payable against redemption of customer loyalty / reward points	398,781	372,334
Charity payable	445	1,155
Provision against off-balance sheet obligations	20.1 123,027	129,249
Security deposits against leases, lockers and others	8,391,592	7,121,497
Worker's Welfare Fund	1,754,363	1,478,588
Payable to vendors and suppliers	493,430	637,962
Payable against tradeable market securities	283,717	230,572
Indirect Taxes Payable	1,128,498	754,542
Lease Liabilities	9,905,785	9,374,239
Others	1,580,432	1,731,745
	64,481,965	59,764,355

20.1 Provision against off-balance sheet obligations

Opening balance	129,249	78,450
Exchange and other adjustments	8,772	11,113
Charge for the year	-	39,686
Reversals	(14,994)	-
	(14,994)	39,686
Closing balance	123,027	129,249

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
21			
SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities		9,509,207	6,469,954
- Available for sale securities of associates		7,946	-
- Fixed Assets		8,349,052	8,378,317
- Non-banking assets acquired in satisfaction of claims		241,481	242,759
		18,107,686	15,091,030
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		3,326,533	2,261,346
- Available for sale securities of associates		2,781	-
- Fixed Assets		1,252,827	1,263,070
- Non-banking assets acquired in satisfaction of claims		35,512	35,960
		4,617,653	3,560,376
Derivatives		(1,304,118)	(154,684)
Surplus on revaluation of available for sale securities attributable to non controlling interest		2,152	547
		12,188,067	11,376,517
22			
CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	69,019,957	63,456,341
-Commitments	22.2	461,677,887	496,023,657
-Other contingent liabilities	22.3	10,777,592	10,150,887
		541,475,436	569,630,885
22.1	Guarantees:		
Financial guarantees		624,302	639,642
Performance guarantees		35,174,735	34,663,032
Other guarantees		33,220,920	28,153,667
		69,019,957	63,456,341
22.2	Commitments:		
Documentary credits and short-term trade-related transactions			
- Letters of credit		87,563,207	93,696,623
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	192,286,818	305,449,119
- forward government securities transactions	22.2.2	123,421,348	39,382,735
- derivatives	22.2.3	19,258,599	17,745,535
- forward lending	22.2.4	36,995,747	38,052,512
Commitments for acquisition of:			
- operating fixed assets		1,876,446	1,283,925
- intangible assets		275,722	413,208
		461,677,887	496,023,657

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----			
22.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	128,928,224	185,084,250
	Sale	63,358,594	120,364,869
		<u>192,286,818</u>	<u>305,449,119</u>
22.2.2	Commitments in respect of forward government securities transactions		
	Purchase	113,888,459	11,353,334
	Sale	9,532,889	28,029,401
		<u>123,421,348</u>	<u>39,382,735</u>
22.2.3	Commitments in respect of derivatives (Interest Rate Swaps)		
	Purchase	19,258,599	17,745,535
	Sale	-	-
		<u>19,258,599</u>	<u>17,745,535</u>
22.2.4	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.4.1 31,598,343	32,688,405
	Commitments in respect of investments	5,397,404	5,364,107
		<u>36,995,747</u>	<u>38,052,512</u>

22.2.4.1 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.

22.3 Other contingent liabilities

22.3.1 Claims against the Bank not acknowledged as debts 10,777,592 10,150,887

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.

22.3.2 A commercial bank on behalf of Alfalah CLSA Securities (Private) Limited, Pakistan has given a guarantee of Rs. 450 million (December 31, 2019: 450 million) to National Clearing Company of Pakistan Limited (NCCPL) in respect of margin eligible securities The guarantee facility is for one year and is secured by 1st Pari Passu charge on current assets of the subsidiary.

22.4 Contingency for tax payable

22.4.1 There were no tax related contingencies other than as disclosed in note 33.1.

23 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.

