

RESILIENT IN CHALLENGING TIMES

THE DIGITAL WAY FORWARD

Half Yearly Report - June 30, 2021
(Un-audited)



Bank Alfalah
The Way Forward

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Company Information

Board of Directors

HH Sheikh Nahayan Mubarak Al Nahayan
Chairman/Director

Abdulla Nasser Hawaileel Al Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Khalid Qurashi
Director

Dr. Gyorgy Tamas Ladics
Director

Dr. Ayesha Khan
Director

Atif Aslam Bajwa
President/CEO and Director

Senior Management Team

Atif Aslam Bajwa
President and Chief Executive Officer

Aasim Wajid Jawad
Group Head, Strategy, Transformation and Customer Experience

Anjum Hai
Chief Financial Officer

Faisal Farooq Khan
Group Head, Human Resource and Learning

Faisal Rabbani
Chief Risk Officer

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 and Group Head, Legal and Corporate Affairs

Dr. Muhammad Imran
Group Head, Islamic Banking

Muhammad Yahya Khan
Group Head, Digital Banking

Saad ur Rahman Khan
Group Head, Corporate, Investment Banking and International Business

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.

Legal Advisor

Mandviwalla & Zafar
Advocates and Legal Consultants



Board Committees

Board Audit Committee (BAC)

- Khalid Qurashi**
Chairman
- Abdulla Khalil Al Mutawa**
Member
- Khalid Mana Saeed Al Otaiba**
Member
- Dr. Ayesha Khan**
Member
- Mr. Tahir Khurshid**
Secretary

Board Risk Management Committee (BRMC)

- Khalid Mana Saeed Al Otaiba**
Chairman
- Abdulla Khalil Al Mutawa**
Member
- Khalid Qurashi**
Member
- Atif Aslam Bajwa**
Member
- Mr. Farhan Ali**
Secretary

Board Human Resources, Remuneration & Nominations 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
- Mr. Muhammad Akram Sawleh**
Secretary

Board Compensation Committee (BCC)

- Dr. Ayesha Khan**
Chairperson
- Abdulla Khalil Al Mutawa**
Member
- Khalid Mana Saeed Al Otaiba**
Member
- Mr. Muhammad Akram Sawleh**
Secretary

Board Committees

Board Strategy and Finance Committee (BS&FC)

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Dr. Ayesha Khan
Member

Dr. Gyorgy Tamas Ladics
Member

Khalid Qurashi
Member

Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Board Coronavirus Crisis Management Committee (BCCMC)

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Khalid Qurashi
Member

Dr. Ayesha Khan
Member

Dr. Gyorgy Tamas Ladics
Member

Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Board Information Technology Committee (BITC)

Dr. Gyorgy Tamas Ladics
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

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, 2021.

Economic Review

The country posted impressive growth during the financial year. GDP growth for FY21 is estimated at 3.94% compared to a contraction of 0.47% in FY20. Recovery in GDP growth was relatively broad-based with manufacturing and services leading the way. The large-scale manufacturing sector grew by more than 14.85% during FY21, on the back of record growth in automobile, textile and chemical sectors. Proactive policy measures by the Government and an aggressive countrywide vaccination drive have been pivotal in mitigating the adverse economic impact of the pandemic.

Average inflation during the first six months of CY21 stood at 9.2%, up from 8.6% during the preceding six months. Core inflation, however, remained contained; only a small number of energy and food items in the CPI basket led three-fourths of the rise in inflation since Jan '21. Consequently, during CY21, SBP kept the policy rate unchanged at 7%, in order to support overall economic growth and aggregate demand in the economy.

Domestic activity picked up alongside seasonal payments, and coupled with higher international commodity prices, and import of vaccines and capital goods, exerted pressure on the external account during 2HFY21. The external position reflected initial signs of pressure with 2HCY20's current account surplus of US\$1.25bn turning into a deficit of US\$3.1bn in 1HCY21. The country successfully shored up critical foreign exchange reserves which increased from US\$20.5bn in December 2020 to US\$24.4bn in June 2021, aided by inflows from RDA deposits, remittances (US\$15.2bn in 1HCY21, up 29% YoY) and US\$2.5bn Eurobond proceeds. Consequently, PKR appreciated 1.4% from January to June 2021. Recently, however, there has been pressure on the currency which caused earlier gains to unwind as total import of goods during 1HCY21 reached USD 30.6bn against USD 20.3bn last year, up 51% YoY, while exports were USD 13.8bn against USD 10.1bn in the corresponding period last year.

Supportive monetary conditions and a growth friendly budget were positively reflected on the stock exchange, where the benchmark KSE-100 index posted a return of 8.2% for 1HCY21, with retail investors taking the lead while foreign investors and domestic insurance companies remained net sellers during 1HCY21.

Looking ahead, there are concerns with respect to a fourth COVID wave, but proactive measures by the government and a rapidly expanding vaccination programme may keep daily infections in check. On the external account front, while the import bill is likely to increase given expansion plans of domestic corporates as the economy stabilises, financing will be challenging. Gradually rising exports, continued momentum on RDA, strong remittances, and a plus US\$2.8bn additional allocation from the IMF (as part of a global plan to provide liquidity), are likely to provide vital support.

The changing geo political situation in the region, in light of changing dynamics in Afghanistan, could spill over into Pakistan. Pakistan's short-term economic trajectory would depend on the country's revenue performance, its current account balance, the fate of the IMF programme, and the management of the fourth Covid wave. In the medium-term, the economic future of the country remains optimistic provided Pakistan successfully navigates these challenges.

Review of the Bank's Performance

The highlights of the financial results of the Bank for the half year ended June 30, 2021 are presented as follows:

Financial Position	June 30, 2021	December 31, 2020
Rupees in Millions		
Shareholders' Equity	92,914	91,017
Total Assets	1,636,657	1,384,874
Deposits	1,025,762	881,767
Advances – net	613,400	577,316
Investments – net	765,028	547,090

Financial Performance	Half year ended June 30, 2021	Half year ended June 30, 2020
Rupees in Millions		
Net Interest Income and Non-Markup Income	29,960	30,243
Non-Markup Expenses	17,638	15,857
Provisions and Write-offs (net)	1,150	4,788
Profit before Tax	11,172	9,597
Profit after Tax	6,934	5,584
Basic and Diluted Earnings per Share – Rupees	3.90	3.14

First half of 2021 has been a period of strong growth. The Bank has posted market leading growth figures in deposits and consumer lending .The earnings remained strong despite recurring COVID lockdowns of different severity and economic slowdown. The profit before taxation increased by 16.4% to Rs. 11.172 billion as against Rs. 9.597 billion for the corresponding period last year. The Bank's profit after taxation increased by 24.2% and stood at Rs. 6.934 billion. The Earning Per Share (EPS) is Rs. 3.90 (Jun 2020: Rs. 3.14).

On the revenue front, net markup income and non-markup income remained flat. Sharp decline of 625 bps in the discount rate led to the drop in net markup income by 5.9%, however, increase in earning assets and deposits provided support to the revenue. Non-markup income stood at Rs. 7.976 billion, higher by 15.9%, with strong contribution from fee income and capital gains on equity investment, government and overseas securities. Fees and commissions of Rs. 3.951 billion, demonstrated a robust increase of 33.5% over last year. This was driven by growth across all business lines, with exceptional performance from home remittance, cards (issuance and acquiring), trade, and consumer finance businesses.

Non-markup expenses were higher by 11.2% compared to same period last year largely driven by higher compensation costs, full year impact of new branches opened last year, IT related costs, Roshan Digital Account communications and marketing costs, and inflation related effects. The Bank continues to keep a tight lid on expenses and manage costs prudently while focusing on building revenue momentum through expansion and investments in new ventures. The cost to income ratio of the Bank stood at 58.0%.

During the second quarter of 2021, the Bank crossed a landmark deposit level of Rs. 1.026 trillion, growing by 16.3% over Dec '20 level; a net increase of Rs. 143.995 billion is mainly led by a growth of 21.0% in current deposits. CA mix improved to 48.2%. This enabled the Bank to grow its deposits market share to well over ~4.83% (domestic deposits).

The Bank's gross advances were reported at Rs. 638.323 billion, up by 6.2%. As at the half year end, our gross advances to deposits ratio stood at 62.2%. The bank's non-performing loans ratio improved to 3.9% as compared to 4.3% as at December 31, 2020 while the coverage ratio also increased to 99.3% and it includes provision held against subjectively classified loans and general provision against COVID restructured loans.

As at June 30, 2021, the Bank remains adequately capitalised with CAR at 15.40%.

Afghanistan Operations

The Bank operates two branches in Afghanistan. The rapidly evolving situation in Afghanistan is concerning and is being monitored by the Bank on a continual basis. The Bank branches have been closed and will be operational once DAB resumes operations. The Bank is in touch with the Pakistan Embassy in Afghanistan and is closely monitoring the situation on the ground. The Bank is taking all steps to ensure the safety and security of its staff and assets.

Dividend

The Board of Directors, in its meeting held on August 25, 2021 has declared an interim cash dividend of Rs 2.0 per share (20%) for the half year ended June 30, 2021.

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'. Furthermore, 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 by VIS Credit Rating Company Limited (VIS).

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

Looking ahead, Bank Alfalah is well-positioned for sustainable growth and building long-term shareholder value. Our focus will be on harnessing digital solutions to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner. We aim to regain and grow our market share in low cost deposits, consumer products and SME financing, while expanding our branch network to widen our outreach and serve our customers. Another pillar of our strategy is to boost trade volumes, increasing penetration in cash management with a focus on SME/commercial clients and further increasing our share in the home remittances space. To cope with changing business dynamics, we will accelerate digital transformation and focus on business process re-engineering across key segments in the Bank. At the same time, investing in human capital and creating a caring culture, will remain a key priority.

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, 2021
Karachi

Khalid Qurashi
Director

افغانستان آپریشنز

افغانستان میں بینک کی دو برانچیں کام کر رہی ہیں۔ افغانستان میں تیزی سے بدلتی ہوئی صورتحال تشویش کا باعث ہے اور بینک اس کا مسلسل جائزہ لے رہا ہے۔ بینک کی برانچیں بند کر دی گئی ہیں اور ڈی اے بی کے دوبارہ فعال ہونے پر آپریشنل ہو جائیں گی۔ بینک، افغانستان میں موجود پاکستان ایمبیسی سے مسلسل رابطے میں ہے اور صورتحال کا قریب سے جائزہ لے رہا ہے۔ بینک اپنے عملے اور اثاثوں کی حفاظت کے لیے تمام حفاظتی اقدامات اٹھا رہا ہے۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے اپنے اجلاس منعقدہ 25 اگست، 2021 میں 30 جون، 2021 کو ختم ہونے والے ششماہی سال کے لیے عبوری کیش ڈیویڈنڈ کا اعلان کر دیا ہے جو کہ 2.0 روپے فی شیئر ہے، یعنی (20 فیصد) ہے۔

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے بینک کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) کریڈٹ ریٹنگ تقویض کی گئی۔ بینک کا آؤٹ لک مثبت قرار دیا گیا ہے۔ مزید یہ کہ، VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ کی طرف سے بینک کے ان سیکورڈڈ Tier 1 کیپٹل (ٹرم فنانش سرٹیفکیٹ) کی ریٹنگ -AA (ڈبل اے مائنس) تقویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

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

آگے بڑھنے کا عزم

آگے بڑھتے ہوئے، بینک الفلاح مستحکم نمو اور شیئر ہولڈر کے لیے طویل المدتی ویلیو بنانے کی مؤثر پوزیشن میں ہے۔ ہماری توجہ کا مرکز ڈیجیٹل حل کا حصول ہے تاکہ یقینی بنایا جاسکے کہ صارفین کی بینکنگ ضروریات کو ٹیکنالوجی سے مزین جدید، محفوظ اور باسہولت طریقوں سے پورا کیا جا رہا ہے۔ ہم سخت محنت سے کم لاگتی ڈیپازٹس، کنزیومر پروڈکٹس اور ایس ایم ای فنانشنگ میں مارکیٹ شیئر کو دوبارہ حاصل کرنے اور بڑھانے کی کوشش کریں گے۔ ہم اپنی برانچوں میں اضافہ بھی کر رہے ہیں تاکہ صارفین با آسانی ہم تک پہنچ سکیں۔ ہماری توجہ زیادہ تر ٹریڈ والیومز کو بڑھانے، ایس ایم ای / تجارتی گاہکوں پر توجہ کے ساتھ کیش مینجمنٹ میں بہتری لانے اور مقامی ترسیلات زر میں مزید شیئرز بڑھانے پر ہوگی۔ کاروبار کی بدلتی حرکیات کے ساتھ ہم ڈیجیٹل ٹرانسفارمیشن کو بڑھائیں گے اور بزنس پروسس ری انجینئرنگ پر توجہ دیں گے۔ اسی کے ساتھ ساتھ ہیومن کیپٹل میں سرمایہ کاری اور محفوظ ماحول بنانے میں سرمایہ کاری کریں گے جو کہ ہماری اولین ترجیح ہے۔

اظہار تشکر:

ہم بورڈ آف ڈائریکٹرز کی جانب سے ایک بار پھر اسٹیٹ بینک آف پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، وفاقی وزارت خزانہ اور دیگر ریگولیٹری اتھارٹیز کی مسلسل رہنمائی اور تعاون کی فراہمی کا شکریہ ادا کرتے ہیں۔ میں مشاورت اور سرپرستی کرنے والے اپنے معزز شیئر ہولڈرز، صارفین اور کاروباری شریک کا بھی تہہ دل سے شکر گزار ہوں۔ ہم بینک کی مینجمنٹ اور عملے کی کارکردگی سے بہت مطمئن ہیں جو ہمارے کلانٹس، کمیونٹیز اور شیئر ہولڈرز کے لیے پوری توجہ کے ساتھ خدمات سر انجام دیتے ہیں۔

خالد قریشی

ڈائریکٹر

عاطف اسلم باجوہ

صدر اور چیف ایگزیکٹو آفیسر

25 اگست، 2021

کراچی



Bank Alfalah

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بینک کی کارکردگی کا جائزہ

30 جون، 2021 کو ختم ہونے والے ششماہی سال کے لیے بینک کے مالیاتی نتائج کی جھلکیاں مندرجہ ذیل ہیں :

مالیاتی پوزیشن	30 جون، 2021	31 دسمبر، 2020
روپے ملین میں		
شینر ہولڈرز کی ایکونٹی	92,914	91,017
گن اٹائے	1,636,657	1,384,874
ڈپازٹس	1,025,762	881,767
ایڈوانسز - خالص	613,400	577,316
سرمایہ کاریاں - خالص	765,028	547,090

مالیاتی کارکردگی	30 جون 2021 کو ختم ہونے والا ششماہی سال	30 جون 2020 کو ختم ہونے والا ششماہی سال
روپے ملین میں		
خالص سود آمدنی اور نان مارک آپ آمدنی	29,960	30,243
نان مارک آپ اخراجات	17,638	15,857
پروویژنز اور رائٹ آفز (خالص)	1,150	4,788
قبل از ٹیکس منافع	11,172	9,597
بعد از ٹیکس منافع	6,934	5,584
بنیادی اور ڈائیلیوٹڈ آمدنی فی شینر - روپے	3.90	3.14

سال 2021 کی پہلی ششماہی میں مستحکم گروتھ رہی۔ بینک، ڈپازٹس اور کنزیومر لینڈنگ میں اعداد و شمار کے ساتھ مارکیٹ میں سب سے آگے رہا۔ کوویڈ لاک ڈاؤنز اور معاشی بحران کے باوجود آمدنی مستحکم رہی۔ منافع قبل از ٹیکس 16.4 فیصد بڑھا جو 11.172 بلین روپے رہا جبکہ پچھلے سال اسی مدت کے لیے 9.597 بلین روپے تھا۔ بینک کا منافع بعد از ٹیکس 24.2 فیصد بڑھا جو 6.934 بلین روپے پر قائم ہوا۔ فی شینر آمدنی 3.90 روپے ہے (جون 2020: 3.14 روپے)۔

منافع کے لحاظ سے، خالص مارک آپ آمدنی اور نان مارک آپ آمدنی فلیٹ رہی۔ ڈسکاؤنٹ کی شرح میں 625 bps کی تیزی سے کمی ہوئی جس سے خالص مار آپ آمدنی بھی 5.9 فیصد تک بڑھی، تاہم اثاثوں اور ڈپازٹس میں ترقی سے ریوینیو کو سپورٹ ملی۔ نان مارک آپ آمدنی 7.976 بلین روپے پر قائم ہوئی، 15.9 فیصد زیادہ جو کہ ایکونٹی انویسٹمنٹ، حکومتی اور اوورسیز سیکیورٹیز پر فیس انکم اور کیپیٹل گینز کے مستحکم حصول کے ساتھ بلند ہوئی۔ پچھلے سال فیس اور کمیشنز کے 3.951 بلین روپے نے 33.5 فیصد کا مظاہرہ کیا تھا۔ یہ ہوم ریملٹنس، کارڈز (اجراء اور حصول)، ٹریڈ اور کنزیومر فنانس بزنسز کی غیر معمولی کارکردگی سے تمام بزنس لائنز میں گروتھ کے ذریعے اخذ کیا گیا

نان مارک آپ اخراجات پچھلے سال اسی مدت کے مقابلے میں 11.2 فیصد تک بڑھے جس کی بڑی وجہ بلند کمپیننیشن لاگتیں، پچھلے سال نئی برانچوں کا کھلنا، آئی ٹی سے متعلق لاگتیں روشن ڈیجیٹل اکاؤنٹ کمیونیکیشنز اور مارکیٹنگ لاگتیں مہنگائی سے متعلق اثرات ہیں۔ بینک نے نئے منصوبوں میں توسیع اور سرمایہ کاری کے ذریعے بڑھتے ہوئے منافع پر توجہ قائم رکھتے ہوئے اخراجات پر مضبوطی سے قابو پانے رکھا اور لاگتوں کو منظم کیا۔ بینک کے آمدنی کے تناسب کی لاگت 58 فیصد پر قائم ہوئی۔

