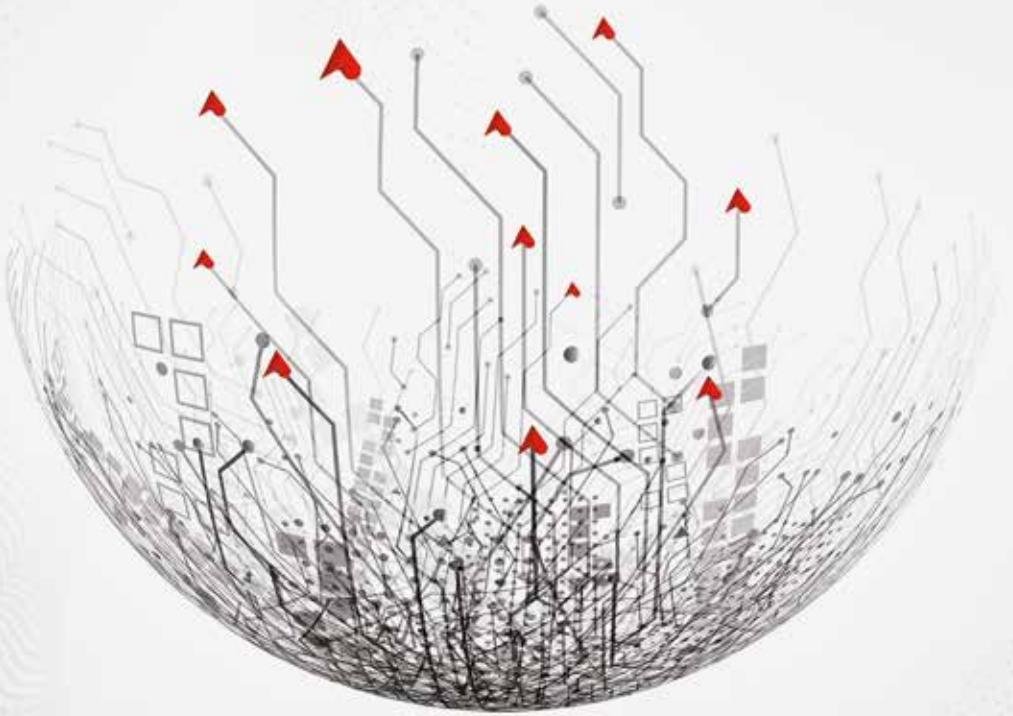




LEADING WITH INNOVATION, INCLUSION AND DIGITISATION



HALF YEARLY REPORT - JUNE 30, 2022
(UN - AUDITED)



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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 Ahmad

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

Pervez Shahbaz Khan

Group Head, Treasury & Financial Markets

Saad ur Rahman Khan

Group Head, Corporate, Investment Banking and International Business

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. Gyorgy Tamas Ladics
Member

Dr. Ayesha Khan
Member

Khalid Qurashi
Member

Atif Aslam Bajwa
Member

Mr. Aasim Wajid Jawad
Secretary

Board Crisis Management Committee (BCMC)

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

Board Real Estate Committee (BREC)

Mr. Abdulla Khalil Al Mutawa
Chairman

Mr. Khalid Mana Saeed Al Otaiba
Member

Mr. Atif Aslam Bajwa
Member

Mr. Muhammad Akram Sawleh
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, 2022.

Economic Review

The global crisis coming out of covid and economic pitfalls have severely heightened macro-economic uncertainty in many countries, particularly those dependent on imported commodities. Economic activity across the world has slowed as a result of supply chain disruptions. Furthermore, inflationary pressure has surged in many economies as commodity prices escalated, resulting in tightened monetary policies by many central banks.

Global macro-economic instability has taken its toll on the country's economy resulting in high inflation and an increasing Current Account Deficit. The government has started taking tough fiscal actions in order to secure the IMF deal, which would bear fruit over the next few quarters in the form of stabilized reserves, controlled fiscal balance and sustainable economic growth. However, fast-paced implementation of energy pass-through and fiscal tightening measures are expected to increase the political temperature.

Continued surge in global food & fuel prices, PKR devaluation and energy pass-through resulted in national CPI reaching 21.3% in June 2022, a level which was last witnessed during 2008. Accordingly, FY2021-22 average CPI stands at 12.2% compared to 8.9% last year. Inflation is expected to remain elevated during the next few months with the impact of high energy rates to fully reflect in the CPI, before starting to taper off in the latter half of FY2022-23.

Trade deficit rose from USD 24.8bn in 11MFY21 to USD 36.1bn in 11MFY22 on the back of TERF imports, consumption trends, and rising food and commodity prices. Imports increased 36.5% to USD 65.5bn in 11MFY22 while exports growth was recorded at 26.7%, reaching USD 29.3bn during the same period. Remittances showed modest growth of 6.3% to USD 28.4bn. This translated into a Current Account Deficit of USD 15.2bn in 11MFY22 compared to a deficit of USD 1.2bn in SPLY. Forex reserves fell to USD 16.2bn as of June 24, 2022 vs. USD 23.9bn at end December 2021 and USD 24.4bn at end June 2021. The decline in FX reserves reflects high Current Account Deficit, debt repayments and slow inflows amid delay in the IMF deal. Pak rupee kept depreciating against the US Dollar (23.1% in FY 2022) with the pace accelerating in the last quarter. Responding to the challenges, SBP increased the policy rate by another 125bps to 15.00% in July 2022, taking cumulative monetary tightening to + 8.00% in FY2022.

On the fiscal side, some slippages were witnessed, and the deficit clocked in at 4.0% of GDP during Jul-Mar 2022, compared to 3.6% in SPLY. This was despite 28% tax revenue growth which was used for higher expenditures. Reverting to fiscal adherence in line with IMF guidelines, the Government has presented the FY2022-23 budget with fiscal deficit target of 4.9% for FY 2023 compared to the projected 7% in FY 2022. FBR tax target growth of 23% would be a challenge despite revocation of various tax exemptions/relaxations and imposition of one-time higher super tax. Prudent utilization of tax revenues remains the key to fiscal discipline.

Real GDP growth in FY2022 is projected at -6.0% (Agri +4.4%, Industrial +7.2% and Services +6.2%), as the cumulative effect of covid-related monetary and fiscal stimuli has contributed towards consumption led growth. However, structural imbalances have caused higher twin deficits, warranting an economic slowdown. For sustainable growth, fiscal discipline remains central and the recently announced Federal Budget FY2023 is a step towards that. Likely revival of IMF program would also help improve market sentiment and FX flows while keeping fiscal discipline in check. The recent downtrend in some commodity prices is also a welcome sign and if sustained, would significantly improve the country's external account position and offer respite on the fiscal front.

Pakistan benchmark KSE-100 index fell 7.5% during 4Q FY2022, taking total return to negative 12.3% in FY2022 as a result of deteriorating global and local macro-economic indicators.

The new government is working hard for economic reformation and to improve Pakistan's credibility in the international market, which remains imperative. The country needs to scale back both its imports and expenditures and manage the economic situation. Efforts in this direction are underway and will hopefully soon bear fruit. Short-term measures can be helpful for Pakistan, but it's time to look for long-term solutions too.

Review of the Bank's Performance

The highlights about the Bank's financial results for the half year ended June 30, 2022, are presented as follows:

Financial Position	June 30, 2022	December 31, 2021
	Rupees in Millions	
Shareholders' Equity	104,545	100,003
Total Assets	2,037,587	1,734,321
Deposits	1,318,874	1,139,045
Advances – net	726,488	673,881
Investments – net	946,632	809,214

Financial Performance	Half year ended June 30, 2022	Half year ended June 30, 2021
	Rupees in Millions	
Net Interest Income and Non-Markup Income	43,044	29,960
Non-Markup Expenses	22,142	17,638
Provisions and Write-offs (net)	4,041	1,150
Profit before Tax	16,860	11,172
Profit after Tax	8,703	6,934
Basic and Diluted Earnings per Share – Rupees	4.90	3.90

Bank Alfalah delivered outstanding financial results in the first half of 2022, with record profit before and after-tax growth of 50.9% and 25.5% respectively. PAT growth was impacted by one-time super tax imposed by the Federal Government. The Earning Per Share (EPS) is Rs. 4.90 (Jun 2021: Rs. 3.90).

Amidst challenging market fundamentals, rising inflation, political and economic uncertainty, the bank's performance was strong in 2022. The bank remained focused on executing its long-term strategy to increase market share and become largest transaction bank with customer centricity at the forefront.

The revenue increased by 43.7% as compared to same period last year (SPLY). Markup income grew significantly by 45.6%; the increase in markup income is driven by a combination of solid growth in net earning assets and re-pricing of the asset book which was well positioned to take advantage of rising interest rate. Non-markup income stood at Rs. 10.901 billion, higher by 38.4% from SPLY; growth was visible in all non-fund-based income lines with exception of capital gains due to rapid increase in the discount rate by the central bank to curb inflation. FX income doubled on back of better trade and remittance volumes. Our Fee and commission income showed a robust growth of 33.9% year on year (YoY). Combined debit and credit card spend was up by 71% and new card sales increased by 31%. We continue to outpace the industry in home remittance with our market share reaching around 19%. Trade and guarantee commission increased on back of significant volumetric growth. Income from Alternate Delivery Channels improved by 94% YoY, due to significant increase in ADC transaction volume and resumption of charges on interbank fund transfers. Consumer lending remained strong, YoY outstanding up by 44%. BAFL continues to play a leading role under Mera Pakistan Mera Ghar (MPMG) scheme and is the first bank to achieve Rs. 8.0 Bn disbursement milestone. We were able to meet construction finance target set by SBP for all quarters enabling us to avail incentive of lower cash reserve requirement (CRR). Higher disbursements of Government Ehsaas Funds and higher Banca business during the quarter further supported the growth in the fee income lines.

The Bank continues to keep a check on expenses and manage costs prudently while focusing on building revenue momentum through expansion without compromising on investments in new ventures. The impact of new branches, investment in digital technologies, professional consultancies, PKR depreciation and inflation related effects led to an increase in operating expenses of 24.8%. In last two years we opened 141 new branches across Pakistan, which are helping us in deposit mobilization and revenue growth. The bank is also investing in digital technologies with a focus on areas where we can deepen our relationships and gain market share. The best evidence of that success is our market share growth over the last two and half years. The bank's cost to income ratio improved to 50.4% as against 58.0% SPLY, taking support from strong revenue growth.

The bank's deposits closed at Rs. 1.318 trillion at the end of Q2'22, with YoY growth of 28.6%. We continue to outpace the industry in total deposits growth. The current accounts grew by 25.7% YoY. CA mix improved to 45.5% versus 44.0% SPLY.