23.1 Product Analysis

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Interest Rate Swaps			Interest Rate Swaps		
	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	31	19,258,599	(1,216,111)	30	17,745,535	(14,408)
	<u>31</u>	<u>19,258,599</u>	<u>(1,216,111)</u>	<u>30</u>	<u>17,745,535</u>	<u>(14,408)</u>

	Note	(Un-audited)	
		Half year ended	
		June 30, 2020	June 30, 2019
		(Restated)	
		----- (Rupees in '000) -----	
24 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		28,551,919	26,887,159
b) Investments		17,934,668	7,078,549
c) Lendings to financial institutions		2,232,333	2,584,211
d) Balances with banks / financial institutions		51,886	12,773
e) Securities purchased under resale agreements / Bai Muajjal		1,181,863	5,083,344
		<u>49,952,669</u>	<u>41,646,036</u>
25 MARK-UP/RETURN/INTEREST EXPENSED			
On:			
a) Deposits		18,575,522	15,565,749
b) Borrowings		1,737,437	750,304
c) Securities sold under repurchase agreements		2,599,257	612,817
d) Subordinated debt and ADT-1 instrument		767,993	672,448
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		2,193,316	1,568,988
f) Borrowing cost on leased properties		680,907	743,989
g) Reward points		41,202	66,578
		<u>26,595,634</u>	<u>19,980,873</u>
26 FEE & COMMISSION INCOME			
Branch banking customer fees		537,192	648,964
Consumer finance related fees		108,217	122,691
Card related fees (debit and credit cards)		249,098	491,465
Credit related fees		37,439	61,891
Investment banking fees		187,885	104,624
Commission on trade		631,989	744,944
Commission on guarantees		103,974	186,730
Commission on cash management		20,882	18,194
Commission on remittances including home remittances		226,656	135,692
Commission on bancassurance		202,962	237,546
Card acquiring business		155,895	131,206
Wealth Management Fee		40,704	20,450
Commission on Employees' Old-Age Benefit Institution (EOBI)		47,833	57,503
Commission on Benazir Income Support Programme (BISP)		236,256	175,301
Alternate Delivery Channel (ADC)		154,338	236,097
Brokerage/Commission income		80,823	54,255
Others		20,210	121,544
		<u>3,042,353</u>	<u>3,549,097</u>
27 GAIN / (LOSS) ON SECURITIES			
Realised	27.1	1,696,765	(42,743)
Unrealised - held for trading	10.1	36,008	(20,351)
		<u>1,732,773</u>	<u>(63,094)</u>
27.1 Realised gain/(loss) on:			
Federal Government Securities		2,385,853	(5,162)
Shares		(659,246)	(75,974)
Foreign Securities		(29,842)	38,393
		<u>1,696,765</u>	<u>(42,743)</u>
28 OTHER INCOME			
Rent on property		12,208	12,541
Gain on sale of fixed assets-net		13,224	99,147
Profit on termination of leased contracts (Ijarah)		19,845	21,593
Others		279	-
		<u>45,556</u>	<u>133,281</u>

Note	(Un-audited)	
	Half year ended	
	June 30, 2020	June 30, 2019 (Restated)

------(Rupees in '000)-----			
29 OPERATING EXPENSES			
Total compensation expense	29.1	7,399,179	6,250,206
Property expense			
Rent and taxes		106,437	119,737
Utilities cost		456,645	397,953
Security (including guards)		391,037	303,579
Repair and maintenance (including janitorial charges)		304,327	248,119
Depreciation on right-of-use assets		938,214	878,180
Depreciation on non-banking assets acquired in satisfaction of claims		4,747	4,403
Depreciation on owned assets		246,925	193,560
		2,448,332	2,145,531
Information technology expenses			
Software maintenance		616,548	536,210
Hardware maintenance		268,839	124,598
Depreciation		207,506	174,014
Amortisation		226,543	247,592
Network charges		204,420	189,196
		1,523,856	1,271,610
Other operating expenses			
Directors' fees and allowances		152,583	130,376
Fees and allowances to Shariah Board		3,900	3,900
Legal and professional charges		202,745	95,631
Outsourced services costs		446,902	523,854
Travelling and conveyance		204,262	263,057
Clearing and custodian charges		49,702	47,157
Depreciation		460,629	405,290
Training and development		52,546	51,889
Postage and courier charges		130,715	178,042
Communication		187,434	149,067
Stationery and printing		282,862	250,751
Marketing, advertisement and publicity		447,470	863,806
Donations		20,000	1,580
Auditors Remuneration		29,385	28,458
Brokerage and Commission		80,635	98,769
Entertainment		96,242	103,021
Repairs and maintenance		229,052	186,910
Insurance		485,710	457,479
Cash Handling Charges		315,177	225,392
CNIC Verification		37,414	49,223
Others		327,522	159,597
		4,242,887	4,273,249
		15,614,254	13,940,596
29.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		5,465,141	4,748,708
ii) Variable:			
a) Cash Bonus / Awards etc.		874,048	744,138
b) Bonus and Awards in Shares etc.		-	(5,201)
Charge for defined benefit plan		85,341	60,000
Contribution to defined contribution Plan		227,418	190,683
Medical		278,602	211,812
Conveyance		131,618	115,260
Staff compensated absences		72,000	60,000
Others		92,843	57,447
Sub-total		7,227,011	6,182,847
Sign-on Bonus		8,650	53,398
Severance Allowance		163,518	13,961
Grand Total		7,399,179	6,250,206