سال 2021 کی دوسری سہ ماہی کے دوران، بینک 1.026 ٹریلین روپے کے لینڈ مارک ڈپازٹ لیول سے آگے بڑھ گیا جو 16.3 فیصد کی گروتھ ہے دسمبر 2020 کے مقابلے میں۔ کرنٹ ڈپازٹس میں 21 فیصد کی گروتھ کے ساتھ خالص اضافہ 143.995 بلین روپے رہا۔ کرنٹ اکاؤنٹ مکس میں 48.2 فیصد تک ترقی ہوئی۔ جس سے بینک کے ڈپازٹس مارکیٹ شیئرز میں 4.83 فیصد (ڈومیسٹک ڈپازٹس) کا اضافہ ہوا۔

بینک کے مجموعی ایڈوانسز 638.323 بلین روپے ریکارڈ کیے گئے جو 6.2 فیصد کا اضافہ ہے۔ ششماہی سال کے آخر تک ہمارے مجموعی ایڈوانسز سے ڈپازٹ کے تناسب 62.2 فیصد رہا۔ بینک کا نان پرفارمنگ لونز کا تناسب 3.9 فیصد ہے جو کہ پچھلے سال 31 دسمبر، 2020 کو 4.3 فیصد تھا جبکہ کوریج کا تناسب بھی 99.3 فیصد تک بڑھ گیا اور اس میں مشروط طور پر درجہ بندی کیے گئے لونز پر پروویژن اور کوویڈ ری اسٹرکچرڈ لونز پر عام پروویژن شامل ہیں۔

30 جون، 2021 تک، بینک 15.40 فیصد CAR کے ساتھ مناسب طور پر کیپیٹلائزڈ رہا۔

ڈائریکٹر کا جائزہ

ڈائریکٹر کا جائزہ

ہم بورڈ آف ڈائریکٹرز کی جانب سے 30 جون، 2021 کو ختم ہونے والی سہ ماہی کے لیے بینک الفلاح لمیٹڈ کے غیر انضمام شدہ کنڈینسڈ عبوری مالیاتی گوشوارے پیش کرنے میں خوشی محسوس کرتے ہیں۔

معاشی جائزہ

مالی سال کے دوران ملک کی معاشی صورتحال میں متاثر کن بہتری آئی۔ جی ڈی پی کی گروتھ کا تخمینہ سال 2021 کے لیے 3.94% ہے جبکہ سال 2020 میں 0.47% رہا تھا۔ مینوفیکچرنگ اور سروسز میں ترقی کی وجہ سے جی ڈی پی کی گروتھ میں بھی بحالی ہوئی۔ سال 2021 کے دوران بڑے پیمانے کے مینوفیکچرنگ سیکٹر میں 14.85% سے زائد ترقی ہوئی جس میں آٹو موبائل، ٹیکسٹائل اور کیمیکل سیکٹرز شامل ہیں۔ حکومت کی طرف سے پالیسی کے فعال اقدامات اور ملک بھر میں ویکسینیشن لگانے کی پُر جوش مہم نے معیشت پر پڑنے والے وباء کے بُرے اثرات پر کافی حد تک قابو پایا۔

سال 2021 کے پہلے چھ ماہ کے دوران اوسط مہنگائی 9.2% رہی، پچھلے چھ ماہ سے 8.6% زیادہ۔ مرکزی طور پر مہنگائی کے حوالے سے سی پی آئی میں کم تعداد میں اتر چکی اور فوڈ اینڈ نون فوڈ اشیاء کی قیمتوں میں کمی دیکھی گئی۔ سال 2021 کے دوران، تمام معاشی ترقی اور معیشت کی مجموعی طلب کو مد نظر رکھتے ہوئے ایس بی پی نے پالیسی کی شرح تبدیل نہیں کی جو کہ 7% ہے۔

سال 2021 کی دوسری سہ ماہی کے دوران، سیزنل پیمائش کے ساتھ ساتھ مقامی سرگرمی عروج پر رہی اور ساتھ ہی غیر ملکی اشیاء کی قیمتوں میں اضافہ اور ویکسینز اور کیپیٹل گڈز کی برآمد نے بیرونی اکاؤنٹ پر دباؤ ڈالا۔ بیرونی پوزیشن نے سال 2020 کی دوسری سہ ماہی میں 1.25 بلین یو ایس ڈالر کرنٹ اکاؤنٹ سرپلس کے ساتھ دباؤ کے ابتدائی علامات کی عکاسی کی جس کے نتیجے میں سال 2021 کی پہلی سہ ماہی میں 3.1 بلین یو ایس ڈالر کی کمی پر ہوا۔ ملک کو غیر ملکی تبادلے کے ذخائر سے بہت سہارا ملا جو دسمبر 2020 میں 20.5 بلین یو ایس ڈالر سے بڑھ کر جون 2021 میں 24.4 بلین یو ایس ڈالر ہو گئے، جن میں روشن ڈیجیٹل اکاؤنٹ ڈپازٹس، ریمیٹینسز (2021 کی پہلی سہ ماہی میں 15.2 بلین یو ایس ڈالر، جو سال بہ سال 29% بڑھے) اور 2.5 بلین یو ایس ڈالر کے یورو بونڈ کا اضافہ شامل ہیں۔ نتیجتاً، جنوری سے جون 2021 تک پاکستانی روپے کی قیمت 1.4% بڑھ گئی۔ تاہم، حال ہی میں، کرنسی پر دباؤ رہا ہے جس کی وجہ سے گینز کا حصول ہوا کیونکہ سال 2021 کی پہلی سہ ماہی میں اشیاء کی کل برآمد 30.6 بلین یو ایس ڈالر پر پہنچ گئی، جبکہ یہ پچھلے سال 20.3 بلین یو ایس ڈالر تھی جو سال بہ سال 51% بڑھی جبکہ درآمدات 13.8 بلین یو ایس ڈالر رہیں جو پچھلے سال اسی مدت میں 10.1 بلین یو ایس ڈالر تھیں۔

معاون مالی حالات اور گروتھ فرینڈلی بجٹ سے اسٹاک ایکسچینج پر مثبت اثرات مرتب ہوئے، جس میں بینچ مارک کے ایس ای 100 انڈیکس، سال کی پہلی سہ ماہی میں 8.2% ریکارڈ کیے گئے۔ 2021 کی پہلی سہ ماہی کے دوران، ریٹیل انویسٹرز سب سے آگے ہیں جبکہ غیر ملکی انویسٹرز اور مقامی انشورنس کمپنیز نیٹ سیلرز رہے۔

آگے دیکھتے ہیں تو کوویڈ کی چوتھی لہر کے خطرات نظر آتے ہیں لیکن حکومت کی طرف سے فعال اقدامات اور ویکسینیشن پروگرام میں توسیع سے روزانہ انفیکشنز میں کمی آسکتی ہے۔ بیرونی اکاؤنٹ کے محاذ پر جبکہ معیشت کے مستحکم ہونے کے ساتھ ساتھ ملکی کارپوریٹس کے توسیعی منصوبوں کے پیش نظر درآمدی بل میں اضافہ ہونے کا امکان ہے، اس لیے فنانشنگ کافی چیلنجنگ ہوگی۔ آہستہ آہستہ بڑھتی ہوئی برآمدات، روشن ڈیجیٹل اکاؤنٹ کی جاری محرکات، مضبوط ترسیلات زر اور آئی ایم ایف کی جانب سے 2.8 بلین یو ایس ڈالر کے اضافی مختص (لیکویڈیٹی فراہم کرنے کے عالمی منصوبے کے حصے کے طور پر) سے اہم معاونت ملنے کا امکان ہے۔

خطے میں بدلتی ہوئی جغرافیائی سیاسی صورتحال، افغانستان میں بدلتی ہوئی حرکیات کی روشنی میں پاکستان میں پھیل سکتی ہے۔ پاکستان کا قلیل مدتی معاشی راستہ ملک کی آمدنی کی کارکردگی، اس کے کرنٹ اکاؤنٹ بیلنس، آئی ایم ایف پروگرام کی کامیابی اور کوویڈ کی چوتھی لہر کے انتظام پر منحصر ہوگا۔ درمیانی مدت میں، ملک کا معاشی مستقبل پُر امید رہتا ہے بشرطیکہ پاکستان ان چیلنجز میں کامیابی حاصل کر سکے۔



Bank Alfalah Limited

Unconsolidated Condensed Interim Financial Statements

Half Year Ended June 30, 2021

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 2021 and the related unconsolidated condensed interim statement of profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, unconsolidated condensed interim cash flow statement and notes to the accounts for the six-months' period then ended (here-in-after referred to as the "unconsolidated interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated 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 financial statements based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the three months ended 30 June 2021 and 30 June 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2021.

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 unconsolidated 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 27, 2021



Unconsolidated Condensed Interim Statement of Financial Position

As at June 30, 2021

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	7	97,484,722	99,348,197
Balances with other banks	8	19,777,554	6,234,299
Lendings to financial institutions	9	55,358,968	77,305,535
Investments	10	765,027,687	547,089,932
Advances	11	613,400,156	577,315,947
Fixed assets	12	31,279,816	30,976,236
Intangible assets	13	1,153,297	1,284,539
Deferred tax assets		-	-
Other assets	14	53,174,674	45,318,864
		1,636,656,874	1,384,873,549
LIABILITIES			
Bills payable	15	28,910,291	22,571,122
Borrowings	16	406,254,953	314,960,186
Deposits and other accounts	17	1,025,761,964	881,767,082
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,000,000	7,000,000
Deferred tax liabilities	19	1,023,150	1,361,152
Other liabilities	20	74,792,864	66,196,688
		1,543,743,222	1,293,856,230
NET ASSETS		92,913,652	91,017,319
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		27,889,499	27,680,022
Surplus on revaluation of assets	21	9,490,926	10,508,837
Unappropriated profit		37,761,576	35,056,809
		92,913,652	91,017,319
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 42 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, 2021

	Note	Quarter ended June 30, 2021	Quarter ended June 30, 2020	Half year ended June 30, 2021	Half year ended June 30, 2020
------(Rupees in '000)-----					
Mark-up/Return/Interest Earned	24	24,525,490	24,042,785	45,913,235	49,948,454
Mark-up/Return/Interest Expensed	25	12,867,333	12,462,496	23,928,555	26,587,358
Net Mark-up/Return/Interest Income		11,658,157	11,580,289	21,984,680	23,361,096
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	26	2,090,252	1,307,765	3,951,063	2,959,609
Dividend Income		191,495	109,597	324,215	196,653
Foreign Exchange Income		1,063,558	953,013	1,721,554	2,008,614
(Loss) / gain from derivatives		(1,493)	8	47,620	(61,228)
Gain on securities	27	756,805	1,778,650	1,851,397	1,732,659
Other income	28	41,814	23,490	79,941	45,544
Total non-mark-up / interest income		4,142,431	4,172,523	7,975,790	6,881,851
Total income		15,800,588	15,752,812	29,960,470	30,242,947
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29	8,931,900	7,484,585	17,389,872	15,539,080
Workers' Welfare Fund	30	119,768	165,653	229,352	275,775
Other charges	31	12,453	1,413	18,988	42,503
Total non-mark-up / interest expenses		9,064,121	7,651,651	17,638,212	15,857,358
Profit before provisions		6,736,467	8,101,161	12,322,258	14,385,589
Provisions and write offs - net	32	934,214	3,260,857	1,150,382	4,788,451
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,802,253	4,840,304	11,171,876	9,597,138
Taxation	33	2,338,973	2,077,342	4,238,047	4,012,918
PROFIT AFTER TAXATION		3,463,280	2,762,962	6,933,829	5,584,220
Basic and Diluted Earnings per share	34	1.95	1.55	3.90	3.14

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



Bank Alfalah

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

For the half year ended June 30, 2021

	Quarter ended June 30, 2021	Quarter ended June 30, 2020	Half year ended June 30, 2021	Half year ended June 30, 2020
----- (Rupees in '000) -----				
Profit after taxation for the period	3,463,280	2,762,962	6,933,829	5,584,220
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	662,547	80,685	(483,906)	1,617,168
Movement in surplus / (deficit) on revaluation of investments - net of tax	741,854	1,570,877	(784,072)	828,771
	1,404,401	1,651,562	(1,267,978)	2,445,939
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	(9,362)	(9,572)	(236,872)	(19,022)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	3,315	(418)	3,033	(830)
	(6,047)	(9,990)	(233,839)	(19,852)
Total comprehensive income	4,861,634	4,404,534	5,432,012	8,010,307

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

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

For the half year ended June 30, 2021

	Capital Reserves		Surplus/(Deficit) on revaluation						
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Investments	Fixed Assets	Non Banking Assets	Unappropriated profit	Total
	(Rupees in '000)								
Balances as at January 01, 2020	17,771,651	4,731,049	6,772,303	14,542,667	4,044,958	7,115,247	206,799	32,842,902	88,027,576
Changes in equity for the half year 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	-	-	-	-	-	(19,022)	(830)	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	7,096,225	205,969	34,334,222	92,503,405
Changes in equity for six months ended December 31, 2020									
Profit after taxation	-	-	-	-	-	-	-	4,890,690	4,890,690
Other comprehensive income - net of tax	-	-	(1,030,656)	-	(1,610,738)	66,620	(35,266)	(212,406)	(2,822,446)
Transfer to statutory reserve	-	-	-	489,069	-	-	-	(489,069)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(20,946)	(66,756)	87,702	-
Transactions with owners, recorded directly in equity									
Interim cash dividend for the nine months period ended September 30, 2020 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at December 31, 2020	17,771,651	4,731,049	7,358,815	15,590,158	3,262,991	7,141,899	103,947	35,056,809	91,017,319
Changes in equity for the half year ended June 30, 2021									
Profit after taxation	-	-	-	-	-	-	-	6,933,829	6,933,829
Other comprehensive income - net of tax	-	-	(483,906)	-	(784,072)	(218,249)	3,061	-	(1,483,166)
Transfer to statutory reserve	-	-	-	693,383	-	-	-	(693,383)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(18,623)	(28)	18,651	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2020 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at June 30, 2021	17,771,651	4,731,049	6,874,909	16,283,541	2,478,919	6,905,027	106,980	37,761,576	92,913,652

The annexed notes 1 to 42 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, 2021

	Half year ended	
	June 30, 2021	June 30, 2020
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,171,876	9,597,138
Dividend income	(324,215)	(196,653)
	<u>10,847,661</u>	<u>9,400,485</u>
Adjustments		
Depreciation	2,115,816	1,924,019
Amortisation	210,669	225,082
Provisions and write offs - net	1,150,382	4,788,451
Unrealised loss / (gain) on revaluation of investments classified as held for trading-net	59,921	(35,983)
Gain on sale of operating fixed assets - net	(21,050)	(13,212)
Gain on termination of lease	(9,850)	-
Borrowing cost on lease liability	679,020	680,791
Workers' Welfare Fund	229,352	275,775
Charge for defined benefit plan	108,424	85,341
Charge for staff compensated absences	67,000	72,000
	<u>4,589,684</u>	<u>8,002,264</u>
	<u>15,437,345</u>	<u>17,402,749</u>
Increase in operating assets		
Lendings to financial institutions	29,309,421	28,961,345
Held for trading securities	(42,687,068)	(49,240,571)
Advances	(37,416,352)	(7,586,128)
Other assets (excluding advance taxation)	(7,670,529)	(1,681,455)
	<u>(58,464,528)</u>	<u>(29,546,809)</u>
Increase in operating liabilities		
Bills payable	6,339,169	4,533,079
Borrowings	92,797,430	120,651,327
Deposits	143,994,882	25,805,518
Other liabilities (excluding current taxation)	5,847,742	1,075,289
	<u>248,979,223</u>	<u>152,065,213</u>
	<u>205,952,040</u>	<u>139,921,153</u>
Income tax paid	(2,509,556)	(2,792,832)
Net cash generated from operating activities	<u>203,442,484</u>	<u>137,128,321</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(152,530,544)	(148,484,154)
Net investments in held-to-maturity securities	(23,942,880)	5,830,717
Dividends received	314,946	196,581
Investments in operating fixed assets	(1,207,498)	(1,278,297)
Proceeds from sale of fixed assets	26,628	44,455
Effect of translation of net investment in foreign branches	(483,906)	1,617,168
Net cash used in investing activities	<u>(177,823,254)</u>	<u>(142,073,530)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of subordinated debt	-	(4,987,000)
Payment of lease obligations	(1,524,368)	(1,101,231)
Dividend paid	(3,549,565)	(3,523,350)
Net cash used in financing activities	<u>(5,073,933)</u>	<u>(9,611,581)</u>
Increase / (Decrease) in cash and cash equivalents	<u>20,545,297</u>	<u>(14,556,790)</u>
Cash and cash equivalents at beginning of the year	119,340,341	138,649,846
Effects of exchange rate changes on cash and cash equivalents	(885,306)	(3,595,114)
	<u>118,455,035</u>	<u>135,054,732</u>
Cash and cash equivalents at end of the period	<u>139,000,332</u>	<u>120,497,942</u>

The annexed notes 1 to 42 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, 2021

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 715 branches (December 31, 2020: 706 branches) and 21 sub-branches (December 31, 2020: 24 sub-branches). Out of these, 514 (December 31, 2020: 510) are conventional, 190 (December 31, 2020: 185) are Islamic, 10 (December 31, 2020: 10) are overseas and 1 (December 31, 2020: 1) is an offshore banking unit.

2 BASIS OF PRESENTATION

2.1.1 STATEMENT OF COMPLIANCE

These unconsolidated 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.
- 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 SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). Further, SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. SBP vide its BPRD circular no. 24 of 2021 dated July 5, 2021 has directed banks in Pakistan to implement IFRS 9 with effect from January 1, 2022.

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 39 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, 2020.
- 2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period:

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated 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 as notified under the Companies Act, 2017 will be effective for the accounting periods as stated below:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16	April 01, 2021
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 01, 2022
Annual improvement process IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities	January 01, 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	January 01, 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture -Amendments to IFRS 10	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	July 01, 2009
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; defined benefit obligations which are carried at present value and right of use of assets and related lease liability are measured 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 annual financial statements of the Bank for the year ended December 31, 2020, except as disclosed below:

4.1 Share Based Payment

The Bank has granted a cash award equivalent to the ordinary shares allotted to its certain employees under Phantom Shares Award. The entitlement shall vest with the employees in three (3) equivalent proportions on the vesting dates over a period of three (3) years. The grant date is January 1, 2021 and the first vesting date is 365 calendar days from the grant date. Subsequently, second and third vesting dates to follow 365 calendar days from the preceding vesting dates. On the first vesting date, the employees shall be entitled to a cash award for 33.33% (thirty-three and one third of one percent) of the total Phantom Shares Entitlement equivalent to fair market value of Bank’s share on vesting date. Thereafter, 33.33% each for the second and third year.