The bank grew loans by 18.3% YoY, while maintaining credit discipline. The growth is reflective of the Bank's strategy to capitalize on consumer finance, SME lending and penetration in digital lending space. As at the half year end, our gross advances to deposits ratio stood at 57.3%, much higher than 50% on which higher income tax rate becomes applicable. Despite challenging market fundamentals, the bank's credit performance was quite strong in first half of 2022. Our consistent underwriting discipline and rigorous client selection continued to serve us well, and we are prepared for a range of potential economic outcomes. The Bank's non-performing loans ratio stood at 3.5%, while the non-performing loans remain fully covered through provisions which include provision held against subjectively classified loans and general provision against Covid restructured loans and certain high-risk portfolio.

As at June 30, 2022, the bank remains adequately capitalised with CAR at 14.64%.

Dividend

The Board of Directors, in its meeting held on July 28, 2022, has declared an interim cash dividend of Rs 2.50 per share (25%) (2021: Rs. 2 per share; 20%) for the half year ended June 30, 2022.

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 with outlook assigned as 'Stable', by PACRA. 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 PACRA.

The assigned ratings reflect the Bank's diversified operations, healthy financial risk profile, strong sponsors, and 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.

Future Outlook

Looking ahead, Bank Alfalah is well positioned for sustainable growth and building long-term shareholder value. Our focus will be on harnessing technology to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner. We will continue to build our deposit base and grow our market share in low-cost deposits, consumer products and SME financing. We look forward to expanding our branch network to widen our reach and serve our customers. Emphasis will remain on boosting trade volumes and increasing penetration in cash management with a focus on SME/commercial clients. To cope with changing business dynamics, we will continue to accelerate digital transformation and focus on business process re-engineering. We will continue to partner with fintechs to gain a technological edge, accelerating digital adoption by leveraging our core competencies with their disruptive technologies and solutions. Most importantly, we will continue to invest in human capital and foster a caring culture that encourages collaboration, creativity and innovation.

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. Our values are to put our customers and their needs front and center. We are constantly looking for better ways to deliver products and services that meet or exceed our customers' expectations.

Atif Aslam Bajwa
President & Chief Executive Officer

July 28, 2022
Karachi

Khalid Qurashi
Director

بینک کے ذخائر Q2'22 کے آخر میں 1.318 ٹریلین روپے پر بند ہونے، 28.6% کی سالانہ ترقی کے ساتھ۔ ہم مجموعی ذخائر کی نمو میں صنعت کو آگے بڑھا رہے ہیں۔ کرنٹ اکاؤنٹس میں 25.7 فیصد سالانہ اضافہ ہوا۔ CA مکس 44.0% SPLY کے مقابلے میں 45.5 تک بہتر ہوا۔

بینک نے کریڈٹ ڈسپلن کو برقرار رکھتے ہوئے قرضوں میں 18.3 فیصد سالانہ اضافہ کیا۔ یہ نمو بینک کی کنزیومر فنانس، ایس ایم ای قرضے اور ڈیجیٹل قرضے کی جگہ میں رسائی سے فائدہ اٹھانے کی حکمت عملی کی عکاس ہے۔ جیسا کہ ششماہی کے اختتام پر، ڈپازٹس کے تناسب میں ہماری مجموعی پیش قدمی 57.3% رہی، جو کہ 50% سے بہت زیادہ ہے جس پر اعلیٰ انکم ٹیکس کی شرح لاگو ہوتی ہے۔ چیلنجنگ مارکیٹ کے بنیادی اصولوں کے باوجود، 2022 کی پہلی ششماہی میں بینک کی کریڈٹ کارکردگی کافی مضبوط تھی۔ ہمارا انڈر رائٹنگ کا مستقل نظم و ضبط اور سخت کلانٹس کا انتخاب ہماری اچھی خدمت کرتا رہا، اور ہم ممکنہ اقتصادی نتائج کی ایک حد کے لیے تیار ہیں۔ بینک کے غیر فعال قرضوں کا تناسب 3.5 فیصد رہا، جب کہ غیر فعال قرضے مکمل طور پر پروویژنز کے ذریعے محیط ہیں جن میں سبجیکٹ کلاسیفائیڈ قرضوں کے خلاف رکھی گئی پروویژن اور کوویڈ 19 اسٹریکچرڈ لونز کے خلاف عمومی پروویژن اور بعض بائی رسک پورٹ فولیو شامل ہیں۔

جیسا کہ 30 جون 2022 تک، بینک CAR کے ساتھ 14.64% پر کافی حد تک سرمایہ دار ہے۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 28 جولائی 2022 کو ہونے والی اپنی میٹنگ میں 30 جون، 2022 کو ختم ہونے والی ششماہی کے لیے 2.50 روپے فی شیئر (25%) (2021: 2 روپے فی شیئر، 20%) کے عبوری نقد منافع کا اعلان کیا 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 تفویض کی گئی۔ بینک کا آؤٹ لک مثبت قرار دیا گیا ہے۔ مزید برآں، بینک کے غیر محفوظ فیئر 1 کیپیٹل (ٹرم فنانس سٹریٹیکٹ) کو PACRA کے ذریعے 'مستحکم' آؤٹ لک کے ساتھ 'AA-' (ڈبل اے منس) کی کریڈٹ ریٹنگ دی گئی 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۔

مستقبل کا آؤٹ لک

آگے دیکھتے ہوئے، بینک الفلاح پائیدار ترقی اور طویل مدتی شیئر ہولڈرز کی قدر بڑھانے کے لیے اچھی پوزیشن میں ہے۔ ہماری توجہ ٹیکنالوجی کے استعمال پر مرکوز ہو گی تاکہ یہ یقینی بنایا جا سکے کہ صارفین کی بینکنگ ضروریات تکنیکی طور پر جدید، محفوظ اور آسان طریقے سے پوری کی جائیں۔ ہم اپنا ڈپازٹ بیس بنانا جاری رکھیں گے اور کم لاگت والے ڈپازٹس، کنزیومر پروڈکٹس اور ایس ایم ای فنانسنگ میں اپنا مارکیٹ شیئر بڑھانیں گے۔ ہم اپنی رسائی کو وسیع کرنے اور اپنے صارفین کی خدمت کے لیے اپنے برانچ نیٹ ورک کو وسعت دینے کے منظر ہیں۔ SME/تجارتی کلانٹس پر توجہ مرکوز کرتے ہوئے تجارتی حجم کو بڑھانے اور کیش مینجمنٹ میں دخول بڑھانے پر زور دیا جائے گا۔ بدلتی ہوئی کاروباری حرکات سے نمٹنے کے لیے، ہم ڈیجیٹل تبدیلی کو تیز کریں گے اور کاروباری عمل کی دوبارہ انجینئرنگ پر توجہ مرکوز کریں گے۔ ہم فٹیکس کے ساتھ شراکت داری جاری رکھیں گے تاکہ ان کی خلل ڈالنے والی ٹیکنالوجیز اور حل کے ساتھ اپنی بنیادی صلاحیتوں کا فائدہ اٹھاتے ہوئے ڈیجیٹل اپنانے میں تیزی لائی جائے۔ سب سے اہم بات یہ ہے کہ ہم انسانی سرمائے میں سرمایہ کاری جاری رکھیں گے اور ایک خیال رکھنے والے کلچر کو فروغ دیں گے جو تعاون، تخلیقی صلاحیتوں اور اختراع کی حوصلہ افزائی کرتا ہے۔

اعتراف

بورڈ کی جانب سے، ہم اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، وزارت خزانہ اور دیگر ریگولیٹری اتھارٹیز کا ان کی مسلسل رہنمائی اور تعاون پر شکریہ ادا کرنا چاہتے ہیں۔ اس کے ساتھ ساتھ، ہم اپنے شیئر ہولڈرز، اپنے صارفین اور کاروباری شراکت داروں کی مسلسل سرپرستی پر اظہار تشکر کرنا چاہیں گے۔ ہم بینک کی انتظامیہ اور ملازمین کی کارکردگی سے خوش ہیں جو امتیاز اور لگن کے ساتھ ہمارے کلانٹس، کمیونٹیز اور شیئر ہولڈرز کی خدمت کرتے ہیں۔ ہماری اقدار اپنے صارفین اور ان کی ضروریات پر خاص توجہ رکھنا ہے۔ ہم مسلسل ایسی پروڈکٹس اور خدمات کی فراہمی کے لیے بہتر طریق تلاش کر رہے ہیں جو ہمارے صارفین کی توقعات پر پورا اتریں یا اس سے زیادہ ہوں۔

خالد قریشی

ڈائریکٹر

عاطف اسلم جاوہ

صدر اور چیف ایگزیکٹو آفیسر

28 جولائی، 2022

کراچی

نتی حکومت معاشی اصلاحات اور بین الاقوامی مارکیٹ میں پاکستان کی ساکھ کو بہتر بنانے کے لیے سخت محنت کر رہی ہے جو کہ ابھی ضروری ہے۔ ملک کو اپنی درآمدات اور اخراجات دونوں کو کم کرنے اور معاشی صورتحال کو سنبھالنے کی ضرورت ہے۔ اس سمت میں کوششیں جاری ہیں اور امید ہے کہ جلد ہی نتیجہ نکلے گا۔ قلیل مدتی اقدامات پاکستان کے لیے مددگار ثابت ہو سکتے ہیں، لیکن یہ طویل المدتی حل تلاش کرنے کا وقت ہے۔

بینک کی کارکردگی کا جائزہ

30 جون، 2022 کو ختم ہونے والے سال کے لیے بینک کے مالیاتی نتائج کی جھلکیاں مندرجہ ذیل ہیں :

مالیاتی پوزیشن		31 جون، 2022	31 دسمبر، 2021
شیلر ہولڈرز کی ایکویٹی	104,545	100,003	روئے ملین میں
جمع شدہ کل رقم (فٹاؤس)	2,037,587	1,734,321	
اثاثوں کی مجموعی مالیت	1,318,874	1,139,045	
ایڈوانسز - خالص	726,488	673,881	
سرمایہ کاربائیں - خالص	946,632	809,214	
مالیاتی کارکردگی		30 جون، 2022 کو ختم ہونے والی ششماہی	30 جون، 2021 کو ختم ہونے والی ششماہی
خالص مارک اپ آمدنی نان مارک اپ آمدنی	43,044	29,960	روئے ملین میں
نان مارک اپ اخراجات	22,142	17,638	
پروویژن اور رائلٹی آف (خالص)	4,041	1,150	
قبل از ٹیکس منافع	16,860	11,172	
بعد از ٹیکس منافع	8,703	6,934	
بنیادی اور ڈائبلینڈڈ آمدنی فی شیئر - روئے	4.90	3.90	

بینک الفلاح نے 2022 کی پہلی ششماہی میں بالترتیب 50.9% اور 25.5% ٹیکس سے پہلے اور بعد میں ریکارڈ منافع کے ساتھ شاندار مالیاتی نتائج پیش کیے۔ PAT کی نمو وفاقی حکومت کی طرف سے عائد کردہ ایک وقتی سپر ٹیکس سے متاثر ہوئی۔ فی شیئر کمائی (EPS) 4.90 روئے ہے۔ (جون 2021: 3.90 روئے)۔