30 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, 2020	June 30, 2019 (Restated)
		------(Rupees in '000)-----	
31 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		42,237	109,292
Penalties imposed by other regulatory bodies		266	-
		42,503	109,292
32 PROVISIONS & WRITE OFFS - NET			
Provisions / (reversal) against lending to financial institutions		9,018	(20,095)
Provisions for diminution in value of investments	10.3.1	391,186	801,589
Provisions against loans & advances	11.4	4,439,364	254,134
Provision against other assets	14.3	8,281	61,115
(Reversal) / provision against off-balance sheet obligations	20.1	(14,994)	761
Other provisions / write off - net		25,360	-
Recovery of written off / charged off bad debts		(69,764)	(117,676)
		4,788,451	979,828
33 TAXATION			
Current		5,345,501	4,941,117
Prior years		(46,772)	603,587
Deferred		(1,177,344)	(282,039)
		4,121,385	5,262,665

- 33.1 a) The income tax assessments of the Bank have been finalized upto and including tax year 2019. 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 2019, 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.667.746 million (December 31, 2019 : Rs.857.729 million). As a result of appeals filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.184.218 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) 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, 2019 : 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.
- c) Bank has received an order from a provincial tax authority wherein tax authority has demanded sales tax on banking services and penalty amounting to Rs.410.619 million (excluding default surcharge) allegedly for short payment of sales tax for the year 2012. Bank has filed appeal before Commissioner Appeals after consultation with tax advisor. 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)	
		June 30, 2020	June 30, 2019 (Restated)
		----- (Rupees in '000) -----	
34	BASIC EARNINGS PER SHARE		
	Profit for the period attributable to equity holders of the Bank	<u>5,778,308</u>	<u>6,324,011</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares	<u>1,777,165</u>	<u>1,775,230</u>
		----- (Rupees) -----	
	Basic earnings per share	<u>3.25</u>	<u>3.56</u>
35	DILUTED EARNINGS PER SHARE		
		----- (Rupees in '000) -----	
	Profit for the period attributable to equity holders of the Bank	<u>5,778,308</u>	<u>6,324,011</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>1,777,165</u>	<u>1,775,230</u>
		----- (Rupees) -----	
	Diluted earnings per share	<u>3.25</u>	<u>3.56</u>

36 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.

36.1 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, 2020 (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	-	382,160,145	-	382,160,145
Shares	7,073,388	-	-	7,073,388
Non-Government Debt Securities	-	21,856,192	-	21,856,192
Foreign Securities	-	35,679,997	-	35,679,997
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	3,407,048	-	3,407,048
Forward sale of foreign exchange	-	(1,911,753)	-	(1,911,753)
Derivatives purchases	-	(1,216,111)	-	(1,216,111)
	December 31, 2019 (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	-	199,930,753	-	199,930,753
Shares	7,640,919	-	-	7,640,919
Non-Government Debt Securities	-	6,213,346	-	6,213,346
Foreign Securities	-	33,735,403	-	33,735,403
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,436,300	-	2,436,300
Forward sale of foreign exchange	-	(3,658,322)	-	(3,658,322)
Derivatives purchases	-	(14,408)	-	(14,408)

36.2 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.