The Bank recognises compensation expense with corresponding liability at the fair value of the award. Until the liability is settled, the Bank re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this unconsolidated condensed interim financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2020.

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, 2020.

(Un-audited) (Audited)
June 30, December 31,
2021 2020
------(Rupees in 000)-----

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	24,970,948	18,110,657
Foreign currency	2,191,334	3,641,949
	27,162,282	21,752,606
With State Bank of Pakistan in		
Local currency current account	40,409,071	36,654,027
Foreign currency current account	5,072,367	5,367,302
Foreign currency deposit account	8,381,102	22,810,448
	53,862,540	64,831,777
With other central banks in		
Foreign currency current account	9,911,616	8,253,771
Foreign currency deposit account	959,563	681,448
	10,871,179	8,935,219
With National Bank of Pakistan in local currency current account	4,728,298	3,242,108
Prize bonds	860,423	586,487
	97,484,722	99,348,197

8 BALANCES WITH OTHER BANKS

In Pakistan in current account	566	1,610
Outside Pakistan		
In current account	19,753,511	5,642,659
In deposit account	23,477	590,030
	19,776,988	6,232,689
	19,777,554	6,234,299

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	23,366,552	22,064,585
Repurchase agreement lendings (Reverse Repo)	25,455,849	51,747,865
Bai Muajjal receivable with other financial institutions	6,536,567	3,493,085
	55,358,968	77,305,535
Less: expected credit loss - overseas branches	-	-
Lending to financial institutions - net of provision	55,358,968	77,305,535

10 INVESTMENTS

Note

10.1 Investments by type:

June 30, 2021 (Un-audited)				December 31, 2020 (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								
Market Treasury Bills	83,440,777	-	(9,816)	83,430,961	56,821,307	-	(9,388)	56,811,919
Pakistan Investment Bonds	25,263,206	-	3,120	25,266,326	7,510,169	-	30,229	7,540,398
Shares								
Ordinary shares / units - Listed	792,873	-	(8,893)	783,980	477,729	-	13,547	491,276
Foreign Securities								
Overseas Bonds - Sovereign	4,232,741	-	(44,332)	4,188,409	6,142,136	-	56,800	6,198,936
	113,729,597	-	(59,921)	113,669,676	70,951,341	-	91,188	71,042,529
Available-for-sale securities								
Market Treasury Bills	218,695,088	-	42,155	218,737,243	145,099,588	-	102,559	145,202,147
Pakistan Investment Bonds	238,701,022	-	1,800,095	240,501,117	187,006,839	-	2,381,275	189,388,114
Government of Pakistan Sukuks	36,672,797	-	82,465	36,755,262	24,322,881	-	(439)	24,322,442
Government of Pakistan Euro Bonds	1,890,250	-	168,321	2,058,571	1,956,045	-	147,772	2,103,817
Naya Pakistan Certificates	1,149,151	-	-	1,149,151	466,435	-	-	466,435
Shares								
Ordinary shares - Listed	5,028,259	(310,345)	1,628,314	6,346,228	3,390,701	(423,497)	2,313,639	5,280,843
Ordinary shares - Unlisted	1,211,363	(55,725)	-	1,155,638	1,201,285	(59,661)	-	1,141,624
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	2,132,668	(311,298)	(11,380)	1,809,990	1,596,910	(452,530)	(11,209)	1,133,171
Sukuks	17,866,396	(96,511)	205,151	17,975,036	18,250,653	(96,511)	113,865	18,268,007
Foreign Securities								
Overseas Bonds - Sovereign	17,455,271	-	563,427	18,018,698	16,552,071	-	813,215	17,365,286
Overseas Bonds - Others	28,911,931	-	704,525	29,616,456	17,326,311	-	716,255	18,042,566
Redeemable Participating Certificates	2,886,806	-	-	2,886,806	2,904,675	-	-	2,904,675
	572,734,837	(907,714)	5,183,073	577,010,196	420,208,229	(1,166,034)	6,576,932	425,619,127
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	47,841,945	-	-	47,841,945	20,003,717	-	-	20,003,717
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Non Government Debt Securities								
Term Finance Certificates	364,680	(24,680)	-	340,000	398,013	(24,680)	-	373,333
Sukuks	1,622,392	(80,722)	-	1,541,670	1,136,216	(94,545)	-	1,041,671
Foreign Securities								
Overseas Bonds - Sovereign	16,079,667	-	-	16,079,667	19,629,502	-	-	19,629,502
Overseas Bonds - Others	-	-	-	-	798,356	-	-	798,356
	73,125,050	(105,402)	-	73,019,648	49,182,170	(119,225)	-	49,062,945
Associates								
	1,177,606	-	-	1,177,606	1,177,606	-	-	1,177,606
Subsidiary								
	300,000	(42,981)	-	257,019	300,000	(42,981)	-	257,019
General provision and expected credit loss-								
Overseas operations	-	(106,458)	-	(106,458)	-	(69,294)	-	(69,294)
Total Investments								
	761,067,090	(1,162,555)	5,123,152	765,027,687	541,819,346	(1,397,534)	6,668,120	547,089,932

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.

	(Un-audited) June 30, 2021 ------(Rupees in 000)-----	(Audited) December 31, 2020
10.2 Investments given as collateral		
Market Treasury Bills	149,035,684	99,091,373
Pakistan Investment Bonds	96,090,562	82,733,120
	<u>245,126,246</u>	<u>181,824,493</u>

Market value of securities given as collateral is Rs. 245,913.098 million (December 31, 2020: Rs. 181,215.233 million).

	(Un-audited) June 30, 2021 ------(Rupees in 000)-----	(Audited) December 31, 2020
10.3 Provision for diminution in value of investments		
10.3.1 Opening balance	1,397,534	2,445,435
Exchange and other adjustments	(710)	495
Charge / reversals		
Charge for the period / year	113,527	1,042,001
Reversals for the period / year	(217,910)	(26,352)
Reversal on disposals	(125,950)	(1,564,459)
	(230,333)	(548,810)
Written off	(3,936)	(499,586)
Closing balance	<u>1,162,555</u>	<u>1,397,534</u>

10.3.2 Particulars of provision against debt securities

Category of classification	June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	NPI	Provision	NPI	Provision
	------(Rupees in '000)-----			
Domestic				
Loss	513,211	513,211	668,266	668,266
Overseas	-	-	-	-
Total	<u>513,211</u>	<u>513,211</u>	<u>668,266</u>	<u>668,266</u>

10.3.3 The market value of securities classified as held-to-maturity as at June 30, 2021 amounted to Rs. 75,750.647 million (December 31, 2020: Rs. 50,506.972 million).

Note	Performing		Non Performing		Total	
	June 30, 2021 (Un-audited)	December 31, 2020 (Audited)	June 30, 2021 (Un-audited)	December 31, 2020 (Audited)	June 30, 2021 (Un-audited)	December 31, 2020 (Audited)
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	476,875,122	458,635,232	20,447,766	20,822,483	497,322,888	479,457,715
Islamic financing and related assets 39.3	111,645,466	101,747,490	3,775,775	3,927,311	115,421,241	105,674,801
Bills discounted and purchased	24,692,324	14,657,070	886,986	1,109,786	25,579,310	15,766,856
Advances - gross	613,212,912	575,039,792	25,110,527	25,859,580	638,323,439	600,899,372
Provision against advances						
- Specific 11.4	-	-	(19,542,758)	(18,317,255)	(19,542,758)	(18,317,255)
- General 11.4	(5,380,525)	(5,266,170)	-	-	(5,380,525)	(5,266,170)
	(5,380,525)	(5,266,170)	(19,542,758)	(18,317,255)	(24,923,283)	(23,583,425)
Advances - net of provision	607,832,387	569,773,622	5,567,769	7,542,325	613,400,156	577,315,947

11.1 Advances include an amount of Rs. 188.069 million (December 31, 2020: Rs. 137.815 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 24.03% (December 31, 2020: 9.46% to 24.42%) with maturities up to December 2039 (December 31, 2020: December 2039).

		(Un-audited) June 30, 2021	(Audited) December 31, 2020
		------(Rupees in '000)-----	
11.2	Particulars of advances (Gross)		
	In local currency	595,166,568	559,355,778
	In foreign currencies	43,156,871	41,543,594
		638,323,439	600,899,372

11.3 Advances include Rs. 25,110.527 million (December 31, 2020: Rs. 25,859.580 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
------(Rupees in '000)-----				
Domestic				
Other Assets Especially Mentioned	97,477	2,004	65,346	2,455
Substandard	2,239,016	586,289	3,576,300	885,085
Doubtful	6,098,797	2,550,426	7,895,994	3,332,683
Loss	16,109,917	15,974,999	13,769,638	13,656,009
	24,545,207	19,113,718	25,307,278	17,876,232
Overseas				
Not past due but impaired				
Overdue by:				
91 to 180 days	26,584	214	-	-
181 to 365 days	-	-	-	-
More than 365 days	538,736	428,826	552,302	441,023
Total	25,110,527	19,542,758	25,859,580	18,317,255

11.4 Particulars of provision against advances

	Note	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
		Specific	General	Total	Specific	General	Total
		----- (Rupees in '000) -----					
Opening balance		18,317,255	5,266,170	23,583,425	17,740,415	994,583	18,734,998
Exchange and other adjustments		(7,173)	(3,196)	(10,369)	15,076	2,408	17,484
Charge for the period / year		2,505,317	117,551	2,622,868	5,939,978	4,269,179	10,209,157
Reversals for the period / year	11.4.2	(1,077,164)	-	(1,077,164)	(2,037,607)	-	(2,037,607)
		1,428,153	117,551	1,545,704	3,902,371	4,269,179	8,171,550
Amounts written off		(195,477)	-	(195,477)	(521,114)	-	(521,114)
Amounts charged off - agriculture financing		-	-	-	(35,051)	-	(35,051)
Amounts charged off - balance sheet cleaning		-	-	-	(2,784,442)	-	(2,784,442)
		(195,477)	-	(195,477)	(3,340,607)	-	(3,340,607)
Closing balance		19,542,758	5,380,525	24,923,283	18,317,255	5,266,170	23,583,425

- 11.4.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at June 30, 2021 which is not available for distribution as either cash or stock dividend to shareholders / bonus to employees amounted to Rs. 80.584 million (December 31, 2020: Rs. 72.557 million).
- 11.4.2 During the period, non performing loans and provisions were reduced by nil (December 31, 2020: Rs. 1,049.600 million) due to debt property swap transactions.
- 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 loans and 0.5% of secured 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) Provision of Rs. 4,250.000 million (December 31, 2020: Rs. 4,250.000 million) representing Covid 19 general loan loss reserve which approximates to 2.76% of restructured customers at the time of restructuring.
- 11.4.4 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
		------(Rupees in '000)-----	
12 FIXED ASSETS			
Capital work-in-progress	12.1	784,906	748,769
Property and equipment	12.2	20,738,786	20,684,887
Right-of-use assets		9,756,124	9,542,580
		<u>31,279,816</u>	<u>30,976,236</u>
12.1 Capital work-in-progress			
Civil works		520,210	416,527
Equipment		218,339	301,903
Others		46,357	30,339
		<u>784,906</u>	<u>748,769</u>

- 12.2 It includes land and building carried at revalued amount of Rs. 14,237.613 million (December 31, 2020: Rs. 14,226.590 million).

(Un-audited) Half year ended	
June 30, 2021	June 30, 2020
----- (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	36,137	21,487
Property and equipment		
Buildings on freehold land	53,438	26,202
Buildings on leasehold land	42,845	33,916
Leasehold improvements	171,413	119,969
Furniture and fixtures	35,039	109,770
Office equipments	801,320	700,869
Vehicles	8,545	34,000
	1,112,600	1,024,726
Total additions to fixed assets	1,148,737	1,046,213

12.4 Disposals of fixed assets

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

Leasehold improvements	1,414	8,551
Furniture and fixtures	987	369
Office equipments	3,177	6,742
Vehicles	-	15,581
Total disposal of fixed assets	5,578	31,243

(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----	

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	259,740	268,225
Software	893,557	1,016,314
	1,153,297	1,284,539

(Un-audited) Half year ended	
June 30, 2021	June 30, 2020
----- (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	(8,485)	83,315
Directly purchased	88,750	149,234
Total additions to intangible assets	80,265	232,549

13.2 There were no disposal during the periods ended June 30, 2021 and June 30, 2020.

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----	
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		22,573,806	17,856,712
Income/ Mark-up accrued in foreign currency - net of provision		1,195,309	1,171,478
Advances, deposits, advance rent and other prepayments		3,349,582	1,689,620
Advance against subscription of share		-	32,312
Non-banking assets acquired in satisfaction of claims	14.1	1,437,335	1,445,960
Dividend receivable		11,652	2,383
Mark to market gain on forward foreign exchange contracts		1,814,351	1,319,187
Stationery and stamps on hand		25,386	28,390
Defined benefit plan		583,975	692,399
Due from card issuing banks		1,109,142	995,590
Accounts receivable		1,836,152	2,347,314
Claims against fraud and forgeries		92,784	85,246
Acceptances		18,145,208	14,414,532
Receivable against DSC/SSC and overseas government securities		254,017	806,885
Receivable against marketable securities		760,899	1,672,773
Others		154,074	911,758
		53,343,672	45,472,539
Less: Provision held against other assets	14.2	(279,591)	(258,857)
Other assets (net of provision)		53,064,081	45,213,682
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	14.1	110,593	105,182
		53,174,674	45,318,864

14.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 1,547.628 million (December 31, 2020: Rs. 1,544.327 million).

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
14.2 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	279,291	252,042
Non banking assets acquired in satisfaction of claims	300	6,815
	279,591	258,857

14.2.1 Movement in provision held against other assets

Opening balance	258,857	230,236
Exchange and other adjustments	(1,065)	1,244
Charge for the period / year	36,260	35,298
Reversals for the period / year	(8,398)	(3,108)
	27,862	32,190
Amount written off	(6,063)	(4,813)
Closing balance	279,591	258,857

		(Un-audited) June 30, 2021 ------(Rupees in '000)-----	(Audited) December 31, 2020
15	BILLS PAYABLE		
	In Pakistan	28,528,717	22,226,918
	Outside Pakistan	381,574	344,204
		<u>28,910,291</u>	<u>22,571,122</u>
16	BORROWINGS		
	Secured		
	Borrowings from State Bank of Pakistan under:		
	Export Refinance Scheme	46,806,135	45,178,774
	Long-Term Finance Facility	24,991,607	24,532,476
	Financing Facility for Renewable Energy Projects	5,163,954	4,551,837
	Financing Facility for Storage of Agriculture Produce (FFSAP)	602,147	490,748
	Refinance for Wages & Salaries	22,231,614	29,170,716
	Temporary Economic Refinance Facility	10,465,750	1,054,162
	Others refinance schemes	832,787	527,718
	Repurchase Agreement Borrowings	164,760,628	93,965,252
		275,854,622	199,471,683
	Repurchase agreement borrowings	53,253,513	42,126,121
	Bai Muajjal	36,653,129	35,250,474
	Medium Term Note	11,000,000	9,000,000
	Total secured	<u>376,761,264</u>	<u>285,848,278</u>
	Unsecured		
	Call borrowings	14,178,868	14,032,513
	Overdrawn nostro accounts	30,201	1,532,864
	Bai Muajjal	8,430,487	8,766,071
	Others		
	- Pakistan Mortgage Refinance Company	1,450,147	1,388,140
	- Karandaz Risk Participation	2,083,104	650,087
	- Other financial institutions	3,320,882	2,742,233
	Total unsecured	<u>29,493,689</u>	<u>29,111,908</u>
		<u>406,254,953</u>	<u>314,960,186</u>

17 **DEPOSITS AND OTHER ACCOUNTS**

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	398,692,268	75,309,245	474,001,513	318,869,466	72,526,675	391,396,141
Savings deposits	238,027,234	31,375,801	269,403,035	236,071,010	29,757,610	265,828,620
Term deposits	129,999,555	40,573,861	170,573,416	114,847,092	51,044,885	165,891,977
Others	15,211,015	3,721,530	18,932,545	13,882,444	2,977,270	16,859,714
	781,930,072	150,980,437	932,910,509	683,670,012	156,306,440	839,976,452
Financial Institutions						
Current deposits	2,189,895	1,170,313	3,360,208	2,061,053	1,078,065	3,139,118
Savings deposits	58,263,714	76,572	58,340,286	26,592,177	197,558	26,789,735
Term deposits	23,840,366	5,260,828	29,101,194	8,803,246	1,161,129	9,964,375
Others	1,932,238	117,529	2,049,767	1,817,607	79,795	1,897,402
	86,226,213	6,625,242	92,851,455	39,274,083	2,516,547	41,790,630
	<u>868,156,285</u>	<u>157,605,679</u>	<u>1,025,761,964</u>	<u>722,944,095</u>	<u>158,822,987</u>	<u>881,767,082</u>

18 SUBORDINATED DEBT

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 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	7,000,000
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Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	

19 DEFERRED TAX LIABILITIES

Deductible Temporary Differences on:

- Provision against investments
- Provision against advances
- Provision against other assets
- Unrealised loss on revaluation of held for trading investments

(539,509)	(444,440)
(3,220,806)	(3,056,275)
(416,912)	(353,259)
(23,369)	-
(4,200,596)	(3,853,974)

Taxable Temporary Differences on:

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

1,483,764	1,277,421
3,613	1,235
-	31,916
2,021,398	2,301,926
1,714,971	1,602,628
5,223,746	5,215,126