چیلنجنگ مارکیٹ کے بنیادی اصولوں، بڑھتی ہوئی افراط زر، سیاسی اور معاشی غیر یقینی صورتحال کے درمیان، بینک کی کارکردگی 2022 میں مضبوط رہی۔ بینک مارکیٹ شیئر کو بڑھانے اور سب سے آگے گاہک کی مرکزیت کے ساتھ سب سے بڑا ٹرانزیکشن بینک بنتے کے لیے اپنی طویل مدتی حکمت عملی کو عملی جامہ پہنانے پر مرکوز رہا۔

گزشتہ سال کی اسی مدت (SPLY) کے مقابلے میں آمدنی میں 43.7 فیصد اضافہ ہوا۔ مارک اپ آمدنی میں 45.6 فیصد نمایاں اضافہ ہوا ہے۔ مارک اپ آمدنی میں اضافہ خالص آمدنی والے اثاثوں میں ٹیوس نمو اور اثاثہ کی کتاب کی دوبارہ قیمتوں کے امتزاج سے ہوتا ہے جو کہ بڑھتی ہوئی شرح سود سے فائدہ اٹھانے کے لیے اچھی طرح سے پوزیشن میں تھی۔ غیر مارک اپ آمدنی 10.901 بلین روئے رہی، SPLY سے 38.4 فیصد زیادہ؛ مرکزی بینک کی جانب سے افراط زر کو روکنے کے لیے رعایتی شرح میں تیزی سے اضافے کی وجہ سے سرمایہ کاری کے فوائد کے علاوہ تمام غیر فنڈ پر مبنی آمدنی کی خطوط میں نمو دکھائی دے رہی تھی۔ بہتر تجارت اور ترسیلات زر کی وجہ سے FX آمدنی دگنی ہو گئی۔ ہماری فیس اور کمیشن کی آمدنی میں سال بہ سال 33.9% کی مضبوط نمو (YoY) دکھائی گئی۔ ڈیپٹ اور کریڈٹ کارڈ کے مشترکہ اخراجات میں 71 فیصد اور نئے کارڈ کی فروخت میں 31 فیصد اضافہ ہوا۔ ہم گھریلو ترسیلات زر میں انڈسٹری کو آگے بڑھاتے رہتے ہیں اور ہمارا مارکیٹ شیئر تقریباً 19% تک پہنچ جاتا ہے۔ نمایاں جسمی نمو کی وجہ سے تجارتی اور گارتھی کمیشن میں اضافہ ہوا۔ ADC ٹرانزیکشن کے حجم میں نمایاں اضافہ اور انٹری بینک فنڈ ٹرانسفر پر چارجز دوبارہ شروع ہونے کی وجہ سے متبادل ڈیلیوری چینلز سے آمدنی میں 94% سال کی شرح سے بہتری آئی ہے۔ صارفین کا قرضہ مضبوط رہا، سال 2017 میں بقایا 44 فیصد اضافہ ہوا۔ میرا پاکستان میرا گھر (MPMG) اسکیم کے تحت BAFL ایک اہم کردار ادا کرنا جاری رکھے ہوئے ہے اور 8.0 بلین روئے کی تقسیم کا سنگ میل حاصل کرنے والا پہلا بینک ہے۔ ہم تمام سہ ماہیوں کے لیے اسٹیٹ بینک کی طرف سے مقرر کردہ کنسٹرکشن فنانس ٹارگٹ کو پورا کرنے میں کامیاب رہے جس سے ہمیں کم کیش ریڑز کی ضرورت (CRR) کی ترغیب حاصل کرنے کے قابل بنایا گیا۔ سہ ماہی کے دوران سرکاری احساس فنڈز کی زیادہ تقسیم اور بینک کے اعلیٰ کاروبار نے فیس کی آمدنی میں اضافے کو مزید سہارا دیا۔

بینک نئے منصوبوں میں سرمایہ کاری پر سمجھوتہ کیے بغیر توسیع کے ذریعے آمدنی کی رفتار بڑھانے پر توجہ مرکوز کرتے ہوئے اخراجات پر نظر رکھتا ہے اور اخراجات کا احتیاط سے انتظام کرتا ہے۔ نئی شاخوں کے اثرات، ڈیجیٹل ٹیکنالوجیز میں سرمایہ کاری، پیشہ ورانہ مشاورت، PKR کی قدر میں کمی اور افراط زر سے متعلق اثرات نے آپریٹنگ اخراجات میں 24.8 فیصد اضافہ کیا۔ پچھلے دو سالوں میں ہم نے پاکستان بھر میں 141 نئی برانچیں کھولی ہیں، جو ڈپازٹ مولڈیشن اور ریونیو میں اضافے میں ہماری مدد کر رہی ہیں۔ بینک ڈیجیٹل ٹیکنالوجیز میں بھی سرمایہ کاری کر رہا ہے اور ان شعبوں پر توجہ مرکوز کر رہا ہے جہاں ہم اپنے تعلقات کو گہرا کر سکتے ہیں اور مارکیٹ شیئر حاصل کر سکتے ہیں۔ اس کامیابی کا بہترین ثبوت پچھلے ڈھائی سالوں میں ہمارے مارکیٹ شیئر میں اضافہ ہے۔ بینک کی آمدنی کا تناسب SPLY 58.0% کے مقابلے میں 50.4% تک بہتر ہو گیا، مضبوط آمدنی میں اضافے سے تعاون حاصل ہوا۔

بورڈ آف ڈائریکٹرز کی جانب سے، ہم 30 جون 2022 کو ختم ہونے والی ششماہی کے لیے بینک الفلاح لمیٹڈ کے ان کنسولڈیٹڈ ریٹرنز کو پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

اقتصادی جائزہ

کوویڈ اور معاشی خرابیوں سے نکلنے والے عالمی بحران نے بہت سے ممالک میں میکرو اکنامک غیر یقینی صورتحال کو شدید طور پر بڑھا دیا ہے، خاص طور پر وہ لوگ جو درآمدی اشیاء پر انحصار کرتے ہیں۔ سیلابی چین میں رکاوٹوں کے نتیجے میں دنیا بھر میں اقتصادی سرگرمیاں سست پڑ گئی ہیں۔ مزید برآں، اشیاء کی قیمتوں میں اضافے کی وجہ سے بہت سی معیشتوں میں افراط زر کا دباؤ بڑھ گیا ہے، جس کے نتیجے میں بہت سے مرکزی بینکوں نے مالیاتی پالیسیوں کو سخت کر دیا ہے۔

عالمی میکرو اکنامک عدم استحکام نے ملکی معیشت پر اپنا اثر ڈالا ہے جس کے نتیجے میں مہنگائی میں اضافہ اور کرنٹ اکاؤنٹ خسارہ بڑھتا ہے۔ حکومت نے آئی ایم ایف کے معاہدے کو محفوظ بنانے کے لیے سخت مالیاتی اقدامات کرنا شروع کر دیے ہیں، جس کا نتیجہ آئندہ چند سالوں میں مستحکم ذخائر، کنٹرول شدہ مالی توازن اور پائیدار اقتصادی ترقی کی صورت میں سامنے آنے کا تاہم، انرجی پاس تھرو اور مالیاتی سختی کے اقدامات کے تیز رفتار نفاذ سے سیاسی درجہ حرارت میں اضافہ متوقع ہے۔

خوراک اور ایندھن کی عالمی قیمتوں میں مسلسل اضافے، پاکستانی روپے کی قدر میں کمی اور توانائی کی منتقلی کے نتیجے میں جون 2022 میں قومی سی بی آئی 21.3% تک پہنچ گئی، یہ سطح جو آخری بار 2008 کے دوران دیکھی گئی تھی۔ اس کے مطابق، مالی سال 2021-22 کی اوسط CPI پچھلے سال کے 8.9% کے مقابلے میں 12.2% رہی۔ مالی سال 2022-23 کے آخری نصف میں کم ہونے سے پہلے، توانائی کی بلند شرحوں کے اثرات CPI میں مکمل طور پر ظاہر ہونے کے ساتھ اگلے چند مہینوں کے دوران افراط زر کے بلند رہنے کی توقع ہے۔

تجارتی خسارہ 11MFY21 میں 24.8 بلین یو ایس ڈالر سے بڑھ کر 11MFY22 میں 36.1 بلین یو ایس ڈالر ہو گیا جس کی وجہ سے TERF کی درآمدات، کھپت کے رجحانات، اور خوراک اور اجناس کی بڑھتی ہوئی قیمتیں ہیں۔ 11MFY22 میں درآمدات 36.5% بڑھ کر 65.5 بلین یو ایس ڈالر ہو گئیں جبکہ برآمدات میں اضافہ 26.7% ریکارڈ کیا گیا، جو اسی مدت کے دوران 29.3 بلین یو ایس ڈالر تک پہنچ گیا۔ ترسیلات زر میں 6.3 فیصد کی معمولی نمو 28.4 بلین یو ایس ڈالر تک پہنچی۔ یہ SPLY 1.2 بلین یو ایس ڈالر کے خسارے کے مقابلے میں 11MFY22 میں 15.2 بلین یو ایس ڈالر کے کرنٹ اکاؤنٹ خسارے میں تبدیل ہوا۔ غیر ملکی زرمبادلہ کے ذخائر 24 جون 2022 تک گر کر 16.2 بلین یو ایس ڈالر بمقابلہ دسمبر 2021 کے آخر میں 23.9 بلین یو ایس ڈالر اور جون 2021 کے آخر میں 24.4 بلین یو ایس ڈالر پر آ گئے۔ ایف ایس کے ذخائر میں کمی کرنٹ اکاؤنٹ کے اعلیٰ خسارے، قرضوں کی ادائیگی اور سست روی کی عکاسی کرتی ہے۔ آئی ایم ایف کا معاہدہ امریکی ڈالر (مالی سال 2022 میں 23.1%) کے مقابلے میں پاکستانی روپیہ آخری سہ ماہی میں تیز رفتاری کے ساتھ گرتا رہا۔ چیلنجوں کا جواب دیتے ہوئے، SBP نے جولائی 2022 میں پالیسی ریٹ میں مزید 125bps کا اضافہ کر کے 15.00% کر دیا، جس سے مالیاتی سال 2022 میں مجموعی مالیاتی سختی 8.00% ہو گئی۔