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

36.4 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.

37 SEGMENT INFORMATION

37.1 Segment details with respect to Business Activities

For the period ended June 30, 2020 (Un-audited)									
	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
Profit & Loss									
Net mark-up/return/profit	(4,111,862)	10,858,427	4,568,914	11,546,327	(3,238)	1,223,199	(4,061)	(720,671)	23,357,035
Inter segment revenue - net	17,673,508	(7,552,675)	(881,675)	(11,111,492)	340,367	122,341	-	909,626	-
Non mark-up/return/interest income	1,653,876	840,586	532,612	3,551,402	292,264	200,063	84,071	108,743	7,263,620
Total Income	15,215,522	4,146,338	4,719,851	3,986,240	629,393	1,545,603	80,010	297,698	30,620,655
Segment direct expenses	6,582,082	466,265	1,914,382	203,244	798,893	919,684	76,125	5,031,857	15,932,532
Inter segment expense allocation	3,291,615	454,817	798,574	160,796	254,446	132,600	-	(5,029,908)	-
Total expenses	9,873,697	921,082	2,712,956	364,040	993,339	1,052,284	76,125	(951)	15,932,532
Provisions / (Reversals)	213,553	2,225,585	(2,953)	381,439	1,179	(30,352)	-	2,000,000	4,788,451
Profit before tax	5,128,272	999,671	2,069,848	3,240,801	(365,125)	523,671	3,885	(1,701,351)	9,899,672
As at June 30, 2020 (Un-audited)									
	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
Balance Sheet									
Cash & Bank balances	50,707,398	11,006,012	16,414,723	8,912,488	333,785	14,893,138	122,031	-	102,389,575
Investments	1,510,189	1,084,426	46,246,945	383,312,436	-	59,659,654	101,695	2,725,403	494,640,748
Net inter segment lending	339,483,057	-	-	-	9,398,526	-	-	84,224,559	433,106,142
Lendings to financial institutions	-	-	11,140,405	9,500,000	-	11,265,456	-	-	31,905,861
Advances - performing	128,455,955	263,135,543	85,854,000	-	5,884	26,190,963	3,134	5,934,607	509,580,086
Advances - non-performing	1,111,426	3,250,652	370,660	-	274	116,659	-	25,854	4,875,525
Others	27,649,705	8,547,008	13,825,068	3,777,887	1,525,348	3,092,524	427,907	21,467,528	80,312,975
Total Assets	548,917,730	287,023,641	173,851,801	405,502,811	11,263,817	115,218,394	654,767	114,377,951	1,656,810,912
Borrowings	13,805,269	41,624,378	10,512,774	134,639,728	-	23,733,654	139,586	-	224,455,389
Subordinated debt	-	-	-	-	-	-	-	7,000,000	7,000,000
Deposits & other accounts	501,676,684	102,290,638	126,073,663	-	10,814,229	67,227,924	-	-	808,083,138
Net inter segment borrowing	-	-	-	-	-	-	-	-	-
Others	32,441,627	133,925,627	14,764,817	262,035,778	-	22,379,920	-	-	433,106,142
Total Liabilities	547,923,580	287,023,641	172,021,482	400,815,971	11,263,817	116,450,407	281,510	19,936,809	1,562,856,803
Net Assets	994,150	-	1,830,319	4,686,840	-	(1,232,013)	233,671	87,441,142	93,954,109
Equity									
Contingencies & Commitments	48,376,216	108,209,524	49,558,309	281,953,975	149,686	51,479,514	-	1,748,212	541,475,436

* Others include head office related activities.