1,023,150	1,361,152
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20 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency	5,343,502	4,107,655
Mark-up/ Return/ Interest payable in foreign currency	611,966	534,341
Unearned fee commission and income on bills discounted and guarantees	1,270,748	962,482
Accrued expenses	5,524,892	5,770,075
Current taxation	11,622,080	9,615,466
Acceptances	18,145,208	14,414,532
Dividends payable	140,110	135,345
Mark to market loss on forward foreign exchange contracts	1,551,115	2,146,281
Mark to market loss on derivatives	23.1 628,168	921,919
Branch adjustment account	321,296	310,518
ADC settlement accounts	2,628,902	1,516,463
Provision for compensated absences	678,106	611,106
Payable against redemption of customer loyalty / reward points	439,740	413,874
Charity payable	11,433	8,375
Provision against off-balance sheet obligations	20.1 123,670	127,428
Security deposits against leases, lockers and others	9,569,622	8,581,281
Workers' Welfare Fund	2,202,371	1,973,020
Payable to vendors and suppliers	902,875	846,433
Indirect taxes payable	1,030,239	1,144,088
Lease Liability	10,895,491	10,456,029
Others	1,151,330	1,599,977
	74,792,864	66,196,688

20.1 Provision against off-balance sheet obligations

Opening balance	127,428	129,249
Exchange and other adjustments	(1,031)	3,910
Reversals for the period / year	(2,727)	(5,731)
Closing balance	123,670	127,428

	Note	(Un-audited) June 30, 2021 ------(Rupees in 000)-----	(Audited) December 31, 2020
21 SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of:			
- Available for sale securities	10.1	5,183,073	6,576,932
- Fixed Assets		8,388,791	8,419,320
- Non-banking assets acquired in satisfaction of claims		110,593	105,182
		13,682,457	15,101,434
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		2,021,398	2,301,926
- Fixed Assets		1,483,764	1,277,421
- Non-banking assets acquired in satisfaction of claims		3,613	1,235
		3,508,775	3,580,582
Derivatives		(682,756)	(1,012,015)
		<u>9,490,926</u>	<u>10,508,837</u>
22 CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	80,940,457	69,451,917
-Commitments	22.2	523,653,095	380,140,829
-Other contingent liabilities	22.3.1	21,348,835	12,274,585
		<u>625,942,387</u>	<u>461,867,331</u>
22.1 Guarantees:			
Financial guarantees		157,537	507,942
Performance guarantees		39,666,496	36,636,998
Other guarantees		41,116,424	32,306,977
		<u>80,940,457</u>	<u>69,451,917</u>
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		198,354,639	125,526,205
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	251,301,888	184,793,857
- forward government securities transactions	22.2.2	7,267,478	12,239,653
- derivatives	22.2.3	25,380,290	18,317,022
- forward lending	22.2.4	40,014,414	38,125,107
Commitments for acquisition of:			
- operating fixed assets		921,570	895,707
- intangible assets		412,816	243,278
		<u>523,653,095</u>	<u>380,140,829</u>

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----	
22.2.1	Commitments in respect of forward foreign exchange contracts		
Purchase		147,836,953	106,574,908
Sale		103,464,935	78,218,949
		<u>251,301,888</u>	<u>184,793,857</u>
22.2.2	Commitments in respect of forward government securities transactions		
Purchase		40,617	1,378,869
Sale		7,226,861	10,860,784
		<u>7,267,478</u>	<u>12,239,653</u>
22.2.3	Commitments in respect of derivatives (Interest Rate Swaps)		
Purchase	23.1	25,380,290	18,317,022
Sale		-	-
		<u>25,380,290</u>	<u>18,317,022</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	34,745,242	32,818,826
Commitments in respect of investments		5,269,172	5,306,281
		<u>40,014,414</u>	<u>38,125,107</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	<u>21,348,835</u>	<u>12,274,585</u>

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.

23.1	Product Analysis	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
		Interest Rate Swaps			Interest Rate Swaps		
	Counterparties	No. of contracts	Notional Principal	Mark to market loss	No. of contracts	Notional Principal	Mark to market loss
		----- (Rupees in '000) -----					
	With Banks for Hedging	37	25,380,290	(628,168)	31	18,317,022	(921,919)
		<u>37</u>	<u>25,380,290</u>	<u>(628,168)</u>	<u>31</u>	<u>18,317,022</u>	<u>(921,919)</u>

		Note	(Un-audited) Half year ended	
			June 30, 2021	June 30, 2020
			------(Rupees in '000)-----	
24	MARK-UP/RETURN/INTEREST EARNED			
	On:			
	a) Loans and advances		22,026,368	28,551,768
	b) Investments		22,240,140	17,934,668
	c) Lendings to financial institutions		1,010,714	2,232,333
	d) Balances with banks		13,797	47,822
	e) On securities purchased under resale agreements / Bai Muajjal		622,216	1,181,863
			<u>45,913,235</u>	<u>49,948,454</u>
25	MARK-UP/RETURN/INTEREST EXPENSED			
	On:			
	a) Deposits		13,010,986	18,575,620
	b) Borrowings		3,320,985	1,729,179
	c) Securities sold under repurchase agreements		5,579,272	2,599,257
	d) Subordinated debt		315,911	767,993
	e) Cost of foreign currency swaps against foreign currency deposits / borrowings		957,758	2,193,316
	f) Borrowing cost on leased properties		679,020	680,791
	g) Reward points		64,623	41,202
			<u>23,928,555</u>	<u>26,587,358</u>
26	FEE & COMMISSION INCOME			
	Branch banking customer fees		481,290	537,192
	Consumer finance related fees		185,142	98,169
	Card related fees (debit and credit cards)		594,058	249,098
	Credit related fees		113,845	74,549
	Investment banking fees		188,839	158,123
	Commission on trade		841,437	631,989
	Commission on guarantees		140,233	103,974
	Commission on cash management		21,786	20,882
	Commission on remittances including home remittances		422,955	226,656
	Commission on bancassurance		286,017	202,962
	Card acquiring business		225,036	155,895
	Wealth Management Fee		35,648	40,704
	Commission on Employees' Old-Age Benefit Institution (EOBI)		16,236	47,833
	Commission on Benazir Income Support Programme (BISP)		137,965	236,256
	Alternate Delivery Channels (ADC)		166,161	154,338
	Others		94,415	20,989
			<u>3,951,063</u>	<u>2,959,609</u>
27	GAIN ON SECURITIES			
	Realised	27.1	1,911,318	1,696,676
	Unrealised - held for trading	10.1	(59,921)	35,983
			<u>1,851,397</u>	<u>1,732,659</u>
27.1	Realised gain / (loss) on:			
	Federal Government Securities		766,245	2,385,853
	Shares		550,671	(659,335)
	Non Government Debt Securities		13,290	-
	Foreign Securities		581,112	(29,842)
			<u>1,911,318</u>	<u>1,696,676</u>
28	OTHER INCOME			
	Rent on property		12,337	12,208
	Gain on sale of fixed assets-net		21,050	13,212
	Profit on termination of leased contracts (Ijarah)		36,704	19,845
	Gain on termination of leases		9,850	-
	Others		-	279
			<u>79,941</u>	<u>45,544</u>

		Note	(Un-audited)	
			Half year ended	
			June 30, 2021	June 30, 2020
			(Rupees in '000)	
29	OPERATING EXPENSES			
	Total compensation expense	29.1	8,158,700	7,353,184
	Property expense			
	Rent and taxes		43,291	28,437
	Utilities cost		557,669	455,729
	Security (including guards)		379,437	391,037
	Repair and maintenance (including janitorial charges)		409,237	304,327
	Depreciation on right-of-use assets		1,081,116	1,010,883
	Depreciation on non-banking assets acquired in satisfaction of claims		2,158	4,747
	Depreciation on owned assets		243,015	246,925
			2,715,923	2,442,085
	Information technology expenses			
	Software maintenance		655,536	615,208
	Hardware maintenance		272,498	201,423
	Depreciation		284,961	207,385
	Amortisation		210,669	225,082
	Network charges		270,854	204,420
	Consultancy and support services		63,088	67,371
			1,757,606	1,520,889
	Other operating expenses			
	Directors' fees and allowances		99,693	152,583
	Fees and allowances to Shariah Board		4,719	3,900
	Legal and professional charges		99,355	202,000
	Outsourced services costs		411,746	446,902
	Travelling and conveyance		221,970	203,434
	Clearing and custodian charges		44,124	40,954
	Depreciation		504,566	458,826
	Training and development		66,469	52,525
	Postage and courier charges		244,851	130,684
	Communication		209,910	183,031
	Stationery and printing		375,745	282,477
	Marketing, advertisement and publicity		525,813	447,420
	Donations		14,510	20,000
	Auditors' remuneration		36,024	28,746
	Brokerage and commission		127,462	80,635
	Entertainment		126,147	95,965
	Repairs and maintenance		318,068	228,622
	Insurance		539,306	484,724
	Cash handling charges		472,053	315,177
	CNIC verification		71,942	37,414
	Others		243,170	326,903
			4,757,643	4,222,922
			17,389,872	15,539,080
29.1	Total compensation expense			
	Managerial remuneration			
	i) Fixed		6,099,349	5,429,274
	ii) Variable:			
	a) Cash Bonus / Awards etc.		962,076	870,430
	b) Bonus and Awards in Shares etc.		78,980	-
	Charge for defined benefit plan		108,424	85,341
	Contribution to defined contribution plan		244,197	227,418
	Medical		337,921	278,579
	Conveyance		140,152	131,618
	Staff compensated absences		67,000	72,000
	Others		92,659	86,356
	Sub-total		8,130,758	7,181,016
	Sign-on bonus		27,802	8,650
	Severance allowance		140	163,518
	Grand Total		8,158,700	7,353,184

30 WORKERS WELFARE FUND

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by Federal Government through Finance Act, 2008 for the levy of Workers Welfare Fund (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. 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,	June 30,
		2021	2020
		------(Rupees in '000)-----	
31 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		18,290	42,237
Penalties imposed by other regulatory bodies		698	266
		18,988	42,503
32 PROVISIONS & WRITE OFFS - NET			
Provision against lending to financial institutions		-	9,018
(Reversal) / provision for diminution in value of investments	10.3	(230,333)	391,186
Provision against loans & advances	11.4	1,545,704	4,439,364
Provision against other assets	14.2.1	27,862	8,281
Reversal of provision against off-balance sheet obligations	20.1	(2,727)	(14,994)
Other provisions / write off - net		23,437	25,360
Recovery of written off / charged off bad debts		(213,561)	(69,764)
		1,150,382	4,788,451
33 TAXATION			
Current		4,516,170	5,341,562
Prior years		-	(46,772)
Deferred		(278,123)	(1,281,872)
		4,238,047	4,012,918

33.1 a) The income tax assessments of the Bank have been finalized upto and including tax year 2020. Certain addbacks have been made by tax authorities for various assessment years appeals against which are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan.

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 and disallowance of Leasehold improvements resulting in additional demand of Rs.667.746 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) During the period bank received orders from a provincial tax authority for the periods from July 2014 to December 2020 wherein tax authority demanded sales tax on banking services and penalty amounting to Rs.275.051 million [excluding default surcharge] by disallowing certain exemptions of sales tax on banking services. Previously, the Bank has received provincial sales tax orders wherein tax authority demanded sales tax on banking services and penalty amounting to Rs.488.261 million [excluding default surcharge] by disallowing certain exemptions and allegedly for short payment of sales tax covering period from July 2011 to June 2014. Appeals against all these orders are pending before Commissioner Appeals. The Bank has not made any provision against these orders and the management is of the view that these matters will be settled in Bank's favour through appellate process.
- c) The Bank has received an order from a tax authority wherein Sales tax and Further Tax amounting to Rs.8.601 million [excluding default surcharge and penalty] is demanded allegedly for non-payment of sales tax on certain transactions relating to accounting year 2016. Bank appeal against this order is pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that this matter will be favourably settled through appellate process.

		(Un-audited)	
		Half year ended	
		June 30,	June 30,
		2021	2020
		------(Rupees in '000)-----	
34	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	<u>6,933,829</u>	<u>5,584,220</u>
		------(Number of shares in '000)-----	
	Weighted average number of ordinary shares	<u>1,777,165</u>	<u>1,777,165</u>
		------(Rupees)-----	
	Basic and diluted earnings per share	<u>3.90</u>	<u>3.14</u>

34.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.

35 FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. 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 audited financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

35.1 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 below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	June 30, 2021 (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	-	607,898,631	-	607,898,631
Shares	7,130,208	-	-	7,130,208
Non-Government Debt Securities	12,150,000	7,635,026	-	19,785,026
Foreign Securities	-	54,710,369	-	54,710,369
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	75,750,647	-	75,750,647
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,814,351	-	1,814,351
Forward purchase of government securities	-	(75)	-	(75)
Forward sale of foreign exchange	-	(1,551,115)	-	(1,551,115)
Derivatives purchases	-	(628,168)	-	(628,168)
	December 31, 2020 (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	-	425,835,272	-	425,835,272
Shares	5,772,119	-	-	5,772,119
Non-Government Debt Securities	12,072,000	7,329,178	-	19,401,178
Foreign Securities	-	44,511,463	-	44,511,463
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	50,506,972	-	50,506,972
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,319,187	-	1,319,187
Forward purchase of government securities	-	(1,836)	-	(1,836)
Forward sale of foreign exchange	-	(2,146,281)	-	(2,146,281)
Derivatives purchases	-	(921,919)	-	(921,919)

35.2 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.

35.3 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.

35.4 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 and Non government debt securities.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuks, GoP Euro Bonds, 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.

35.4.1 Valuation techniques

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the 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 Sukuks, Overseas and GoP 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.

336.1 Segment details with respect to Business Activities

[illegible]

* Others include head office related 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	1,545,603	-	30,242,947
Segment direct expenses	6,582,082	466,265	1,914,382	203,244	738,893	919,684	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	(365,125)	523,671	(2,000,000)	9,597,138

As at December 31, 2020 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	Total
(Rupees in '000)								
Balance sheet								
Cash and bank balances	49,627,891	10,193,222	14,780,115	17,295,558	470,783	13,214,927	-	105,582,496
Investments	1,648,811	1,067,759	47,420,548	425,225,444	-	70,934,391	792,979	547,089,932
Net inter segment lending	367,340,730	-	-	-	8,236,238	-	86,790,920	462,367,888
Lendings to financial institutions	-	-	14,293,146	51,747,865	-	11,264,524	-	77,305,535
Advances - performing	153,956,442	283,141,506	101,673,272	-	16,596	25,085,003	5,900,803	569,773,622
Advances - non-performing	1,209,592	4,577,817	1,605,920	-	202	111,279	37,515	7,542,325
Others	22,501,621	11,194,130	16,562,877	7,069,505	1,562,319	3,689,654	14,999,533	77,579,639
Total assets	596,285,087	310,174,434	196,335,878	501,338,372	10,286,138	124,299,778	108,521,750	1,847,241,437
Borrowings	23,057,436	66,943,742	23,967,885	185,932,565	-	13,560,921	1,497,637	314,960,186
Subordinated debt	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	552,825,197	116,774,809	133,037,813	-	10,139,614	68,979,200	10,449	881,767,082
Net inter segment borrowing	-	105,134,794	9,765,912	309,835,466	-	37,631,716	-	462,367,888
Others	19,311,536	21,322,702	28,011,247	3,605,361	146,524	4,011,824	13,719,768	90,128,962
Total liabilities	595,194,169	310,176,047	194,782,857	499,373,392	10,286,138	124,183,661	22,227,854	1,756,224,118
Net Assets	1,090,918	(1,613)	1,553,021	1,964,980	-	116,117	86,293,896	91,017,319
Equity								91,017,319
Contingencies and commitments	70,508,424	118,634,144	52,780,786	165,893,738	17,961	52,765,343	1,266,935	461,867,331

* Others include head office related activities.

RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiary, associates, joint ventures, employee benefit plans, its directors, key management personnel and other related parties.