مالیاتی طرف سے کچھ کمی دیکھی گئی، اور خسارہ جولائی-مارچ 2022 کے دوران جی ڈی پی کے 4.0% تک پہنچ گیا، جبکہ SPLY میں یہ 3.6% تھا۔ یہ ٹیکس ریویو میں 28 فیصد اضافے کے باوجود تھا جسے زیادہ اخراجات کے لیے استعمال کیا گیا۔ آئی ایم ایف کے رہنما خطوط کے مطابق مالیاتی عمل کی طرف لوٹتے ہوئے، حکومت نے مالی سال 2022-23 کا بجٹ مالی سال 2023 کے لیے 4.9 فیصد کے مالیاتی خسارے کے ہدف کے ساتھ پیش کیا ہے جو کہ مالی سال 2022 میں متوقع 7 فیصد کے مقابلے میں ہے۔ FBR کے ٹیکس ہدف میں 23 فیصد اضافہ ایک چیلنج ہوگا، مختلف ٹیکس استثنا، رعایتی منسوخی اور ایک مرتبہ زیادہ سہ ٹیکس کے نفاذ کے باوجود ٹیکس محصولات کا دانشمندانہ استعمال مالیاتی نظم و ضبط کی کلید ہے۔

مالی سال 2022 میں حقیقی جی ڈی پی کی نمو 6.0% (زرعی + 4.4%، + صنعتی + 7.2% اور خدمات + 6.2%) متوقع ہے، کیونکہ کوویڈ سے متعلقہ مالیاتی اور مالیاتی محرکات کے مجموعی اثر نے کھپت کی قیادت میں نمو میں حصہ ڈالا ہے۔ تاہم، ساختی عدم توازن نے دوہری خسارے کو بلند کیا ہے، جو معاشی سست روی کی ضمانت دیتا ہے۔ پائیدار ترقی کے لیے، مالیاتی نظم و ضبط کو مرکزی حیثیت حاصل ہے اور حال ہی میں اعلان کردہ وفاقی بجٹ FY2023 اس جانب ایک قدم ہے۔ ممکنہ طور پر IMF پروگرام کی بحالی سے مالیاتی نظم و ضبط کو برقرار رکھتے ہوئے مارکیٹ کے جذبات اور FX کے بہاؤ کو بہتر بنانے میں بھی مدد ملے گی۔ کچھ اجناس کی قیمتوں میں حالیہ کمی کا رجحان بھی ایک خوش آئند علامت ہے اور اگر برقرار رہا تو ملک کے بیرونی کھاتوں کی پوزیشن میں نمایاں بہتری آنے کی اور مالیاتی محاذ پر مہلت ملنے کی۔

پاکستان کا بیجنگ مارک KSE-100 انڈیکس FY2022Q4 کے دوران 7.5% گر گیا، جس سے عالمی اور مقامی میکرو اکنامک اشاریوں کے بگڑتے ہوئے FY2022 میں مجموعی منافع متفی 12.3% ہو گیا۔

Bank Alfalah Limited

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Half Year Ended June 30, 2022



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 2022 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, and unconsolidated condensed interim cash flow statement, and notes to the accounts for the six-months' period then ended (hereinafter 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 2022 and 30 June 2021 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2022.

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 report is Omer Chughtai.

EY Ford Rhodes

Chartered Accountants

Karachi

Date: 4th August 2022

UDIN: AR202210120Bk5uCswWK

Unconsolidated Condensed Interim Statement of Financial Position

As at June 30, 2022

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	7	131,806,951	105,606,384
Balances with other banks	8	12,609,856	9,782,519
Lendings to financial institutions	9	90,529,973	35,982,065
Investments	10	946,631,769	809,213,583
Advances	11	726,487,610	673,880,624
Fixed assets	12	45,198,107	39,498,979
Intangible assets	13	1,301,986	1,116,442
Deferred tax assets	14	7,060,955	2,304,270
Other assets	15	75,959,341	56,936,473
		2,037,586,548	1,734,321,339
LIABILITIES			
Bills payable	16	28,521,232	22,825,500
Borrowings	17	465,529,486	383,808,872
Deposits and other accounts	18	1,318,873,590	1,139,044,606
Liabilities against assets subject to finance lease		-	-
Subordinated debt	19	7,000,000	7,000,000
Other liabilities	20	113,117,526	81,639,680
		1,933,041,834	1,634,318,658
NET ASSETS		104,544,714	100,002,681
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		32,416,284	29,953,963
Surplus on revaluation of assets	21	9,197,630	11,440,580
Unappropriated profit		45,159,149	40,836,487
		104,544,714	100,002,681
CONTINGENCIES AND COMMITMENTS			
	22		

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the half year ended June 30, 2022

Note	Quarter ended June 30, 2022	Quarter ended June 30, 2021	Half year ended June 30, 2022	Half year ended June 30, 2021	
------(Rupees in '000)-----					
Mark-up/Return/Interest Earned	24	46,688,291	24,624,165	82,630,689	46,011,910
Mark-up/Return/Interest Expensed	25	28,834,577	12,867,333	50,487,922	23,928,555
Net Mark-up/Return/Interest Income		17,853,714	11,756,832	32,142,767	22,083,355
NON MARK-UP/RETURN/INTEREST INCOME					
Fee and Commission Income	26	2,685,763	1,991,577	5,159,288	3,852,388
Dividend Income		441,888	191,495	666,399	324,215
Foreign Exchange Income		3,420,817	1,063,558	4,851,638	1,721,554
Gain / (loss) from derivatives		20,626	(1,493)	101,083	47,620
(Loss) / gain on securities	27	(93,175)	756,805	(81,670)	1,851,397
Other income	28	43,297	41,814	204,066	79,941
Total non-mark-up / interest income		6,519,216	4,043,756	10,900,804	7,877,115
Total income		24,372,930	15,800,588	43,043,571	29,960,470
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29	11,428,885	8,931,900	21,711,073	17,389,872
Workers' Welfare Fund	30	263,657	119,768	423,819	229,352
Other charges	31	5,367	12,453	7,170	18,988
Total non-mark-up / interest expenses		11,697,909	9,064,121	22,142,062	17,638,212
Profit before provisions		12,675,021	6,736,467	20,901,509	12,322,258
Provisions and write offs - net	32	3,654,289	934,214	4,041,439	1,150,382
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		9,020,732	5,802,253	16,860,070	11,171,876
Taxation	33	5,336,202	2,338,973	8,156,869	4,238,047
PROFIT AFTER TAXATION		3,684,530	3,463,280	8,703,201	6,933,829
Basic and Diluted Earnings per share	34	2.08	1.95	4.90	3.90

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the half year ended June 30, 2022

	Quarter ended June 30, 2022	Quarter ended June 30, 2021	Half year ended June 30, 2022	Half year ended June 30, 2021
	----- (Rupees in '000) -----			
Profit after taxation for the period	3,684,530	3,463,280	8,703,201	6,933,829
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	968,456	662,547	1,592,001	(483,906)
Movement in surplus / (deficit) on revaluation of investments - net of tax	(1,256,046)	741,854	(2,142,969)	(784,072)
	(287,590)	1,404,401	(550,968)	(1,267,978)
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	(81,842)	(9,362)	(111,043)	(236,872)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(6,442)	3,315	11,062	3,033
	(88,284)	(6,047)	(99,981)	(233,839)
Total comprehensive income	3,308,656	4,861,634	8,052,252	5,432,012

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the half year ended June 30, 2022

	Capital Reserves			Surplus/(Deficit) on revaluation			Unappropriated profit	Total	
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Investments	Fixed Assets			Non Banking Assets
	-----[Rupees in '000]-----								
Balance as at January 01, 2021	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
Changes in equity for six months ended December 31, 2021									
Profit after taxation	-	-	-	-	-	-	-	7,282,845	7,282,845
Other comprehensive income - net of tax	-	-	1,336,180	-	(3,706,220)	5,718,104	(19,224)	31,674	3,360,514
Transfer to statutory reserve	-	-	-	728,284	-	-	-	(728,284)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(42,938)	(68)	43,006	-
Transactions with owners, recorded directly in equity									
Interim cash dividend for the half year ended June 30, 2021 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at December 31, 2021	17,771,651	4,731,049	8,211,089	17,011,825	(1,227,301)	12,580,193	87,686	40,836,487	100,002,681
Changes in equity for the half year ended June 30, 2022									
Profit after taxation	-	-	-	-	-	-	-	8,703,201	8,703,201
Other comprehensive income - net of tax	-	-	1,592,001	-	(2,142,969)	(66,992)	11,122	-	(606,838)
Transfer of revaluation surplus upon change in use - net of tax	-	-	-	-	-	36,886	(36,886)	-	-
Transfer to statutory reserve	-	-	-	870,320	-	-	-	(870,320)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(44,051)	(60)	44,111	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2021 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at June 30, 2022	17,771,651	4,731,049	9,803,090	17,882,145	(3,370,270)	12,506,036	61,864	45,159,149	104,544,714

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2022

	Half year ended	
	June 30, 2022	June 30, 2021
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,860,070	11,171,876
Dividend income	(666,399)	(324,215)
	<u>16,193,671</u>	<u>10,847,661</u>
Adjustments		
Depreciation	2,484,013	2,115,816
Amortisation	177,053	210,669
Provisions and write offs - net	4,041,439	1,150,382
Unrealised loss on revaluation of investments classified as held for trading-net	192,253	59,921
Gain on sale of operating fixed assets and non banking assets - net	(53,591)	(21,050)
Gain on termination of lease(IFRS 16)	(112,285)	(9,850)
Borrowing cost on lease liability	871,269	679,020
Workers' Welfare Fund	423,819	229,352
Charge for defined benefit plan	166,923	108,424
Charge for staff compensated absences	90,000	67,000
	<u>8,280,893</u>	<u>4,589,684</u>
	24,474,564	15,437,345
(Increase) / decrease in operating assets		
Lendings to financial institutions	(56,764,736)	29,309,421
Held for trading securities	30,951,651	(42,687,068)
Advances	(56,207,074)	(37,416,352)
Other assets (excluding advance taxation)	(15,961,196)	(7,670,529)
	<u>(97,981,355)</u>	<u>(58,464,528)</u>
Increase / (decrease) in operating liabilities		
Bills payable	5,695,732	6,339,169
Borrowings	80,828,530	92,797,430
Deposits	179,828,984	143,994,882
Other liabilities (excluding current taxation)	22,598,825	5,847,742
	<u>288,952,071</u>	<u>248,979,223</u>
	215,445,280	205,952,040
	<u>(5,078,896)</u>	<u>(2,509,556)</u>
Income tax paid		
Net cash generated from / (used in) operating activities	210,366,384	203,442,484
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(169,736,749)	(152,530,544)
Net investments in held-to-maturity securities	(8,747,832)	(23,942,880)
Investment in subsidiary	(5,217)	-
Dividends received	666,399	314,946
Investments in operating fixed assets	(4,995,068)	(1,207,498)
Proceeds from sale of fixed assets and non banking assets	63,545	26,628
Effect of translation of net investment in foreign branches	1,592,001	(483,906)
Net cash (used in) / generated from investing activities	(181,162,921)	(177,823,254)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(1,776,218)	(1,524,368)
Dividend paid	(1,507,450)	(3,549,565)
Net cash used in financing activities	(3,283,668)	(5,073,933)
Increase in cash and cash equivalents	25,919,795	20,545,297
Cash and cash equivalents at beginning of the year	141,558,989	117,569,729
Effects of exchange rate changes on cash and cash equivalents - (gain) / loss	(6,965,601)	885,306
	<u>134,593,388</u>	<u>118,455,035</u>
Cash and cash equivalents at end of the period	<u>160,513,183</u>	<u>139,000,332</u>

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the half year ended June 30, 2022

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services in Pakistan and overseas. 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 823 branches (December 31, 2021: 770 branches) and 16 sub-branches (December 31, 2021: 20 sub-branches). Out of the 823 branches, 560 (December 31, 2021: 529) are conventional, 252 (December 31, 2021: 230) are Islamic, 10 (December 31, 2021: 10) are overseas and 1 (December 31, 2021: 1) is an offshore banking unit.