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

	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
Profit & Loss									
Net mark-up/return/profit	(2,150,609)	10,420,393	4,140,785	8,832,249	(2,090)	1,242,673	(3,587)	(814,651)	21,665,163
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	2,024,655	658,733	580,858	870,440	238,356	370,285	61,813	393,865	5,199,005
Total Income	14,156,050	4,500,142	4,307,467	1,472,456	458,845	1,752,347	58,226	158,635	26,864,168
Segment direct expenses	5,919,812	451,070	1,739,866	211,318	752,709	744,109	53,143	4,433,245	14,305,272
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	53,143	(433)	14,305,272
Provisions	(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	159,068	11,579,068

As at December 31, 2019 (Audited)

	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
Balance Sheet									
Cash & Bank balances	51,071,179	11,905,006	13,687,542	16,301,602	324,045	12,143,278	226,102	-	105,658,754
Investments	1,372,585	914,973	13,738,131	227,999,155	-	53,548,116	103,280	3,229,317	300,905,557
Net inter segment lending	30,411,517	-	-	-	6,760,322	-	-	85,510,486	396,386,425
Lendings to financial institutions	146,947,933	240,367,593	37,791,008	24,931,724	-	8,712,163	1,830	7,828,663	71,434,895
Advances - performing	1,406,411	2,786,345	87,226,466	285,911	5,030	24,183,451	-	-	506,560,966
Advances - non-performing	27,365,192	9,325,333	12,267,215	5,633,291	942,522	1,07,824	-	80,322	4,676,813
Others	532,278,917	265,309,250	164,996,273	274,865,772	8,031,919	100,223,932	412,609	21,037,192	78,512,454
Total Assets	12,437,067	31,182,760	6,973,823	30,360,377	-	21,888,303	291,243	-	103,133,573
Borrowings	492,097,776	103,018,182	122,023,365	-	7,827,966	57,300,323	-	11,987,000	11,987,000
Subordinated debt	-	-	-	-	-	-	-	7,248	782,274,860
Deposits & other accounts	-	-	-	-	-	-	-	-	396,386,425
Net inter segment borrowing	26,832,583	7,695,578	20,888,994	2,406,630	203,953	1,599,871	214,717	21,228,493	81,070,819
Others	531,367,426	265,309,250	164,722,599	271,523,909	8,031,919	100,168,873	505,960	33,222,741	1,374,852,677
Total liabilities	911,491	-	273,674	3,341,863	-	55,059	237,861	84,463,239	89,283,187
Equity	60,523,866	98,407,250	46,150,780	319,880,787	5,142	44,060,060	-	603,000	569,630,885

* Others include head office related activities.

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:

	As at June 30, 2020 (Un-audited)				As at December 31, 2019 (Audited)			
	Directors/ CEO	Key management personnel	Associates	Other related parties	Directors/ CEO	Key management personnel	Associates	Other related parties
	(Rupees in '000)				(Rupees in '000)			
Lending to financial institutions								
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	58,890,224	-	-	-	21,996,072
Repaid during the year	-	-	-	(58,890,224)	-	-	-	(21,996,072)
Closing balance	-	-	-	-	-	-	-	-
Investments								
Opening balance	-	-	3,138,787	1,191,425	-	-	3,761,612	992,661
Investment made during the year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	(10)	-	-	-	(570,466)
Equity method adjustment	-	-	306,595	-	-	-	547,198	-
Transfer in / (out) - net	-	-	-	-	-	-	(1,170,023)	769,230
Closing balance	-	-	3,445,382	1,191,415	-	-	3,138,787	1,191,425
Provision for diminution in value of investments	-	-	-	3,936	-	-	-	3,936
Advances								
Opening balance	91,129	662,464	-	4,200,404	105,650	451,375	-	3,354,510
Addition during the year	-	101,934	-	604,298	-	394,025	-	2,793,243
Repaid during the year	(77,583)	(108,789)	-	(2,500,789)	(14,521)	(170,463)	-	(1,997,349)
Transfer in / (out) - net	70,247	25,069	-	-	-	(12,473)	-	-
Closing balance	83,793	680,678	-	2,303,917	91,129	662,464	-	4,200,404
Provision held against advances	-	-	-	-	-	-	-	-
Other Assets								
Interest / mark-up accrued	1,320	77,324	-	130,299	10,939	69,192	-	98,163
Receivable from staff retirement fund	-	-	-	933,837	-	-	-	1,019,178
Prepayment / rent receivable	-	-	-	42,731	-	-	-	27,995
Advance against shares	-	-	-	50,000	-	-	-	82,312
Others	-	-	1,242	-	-	8,494	573	-