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

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

	Directors/ CEO	Key management personnel	Subsidiary	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiary	Associates	Other related parties
	As at June 30, 2021 (Un-audited)					As at December 31, 2020 (Audited)				
	(Rupees in '000)									
Lendings to financial institutions										
Opening balance	-	-	-	-	1,745,830	-	-	-	-	-
Addition during the period / year	-	-	-	-	102,210,669	-	-	-	-	140,523,678
Repaid during the period / year	-	-	-	-	(99,044,971)	-	-	-	-	(138,777,848)
Closing balance	-	-	-	-	4,911,528	-	-	-	-	1,745,830
Investments										
Opening balance	-	-	300,000	1,177,606	1,241,405	-	-	300,000	1,177,606	1,191,425
Investment redeemed / disposed off during the period / year	-	-	-	-	(22,245)	-	-	-	-	(20)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	50,000
Closing balance	-	-	300,000	1,177,606	1,219,160	-	-	300,000	1,177,606	1,241,405
Provision for diminution in value of investments										
	-	-	42,981	-	-	-	-	42,981	-	3,936
Advances										
Opening balance	78,132	791,521	-	-	3,346,278	91,129	661,838	-	-	4,200,405
Addition during the period / year	-	417,729	-	-	896,515	87,827	286,114	-	-	7,713,243
Repaid during the period / year	(78,026)	(132,335)	-	-	(2,086,266)	(83,516)	(196,441)	-	-	(8,567,370)
Transfer in / (out) - net	-	18,230	-	-	(219,446)	(17,308)	40,010	-	-	-
Closing balance	106	1,095,145	-	-	1,937,081	78,132	791,521	-	-	3,346,278
Other assets										
Interest / mark-up accrued	1	100,034	-	-	39,847	2,580	88,905	-	-	45,434
Receivable from staff retirement fund	-	-	-	-	583,975	-	-	-	-	692,399
Prepayment / rent receivable	-	-	-	-	-	-	-	-	1,560	47,524

	As at June 30, 2021 (Un-audited)					As at December 31, 2020 (Audited)				
	(Rupees in '000)					(Rupees in '000)				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
Borrowings										
Opening balance	-	-	-	-	2,384,849	-	-	-	-	494,646
Borrowings during the period / year	-	-	-	-	21,437,586	-	-	-	-	44,475,567
Settled during the period / year	-	-	-	-	(21,876,452)	-	-	-	-	(42,585,364)
Closing balance	-	-	-	-	1,945,983	-	-	-	-	2,384,849
Deposits and other accounts										
Opening balance	103,392	397,194	16,920	5,586,652	3,706,519	12,076	257,121	9,335	588,149	4,584,695
Received during the period / year	1,213,380	1,640,851	929,095	53,682,634	21,495,340	323,082	2,209,565	781,799	117,408,368	70,878,153
Withdrawn during the period / year	(906,718)	(1,596,287)	(939,383)	(52,066,239)	(16,913,180)	(223,154)	(2,083,397)	(774,214)	(112,409,865)	(71,465,963)
Transfer in / (out) - net	-	(12,531)	-	-	(2,547)	(8,612)	13,905	-	-	(290,366)
Closing balance	410,054	429,227	6,632	7,203,047	8,286,132	103,392	397,194	16,920	5,586,652	3,706,519
Other liabilities										
Interest / mark-up payable	16	463	-	-	14,879	73	433	-	-	5,393
Lease liabilities	-	-	-	-	9,868	-	-	-	-	9,216
Others	-	-	250	-	12,092	-	-	7,201	-	2,747
Contingencies and commitments										
Other contingencies	-	-	-	78,772	31,216	-	-	-	79,917	139,987
	For the period ended June 30, 2021 (Un-audited)					For the period ended June 30, 2020 (Un-audited)				
	(Rupees in '000)					(Rupees in '000)				
Income										
Mark-up / return / interest earned	2,747	23,573	-	-	139,835	5,476	16,074	-	-	320,083
Fee and commission income	-	-	-	32,878	-	-	-	-	37,330	-
Dividend income	-	-	-	51,000	11,066	-	-	-	45,000	-
Other income	-	40	-	491	5,502	-	-	-	3,758	10,648
Expenses										
Mark-up / return / interest paid	940	6,230	76	93,707	259,638	360	4,991	87	68,146	164,556
Borrowing cost on leased properties	-	-	-	-	652	-	-	-	-	321
Other operating expenses										
Directors fee	99,693	-	-	-	-	152,583	-	-	-	-
Managerial remuneration	136,599	932,688	-	-	-	199,346	843,425	-	-	-
Software maintenance	-	-	-	-	13,133	-	-	-	-	-
Travelling and accommodation	-	-	-	-	-	-	-	-	-	2,239
Communication cost	-	-	-	-	29,303	-	-	-	-	26,477
Brokerage and commission	-	-	1,449	-	-	-	-	923	-	-
Legal and professional charges	-	-	5,250	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	108,424	-	-	-	-	85,341
Contribution to defined contribution plan	-	-	-	-	244,197	-	-	-	-	227,418
Others	-	-	-	-	5,001	-	-	-	-	-
Other Information										
Dividend paid	547,890	5,728	-	1,931	1,657,492	547,914	10,070	-	6,415	1,657,492
Insurance premium paid	-	-	-	639,610	-	-	-	-	633,253	-
Insurance claims settled	-	-	-	244,117	-	-	-	-	153,788	-

38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) (Audited)
June 30, December 31,
2021 2020
----- (Rupees in '000) -----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

17,771,651 17,771,651

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

74,124,794 70,210,555

Eligible Additional Tier 1 (ADT 1) Capital

7,000,000 7,000,000

Total Eligible Tier 1 Capital

81,124,794 77,210,555

Eligible Tier 2 Capital

21,749,059 23,211,792

Total Eligible Capital (Tier 1 + Tier 2)

102,873,853 100,422,347

Risk Weighted Assets (RWAs):

Credit risk

581,484,212 522,368,549

Market risk

13,253,863 11,812,425

Operational risk

73,481,663 73,481,663

Total

668,219,738 607,662,637

Common Equity Tier 1 Capital Adequacy ratio

11.09% 11.55%

Tier 1 Capital Adequacy Ratio

12.14% 12.71%

Total Capital Adequacy Ratio

15.40% 16.53%

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% 11.50%

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

81,124,794 77,210,555

Total exposures

2,143,356,921 1,737,693,936

Leverage ratio

3.78% 4.44%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

424,116,087 372,270,246

Total Net Cash Outflow

243,467,123 199,316,286

Liquidity coverage ratio

174% 187%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

941,875,232 850,376,458

Total Required Stable Funding

703,460,939 626,269,922

Net Stable Funding Ratio

134% 136%

39 ISLAMIC BANKING BUSINESS

The Bank is operating 191 Islamic banking branches (December 31, 2020: 186 branches) including 1 sub branch (December 31, 2020: 1 sub branch) as at June 30, 2021.

STATEMENT OF FINANCIAL POSITION

		(Un-audited)	(Audited)
		June 30,	December 31,
	Note	2021	2020
		----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		13,700,685	13,519,229
Balances with other banks		832,753	1,260,886
Due from financial institutions	39.1	22,036,628	14,293,146
Investments	39.2	57,428,882	47,420,548
Islamic financing and related assets - net	39.3	112,026,245	103,279,192
Fixed assets		6,349,707	6,038,819
Intangible assets		18,053	23,038
Deferred tax assets		369,448	209,613
Other assets		13,619,691	10,501,020
Total Assets		226,382,092	196,545,491
LIABILITIES			
Bills payable		6,147,859	5,431,799
Due to financial institutions		22,318,402	23,967,885
Deposits and other accounts	39.4	162,822,658	133,037,813
Deferred tax liabilities		-	-
Other liabilities		23,182,103	22,579,448
		214,471,022	185,016,945
NET ASSETS		11,911,070	11,528,546
REPRESENTED BY			
Islamic Banking Fund		1,800,000	1,800,000
Reserves		-	-
Surplus on revaluation of assets		1,879,837	1,762,634
Unappropriated/ Unremitted profit	39.5	8,231,233	7,965,912
		11,911,070	11,528,546
CONTINGENCIES AND COMMITMENTS	39.6		

PROFIT AND LOSS ACCOUNT

		(Un-audited)	
		Half year ended	
		June 30,	June 30,
		2021	2020
		------(Rupees in '000)-----	
Profit / return earned	39.7	6,126,264	7,255,628
Profit / return expensed	39.8	2,197,328	2,686,714
Net Profit / return		3,928,936	4,568,914
Fee and Commission Income		387,376	341,516
Foreign Exchange Income		170,698	170,942
Loss on securities		(967)	(57)
Other Income		41,600	20,211
Total other income		598,707	532,612
Total Income		4,527,643	5,101,526
Other expenses			
Operating expenses		3,121,557	2,590,340
Workers Welfare Fund		19,252	50,031
Other charges		1,401	12,585
Total other expenses		3,142,210	2,652,956
Profit before provisions		1,385,433	2,448,570
Provisions and write offs - net		983,777	(2,953)
Profit before taxation		401,656	2,451,523
Taxation		136,758	959,362
Profit after taxation		264,898	1,492,161

39.1 Due from Financial Institutions

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
------(Rupees in '000)-----						
Unsecured	15,500,061	-	15,500,061	10,800,061	-	10,800,061
Bai Muajjal Receivable from other financial institutions	6,536,567	-	6,536,567	3,493,085	-	3,493,085
	22,036,628	-	22,036,628	14,293,146	-	14,293,146

39.2 Investments

	June 30, 2021 (Un-audited)				December 31, 2020 (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 & type:								
Federal Government Securities								
Available-for-sale securities								
Ijarah Sukuks	29,500,290	-	46,369	29,546,659	20,486,855	-	(58,785)	20,428,070
Naya Pakistan Certificates	1,149,151	-	-	1,149,151	466,435	-	-	466,435
	30,649,441	-	46,369	30,695,810	20,953,290	-	(58,785)	20,894,505
Held-to-maturity securities								
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Non Government Debt Securities								
Available-for-sale securities								
Sukuks - Unlisted	17,769,885	-	205,151	17,975,036	18,154,142	-	113,865	18,268,007
Held-to-maturity securities								
Sukuks - Unlisted	1,622,392	(80,722)	-	1,541,670	1,136,216	(94,546)	-	1,041,670
Total Investments	57,258,084	(80,722)	251,520	57,428,882	47,460,014	(94,546)	55,080	47,420,548

39.3 Islamic financing and related assets

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
------(Rupees in '000)-----		
Ijarah	16,714,466	14,353,395
Murabaha	3,213,162	3,353,347
Musharaka	22,847,151	22,481,095
Diminishing Musharaka	2,940,133	2,179,926
Salam	4,064,531	3,658,498
Muajjal Financing	24,999,733	24,999,194
Musawama Financing	2,264,452	863,442
Islamic Staff financing	2,191,011	1,721,900
SBP Islamic Refinance	8,499,870	8,698,588
SBP Refinance Scheme For Wages & Salaries	3,931,891	4,793,796
Islamic Long Term Finance Facility Plant & Machinery	723,452	433,900
Islamic Refinance Renewable Energy	22,132	3,163
Islamic Temporary Economic Refinance Facility (ITERF)	1,416,914	-
Naya Pakistan Home Financing	202,629	-
Advances against Islamic assets	16,713,929	14,162,819
Inventory related to Islamic financing	4,499,572	3,948,460
Islamic Refinance Facility for combatting Covid	74,425	-
Other Islamic modes	101,788	23,278
Gross Islamic financing and related assets	115,421,241	105,674,801
Less: provision against Islamic financings		
- Specific	(3,299,928)	(2,321,391)
- General	(95,068)	(74,218)
	(3,394,996)	(2,395,609)
Islamic financing and related assets - net of provision	112,026,245	103,279,192

39.4 Deposits

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
------(Rupees in '000)-----						
Customers						
Current deposits	86,459,863	4,696,455	91,156,318	59,536,285	4,628,277	64,164,562
Savings deposits	52,996,835	2,394,523	55,391,358	50,866,656	2,396,749	53,263,405
Term deposits	14,428,916	227,361	14,656,277	13,534,046	475,505	14,009,551
Other deposits	975,979	290,313	1,266,292	820,136	245,643	1,065,779
	<u>154,861,593</u>	<u>7,608,652</u>	<u>162,470,245</u>	<u>124,757,123</u>	<u>7,746,174</u>	<u>132,503,297</u>
Financial Institutions						
Current deposits	101,687	-	101,687	88,381	-	88,381
Savings deposits	248,226	-	248,226	443,635	-	443,635
Term deposits	2,500	-	2,500	2,500	-	2,500
	<u>352,413</u>	<u>-</u>	<u>352,413</u>	<u>534,516</u>	<u>-</u>	<u>534,516</u>
	<u>155,214,006</u>	<u>7,608,652</u>	<u>162,822,658</u>	<u>125,291,639</u>	<u>7,746,174</u>	<u>133,037,813</u>

39.5 Islamic Banking Business Unappropriated Profit

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
------(Rupees in '000)-----		
Opening Balance	7,965,912	11,472,207
Add: Islamic Banking profit before taxation for the period	401,656	3,340,409
Less: Taxation	(136,758)	(1,347,612)
Less: Transfer from surplus on revaluation of assets to unappropriated profit - net	423	908
Less: Transferred / Remitted to Head	-	(5,500,000)
Closing Balance	<u>8,231,233</u>	<u>7,965,912</u>

39.6 Contingencies and Commitments

-Guarantees	3,201,470	3,163,586
-Commitments	<u>74,007,482</u>	<u>49,617,200</u>
	<u>77,208,952</u>	<u>52,780,786</u>

39.7 Profit/Return Earned of Financing, Investments and Placement

	(Un-audited) Half year ended June 30, 2021	June 30, 2020
------(Rupees in '000)-----		
Financing	3,706,969	4,572,448
Investments	1,531,285	817,242
Placements	888,010	1,865,938
	<u>6,126,264</u>	<u>7,255,628</u>

39.8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	1,721,515	2,371,566
Due to financial institutions	175,535	101,933
Cost of foreign currency swaps against foreign currency deposits / borrowings	99,863	14,655
Borrowing cost on lease liability	191,416	192,445
Reward points	8,999	6,115
	<u>2,197,328</u>	<u>2,686,714</u>

39.9 PLS Pool Management- Islamic Banking Group (IBG)

39.9.1 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, EURO,AED, SAR and CAD) depositors
- 3) Fls Pool for Treasury Purposes
- 4) IERS Pool for Islamic Export Refinance Scheme facilities
- 5) Special pool

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

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

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

39.9.2 Avenues/sectors where Mudaraba based deposits have been deployed.

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	------(Rupees in '000)-----	
Agriculture, Forestry, Hunting and Fishing	25,484,762	25,488,613
Automobile and transportation equipment	2,224,976	2,436,479
Cement	4,614,685	4,462,768
Chemical and Pharmaceuticals	4,855,828	3,545,699
Construction	2,548,608	3,092,356
Electronics and electrical appliances	1,930,461	1,238,039
Exports / Imports	2,988	136,320
Financial	644,944	689,267
Food & Allied Products	5,641,671	5,054,946
Footwear and Leather garments	721,904	740,255
Glass and Ceramics	109,025	110,960
Individuals	23,333,464	18,409,257
Insurance	2,506	3,277
Metal & Allied industries	2,656,259	2,697,096
Oil and Allied	2,383,238	1,975,563
Paper and Board	710,711	769,653
Power (electricity), Gas, Water, Sanitary	5,264,516	6,669,217
Services	2,231,283	1,471,220
Sugar	1,476,790	1,665,422
Technology and Communication	24,374	21,352
Textile	22,104,746	19,921,320
Transport, Storage and Communication	319,235	545,157
Wholesale and Retail Trade	5,042,316	3,235,734
Others	1,091,951	1,294,831
Total Gross Islamic Financing and Related Assets	115,421,241	105,674,801
Total gross investments (at cost)	57,258,084	47,460,014
Total Islamic placements	22,036,628	14,293,146
Total Invested Funds	194,715,953	167,427,961

39.9.3 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.

39.9.4 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	7.06%	50.00%	50.00%	1,455,716	3.87%	0.33%	4,598
USD Pool	Monthly	2.23%	85.00%	15.00%	20,683	0.28%	10.00%	113
GBP Pool	Monthly	3.55%	85.00%	15.00%	3,477	0.44%	0.00%	-
EUR Pool	Monthly	3.07%	85.00%	15.00%	3,010	0.36%	0.00%	-
AED Pool	Monthly	3.83%	85.00%	15.00%	104	0.34%	0.00%	-
SAR Pool	Monthly	2.92%	85.00%	15.00%	87	0.18%	0.00%	-
CAD Pool	Monthly	1.35%	85.00%	15.00%	4	0.00%	0.00%	-
Specific Pool								
Special Pool (Saving)	Monthly	8.52%	31.16%	68.84%	7,634	6.01%	0.00%	-
Special Pool (TDR)	Monthly	8.38%	16.15%	83.85%	133,862	7.06%	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)	Monthly	6.44%	84.78%	15.22%	541,350	Nil	0.79%	4,267

40 NON-ADJUSTING EVENT

40.1 Dividend

The Board of Directors in its meeting held on August 25, 2021 has declared an interim cash dividend of 20% i.e. Rs. 2.0 per share (June 30, 2020: nil). These unconsolidated condensed interim financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

40.2 Afghanistan Operations

The rapidly evolving situation in Afghanistan is concerning and is being monitored by the management on a continual basis. The bank branches have been closed and will be operational once DAB resumes operations. The bank is in touch with the Pakistan Embassy in Afghanistan and is closely monitoring the situation on the ground. The bank is taking all steps to ensure the safety and security of its staff and assets.

41 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on August 25, 2021 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 unconsolidated condensed interim financial statements, wherever necessary to facilitate comparison.

Bank Alfalah Limited

Consolidated Condensed Interim Financial Statements

Half Year Ended June 30, 2021

Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2021

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	7	97,485,559	99,348,862
Balances with other banks	8	19,969,703	6,373,472
Lendings to financial institutions	9	55,358,968	77,305,535
Investments	10	768,038,023	549,358,553
Advances	11	613,401,862	577,317,776
Fixed assets	12	31,293,075	30,994,793
Intangible assets	13	1,156,391	1,287,734
Deferred tax assets		-	-
Other assets	14	54,018,634	45,687,678
		1,640,722,215	1,387,674,403
LIABILITIES			
Bills payable	15	28,910,291	22,571,122
Borrowings	16	406,991,429	315,054,817
Deposits and other accounts	17	1,025,755,332	881,750,162
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,000,000	7,000,000
Deferred tax liabilities	19	2,074,457	2,235,254
Other liabilities	20	75,340,484	66,402,548
		1,546,071,993	1,295,013,903
NET ASSETS		94,650,222	92,660,500
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		27,889,499	27,680,022
Surplus on revaluation of assets	21	9,515,013	10,528,419
Unappropriated profit		39,338,538	36,572,971
Total equity attributable to the equity holders of the Bank		94,514,701	92,553,063
Non-controlling interest		135,521	107,437
		94,650,222	92,660,500
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 41 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, 2021

	Note	Quarter ended June 30, 2021	Quarter ended June 30, 2020	Half year ended June 30, 2021	Half year ended June 30, 2020
------(Rupees in '000)-----					
Mark-up/Return/Interest Earned	24	24,527,589	24,044,753	45,916,896	49,952,669
Mark-up/Return/Interest Expensed	25	12,871,201	12,467,637	23,935,373	26,595,634
Net Mark-up/ Interest Income		11,656,388	11,577,116	21,981,523	23,357,035
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	26	2,166,101	1,344,544	4,109,496	3,042,353
Dividend Income		140,495	64,847	273,215	151,903
Foreign Exchange Income		1,063,558	953,013	1,721,554	2,008,614
(loss) / gain from derivatives		(1,493)	8	47,620	(61,228)
Gain on securities	27	767,884	1,780,257	1,862,275	1,732,773
Share of profit from assocaites		214,749	235,939	253,094	343,649
Other Income	28	41,831	23,490	79,958	45,556
Total non-markup/interest Income		4,393,125	4,402,098	8,347,212	7,263,620
Total Income		16,049,513	15,979,214	30,328,735	30,620,655
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29	8,982,698	7,519,988	17,492,239	15,614,254
Workers Welfare Fund	30	119,768	165,653	229,352	275,775
Other charges	31	12,453	1,413	18,988	42,503
Total non-markup/interest expenses		9,114,919	7,687,054	17,740,579	15,932,532
Profit before provisions		6,934,594	8,292,160	12,588,156	14,688,123
Provisions and write offs - net	32	934,214	3,260,857	1,150,382	4,788,451
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		6,000,380	5,031,303	11,437,774	9,899,672
Taxation	33	2,404,562	2,145,779	4,419,720	4,121,385
PROFIT AFTER TAXATION		3,595,818	2,885,524	7,018,054	5,778,287
Profit / (loss) attributable to:					
Equity holders of the Bank		3,583,148	2,886,125	6,994,629	5,778,308
Non-controlling interest		12,670	(601)	23,425	(21)
		3,595,818	2,885,524	7,018,054	5,778,287
Basic and Diluted Earnings per share					
	34	2.02	1.62	3.94	3.25