2 BASIS OF PRESENTATION

2.1 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 (IFS). Further, SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. SBP has directed banks in Pakistan to implement IFRS 9 with effect from January 1, 2023 vide BPRD circular no. 03 dated July 05, 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.

2.1.1 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 cost less accumulated impairment losses, if any.

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

2.1.3 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, 2021.

2.1.4 The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, the unconsolidated financial statements have been prepared on the going concern basis.

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, 2022 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)
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 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 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, 2021.

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, 2021, except as disclosed in note 11.4.2(iv).

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, 2021.

(Un-audited) (Audited)
 June 30, December 31,
 2022 2021
 -----(Rupees in 000)-----

7 CASH AND BALANCES WITH TREASURY BANKS

In hand

Local currency	27,686,758	21,886,032
Foreign currency	3,718,467	2,722,351
	31,405,225	24,608,383

With State Bank of Pakistan in

Local currency current account	51,784,153	47,249,054
Foreign currency current account	6,376,871	5,231,881
Foreign currency deposit account	9,235,122	9,466,467
	67,396,146	61,947,402

With other central banks in

Foreign currency current account	15,684,228	9,536,033
Foreign currency deposit account	6,379,651	2,589,553
	22,063,879	12,125,586

With National Bank of Pakistan in local currency current account

Prize bonds	10,893,713	6,698,696
	47,988	226,317
	131,806,951	105,606,384

8 BALANCES WITH OTHER BANKS

In Pakistan in current account	71,967	18,222
Outside Pakistan		
In current account	12,509,479	9,737,924
In deposit account	28,410	26,373
	12,537,889	9,764,297
	12,609,856	9,782,519

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	18,762,709	22,815,581
Repurchase agreement lendings (Reverse Repo)	71,768,067	11,172,904
Bai Muajjal receivable with other financial institutions	-	1,993,580
	90,530,776	35,982,065
Less: expected credit loss - overseas branches	(803)	-
Lending to financial institutions - net of provision	90,529,973	35,982,065

10 INVESTMENTS

Note

	June 30, 2022 (Un-audited)				December 31, 2021 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
------(Rupees in '000)-----								
10.1 Investments by type:								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	28,970,643	-	(6,182)	28,964,461	58,471,616	-	(20,039)	58,451,577
Pakistan Investment Bonds	36,633,060	-	(79,243)	36,553,817	38,043,325	-	993	38,044,318
Government of Pakistan Sukuks	1,952,545	-	(10,313)	1,942,232	-	-	-	-
Shares								
Ordinary shares / units - Listed	511,246	-	(15,128)	496,118	983,085	-	(12,205)	970,880
Foreign Securities								
Overseas Bonds - Sovereign	2,134,502	-	(81,387)	2,053,115	4,078,675	-	(391,803)	3,686,872
	70,201,996	-	(192,253)	70,009,743	101,576,701	-	(423,054)	101,153,647
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	953,918	-	(16,581)	937,337	66,709,176	-	(31,162)	66,678,014
Pakistan Investment Bonds	623,450,630	-	(3,809,523)	619,641,107	421,777,608	-	(2,068,279)	419,709,329
Government of Pakistan Sukuks	86,790,047	-	(618,261)	86,171,786	70,415,751	-	(427,810)	69,987,941
Government of Pakistan Euro Bonds	10,748,299	-	(3,148,003)	7,600,296	6,672,320	-	(16,227)	6,656,093
Naya Pakistan Certificates	3,524,818	-	-	3,524,818	1,016,120	-	-	1,016,120
Shares								
Ordinary shares - Listed	7,464,547	(672,391)	(304,876)	6,487,280	4,228,215	(315,697)	50,388	3,962,906
Ordinary shares - Unlisted	1,211,363	(57,728)	-	1,153,635	1,211,363	(55,725)	-	1,155,638
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	2,726,768	(336,276)	(9,907)	2,380,585	2,426,778	(311,298)	(10,682)	2,104,798
Sukuks	16,899,097	(96,511)	266,916	17,069,502	17,481,926	(96,511)	239,990	17,625,405
Foreign Securities								
Overseas Bonds - Sovereign	19,567,765	-	(1,648,118)	17,919,647	16,991,437	-	300,601	17,292,038
Overseas Bonds - Others	29,473,864	-	(1,666,988)	27,806,876	25,215,398	-	521,640	25,737,038
Redeemable Participating Certificates	3,882,599	-	-	3,882,599	3,310,874	-	-	3,310,874
Mutual Fund units	500,000	-	-	500,000	-	-	-	-
	807,327,550	(1,296,741)	(10,955,341)	795,075,468	637,590,801	(913,066)	(1,441,541)	635,236,194
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	65,558,286	-	-	65,558,286	52,966,763	-	-	52,966,763
Other Federal Government Securities	-	-	-	-	3,094,151	-	-	3,094,151
Non Government Debt Securities								
Term Finance Certificates	898,013	(24,680)	-	873,333	431,347	(24,680)	-	406,657
Sukuks	2,032,322	(80,722)	-	1,951,600	2,063,572	(80,722)	-	1,982,850
Foreign Securities								
Overseas Bonds - Sovereign	11,921,272	-	-	11,921,272	13,106,228	-	-	13,106,228
	80,409,893	(105,402)	-	80,304,491	71,662,061	(105,402)	-	71,556,659
Associates	1,177,606	-	-	1,177,606	1,177,606	-	-	1,177,606
Subsidiary	305,217	(42,981)	-	262,236	300,000	(42,981)	-	257,019
General provision and expected credit loss-								
Overseas operations	-	(197,775)	-	(197,775)	-	(167,542)	-	(167,542)
Total Investments	959,422,262	(1,642,899)	(11,147,594)	946,631,769	812,307,169	(1,228,991)	(1,864,595)	809,213,583

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

10.2 Investments given as collateral	(Un-audited)	(Audited)
	June 30, 2022	December 31, 2021
	------(Rupees in 000)-----	
Market Treasury Bills	-	34,714,491
Pakistan Investment Bonds	273,896,500	109,031,611
Overseas Bonds	9,532,301	10,749,672
	<u>283,428,801</u>	<u>154,495,774</u>

10.2.1 Market value of securities given as collateral is Rs. 280,631,354 million (December 31, 2021: Rs. 154,163.013 million).

10.3 Provision for diminution in value of investments	(Un-audited)	(Audited)
	June 30, 2022	December 31, 2021
	------(Rupees in 000)-----	
10.3.1 Opening balance	1,228,991	1,397,534
Exchange and other adjustments	33,787	6,183
Charge / reversals		
Charge for the period / year	423,965	421,889
Reversals for the period / year	(20,797)	(217,924)
Reversal on disposals	(23,047)	(374,755)
	380,121	(170,790)
Written off	-	(3,936)
Closing balance	<u>1,642,899</u>	<u>1,228,991</u>

10.3.2 Particulars of provision against debt securities

Category of classification	June 30, 2022 (Un-audited)		December 31, 2021 (Audited)	
	NPL	Provision	NPL	Provision
	------(Rupees in '000)-----			
Domestic				
Loss	538,189	538,189	513,211	513,211

10.3.2.1 In addition to the above, overseas branches hold a provision of Rs. 197.775 million (December 31, 2021: Rs. 167.542 million) against investments in accordance with ECL requirements of IFRS 9.

10.3.3 The market value of securities classified as held-to-maturity as at June 30, 2022 amounted to Rs. 74,599.349 million (December 31, 2021: Rs. 69,624.622 million).

11 ADVANCES

Note	Performing		Non Performing		Total	
	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	539,242,697	515,833,595	19,456,467	20,345,296	558,699,164	536,178,891
Islamic financing and related assets	39.3 163,265,221	132,995,060	3,871,183	3,776,282	167,136,404	136,771,342
Bills discounted and purchased	26,546,917	25,534,513	2,957,512	588,182	29,504,429	26,122,695
Advances - gross	729,054,835	674,363,168	26,285,162	24,709,760	755,339,997	699,072,928
Provision against advances						
- Specific	11.4 -	-	(21,795,018)	(21,125,068)	(21,795,018)	(21,125,068)
- General	11.4 (7,057,369)	(4,067,236)	-	-	(7,057,369)	(4,067,236)
	(7,057,369)	(4,067,236)	(21,795,018)	(21,125,068)	(28,852,387)	(25,192,304)
Advances - net of provision	721,997,466	670,295,932	4,490,144	3,584,692	726,487,610	673,880,624

11.1 Advances include an amount of Rs. 286.296 million (December 31, 2021: Rs. 233.151 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 10.17% to 25.10% (December 31, 2021: 10.17% to 23.65%) with maturities up to June 29, 2042 (December 31, 2021: October 2041).

11.2 Particulars of advances (Gross)	(Un-audited)	(Audited)
	June 30, 2022	December 31, 2021
------(Rupees in '000)-----		
In local currency	692,508,895	631,764,578
In foreign currencies	62,831,102	67,308,350
	755,339,997	699,072,928

11.3 Advances include Rs. 26,285.162 million (December 31, 2021: Rs. 24,709.760 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2022 (Un-audited)		December 31, 2021 (Audited)	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
------(Rupees in '000)-----				
Domestic				
Other Assets Especially Mentioned	171,795	5,337	84,230	4,693
Substandard	3,950,937	1,071,192	2,466,916	566,982
Doubtful	2,422,520	1,276,233	2,743,571	1,423,199
Loss	19,074,408	18,935,593	18,789,033	18,654,227
	25,619,660	21,288,355	24,083,750	20,649,101
Overseas				
Overdue by:				
91 to 180 days	-	-	29,467	249
181 to 365 days	31,360	1,110	-	-
Above 365 days	634,142	505,553	596,543	475,718
	665,502	506,663	626,010	475,967
Total	26,285,162	21,795,018	24,709,760	21,125,068

11.4 Particulars of provision against advances

	June 30, 2022 (Un-audited)			December 31, 2021 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	21,125,068	4,067,236	25,192,304	18,317,255	5,266,170	23,583,425
Exchange and other adjustments	30,568	23,402	53,970	39,420	20,228	59,648
Charge for the period / year	1,923,674	2,966,731	4,890,405	4,959,088	-	4,959,088
Reversals for the period / year	(1,103,646)	-	(1,103,646)	(1,871,249)	(1,219,162)	(3,090,411)
	820,028	2,966,731	3,786,759	3,087,839	(1,219,162)	1,868,677
Amounts written off	(110,855)	-	(110,855)	(319,446)	-	(319,446)
Amounts charged off - agriculture financing	(69,791)	-	(69,791)	-	-	-
	(180,646)	-	(180,646)	(319,446)	-	(319,446)
Closing balance	21,795,018	7,057,369	28,852,387	21,125,068	4,067,236	25,192,304

11.4.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at June 30, 2022 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 88.560 million (December 31, 2021: Rs. 89.192 million).