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) (Audited)
June 30, December 31,
2020 2019
----- (Rupees in '000) -----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,771,651	17,771,651
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	70,278,783	67,625,018
Eligible Additional Tier 1 (ADT 1) Capital	7,011,129	7,011,045
Total Eligible Tier 1 Capital	77,289,912	74,636,063
Eligible Tier 2 Capital	23,389,093	20,039,768
Total Eligible Capital (Tier 1 + Tier 2)	100,679,005	94,675,831

Risk Weighted Assets (RWAs):

Credit Risk	502,365,938	494,671,653
Market Risk	6,039,325	7,089,963
Operational Risk	65,601,200	65,601,200
Total	574,006,463	567,362,816

Common Equity Tier 1 Capital Adequacy ratio	12.24%	11.92%
Tier 1 Capital Adequacy Ratio	13.46%	13.15%
Total Capital Adequacy Ratio	17.54%	16.69%

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	11.50%	12.50%

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	77,289,912	74,636,063
Total Exposures	1,556,166,132	1,315,453,231
Leverage Ratio	4.97%	5.67%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	329,128,224	285,456,439
Total Net Cash Outflow	189,946,818	174,614,928
Liquidity Coverage Ratio	173%	163%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	739,054,276	687,962,685
Total Required Stable Funding	526,362,661	499,005,864
Net Stable Funding Ratio	140%	138%

40 NON-ADJUSTING EVENT

- 40.1** The State Bank of Pakistan, vide its circular BPRD/BA&CPD/006315/20 dated April 22, 2020, has advised the banks to suspend dividend for the quarters ended March 31, 2020 and June 30, 2020. This is a precautionary measure to conserve capital and enhance the lending and loss absorption capacity of the banks caused due to COVID-19 pandemic. Last year, the Board of Directors had declared an interim cash dividend of 20% (Rs. 2 per share).
- 40.2** The Bank is in process of issuing Medium Term Note (MTN) in the form of Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates ("TFCs") of up to PKR 50,000 million in multiple tranches having individual instrument maturity of 3 year or more. The instrument will be secured against Government Securities. The bond is rated AAA (Triple A) by Pakistan Credit Rating Company Limited ("PACRA"). The primary purpose behind the issuance of the TFCs is to hedge the Bank's fixed rate assets. These consolidated condensed interim financial statements do not include the effect of these TFCs which will be accounted for subsequent to the period end.

41 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on August 25, 2020 by the Board of Directors of the Bank.

42 GENERAL

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

The effect of reclassification, rearrangement, restatement in the comparative information presented in the consolidated condensed interim financial statement for the half year ended June 30, 2020 is as follows:

Description of item	Nature	Rs '000	From	To
Receivable from Visa, Mastercard and other switches	Asset	886,234	Other Assets - Branch adjustment account	Other Assets - Due from card issuing banks
Receivable against DSC/SSC and overseas government securities	Asset	259,983	Other Assets - Others	Other Assets - Receivable against DSC/SSC and overseas government securities
Trade receivable against purchase of shares	Asset	730,033	Other Assets - Account Receivable	Other Assets - Receivable against tradeable market securities
Trade payable against sale of shares	Liability	230,572	Other Liabilities - Others	Other Liabilities - Payable against tradeable market securities
Payable against ATM / ADC settlement accounts	Liability	405,493	Other Assets - Branch adjustment account	Other Liabilities - ADC settlement accounts
Commission on bills discounting	Income	17,079	Fee and commission income - Commission on trade	Markup income - Loans and advances
Borrowing cost on lease liability	Expense	743,989	Markup expensed - Borrowings	Markup expensed - Borrowing cost on leased liabilities
Medical, Group life and Pay continuation insurance	Expense	148,826	Administrative Expenses - Insurance	Administrative Expenses - Compensation expenses
Depreciation on right-of-use assets	Expense	878,180	Administrative Expenses - Depreciation on owned assets	Administrative Expenses - Depreciation on right-of-use assets
Depreciation on properties acquired under debt asset swap arrangements	Expense	4,403	Administrative Expenses - Depreciation on owned assets	Administrative Expenses - Depreciation on non-banking assets acquired in satisfaction of claims

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