The annexed notes 1 to 41 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, 2021

	Quarter ended June 30, 2021	Quarter ended June 30, 2020	Half year ended June 30, 2021	Half year ended June 30, 2020
	(Rupees in '000)			
Profit after taxation for the period	3,595,818	2,885,524	7,018,054	5,778,287
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	662,547	80,685	(483,906)	1,617,168
Movement in surplus / (deficit) on revaluation of investments - net of tax	755,863	1,574,080	(772,066)	824,632
Movement in surplus / (deficit) on revaluation of investments - net of tax (share of associates)	5,654	5,262	(2,842)	5,165
	1,424,064	1,660,027	(1,258,814)	2,446,965
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in deficit on revaluation of operating fixed assets - net of tax	(9,362)	(9,572)	(236,872)	(19,022)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	3,315	(418)	3,033	(830)
	(6,047)	(9,990)	(233,839)	(19,852)
Total comprehensive income	5,013,835	4,535,561	5,525,401	8,205,400
Total comprehensive income / (loss) attributable to:				
Equity holders of the Bank	4,995,728	4,534,918	5,497,317	8,207,026
Non-controlling interest	18,107	643	28,084	(1,626)
	5,013,835	4,535,561	5,525,401	8,205,400

The annexed notes 1 to 41 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, 2021

	Capital Reserves		Surplus/(Deficit) on revaluation							Sub-total	Non Controlling Interest	Total
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Investments	Fixed Assets	Non Banking Assets	Unappropriated profit				
(Rupees in '000)												
Balances as at January 01, 2020	17,771,651	4,731,049	6,772,303	14,542,667	4,054,471	7,115,247	206,799	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	-	-	-	-	-	(19,022)	(830)	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	7,096,225	205,969	35,682,107	93,863,434	90,675	93,954,109	
Changes in equity for six months ended December 31, 2020												
Profit after taxation	-	-	-	-	-	-	-	5,053,822	5,053,822	11,131	5,064,953	
Other comprehensive income - net of tax	-	-	(1,030,656)	-	(1,603,300)	66,620	(35,266)	(207,261)	(2,809,863)	5,631	(2,804,232)	
Transfer to statutory reserve	-	-	-	489,069	-	-	-	(489,069)	-	-	-	
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(20,528)	(67,174)	87,702	-	-	-	
Transactions with owners, recorded directly in equity												
Interim cash dividend for the nine months period ended September 30, 2020 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)	
Balance as at December 31, 2020	17,771,651	4,731,049	7,358,815	15,590,158	3,282,573	7,142,317	103,529	36,572,971	92,553,063	107,437	92,660,500	
Changes in equity for the half year ended June 30, 2021												
Profit after taxation	-	-	-	-	-	-	-	6,994,629	6,994,629	23,425	7,018,054	
Other comprehensive income - net of tax	-	-	(483,906)	-	(779,567)	(218,249)	3,061	-	(1,478,661)	4,659	(1,474,002)	
Transfer to statutory reserve	-	-	-	693,383	-	-	-	(693,383)	-	-	-	
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(18,623)	(28)	18,651	-	-	-	
Transactions with owners, recorded directly in equity												
Final cash dividend for the year ended December 31, 2020 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)	
Balance as at June 30, 2021	17,771,651	4,731,049	6,874,909	16,283,541	2,503,006	6,905,445	106,562	39,338,538	94,514,701	135,521	94,650,222	

The annexed notes 1 to 41 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, 2021

	Half year ended	
	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,437,774	9,899,672
Dividend income	(273,215)	(151,903)
Share of profit from associates	(253,094)	(343,649)
	<u>10,911,465</u>	<u>9,404,120</u>
Adjustments		
Depreciation	2,123,575	1,931,274
Amortisation	210,815	226,543
Provisions and write offs - net	1,150,382	4,788,451
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	49,217	(36,008)
Borrowing cost on lease liability	679,086	680,907
Workers' Welfare Fund	229,352	275,775
Gain on sale of operating fixed assets - net	(21,067)	(13,224)
Gain on termination of lease	(9,850)	-
Charge for defined benefit plan	108,424	85,341
Charge for Staff compensated absences	67,000	72,000
	<u>4,586,934</u>	<u>8,011,059</u>
	<u>15,498,399</u>	<u>17,415,179</u>
Increase in operating assets		
Lendings to financial institutions	29,309,421	28,961,345
Held for trading securities	(43,207,853)	(49,243,097)
Advances	(37,416,229)	(7,587,432)
Other assets (excluding advance taxation)	(8,150,589)	(1,704,334)
	<u>(59,465,250)</u>	<u>(29,573,518)</u>
Increase in operating liabilities		
Bills payable	6,339,169	4,533,079
Borrowings	93,439,275	120,499,670
Deposits	144,005,170	25,808,278
Other liabilities (excluding current taxation)	6,202,304	1,224,725
	<u>249,985,918</u>	<u>152,065,752</u>
	<u>206,019,067</u>	<u>139,907,413</u>
	<u>(2,514,364)</u>	<u>(2,795,264)</u>
Net cash generated from operating activities	<u>203,504,703</u>	<u>137,112,149</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(152,530,544)	(148,484,157)
Net investments in held-to-maturity securities	(23,942,880)	5,830,717
Dividends received from associates	51,000	45,000
Dividends received	263,946	151,831
Investments in operating fixed assets	(1,210,100)	(1,279,083)
Proceed from sale proceeds of fixed assets	26,656	44,467
Effect of translation of net investment in foreign branches	(483,906)	1,617,168
Net cash used in investing activities	<u>(177,825,828)</u>	<u>(142,074,057)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of sub-ordinated debt	-	(4,987,000)
Payment of leased obligations	(1,530,865)	(1,185,401)
Dividend paid	(3,549,565)	(3,523,350)
Net cash used in financing activities	<u>(5,080,430)</u>	<u>(9,695,751)</u>
	<u>20,598,445</u>	<u>(14,657,659)</u>
Increase / (Decrease) in cash and cash equivalents	<u>119,480,179</u>	<u>138,866,759</u>
Cash and cash equivalents at beginning of the year	(885,306)	(3,595,114)
Effects of exchange rate changes on cash and cash equivalents	<u>118,594,873</u>	<u>135,271,645</u>
Cash and cash equivalents at end of the period	<u>139,193,318</u>	<u>120,613,986</u>

The annexed notes 1 to 41 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, 2021

1.1 The "Group" consists of:

Holding Company : Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Holding Company / 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 715 branches (December 31, 2020: 706 branches) and 21 sub-branches (December 31, 2020: 24 sub-branches). Out of these, 514 (December 31, 2020: 510) are conventional, 190 (December 31, 2020: 185) are Islamic, 10 (December 31, 2020: 10) are overseas and 1 (December 31, 2020: 1) is an offshore banking unit.

	Percentage of Holding	
	June 2021	December 2020
Subsidiary		
Alfalah CLSA Securities (Private) Limited, Pakistan	61.20%	61.20%
Formerly: Alfalah Securities (Private) Limited		

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%

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) 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.
- 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 SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). Further, SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. SBP vide its BPRD circular no. 24 of 2021 dated July 5, 2021 has directed banks in Pakistan to implement IFRS 9 with effect from January 1, 2022.

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

A subsidiary is an entity controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with the investee and has the ability to affect those return through its power over the investee.

These consolidated condensed interim financial statements incorporate the financial statements of subsidiary 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 subsidiary) are accounted for using the equity method.

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

2.2.2 Key financial figures of the Islamic Banking branches are disclosed in note 39 to the unconsolidated condensed interim financial statements.

2.2.3 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 consolidated financial statements for the year ended December 31, 2020.

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

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

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

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for the accounting periods as stated below:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16	April 01, 2021
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 01, 2022
Annual improvement process IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities	January 01, 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	January 01, 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
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	July 01, 2009
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; defined benefit obligations which are carried at present value and right of use of assets and related lease liability which are measured 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 annual financial statements of the Group for the year ended December 31, 2020, except as disclosed below:

4.1 Share Based Payment

The Bank has granted a cash award equivalent to the ordinary shares allotted to its certain employees under Phantom Shares Award. The entitlement shall vest with the employees in three (3) equivalent proportions on the vesting dates over a period of three (3) years. The grant date is January 1, 2021 and the first vesting date is 365 calendar days from the grant date. Subsequently, second and third vesting dates to follow 365 calendar days from the preceding vesting dates. On the first vesting date, the employees shall be entitled to a cash award for 33.33% (thirty-three and one third of one percent) of the total Phantom Shares Entitlement equivalent to fair market value of Bank's share on vesting date. Thereafter, 33.33% each for the second and third year.

The Bank recognises compensation expense with corresponding liability at the fair value of the award. Until the liability is settled, the Bank re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this consolidated condensed interim financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2020.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2020.

(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----	

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	24,970,984	18,110,677
Foreign currency	2,191,334	3,641,949
	27,162,318	21,752,626
With State Bank of Pakistan in		
Local currency current account	40,409,071	36,654,027
Foreign currency current account	5,072,367	5,367,302
Foreign currency deposit account	8,381,102	22,810,448
	53,862,540	64,831,777
With other central banks in		
Foreign currency current account	9,911,616	8,253,771
Foreign currency deposit account	959,563	681,448
	10,871,179	8,935,219
With National Bank of Pakistan in local currency current account	4,729,099	3,242,753
Prize bonds	860,423	586,487
	<u>97,485,559</u>	<u>99,348,862</u>

8 BALANCES WITH OTHER BANKS

In Pakistan		
In current account	134,661	87,328
In deposit account	58,054	53,455
	192,715	140,783
Outside Pakistan		
In current account	19,753,511	5,642,659
In deposit account	23,477	590,030
	19,776,988	6,232,689
	<u>19,969,703</u>	<u>6,373,472</u>

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	23,366,552	22,064,585
Repurchase agreement lendings (Reverse Repo)	25,455,849	51,747,865
Bai Muajjal receivable with other financial institutions	6,536,567	3,493,085
	55,358,968	77,305,535
Less: expected credit loss - overseas branches	-	-
Lending to Financial Institutions - net of provision	<u>55,358,968</u>	<u>77,305,535</u>

10 INVESTMENTS

Note

10.1 Investments by type:

June 30, 2021 (Un-audited)				December 31, 2020 (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	83,440,777	-	(9,816)	83,430,961	56,821,307	-	(9,388)	56,811,919
Pakistan Investment Bonds	25,263,206	-	3,120	25,266,326	7,510,169	-	30,229	7,540,398
Shares								
Ordinary shares / units - Listed	1,318,104	-	1,811	1,319,915	481,473	-	14,249	495,722
Foreign Securities								
Overseas Bonds - Sovereign	4,232,741	-	(44,332)	4,188,409	6,142,136	-	56,800	6,198,936
	114,254,828	-	(49,217)	114,205,611	70,955,085	-	91,890	71,046,975
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	218,695,088	-	42,155	218,737,243	145,099,588	-	102,559	145,202,147
Pakistan Investment Bonds	238,701,022	-	1,800,095	240,501,117	187,006,839	-	2,381,275	189,388,114
Government of Pakistan Sukuks	36,672,797	-	82,465	36,755,262	24,322,881	-	(439)	24,322,442
Government of Pakistan Euro Bonds	1,890,250	-	168,321	2,058,571	1,956,045	-	147,772	2,103,817
Naya Pakistan Certificates	1,149,151	-	-	1,149,151	466,435	-	-	466,435
Shares								
Ordinary shares - Listed	5,039,302	(310,345)	1,653,033	6,381,990	3,401,744	(423,497)	2,326,352	5,304,599
Ordinary shares - Unlisted	1,211,363	(55,725)	-	1,155,638	1,201,285	(59,661)	-	1,141,624
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	2,132,668	(311,298)	(11,380)	1,809,990	1,596,910	(452,530)	(11,209)	1,133,171
Sukuks	17,866,396	(96,511)	205,151	17,975,036	18,250,653	(96,511)	113,865	18,268,007
Foreign Securities								
Overseas Bonds - Sovereign	17,455,271	-	563,427	18,018,698	16,552,071	-	813,215	17,365,286
Overseas Bonds - Others	28,911,931	-	704,525	29,616,456	17,326,311	-	716,255	18,042,566
Redeemable Participating Certificates	2,886,806	-	-	2,886,806	2,904,675	-	-	2,904,675
	572,745,880	(907,714)	5,207,792	577,045,958	420,219,272	(1,166,034)	6,589,645	425,642,883
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	47,841,945	-	-	47,841,945	20,003,717	-	-	20,003,717
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Non Government Debt Securities								
Term Finance Certificates	364,680	(24,680)	-	340,000	398,013	(24,680)	-	373,333
Sukuks	1,622,392	(80,722)	-	1,541,670	1,136,216	(94,545)	-	1,041,671
Foreign Securities								
Overseas Bonds - Sovereign	16,079,667	-	-	16,079,667	19,629,502	-	-	19,629,502
Overseas Bonds - Others	-	-	-	-	798,356	-	-	798,356
	73,125,050	(105,402)	-	73,019,648	49,182,170	(119,225)	-	49,062,945
Associates (valued at equity method)								
Alfalah Insurance Company Limited	529,757	-	-	529,757	492,334	-	-	492,334
Sapphire Wind Power Company Limited	2,848,762	-	-	2,848,762	2,716,955	-	-	2,716,955
Alfalah GHP Investment Management Limited	494,745	-	-	494,745	465,755	-	-	465,755
	3,873,264	-	-	3,873,264	3,675,044	-	-	3,675,044
General provision and expected credit loss-								
Overseas operations	-	(106,458)	-	(106,458)	-	(69,294)	-	(69,294)
	763,999,022	(1,119,574)	5,158,575	768,038,023	544,031,571	(1,354,553)	6,681,535	549,358,553

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, December 31,
2021 2020
----- (Rupees in '000) -----

Market Treasury Bills	149,035,684	99,091,373
Pakistan Investment Bonds	96,090,562	82,733,120
	<u>245,126,246</u>	<u>181,824,493</u>

Market value of securities given as collateral is Rs. 245,913.098 million (December 31, 2020: Rs. 181,215.233 million).

10.3 Provision for diminution in value of investments

(Un-audited) (Audited)
June 30, December 31,
2021 2020
----- (Rupees in '000) -----

10.3.1 Opening balance	1,354,553	2,402,454
Exchange and other adjustments	(710)	495
Charge / reversals		
Charge for the period / year	113,527	1,042,001
Reversals for the period / year	(217,910)	(26,352)
Reversal on disposals	(125,950)	(1,564,459)
	(230,333)	(548,810)
Written off	(3,936)	(499,586)
Closing Balance	<u>1,119,574</u>	<u>1,354,553</u>

10.3.2 Particulars of provision against debt securities

Category of classification	June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	NPI	Provision	NPI	Provision
Domestic	----- (Rupees in '000) -----			
Loss	513,211	513,211	668,266	668,266
Overseas	-	-	-	-
Total	<u>513,211</u>	<u>513,211</u>	<u>668,266</u>	<u>668,266</u>

10.3.3 The market value of securities classified as held-to-maturity as at June 30, 2021 amounted to Rs. 75,750.647 million (December 31, 2020: Rs. 50,506.972 million).

Note	Performing		Non Performing		Total	
	June 30, 2021 (Un-audited)	December 31, 2020 (Audited)	June 30, 2021 (Un-audited)	December 31, 2020 (Audited)	June 30, 2021 (Un-audited)	December 31, 2020 (Audited)
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	476,876,830	458,637,062	20,449,035	20,822,483	497,325,865	479,459,545
Islamic financing and related assets	111,645,466	101,747,490	3,775,775	3,927,311	115,421,241	105,674,801
Bills discounted and purchased	24,692,324	14,657,071	886,986	1,111,055	25,579,310	15,768,126
Advances - gross	613,214,620	575,041,623	25,111,796	25,860,849	638,326,416	600,902,472
Provision against advances						
- Specific	11.4	-	(19,544,028)	(18,318,525)	(19,544,028)	(18,318,525)
- General	11.4	(5,380,526)	-	-	(5,380,526)	(5,266,171)
		(5,380,526)	(19,544,028)	(18,318,525)	(24,924,554)	(23,584,696)
Advances - net of provision	607,834,094	569,775,452	5,567,768	7,542,324	613,401,862	577,317,776

11.1 Advances include an amount of Rs. 188.069 million (December 31, 2020: Rs. 137.815 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 24.03% (December 31, 2020: 9.46% to 24.42%) with maturities up to December 2039 (December 31, 2020: December 2039).