11.4.2 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;
(iii) Provision of Rs. 1,450,000 million (December 31, 2021: 2,550,000 million) representing Covid 19 general loan loss reserve. The restructured portfolio is performing and the provision represents upto 5% of the restructured customers as at June 30, 2022; and
(iv) Provision of Rs. 3,850,000 million (December 31, 2021: nil) against the high risk advances portfolio, which is showing higher economic vulnerability. The portfolio excludes GoP backed exposures, staff loans, loans secured against liquid collaterals and loans against which COVID general provision is being maintained.

11.4.3 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)	(Audited)
		June 30, 2022	December 31, 2021
		------(Rupees in '000)-----	
12 FIXED ASSETS			
Capital work-in-progress	12.1	1,627,087	1,117,186
Property and equipment	12.2	29,474,803	26,566,315
Right-of-use assets		14,096,217	11,815,478
		45,198,107	39,498,979
12.1 Capital work-in-progress			
Civil works		1,104,354	692,766
Equipment		516,208	414,857
Others		6,525	9,563
		1,627,087	1,117,186

12.2 It includes land and buildings carried at revalued amount of Rs. 20,898.881 million (December 31, 2021: Rs. 19,341.240 million).

12.2.1 During the period, non banking assets having cost of Rs. 161.759 million and surplus of Rs. 60.660 million were transferred to fixed assets.

(Un-audited)	
Half year ended	
June 30, 2022	June 30, 2021
----- (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	509,901	36,137
Property and equipment		
Freehold land	912,286	-
Buildings on freehold land	510,647	53,438
Buildings on leasehold land	20,110	42,845
Leasehold improvement	382,967	171,413
Furniture and fixtures	87,623	35,039
Office equipment	1,963,465	801,320
Vehicles	34,086	8,545
	3,911,184	1,112,600
Total additions to fixed assets	4,421,085	1,148,737

12.4 Disposals of fixed assets

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

Leasehold improvements	1,864	1,414
Furniture and fixtures	300	987
Office equipment	7,790	3,177
Total disposal of fixed assets	9,954	5,578

(Un-audited)		(Audited)	
June 30, 2022	June 30, 2021	December 31, 2021	December 31, 2020
----- (Rupees in '000) -----			

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	556,432	381,761
Software	745,554	734,681
	1,301,986	1,116,442

(Un-audited)	
Half year ended	
June 30, 2022	June 30, 2021
----- (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	174,671	(8,485)
Directly purchased	187,965	88,750
Total additions to intangible assets	362,636	80,265

13.2 There were no disposals during the periods ended June 30, 2022 and June 30, 2021.

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
----- (Rupees in '000) -----			
14	DEFERRED TAX ASSETS		
Deductible Temporary Differences on:			
- Provision against investments		918,326	463,795
- Provision against advances		3,010,708	2,899,949
- Unrealised loss on revaluation of held for trading investments		82,669	164,991
- Deficit on revaluation of available for sale investments		4,710,798	562,201
- Provision against other assets		802,061	729,865
- Provision against lending to financial institutions		90	81
- Worker Welfare Fund		396,142	-
		9,920,794	4,820,882
Taxable Temporary Differences on:			
- Surplus on revaluation of fixed assets		(563,878)	(473,110)
- Surplus on revaluation of non banking assets		(45,651)	(84,039)
- Accelerated tax depreciation		(2,250,310)	(1,959,463)
		(2,859,839)	(2,516,612)
		7,060,955	2,304,270
15	OTHER ASSETS		
Income/ Mark-up accrued in local currency - net of provision		33,721,609	23,325,336
Income/ Mark-up accrued in foreign currency - net of provision		1,787,098	1,389,395
Advances, deposits, advance rent and other prepayments		3,374,940	2,299,368
Non-banking assets acquired in satisfaction of claims	15.1 & 15.2	1,271,035	1,435,191
Mark to market gain on forward foreign exchange contracts		4,601,070	2,249,270
Mark to market gain on derivatives	23.1	3,200,132	-
Branch adjustment account		31,231	-
Stationery and stamps on hand		20,809	25,415
Defined benefit plan		609,915	744,324
Due from card issuing banks		1,344,526	1,212,831
Accounts receivable		4,661,316	2,882,851
Margin deposits on derivatives		-	427,232
Claims against fraud and forgeries		71,716	67,515
Acceptances		21,799,752	20,050,282
Receivable against DSC/SSC and overseas government securities		485,661	570,897
Receivable against marketable securities		200,233	1,337,332
Others		23,513	56,795
		77,204,556	58,074,034
Less: Provision held against other assets	15.3	(1,352,730)	(1,309,288)
Other assets (net of provision)		75,851,826	56,764,746
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	15.1 & 15.2	107,515	171,727
		75,959,341	56,936,473

15.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 1,378.550 million (December 31, 2021: Rs. 1,606.618 million).

15.2 During the period, non banking assets having cost of Rs. 161.759 million and surplus of Rs. 60.660 million were transferred to fixed assets.

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
		----- (Rupees in '000) -----	
15.3	Provision held against other assets		
	Impairment against overseas operation	1,000,000	1,000,000
	Expected credit loss (overseas operation)	157,565	134,891
	Fraud and forgeries	71,716	67,515
	Accounts receivable	25,373	12,914
	Non banking assets acquired in satisfaction of claims	-	300
	Others	98,076	93,668
		<u>1,352,730</u>	<u>1,309,288</u>
15.3.1	Movement in provision held against other assets		
	Opening balance	1,309,288	258,857
	Exchange and other adjustments	24,713	8,393
	Charge for the period / year	21,384	1,060,710
	Reversals for the period / year	(300)	(11,017)
		21,084	1,049,693
	Amount written off	(2,355)	(7,655)
	Closing balance	<u>1,352,730</u>	<u>1,309,288</u>
		(Un-audited) June 30, 2022	(Audited) December 31, 2021
		----- (Rupees in '000) -----	
16	BILLS PAYABLE		
	In Pakistan	25,839,659	21,774,411
	Outside Pakistan	2,681,573	1,051,089
		<u>28,521,232</u>	<u>22,825,500</u>
17	BORROWINGS		
	Secured		
	Borrowings from State Bank of Pakistan under:		
	Export Refinance Scheme	52,917,816	52,677,880
	Long-Term Finance Facility	29,589,321	26,394,909
	Financing Facility for Renewable Energy Projects	11,164,227	9,793,026
	Financing Facility for Storage of Agriculture Produce (FFSAP)	813,340	685,931
	Refinance for Wages & Salaries	7,105,310	14,332,866
	Temporary Economic Refinance Facility	42,538,205	28,933,063
	Export Refinance under Bill Discounting	9,409,908	-
	SME Asaan Finance (SAAF)	900,999	-
	Refinance Facility for Combating COVID (RFCC)	516,258	201,045
	Refinance and Credit Guarantee Scheme for Women Entrepreneurs	181,671	177,244
	Repurchase Agreement Borrowings	200,000,000	97,506,050
		355,137,055	230,702,014
	Repurchase agreement borrowings	22,312,277	55,219,084
	Bai Muajjal	49,754,306	47,960,362
	Medium Term Note	11,000,000	11,000,000
	Total secured	<u>438,203,638</u>	<u>344,881,460</u>
	Unsecured		
	Call borrowings	9,715,713	21,084,927
	Overdrawn nostro accounts	2,666,333	1,774,249
	Bai Muajjal	-	849,923
	Others		
	- Pakistan Mortgage Refinance Company	2,231,723	2,280,921
	- Karandaaz Risk Participation	2,688,283	2,345,604
	- Other financial institutions	10,023,796	10,591,788
	Total unsecured	<u>27,325,848</u>	<u>38,927,412</u>
		<u>465,529,486</u>	<u>383,808,872</u>

18 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2022 (Un-audited)			December 31, 2021 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	485,494,612	111,574,081	597,068,693	407,126,787	88,329,596	495,456,383
Savings deposits	259,312,595	34,755,099	294,067,694	249,702,928	34,000,491	283,703,419
Term deposits	233,334,365	40,607,690	273,942,055	169,741,023	42,871,078	212,612,101
Others	36,105,776	5,779,843	41,885,619	19,942,860	4,683,544	24,626,404
	1,014,247,348	192,716,713	1,206,964,061	846,513,598	169,884,709	1,016,398,307
Financial Institutions						
Current deposits	1,940,215	854,644	2,794,859	2,015,668	3,280,707	5,296,375
Savings deposits	71,523,126	2,495,266	74,018,392	90,179,130	900,203	91,079,333
Term deposits	34,334,350	118,476	34,452,826	24,170,116	988,200	25,158,316
Others	619,511	23,941	643,452	950,897	161,378	1,112,275
	108,417,202	3,492,327	111,909,529	117,315,811	5,330,488	122,646,299
	1,122,664,550	196,209,040	1,318,873,590	963,829,409	175,215,197	1,139,044,606

18.1 Current deposits include remunerative current deposits of Rs. 13,581.075 million (December 31, 2021 : Rs. 8,823.382 million).