	(Un-audited)		(Audited)	
	June 30, 2021	2020	December 31, 2020	
------(Rupees in '000)-----				
11.2 Particulars of advances (Gross)				
In local currency	595,169,545		559,358,878	
In foreign currencies	43,156,871		41,543,594	
	638,326,416		600,902,472	

11.3 Advances include Rs. 25,111.796 million (December 31, 2020: Rs. 25,860.849 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Non- Performing Loans	Provision	Non- Performing Loans	Provision
------(Rupees in '000)-----				
Domestic				
Other Assets Especially Mentioned	97,477	2,004	65,346	2,455
Substandard	2,239,016	586,289	3,576,300	885,085
Doubtful	6,098,797	2,550,426	7,895,994	3,332,683
Loss	16,111,186	15,976,269	13,770,907	13,657,279
	24,546,476	19,114,988	25,308,547	17,877,502
Overseas				
Not past due but impaired				
Overdue by:				
91 to 180 days	26,584	214	-	-
181 to 365 days	-	-	-	-
More than 365 days	538,736	428,826	552,302	441,023
Total	25,111,796	19,544,028	25,860,849	18,318,525

11.4 Particulars of provision against advances

	Note	June 30, 2021(Un-audited)			December 31, 2020 (Audited)		
		Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----							
Opening balance		18,318,525	5,266,171	23,584,696	17,741,685	994,584	18,736,269
Exchange and other adjustments		(7,173)	(3,196)	(10,369)	15,076	2,408	17,484
Charge for the period / year		2,505,317	117,551	2,622,868	5,939,978	4,269,179	10,209,157
Reversals for the period / year	11.4.2	(1,077,164)	-	(1,077,164)	(2,037,607)	-	(2,037,607)
		1,428,153	117,551	1,545,704	3,902,371	4,269,179	8,171,550
Amounts written off		(195,477)	-	(195,477)	(521,114)	-	(521,114)
Amounts charged off - agriculture financing		-	-	-	(35,051)	-	(35,051)
Amounts charged off - balance sheet cleaning		-	-	-	(2,784,442)	-	(2,784,442)
		(195,477)	-	(195,477)	(3,340,607)	-	(3,340,607)
Closing balance		19,544,028	5,380,526	24,924,554	18,318,525	5,266,171	23,584,696

11.4.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at June 30, 2021 which is not available for distribution as either cash or stock dividend to shareholders / bonus to employees amounted to Rs. 80.584 million (December 31, 2020: Rs. 72.557 million).

11.4.2 During the period, non performing loans and provisions were reduced by nil (December 31, 2020: Rs. 1,049.600 million) due to debt property swap transactions.

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 loans and 0.5% of secured 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 operate; and
- (iii) Provision of Rs. 4,250.000 million (December 31, 2020: Rs. 4,250.000 million) representing Covid 19 general loan loss reserve which approximates to 2.76% of restructured customers at the time of restructuring.

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

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
------(Rupees in '000)-----			
12 FIXED ASSETS			
Capital work-in-progress	12.1	784,906	748,769
Property and equipment	12.2	20,749,484	20,694,822
Right-of-use assets		9,758,685	9,551,202
		31,293,075	30,994,793

12.1 Capital work-in-progress

Civil works	520,210	416,527
Equipment	218,339	301,903
Others	46,357	30,339
	784,906	748,769

12.2 It includes land and building carried at revalued amount of Rs. 14,237.613 million (December 31, 2020: Rs. 14,226.590 million).

12.3 Additions to fixed assets

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

		(Un-audited) Half year ended	
		June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----	
Capital work-in-progress - net of transferred out for capitalisation		36,137	21,487
Property and equipment			
Buildings on freehold land	53,438		26,202
Buildings on leasehold land	42,845		33,916
Leasehold improvements	171,413		119,969
Furniture and fixtures	35,081		109,770
Office equipments	803,751		701,302
Vehicles	8,545		34,000
	1,115,073		1,025,159
Total additions to fixed assets		1,151,210	1,046,646

12.4 Disposals of fixed assets

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

Leasehold improvements	1,414	8,551
Furniture and fixtures	987	369
Office equipments	3,188	6,742
Vehicles	-	15,581
Total disposal of fixed assets	5,589	31,243

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	259,740	268,225
Software	894,151	1,016,313
Membership Card	2,500	3,196
	1,156,391	1,287,734

13.1 Additions to intangible assets

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

		(Un-audited) Half year ended	
		June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----	
Capital work-in-progress - net of transferred out for capitalisation	(8,485)		83,315
Directly purchased	88,794		149,292
Total additions to intangible assets	80,309		232,607

13.2 There were no disposals during the periods ended June 30, 2021 and June 30, 2020.

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----	
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		22,573,844	17,857,094
Income/ Mark-up accrued in foreign currency - net of provision		1,195,309	1,171,478
Advances, deposits, advance rent and other prepayments		3,620,539	1,846,113
Advance against subscription of share		-	32,312
Non-banking assets acquired in satisfaction of claims	14.1	1,437,335	1,445,960
Dividend receivable		11,652	2,383
Mark to market gain on forward foreign exchange contracts		1,814,351	1,319,187
Stationery and stamps on hand		25,386	28,390
Defined benefit plan		583,975	692,399
Due from card issuing banks		1,109,142	995,590
Accounts receivable		1,836,152	2,347,314
Claims against fraud and forgeries		92,784	85,246
Acceptances		18,145,208	14,414,532
Receivable against DSC/SSC and overseas government securities		254,017	806,885
Receivable against tradeable market securities		1,874,063	2,416,928
Others		152,994	918,661
		<u>54,726,751</u>	<u>46,380,472</u>
Less: Provision held against other assets	14.2	<u>(818,710)</u>	<u>(797,976)</u>
Other assets (net of provision)		<u>53,908,041</u>	<u>45,582,496</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	14.1	<u>110,593</u>	<u>105,182</u>
		<u><u>54,018,634</u></u>	<u><u>45,687,678</u></u>

14.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 1,547.628 million (December 31, 2020: Rs. 1,544.327 million).

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
14.2 Provision held against other assets		
Advances, deposits, advance rent & other prepayments	818,410	791,161
Non banking assets acquired in satisfaction of claims	300	6,815
	<u>818,710</u>	<u>797,976</u>

14.2.1 Movement in provision held against other assets

Opening balance	797,976	769,355
Exchange and other adjustments	(1,065)	1,244
Charge for the period / year	36,260	35,298
Reversals for the period / year	(8,398)	(3,108)
	27,862	32,190
Amount Written off	(6,063)	(4,813)
Closing balance	<u>818,710</u>	<u>797,976</u>

		(Un-audited) June 30, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----	
15	BILLS PAYABLE		
	In Pakistan	28,528,717	22,226,918
	Outside Pakistan	381,574	344,204
		<u>28,910,291</u>	<u>22,571,122</u>
16	BORROWINGS		
	Secured		
	Borrowings from State Bank of Pakistan under:		
	Export Refinance Scheme	46,806,135	45,178,774
	Long-Term Finance Facility	24,991,607	24,532,476
	Financing Facility for Renewable Energy Projects	5,163,954	4,551,837
	Financing Facility for Storage of Agriculture Produce (FFSAP)	602,147	490,748
	Refinance For Wages & Salaries	22,231,614	29,170,716
	Temporary Economic Refinance Facility	10,465,750	1,054,162
	Others refinance schemes	832,787	527,718
	Repurchase Agreement Borrowings	164,760,628	93,965,252
		<u>275,854,622</u>	<u>199,471,683</u>
	Repurchase agreement borrowings	53,253,513	42,126,121
	Bai Muajjal	36,653,129	35,250,474
	Medium Term Note	11,000,000	9,000,000
	Others	736,476	94,631
	Total secured	<u>377,497,740</u>	<u>285,942,909</u>
	Unsecured		
	Call borrowings	14,178,868	14,032,513
	Overdrawn nostro accounts	30,201	1,532,864
	Bai Muajjal	8,430,487	8,766,071
	Others		
	- Pakistan Mortgage Refinance Company	1,450,147	1,388,140
	- Karandaaz Risk Participation	2,083,104	650,087
	- Other financial institutions	3,320,882	2,742,233
	Total unsecured	<u>29,493,689</u>	<u>29,111,908</u>
		<u>406,991,429</u>	<u>315,054,817</u>

17 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	398,692,268	75,309,245	474,001,513	318,869,466	72,526,675	391,396,141
Savings deposits	238,027,234	31,375,801	269,403,035	236,071,010	29,757,610	265,828,620
Term deposits	129,999,555	40,573,861	170,573,416	114,847,092	51,044,885	165,891,977
Others	15,211,015	3,721,530	18,932,545	13,882,444	2,977,270	16,859,714
	<u>781,930,072</u>	<u>150,980,437</u>	<u>932,910,509</u>	<u>683,670,012</u>	<u>156,306,440</u>	<u>839,976,452</u>
Financial Institutions						
Current deposits	2,185,497	1,170,313	3,355,810	2,046,064	1,078,065	3,124,129
Savings deposits	58,261,480	76,572	58,338,052	26,590,246	197,558	26,787,804
Term deposits	23,840,366	5,260,828	29,101,194	8,803,246	1,161,129	9,964,375
Others	1,932,238	117,529	2,049,767	1,817,607	79,795	1,897,402
	<u>86,219,581</u>	<u>6,625,242</u>	<u>92,844,823</u>	<u>39,257,163</u>	<u>2,516,547</u>	<u>41,773,710</u>
	<u>868,149,653</u>	<u>157,605,679</u>	<u>1,025,755,332</u>	<u>722,927,175</u>	<u>158,822,987</u>	<u>881,750,162</u>

18 SUBORDINATED DEBT

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 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>7,000,000</u>

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----	
19 DEFERRED TAX LIABILITIES			
Deductible Temporary Differences on:			
- Provision against investments		(539,509)	(444,440)
- Provision against advances		(3,220,806)	(3,056,275)
- Provision against other assets		(416,912)	(354,366)
- Unrealised loss on revaluation of held for trading investments		(23,369)	-
		(4,200,596)	(3,855,081)
Taxable Temporary Differences on:			
- Surplus on revaluation of fixed assets		1,483,764	1,277,421
- Surplus on revaluation of non banking assets		3,613	1,235
- Unrealised gain on revaluation of held for trading investments		-	31,461
- Surplus on revaluation of available for sale investments		2,021,398	2,303,001
- Share of profit and other comprehensive income from associates		1,051,307	874,103
- Accelerated tax depreciation		1,714,971	1,603,114
		6,275,053	6,090,335
		2,074,457	2,235,254
20 OTHER LIABILITIES			
Mark-up/ Return/ Interest payable in local currency		5,343,502	4,111,339
Mark-up/ Return/ Interest payable in foreign currency		611,966	534,341
Unearned fee commission and income on bills discounted and guarantees		1,270,748	962,482
Accrued expenses		5,557,915	5,795,511
Current taxation		11,582,287	9,577,044
Acceptances		18,145,208	14,414,532
Dividends payable		140,110	135,345
Mark to market loss on forward foreign exchange contracts		1,551,115	2,146,281
Mark to market loss on derivatives	23.1	628,168	921,919
Branch adjustment account		321,296	310,518
ADC settlement accounts		2,628,902	1,516,463
Provision for compensated absences		678,106	611,106
Payable against redemption of customer loyalty / reward points		439,740	413,874
Charity payable		11,433	8,375
Provision against off-balance sheet obligations	20.1	123,670	127,428
Security deposits against leases, lockers and others		9,569,622	8,581,281
Worker's Welfare Fund		2,202,371	1,973,020
Payable to vendors and suppliers		902,875	846,433
Payable against tradeable market securities		528,678	186,163
Indirect Taxes Payable		1,030,239	1,144,088
Lease Liabilities		10,896,073	10,463,042
Others		1,176,460	1,621,963
		75,340,484	66,402,548
20.1 Provision against off-balance sheet obligations			
Opening balance		127,428	129,249
Exchange and other adjustments		(1,031)	3,910
Reversals for the period / year		(2,727)	(5,731)
Closing balance		123,670	127,428

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
		------(Rupees in '000)-----	
21 SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of:			
- Available for sale securities	10.1	5,207,792	6,589,645
- Available for sale securities of associates		8,092	11,966
- Fixed Assets		8,388,791	8,419,320
- Non-banking assets acquired in satisfaction of claims		110,593	105,182
		13,715,268	15,126,113
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		2,021,398	2,301,926
- Available for sale securities of associates		3,156	4,188
- Fixed Assets		1,483,764	1,277,421
- Non-banking assets acquired in satisfaction of claims		3,613	1,235
		3,511,931	3,584,770
Derivatives		(682,756)	(1,012,015)
Surplus on revaluation of available for sale securities attributable to non controlling interest		(5,568)	(909)
		<u>9,515,013</u>	<u>10,528,419</u>
22 CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	80,940,457	69,451,917
-Commitments	22.2	524,103,095	380,590,829
-Other contingent liabilities	22.3.1	21,348,835	12,274,585
		<u>626,392,387</u>	<u>462,317,331</u>
22.1 Guarantees:			
Financial guarantees		157,537	507,942
Performance guarantees		39,666,496	36,636,998
Other guarantees		41,116,424	32,306,977
		<u>80,940,457</u>	<u>69,451,917</u>
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		198,354,639	125,526,205
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	251,301,888	184,793,857
- forward government securities transactions	22.2.2	7,267,478	12,239,653
- derivatives	22.2.3	25,380,290	18,317,022
- forward lending	22.2.4	40,014,414	38,125,107
Commitments for acquisition of:			
- operating fixed assets		921,570	895,707
- intangible assets		412,816	243,278
Other commitments	22.2.5	450,000	450,000
		<u>524,103,095</u>	<u>380,590,829</u>

	Note	(Un-audited) June 30, 2021 ------(Rupees in '000)-----	(Audited) December 31, 2020
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		147,836,953	106,574,908
Sale		103,464,935	78,218,949
		<u>251,301,888</u>	<u>184,793,857</u>
22.2.2 Commitments in respect of forward government securities transactions			
Purchase		40,617	1,378,869
Sale		7,226,861	10,860,784
		<u>7,267,478</u>	<u>12,239,653</u>
22.2.3 Commitments in respect of derivatives (Interest Rate Swaps)			
Purchase	23.1	25,380,290	18,317,022
Sale		-	-
		<u>25,380,290</u>	<u>18,317,022</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	34,745,242	32,818,826
Commitments in respect of investments		5,269,172	5,306,281
		<u>40,014,414</u>	<u>38,125,107</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.

22.2.5 Other Commitments

A commercial bank on behalf of Alfalah CLSA Securities (Private) Limited, Pakistan has given a guarantee of Rs. 450 million (2020: 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.

22.3 Other contingent liabilities

22.3.1 Claims against the Bank not acknowledged as debts	<u>21,348,835</u>	<u>12,274,585</u>
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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

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, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Interest Rate Swaps			Interest Rate Swaps		
	No. of contracts	Notional Principal	Mark to market loss	No. of contracts	Notional Principal	Mark to market loss
	------(Rupees in '000)-----					
With Banks for Hedging	37	25,380,290	(628,168)	31	18,317,022	(921,919)
	<u>37</u>	<u>25,380,290</u>	<u>(628,168)</u>	<u>31</u>	<u>18,317,022</u>	<u>(921,919)</u>

		Note	(Un-audited) Half year ended	
			June 30, 2021	June 30, 2020
			(Rupees in '000)	
24	MARK-UP/RETURN/INTEREST EARNED			
	On:			
	a) Loans and advances		22,026,447	28,551,919
	b) Investments		22,240,140	17,934,668
	c) Lendings to financial institutions		1,010,714	2,232,333
	d) Balances with banks / financial institutions		17,379	51,886
	e) Securities purchased under resale agreements / Bai Muajjal		622,216	1,181,863
			<u>45,916,896</u>	<u>49,952,669</u>
25	MARK-UP/RETURN/INTEREST EXPENSED			
	On:			
	a) Deposits		13,010,910	18,575,522
	b) Borrowings		3,327,813	1,737,437
	c) Securities sold under repurchase agreements		5,579,272	2,599,257
	d) Subordinated debt		315,911	767,993
	e) Cost of foreign currency swaps against foreign currency deposits / borrowings		957,758	2,193,316
	f) Borrowing cost on leased properties		679,086	680,907
	g) Reward points		64,623	41,202
			<u>23,935,373</u>	<u>26,595,634</u>
26	FEE & COMMISSION INCOME			
	Branch banking customer fees		481,290	537,192
	Consumer finance related fees		185,142	98,169
	Card related fees (debit and credit cards)		594,058	249,098
	Credit related fees		113,845	74,549
	Investment banking fees		197,387	160,823
	Commission on trade		841,437	631,989
	Commission on guarantees		140,233	103,974
	Commission on cash management		21,786	20,882
	Commission on remittances including home remittances		422,955	226,656
	Commission on bancassurance		286,017	202,962
	Card acquiring business		225,036	155,895
	Wealth Management Fee		35,648	40,704
	Commission on Employees' Old-Age Benefit Institution (EOBI)		16,236	47,833
	Commission on Benazir Income Support Programme (BISP)		137,965	236,256
	Alternate Delivery Channel (ADC)		166,161	154,338
	Brokerage/Commission income		149,860	80,823
	Others		94,440	20,210
			<u>4,109,496</u>	<u>3,042,353</u>
27	GAIN / (LOSS) ON SECURITIES			
	Realised	27.1	1,911,492	1,696,765
	Unrealised - held for trading	10.1	(49,217)	36,008
			<u>1,862,275</u>	<u>1,732,773</u>
27.1	Realised gain/(loss) on:			
	Federal Government Securities		766,245	2,385,853
	Shares		550,845	(659,246)
	Non Government Debt Securities		13,290	-
	Foreign Securities		581,112	(29,842)
			<u>1,911,492</u>	<u>1,696,765</u>
28	OTHER INCOME			
	Rent on property		12,337	12,208
	Gain on sale of fixed assets-net		21,067	13,224
	Profit on termination of leased contracts (Ijarah)		36,704	19,845
	Gain on termination of leases		9,850	-
	Others		-	279
			<u>79,958</u>	<u>45,556</u>