19 SUBORDINATED DEBT

		June 30, 2022	December 31, 2021
		'------(Rupees in '000)-----'	
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 Pakistan Credit Rating Agency.		
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

20 OTHER LIABILITIES

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
------(Rupees in '000)-----			
Mark-up/ Return/ Interest payable in local currency		10,608,950	5,341,826
Mark-up/ Return/ Interest payable in foreign currency		972,713	784,610
Unearned fee commission and income on bills discounted and guarantees		2,382,794	1,386,030
Accrued expenses		7,705,446	8,405,092
Current taxation		14,271,751	10,533,309
Acceptances		21,799,752	20,050,282
Dividends payable		2,198,910	152,030
Mark to market loss on forward foreign exchange contracts		3,342,807	1,021,507
Mark to market loss on derivatives	23.1	-	191,189
Branch adjustment account		-	334,445
ADC settlement accounts		6,241,519	1,558,435
Provision for compensated absences		724,224	634,224
Payable against redemption of customer loyalty / reward points		541,485	486,149
Charity payable		53,436	24,963
Provision against off-balance sheet obligations	20.1	176,288	137,639
Security deposits against leases, lockers and others		13,927,322	11,185,102
Workers' Welfare Fund		2,895,275	2,471,455
Payable to vendors and suppliers		575,952	722,986
Margin deposits on derivatives		3,345,147	-
Payable to merchants (card acquiring)		18,969	188,553
Indirect taxes payable		1,675,093	1,284,540
Lease Liability		15,730,969	13,189,739
Payable against marketable securities		-	285,690
Trading Liability		1,308,741	-
Others		2,619,983	1,269,885
		<u>113,117,526</u>	<u>81,639,680</u>

20.1 Provision against off-balance sheet obligations

Opening balance	137,639	127,428
Exchange and other adjustments	9,248	10,468
Charge / (reversal) for the period / year	29,401	(257)
Closing balance	<u>176,288</u>	<u>137,639</u>

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
------(Rupees in 000)-----			
21	SURPLUS ON REVALUATION OF ASSETS		
Surplus / (deficit) on revaluation of:			
- Available for sale securities	10.1	(10,955,341)	(1,441,541)
- Fixed Assets		13,069,914	13,053,303
- Non-banking assets acquired in satisfaction of claims		107,515	171,727
		2,222,088	11,783,489
Less: Deferred tax (asset) / liability on surplus / (deficit) on revaluation of:			
- Available for sale securities		(4,710,797)	(562,201)
- Fixed Assets		563,878	473,110
- Non-banking assets acquired in satisfaction of claims		45,651	84,039
		(4,101,268)	(5,052)
Less: Derivatives (Deficit) / Surplus		(2,874,274)	347,961
		9,197,630	11,440,580
22	CONTINGENCIES AND COMMITMENTS		
-Guarantees	22.1	123,262,232	99,914,966
-Commitments	22.2	505,886,900	466,051,999
-Other contingent liabilities	22.3.1	7,183,984	4,823,035
		636,333,116	570,790,000
22.1	Guarantees:		
Performance guarantees		47,058,240	41,041,271
Other guarantees		76,203,992	58,873,695
		123,262,232	99,914,966
22.2	Commitments:		
Documentary credits and short-term trade-related transactions			
- Letters of credit		192,173,808	178,246,952
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	196,759,243	164,776,360
- forward government securities transactions	22.2.2	29,133,093	39,784,849
- derivatives	22.2.3	50,857,885	36,820,716
- forward lending	22.2.4	33,770,831	43,921,848
Commitments for acquisition of:			
- operating fixed assets		2,786,668	2,054,239
- intangible assets		405,372	447,035
		505,886,900	466,051,999

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
----- (Rupees in '000) -----			
22.2.1	Commitments in respect of forward foreign exchange contracts		
Purchase		121,402,509	104,574,460
Sale		75,356,734	60,201,900
		<u>196,759,243</u>	<u>164,776,360</u>
22.2.2	Commitments in respect of forward government securities transactions		
Purchase		31,687	10,167,457
Sale		29,101,406	29,617,392
		<u>29,133,093</u>	<u>39,784,849</u>
22.2.3	Commitments in respect of derivatives (Interest Rate Swaps)		
Purchase	23.1	50,857,885	36,820,716
Sale		-	-
		<u>50,857,885</u>	<u>36,820,716</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	28,597,509	39,356,808
Commitments in respect of investments		5,173,322	4,565,040
		<u>33,770,831</u>	<u>43,921,848</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>7,183,984</u>	<u>4,823,035</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. 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, 2022 (Un-audited)			December 31, 2021 (Audited)		
	Interest Rate Swaps			Interest Rate Swaps		
	No. of contracts	Notional Principal	Mark to market gain	No. of contracts	Notional Principal	Mark to market (loss)
----- (Rupees in '000) -----						
With Banks for Hedging	61	50,857,885	3,200,132	50	36,820,716	(191,189)
	<u>61</u>	<u>50,857,885</u>	<u>3,200,132</u>	<u>50</u>	<u>36,820,716</u>	<u>(191,189)</u>

	Note	(Un-audited)	
		Half year ended	
		June 30, 2022	June 30, 2021
		----- (Rupees in '000) -----	
24	MARK-UP/RETURN/INTEREST EARNED		
	On:		
	a) Loans and advances	33,107,836	22,125,043
	b) Investments	46,884,237	22,240,140
	c) Lendings to financial institutions	589,149	1,010,714
	d) Balances with banks	17,150	13,797
	e) On securities purchased under resale agreements / Bai Muajjal	2,032,317	622,216
		<u>82,630,689</u>	<u>46,011,910</u>
25	MARK-UP/RETURN/INTEREST EXPENSED		
	On:		
	a) Deposits	28,769,779	13,010,986
	b) Borrowings	4,556,055	3,320,985
	c) Securities sold under repurchase agreements	14,213,507	5,579,272
	d) Subordinated debt	411,199	315,911
	e) Cost of foreign currency swaps against foreign currency deposits / borrowings	1,553,948	957,758
	f) Borrowing cost on leased properties	871,269	679,020
	g) Reward points / customer loyalty	112,165	64,623
		<u>50,487,922</u>	<u>23,928,555</u>
26	FEE & COMMISSION INCOME		
	Branch banking customer fees	526,363	481,290
	Consumer finance related fees	248,204	185,142
	Card related fees (debit and credit cards)	796,728	495,383
	Credit related fees	119,381	113,845
	Investment banking fees	168,888	188,839
	Commission on trade	1,063,561	841,437
	Commission on guarantees	256,887	140,233
	Commission on cash management	25,648	21,786
	Commission on remittances including home remittances	553,080	422,955
	Commission on bancassurance	332,988	286,017
	Card acquiring business	412,648	225,036
	Wealth Management Fee	48,809	35,648
	Commission on Employees' Old-Age Benefit Institution (EOBI)	20,812	16,236
	Commission on Benazir Income Support Programme (BISP)	164,517	137,965
	Alternate Delivery Channels (ADC)	321,614	166,161
	Others	99,160	94,415
		<u>5,159,288</u>	<u>3,852,388</u>
27	(LOSS) / GAIN ON SECURITIES		
	Realised	27.1	110,583
	Unrealised - held for trading	10.1	(192,253)
			<u>(81,670)</u>
27.1	Realised gain / (loss) on:		
	Federal Government Securities		(28,715)
	Shares		(66,580)
	Non Government Debt Securities		12,737
	Foreign Securities		193,141
			<u>110,583</u>
28	OTHER INCOME		
	Rent on property		16,444
	Gain on sale of fixed assets-net		44,391
	Gain on sale of non banking assets	28.1	9,200
	Profit on termination of leased contracts (Ijarah)		21,746
	Gain on termination of leases (IFRS 16)		112,285
			<u>204,066</u>
			<u>12,337</u>
			<u>21,050</u>
			<u>-</u>
			<u>36,704</u>
			<u>9,850</u>
			<u>79,941</u>
28.1	The Bank earned an income of Rs. 9.200 million against sale of membership shares / cards.		

29	OPERATING EXPENSES	Note	(Un-audited)	
			Half year ended	
			June 30, 2022	June 30, 2021
			----- (Rupees in '000) -----	
	Total compensation expense	29.1	9,925,190	8,158,700
	Property expense			
	Rates and taxes		53,177	43,291
	Utilities cost		758,368	557,669
	Security (including guards)		452,721	379,437
	Repair and maintenance (including janitorial charges)		478,265	409,237
	Depreciation on right-of-use assets		1,277,725	1,081,116
	Depreciation on non-banking assets acquired in satisfaction of claims		2,160	2,158
	Depreciation on owned assets		309,695	243,015
			3,332,111	2,715,923
	Information technology expenses			
	Software maintenance		937,589	655,536
	Hardware maintenance		327,141	272,498
	Depreciation		337,787	284,961
	Amortisation		177,053	210,669
	Network charges		270,415	270,854
	Consultancy and support services		170,204	63,088
			2,220,189	1,757,606
	Other operating expenses			
	Directors' fees and allowances		103,277	99,693
	Fees and allowances to Shariah Board		6,691	4,719
	Legal and professional charges		439,957	99,355
	Outsourced services costs		374,661	411,746
	Travelling and conveyance		371,267	221,970
	Clearing and custodian charges		51,993	44,124
	Depreciation		556,646	504,566
	Training and development		56,744	66,469
	Postage and courier charges		248,273	244,851
	Communication		414,523	209,910
	Stationery and printing		451,256	375,745
	Marketing, advertisement and publicity		716,469	525,813
	Donations		15,350	14,510
	Auditors' remuneration		28,562	36,024
	Brokerage and commission		139,798	127,462
	Entertainment		183,947	126,147
	Repairs and maintenance		314,265	318,068
	Insurance		619,276	539,306
	Cash handling charges		513,524	472,053
	CNIC verification		88,542	71,942
	Others		538,562	243,170
			6,233,583	4,757,643
			21,711,073	17,389,872
29.1	Total compensation expense			
	Managerial remuneration			
	i) Fixed		7,187,969	6,099,349
	ii) Variable:			
	a) Cash Bonus / Awards etc.		1,342,348	962,076
	b) Bonus and Awards in Shares etc.		120,000	78,980
	Charge for defined benefit plan		166,923	108,424
	Contribution to defined contribution plan		300,969	244,197
	Medical		403,771	337,921
	Conveyance		177,054	140,152
	Staff compensated absences		90,000	67,000
	Others		112,685	92,659
	Sub-total		9,901,719	8,130,758
	Sign-on bonus		18,471	27,802
	Severance allowance		5,000	140
	Grand Total		9,925,190	8,158,700

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, 2022	June 30, 2021
31 OTHER CHARGES		------(Rupees in '000)-----	
Penalties imposed by State Bank of Pakistan		5,173	18,290
Penalties imposed by other regulatory bodies		1,997	698
		<u>7,170</u>	<u>18,988</u>
32 PROVISIONS & WRITE OFFS - NET			
Provision against lending to financial institutions (IFRS 9 - ECL)	9	803	-
Provision / (reversal) for diminution in value of investments	10.3	380,121	(230,333)
Provision against loans & advances	11.4	3,786,759	1,545,704
Provision against other assets	15.3.1	21,084	27,862
Provision / (reversal) against off-balance sheet obligations	20.1	29,401	(2,727)
Other provisions / write off - net		9,942	23,437
Recovery of written off / charged off bad debts		<u>(186,671)</u>	<u>(213,561)</u>
		<u>4,041,439</u>	<u>1,150,382</u>
33 TAXATION			
Charge / (reversal) :			
Current		10,383,573	4,516,170
Prior years		(1,566,235)	-
Deferred		<u>(660,469)</u>	<u>(278,123)</u>
		<u>8,156,869</u>	<u>4,238,047</u>

- 33.1 a) The income tax assessments of the Bank have been finalized upto and including tax year 2021. Certain addback 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, 2019, 2020 and 2021, 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 tax demand of Rs. 336.549 million net of relief provided in appeal (December 31, 2021: Rs. 714.263). Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) The Bank has received orders from a provincial tax authority for the periods from July 2011 to December 2020 wherein tax authority demanded sales tax on banking services and penalty amounting to Rs. 763.312 million [excluding default surcharge] (December 31, 2021: Rs. 763.312 million) by disallowing certain exemptions of sales tax on banking services and allegedly for short payment of sales tax. Appeals against 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.