29	OPERATING EXPENSES	Note	(Un-audited) Half year ended	
			June 30, 2021	June 30, 2020
			----- (Rupees in '000) -----	
	Total compensation expense	29.1	8,227,153	7,399,179
	Property expense			
	Rent and taxes		43,291	28,437
	Utilities cost		558,949	456,645
	Security (including guards)		379,437	391,037
	Repair and maintenance (including janitorial charges)		409,237	304,327
	Depreciation on right-of-use assets		1,087,177	1,016,214
	Depreciation on non-banking assets acquired in satisfaction of claims		2,158	4,747
	Depreciation on owned assets		244,713	246,925
			2,724,962	2,448,332
	Information technology expenses			
	Software maintenance		656,865	616,548
	Hardware maintenance		272,613	201,468
	Depreciation		284,961	207,506
	Amortisation		210,815	226,543
	Network charges		272,883	204,420
	Consultancy and support services		63,088	67,371
			1,761,225	1,523,856
	Other operating expenses			
	Directors' fees and allowances		99,693	152,583
	Fees and allowances to Shariah Board		4,719	3,900
	Legal and professional charges		101,475	202,745
	Outsourced services costs		411,746	446,902
	Travelling and conveyance		222,100	204,262
	Clearing and custodian charges		59,914	49,702
	Depreciation		504,566	460,629
	Training and development		66,477	52,546
	Postage and courier charges		244,888	130,715
	Communication		214,547	187,434
	Stationery and printing		376,264	282,862
	Marketing, advertisement and publicity		525,880	447,470
	Donations		14,510	20,000
	Auditors remuneration		36,587	29,385
	Brokerage and commission		126,735	80,635
	Entertainment		126,613	96,242
	Repairs and maintenance		318,671	229,052
	Insurance		540,358	485,710
	Cash Handling charges		472,053	315,177
	CNIC verification		71,942	37,414
	Others		239,161	327,522
			4,778,899	4,242,887
			17,492,239	15,614,254
29.1	Total compensation expense			
	Managerial Remuneration			
	i) Fixed		6,141,480	5,465,141
	ii) Variable:			
	a) Cash Bonus / Awards etc.		981,760	874,048
	b) Bonus and Awards in Shares etc.		78,980	-
	Charge for defined benefit plan		108,424	85,341
	Contribution to defined contribution Plan		244,197	227,418
	Medical		338,010	278,602
	Conveyance		140,152	131,618
	Staff compensated absences		67,000	72,000
	Others		99,208	92,843
	Sub-total		8,199,211	7,227,011
	Sign-on Bonus		27,802	8,650
	Severance Allowance		140	163,518
	Grand Total		8,227,153	7,399,179

30 WORKERS WELFARE FUND

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by Federal Government through Finance Act, 2008 for the levy of Workers Welfare Fund (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. 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, 2021	June 30, 2020
			------(Rupees in '000)-----	
31	OTHER CHARGES			
	Penalties imposed by State Bank of Pakistan		18,290	42,237
	Penalties imposed by other regulatory bodies		698	266
			<u>18,988</u>	<u>42,503</u>
32	PROVISIONS & WRITE OFFS - NET			
	Provision against lending to financial institutions		-	9,018
	(Reversal) / provision for diminution in value of investments	10.3.1	(230,333)	391,186
	Provision against loans & advances	11.4	1,545,704	4,439,364
	Provision against other assets	14.2.1	27,862	8,281
	Reversal of provision against off-balance sheet obligations	20.1	(2,727)	(14,994)
	Other provisions / write off - net		23,437	25,360
	Recovery of written off / charged off bad debts		(213,561)	(69,764)
			<u>1,150,382</u>	<u>4,788,451</u>
33	TAXATION			
	Current		4,519,607	5,345,501
	Prior years		-	(46,772)
	Deferred		(99,887)	(1,177,344)
			<u>4,419,720</u>	<u>4,121,385</u>
33.1	a)	The income tax assessments of the Bank have been finalized upto and including tax year 2020. Certain addbacks have been made by tax authorities for various assessment years appeals against which are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan.		

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 and disallowance of Leasehold improvements resulting in additional demand of Rs.667.746 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) During the period bank received orders from a provincial tax authority for the periods from July 2014 to December 2020 wherein tax authority demanded sales tax on banking services and penalty amounting to Rs.275.051 million [excluding default surcharge] by disallowing certain exemptions of sales tax on banking services. Previously, the Bank has received provincial sales tax orders wherein tax authority demanded sales tax on banking services and penalty amounting to Rs.488.261 million [excluding default surcharge] by disallowing certain exemptions and allegedly for short payment of sales tax covering period from July 2011 to June 2014. Appeals against all these orders are pending before Commissioner Appeals. The Bank has not made any provision against these orders and the management is of the view that these matters will be settled in Bank's favour through appellate process.
- c) The Bank has received an order from a tax authority wherein Sales tax and Further Tax amounting to Rs.8.601 million [excluding default surcharge and penalty] is demanded allegedly for non-payment of sales tax on certain transactions relating to accounting year 2016. Bank appeal against this order is pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that this matter will be favourably settled through appellate process.

		(Un-audited)	
		Half year ended	
		June 30, 2021	June 30, 2020
		------(Rupees in '000)-----	
34	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period attributable to equity holders of the Bank	<u>6,994,629</u>	<u>5,778,308</u>
		------(Number of shares in '000)-----	
	Weighted average number of ordinary shares	<u>1,777,165</u>	<u>1,777,165</u>
		------(Rupees)-----	
	Basic and diluted earnings per share	<u>3.94</u>	<u>3.25</u>

34.1 Diluted earnings per share has not been presented separately as the Group does not have any convertible instruments in issue.

Fair value measurement defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. 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 audited financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

35.1 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 below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

June 30, 2021 (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	-	607,898,631	-	607,898,631
Shares	7,701,905	-	-	7,701,905
Non-Government Debt Securities	12,150,000	7,635,026	-	19,785,026
Foreign Securities	-	54,710,369	-	54,710,369
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	75,750,647	-	75,750,647
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,814,351	-	1,814,351
Forward purchase of government securities	-	(75)	-	(75)
Forward sale of foreign exchange	-	(1,551,115)	-	(1,551,115)
Derivatives purchases	-	(628,168)	-	(628,168)
December 31, 2020 (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	-	425,835,272	-	425,835,272
Shares	5,800,321	-	-	5,800,321
Non-Government Debt Securities	12,072,000	7,329,178	-	19,401,178
Foreign Securities	-	44,511,463	-	44,511,463
Financial assets - not measured at fair value				
Investment - held to maturity securities	-	50,506,972	-	50,506,972
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,319,187	-	1,319,187
Forward purchase of government securities	-	(1,836)	-	(1,836)
Forward sale of foreign exchange	-	(2,146,281)	-	(2,146,281)
Derivatives purchases	-	(921,919)	-	(921,919)

35.2 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.

35.3 The Group'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.

35.4 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 and Non government debt securities.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuks, GoP Euro Bonds, 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.

35.4.1 Valuation techniques

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the 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 Sukuks, Overseas Bonds and GoP 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.

36 SEGMENT INFORMATION

36.1 Segment details with respect to Business Activities

For the period ended June 30, 2021 (Un-audited)							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Total
(Rupees in '000)							
Profit & Loss							
Net mark-up/return/profit	(1,718,947)	7,052,176	3,928,936	11,488,705	(6,840)	1,448,733	21,981,523
Inter segment revenue - net	12,841,485	(3,767,216)	(149,509)	(9,370,498)	219,962	183,199	42,577
Non mark-up/return/interest income	2,484,550	1,152,054	598,707	2,494,976	201,572	878,425	8,347,212
Total Income	13,607,088	4,437,014	4,378,134	4,613,183	414,694	2,510,357	30,328,735
Segment direct expenses	7,216,270	487,582	2,240,978	233,282	712,823	969,935	17,740,579
Inter segment expense allocation	3,603,416	505,035	901,232	203,760	401,871	162,028	(5,777,342)
Total expenses	10,819,686	992,617	3,142,210	437,042	1,114,694	1,131,963	17,740,579
Provisions / (Reversals)	(52,190)	254,313	983,777	(69,756)	1,605	32,633	1,150,382
Profit / (loss) before tax	2,839,592	3,190,084	252,147	4,245,897	(701,605)	1,345,761	11,437,774
As at June 30, 2021 (Un-audited)							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Total
(Rupees in '000)							
Balance Sheet							
Cash & Bank balances	58,006,689	13,123,216	14,533,438	6,435,700	493,508	24,664,173	117,455,262
Investments	1,224,770	1,711,426	57,428,882	632,738,017	-	71,117,524	768,038,023
Net inter segment lending	408,210,480	-	-	-	8,360,944	-	508,814,517
Lendings to financial institutions	-	-	22,036,628	25,455,849	-	7,866,491	55,358,968
Advances - performing	174,021,187	288,302,968	111,553,646	90	60,062	26,153,298	607,834,094
Advances - non-performing	1,197,727	3,728,657	472,599	-	3,033	136,280	5,567,768
Others	16,817,753	12,187,346	20,356,899	10,594,961	3,319,382	4,398,435	86,468,100
Total Assets	659,478,606	319,053,613	226,382,092	675,224,617	12,236,929	134,336,201	2,149,536,732
Borrowings	24,246,553	69,896,206	22,318,402	251,069,261	-	38,724,531	406,991,429
Subordinated debt	-	-	-	-	-	-	7,000,000
Deposits & other accounts	617,280,306	164,276,911	162,822,658	-	12,135,027	69,240,430	1,025,755,332
Net inter segment borrowing	-	59,764,560	10,031,457	418,213,869	-	20,804,631	508,814,517
Others	17,287,623	25,115,936	29,329,962	4,477,724	101,902	5,367,842	106,325,232
Total liabilities	658,814,482	319,053,613	224,502,479	673,760,854	12,236,929	134,137,434	2,054,886,510
Net Assets	664,124	-	1,879,613	1,463,763	-	198,767	94,650,222
Equity							
Contingencies & Commitments	88,343,166	176,546,534	77,208,952	221,478,544	10,738	60,985,856	626,392,387

* Others include head office related activities.

For the period ended June 30, 2020 (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
	(Rupees in '000)								
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)	(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	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	738,893	919,684	76,125	5,031,857	15,932,532
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	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 / (loss) 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 December 31, 2020 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
	(Rupees in '000)								
Balance Sheet									
Cash & Bank balances	49,627,891	10,193,222	14,780,115	17,295,558	470,783	13,214,927	139,838	-	105,722,334
Investments	1,648,811	1,067,759	47,420,548	425,225,444	-	70,934,391	-	3,061,600	549,358,553
Net inter segment lending	367,340,730	-	-	-	8,236,238	-	-	86,790,920	462,367,888
Lendings to financial institutions	-	-	14,293,146	51,747,865	-	11,264,524	-	-	77,305,535
Advances - performing	153,956,442	283,141,506	101,673,272	-	16,596	25,085,003	1,831	5,900,802	569,775,452
Advances - non-performing	1,209,592	4,577,817	1,605,920	-	202	111,279	-	37,514	7,542,324
Others	22,501,621	11,194,130	16,555,220	7,069,505	1,562,319	3,689,654	390,564	15,007,192	77,970,205
Total Assets	596,285,087	310,174,434	196,328,221	501,338,372	10,286,138	124,299,778	532,233	110,798,028	1,850,042,291
Borrowings	23,057,436	66,943,742	23,967,885	185,932,565	-	13,560,921	94,631	1,497,637	315,054,817
Subordinated debt	-	-	-	-	-	-	-	7,000,000	7,000,000
Deposits & other accounts	552,808,277	116,774,809	133,037,813	-	10,139,614	68,979,200	-	10,449	881,750,162
Net inter segment borrowing	-	105,134,794	9,765,912	309,835,466	-	37,631,716	-	-	462,367,888
Others	19,311,536	21,322,702	27,733,944	3,605,361	146,524	4,011,824	206,274	14,870,759	91,208,924
Total liabilities	595,177,249	310,176,047	194,505,554	499,373,392	10,286,138	124,183,661	300,905	23,378,845	1,757,381,791
Net Assets	1,107,838	(1,613)	1,822,667	1,964,980	-	116,117	231,328	87,419,183	92,660,500
Equity									
Contingencies & Commitments	70,508,424	118,634,144	52,780,786	165,893,738	17,961	52,765,343	450,000	1,266,935	462,317,331

* Others include head office related activities.

37 RELATED PARTY TRANSACTIONS

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

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

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

	Directors/ CEO	Key management personnel	Associates	Other related parties	Directors/ CEO	Key management personnel	Associates	Other related parties
	As at June 30, 2021 (Un-audited)				As at December 31, 2020 (Audited)			
	(Rupees in '000)							
Lendings to financial institutions								
Opening balance	-	-	-	1,745,830	-	-	-	-
Addition during the period / year	-	-	-	102,210,669	-	-	-	140,523,678
Repaid during the period / year	-	-	-	(99,044,971)	-	-	-	(138,777,848)
Closing balance	-	-	-	4,911,528	-	-	-	1,745,830
Investments								
Opening balance	-	-	3,671,462	1,241,405	-	-	3,138,787	1,191,425
Investment made during the period / year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period / year	-	-	-	(22,245)	-	-	-	(20)
Equity method adjustment	-	-	198,220	-	-	-	532,675	-
Transfer in / (out) - net	-	-	-	-	-	-	-	50,000
Closing balance	-	-	3,869,682	1,219,160	-	-	3,671,462	1,241,405
Provision for diminution in value of investments	-	-	-	-	-	-	-	3,936
Advances								
Opening balance	78,132	791,522	-	3,346,277	91,129	662,464	-	4,200,404
Addition during the period / year	-	417,729	-	896,515	87,827	286,114	-	7,713,243
Repaid during the period / year	(78,026)	(132,335)	-	(2,086,266)	(83,516)	(197,066)	-	(8,567,370)
Transfer in / (out) - net	-	18,230	-	(219,446)	(17,308)	40,010	-	-
Closing balance	106	1,095,146	-	1,937,080	78,132	791,522	-	3,346,277
Other Assets								
Interest / mark-up accrued	1	100,034	-	39,847	2,580	88,905	-	45,434
Receivable from staff retirement fund	-	-	-	583,975	-	-	-	692,399
Prepayment / rent receivable	-	-	-	-	-	-	1,560	55,672
Others	-	-	355	-	-	-	763	-

	Directors/ CEO	Key management personnel	Associates	Other related parties	Directors/ CEO	Key management personnel	Associates	Other related parties
	As at June 30, 2021 (Un-audited) (Rupees in '000)				As at December 31, 2020 (Audited) (Rupees in '000)			
Borrowings								
Opening balance	-	-	-	2,384,849	-	-	-	494,646
Borrowings during the period / year	-	-	-	21,437,586	-	-	-	44,475,567
Settled during the period / year	-	-	-	(21,876,452)	-	-	-	(42,585,364)
Closing balance	-	-	-	1,945,983	-	-	-	2,384,849
Deposits and other accounts								
Opening balance	103,392	397,294	5,586,652	3,706,518	12,076	257,120	588,149	4,584,694
Received during the period / year	1,213,380	1,647,576	53,682,634	21,495,340	323,082	2,222,012	117,408,368	70,878,153
Withdrawn during the period / year	(906,718)	(1,601,663)	(52,066,239)	(16,913,180)	(223,154)	(2,095,743)	(112,409,865)	(71,465,963)
Transfer in / (out) - net	-	(12,531)	-	(2,547)	(8,612)	13,905	-	(290,366)
Closing balance	410,054	430,676	7,203,047	8,286,131	103,392	397,294	5,586,652	3,706,518
Other Liabilities								
Interest / mark-up payable	16	474	-	14,879	73	433	-	5,393
Lease Liabilities	-	-	-	9,868	-	-	-	9,216
Others	-	23,141	-	12,092	-	5,143	-	2,747
Contingencies and Commitments								
Other contingencies	-	-	78,772	31,216	-	-	79,917	139,987
	For the period ended June 30, 2021 (Un-audited) (Rupees in '000)				For the period ended June 30, 2020 (Un-audited) (Rupees in '000)			
Income								
Mark-up / return / interest earned	2,747	23,573	-	139,835	5,476	16,085	-	320,083
Fee and commission income	-	1,504	34,058	-	-	-	38,946	-
Dividend income	-	-	51,000	11,066	-	-	45,000	-
Other income	-	40	491	5,502	-	154	3,758	10,648
Expenses								
Mark-up / return / interest paid	940	6,230	93,707	259,638	360	4,991	68,146	164,556
Borrowing cost on leased properties	-	-	-	652	-	-	-	321
Operating expenses								
Directors fee	99,693	-	-	-	152,583	-	-	-
Managerial remuneration	136,599	938,850	-	-	199,346	847,344	-	-
Software maintenance	-	-	-	13,133	-	-	-	-
Travelling and accommodation	-	-	-	-	-	-	-	2,239
Communication cost	-	-	-	29,303	-	-	-	26,477
Charge for defined benefit plan	-	-	-	108,424	-	-	-	85,341
Contribution to defined contribution plan	-	-	-	244,197	-	-	-	227,418
Others	-	-	-	5,001	-	-	-	-
Other Information								
Dividend paid	547,890	5,728	1,931	1,657,492	547,914	10,070	6,415	1,657,492
Insurance premium paid	-	-	641,432	-	-	-	633,253	-
Insurance claims settled	-	-	244,117	-	-	-	153,788	-

38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) (Audited)
June 30, December 31,
2021 2020
------(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	75,820,747	71,794,350
Eligible Additional Tier 1 (ADT 1) Capital	7,003,826	7,012,500
Total Eligible Tier 1 Capital	82,824,573	78,806,851
Eligible Tier 2 Capital	21,782,740	23,252,207
Total Eligible Capital (Tier 1 + Tier 2)	104,607,313	102,059,057

Risk Weighted Assets (RWAs):

Credit Risk	597,103,035	536,528,874
Market Risk	14,325,725	11,821,313
Operational Risk	75,175,838	75,175,838
Total	686,604,598	623,526,024

Common Equity Tier 1 Capital Adequacy ratio	11.04%	11.51%
Tier 1 Capital Adequacy Ratio	12.06%	12.64%
Total Capital Adequacy Ratio	15.24%	16.37%

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%	11.50%

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	82,824,572	78,806,851
Total Exposures	2,258,604,882	1,836,893,841
Leverage Ratio	3.67%	4.29%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	424,116,087	372,270,246
Total Net Cash Outflow	243,467,123	199,316,286
Liquidity Coverage Ratio	174%	187%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	941,875,232	850,376,458
Total Required Stable Funding	703,460,939	626,269,922
Net Stable Funding Ratio	134%	136%

39 NON-ADJUSTING EVENT

39.1 Dividend

The Board of Directors of the holding company in its meeting held on August 25, 2021 has declared an interim cash dividend of 20% i.e. Rs. 2.0 per share (June 30, 2020: nil). These consolidated condensed interim financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

39.2 Afghanistan Operations

The rapidly evolving situation in Afghanistan is concerning and is being monitored by the management on a continual basis. The bank branches have been closed and will be operational once DAB resumes operations. The bank is in touch with the Pakistan Embassy in Afghanistan and is closely monitoring the situation on the ground. The bank is taking all steps to ensure the safety and security of its staff and assets.

40 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on August 25, 2021 by the Board of Directors of the Bank.

41 GENERAL

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




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