34 BASIC AND DILUTED EARNINGS PER SHARE

	(Un-audited)	
	Half year ended	
	June 30,	June 30,
	2022	2021
	----- (Rupees in '000) -----	
Profit for the period	<u>8,703,201</u>	<u>6,933,829</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>4.90</u>	<u>3.90</u>

- 34.1 Diluted earnings per share has not been presented separately as the Bank 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 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, 2022 (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	-	785,335,853	-	785,335,853
Shares	6,983,397	-	-	6,983,397
Non-Government Debt Securities	12,084,000	7,366,088	-	19,450,088
Foreign Securities	-	51,662,238	-	51,662,238
Mutual Fund units	-	500,000	-	500,000
Financial assets - not measured at fair value				
Investments - held to maturity securities	-	74,599,349	-	74,599,349
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	4,601,070	-	4,601,070
Forward sale of foreign exchange	-	(3,342,807)	-	(3,342,807)
Forward purchase of government securities	-	12	-	12
Forward sale government securities transactions	-	(5,270)	-	(5,270)
Derivatives purchases	-	3,200,132	-	3,200,132
	December 31, 2021 (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	-	655,169,287	-	655,169,287
Shares	4,933,786	-	-	4,933,786
Non-Government Debt Securities	12,180,000	7,550,203	-	19,730,203
Foreign Securities	-	55,400,927	-	55,400,927
Financial assets - not measured at fair value				
Investments - held to maturity securities	-	69,624,622	-	69,624,622
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,249,270	-	2,249,270
Forward sale of foreign exchange	-	(1,021,507)	-	(1,021,507)
Forward purchase of government securities	-	(46,547)	-	(46,547)
Derivatives purchases	-	(191,189)	-	(191,189)

35.2 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.

35.3 Valuation techniques used in determination of fair values:

35.3.1 Fair value of financial assets

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in ordinary shares of listed companies and listed 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 Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts, forward government securities contracts and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3 except as disclosed in 35.3.2.

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.

35.3.2 Fair value of non-financial assets

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 15. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

35.3.3 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) including their forward contracts	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.
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, 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.

36.1 Segment details with respect to Business Activities

	For the period ended June 30, 2022 (Un-audited)							Total
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	
(Rupees in '000)								
Profit and loss								
Net mark-up/return/profit	(4,848,524)	5,496,691	24,409,312	(57,653)	1,774,619	(297,984)	32,142,767	
Inter segment revenue - net	22,567,595	(84,159)	(21,026,771)	391,657	316,249	(162,033)	10,900,804	
Non mark-up / return / interest income	2,943,928	1,384,945	4,250,368	265,025	668,318	460,037	43,043,571	
Total Income	20,662,999	5,048,713	6,340,735	7,632,909	599,029	-	7,759,186	
Segment direct expenses	8,845,522	780,697	2,990,263	275,208	938,021	1,104,977	22,142,062	
Inter segment expense allocation	4,256,999	610,716	1,212,724	270,556	733,458	122,921	(7,207,374)	
Total expenses	13,102,521	1,391,413	4,202,987	545,764	1,671,479	1,227,898	22,142,062	
Provisions / (reversals)	1,127,816	(327,035)	80,817	383,601	7,292	18,948	4,041,439	
Profit before tax	6,432,662	3,984,335	2,056,931	6,703,544	(1,079,742)	1,512,340	16,860,070	
As at June 30, 2022 (Un-audited)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	Total
(Rupees in '000)								
Balance Sheet								
Cash and bank balances	76,787,481	14,131,799	18,630,861	2,414,215	399,578	32,052,873	-	144,416,807
Investments	-	2,838,893	104,745,523	768,136,437	-	68,590,240	2,320,676	946,631,769
Net inter segment lending	506,329,266	-	-	-	12,322,732	-	105,038,478	623,690,476
Lendings to financial institutions	-	-	16,966,115	61,802,014	-	11,761,844	-	90,529,973
Advances - performing	224,624,394	284,640,529	163,121,253	-	70,594	39,418,903	10,121,793	721,997,466
Advances - non-performing	2,848,605	1,174,078	273,482	-	2,965	158,839	32,175	4,490,144
Others	24,444,898	18,384,960	25,605,926	19,984,659	1,242,986	14,387,668	25,459,282	129,520,389
Total assets	835,034,644	321,170,259	329,343,160	852,347,325	14,038,865	166,370,367	142,372,404	2,661,277,024
Borrowings	27,550,246	94,120,524	48,010,665	270,693,124	-	25,154,927	-	465,529,486
Subordinated debt	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	788,075,919	188,841,103	226,567,209	101,497,989	13,822,249	26,362,323	69,121	1,318,873,590
Net inter segment borrowing	-	-	14,023,902	575,399,726	-	26,362,323	-	623,690,476
Others	19,408,479	30,304,107	38,500,969	8,593,529	216,616	14,553,983	30,061,065	141,638,758
Total liabilities	835,034,644	321,170,259	327,102,745	854,686,379	14,038,865	167,569,232	37,130,186	2,556,732,310
Net assets	-	-	2,240,415	(2,339,054)	-	(1,199,865)	105,842,218	104,544,714
Equity								
Contingencies and commitments	84,969,884	199,155,864	70,788,756	165,765,505	8,473	112,866,912	2,777,722	636,333,116

* Others include head office related activities.

For the period ended June 30, 2021 (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	Total
(Rupees in '000)								
Profit and loss								
Net mark-up/return/profit	(1,620,272)	7,052,176	3,928,936	11,488,705	(6,840)	1,448,733	(208,083)	22,083,355
Inter segment revenue - net	12,841,485	(3,767,216)	(149,509)	(9,370,498)	219,962	183,199	42,577	7,877,115
Non mark-up / return / interest income	2,385,875	1,152,054	598,707	2,494,976	201,572	878,425	165,506	29,960,470
Total income	13,607,088	4,437,014	4,378,134	4,613,183	414,694	2,510,357	-	29,960,470
Segment direct expenses	7,216,270	487,582	2,240,978	233,282	712,823	969,935	5,777,342	17,638,212
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	-	17,638,212
Provisions / (reversals)	(52,190)	254,313	983,777	(69,756)	1,605	32,633	-	1,150,382
Profit before tax	2,839,592	3,190,084	252,147	4,245,897	(701,605)	1,345,761	-	11,171,876
As at December 31, 2021 (Audited)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	Total
(Rupees in '000)								
Balance sheet								
Cash and bank balances	59,713,617	11,541,859	16,233,178	6,799,542	494,255	20,606,452	-	115,388,903
Investments	431,128,123	2,072,227	91,822,133	6,454,414,966	6,355,852	69,050,718	853,539	809,213,583
Net inter segment lending	-	-	-	-	-	-	86,291,183	35,982,065
Lendings to financial institutions	-	-	16,493,641	11,172,904	-	8,315,520	-	35,982,065
Advances - performing	203,165,570	282,208,814	132,877,992	-	65,423	41,101,258	10,876,875	670,295,932
Advances - non-performing	1,033,436	2,138,566	224,685	-	2,337	150,043	35,625	3,584,692
Others	21,021,729	19,167,418	21,637,954	11,100,835	1,490,652	3,353,196	22,084,380	99,856,164
Total assets	716,062,475	317,128,884	279,289,583	674,488,247	8,408,519	142,577,187	120,141,602	2,258,096,497
Borrowings	26,768,170	79,969,245	31,305,163	207,951,783	-	37,314,358	500,153	363,808,872
Subordinated debt	-	-	-	-	-	-	7,000,000	7,000,000
Deposits and other accounts	668,702,882	182,007,203	200,390,388	-	8,293,361	79,650,772	-	1,139,044,606
Net inter segment borrowing	-	-	-	-	-	-	19,846,654	523,775,158
Others	20,591,423	28,649,566	32,493,099	3,089,606	115,158	5,658,006	13,868,322	104,465,180
Total liabilities	716,062,475	317,128,884	276,912,771	675,742,902	8,408,519	142,469,790	21,368,475	2,158,093,816
Net Assets	-	-	2,376,812	(1,254,655)	-	107,397	98,773,127	100,002,681
Equity	-	-	-	-	-	-	-	-
Contingencies and commitments	69,140,430	182,035,105	73,345,099	160,268,743	78,313	83,682,843	2,239,467	570,790,000

* Others include head office related activities.

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

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

	As at June 30, 2022 (Unaudited)					As at December 31, 2021 (Audited)				
	Directors/ CEO	Key management personnel *	Subsidiary	Associates	Other related parties	Directors/ CEO	Key management personnel *	Subsidiary	Associates	Other related parties
(Rupees in '000)										
Lendings to financial institutions										
Opening balance	-	-	300,000	1,177,606	1,119,230	-	-	300,000	1,177,606	1,241,405
Addition during the period / year	-	-	-	-	2,330,078	-	-	-	-	1,745,830
Repaid during the period / year	-	-	-	-	(26,526,168)	-	-	-	-	(136,191,858)
Transfer in / (out) - net	-	-	-	-	(28,856,246)	-	-	-	-	(133,658,672)
Closing balance	-	-	-	-	-	-	-	-	-	(1,948,938)
(Rupees in '000)										
Investments										
Opening balance	-	-	300,000	1,177,606	1,119,230	-	-	300,000	1,177,606	1,241,405
Investment made during the period / year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period / year	-	-	5,217	-	-	-	-	-	-	(22,245)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	(99,930)
Closing balance	-	-	305,217	1,177,606	1,119,230	-	-	300,000	1,177,606	1,119,230
(Rupees in '000)										
Provision for diminution in value of investments										
Opening balance	-	-	42,981	-	-	-	-	42,981	-	-
Addition during the period / year	77	1,184,057	-	-	1,997,552	78,132	791,521	-	-	3,346,278
Repaid during the period / year	(20,197)	(311,071)	-	-	(14,907,453)	(78,055)	(881,118)	-	-	(1,954,966)
Transfer in / (out) - net	(628)	(169,056)	-	-	(16,260,631)	-	(263,110)	-	-	(3,398,044)
Closing balance	19,646	394,761	-	-	(7)	-	(25,472)	-	-	94,352
(Rupees in '000)										
Other assets										
Interest / mark-up accrued	170	39,101	-	-	27,654	-	109,318	-	-	20,294
Receivable from staff retirement fund	-	-	-	-	609,915	-	-	-	-	744,324
Prepayment / rent receivable	-	-	-	975	-	-	-	-	-	-

(Un-audited)
June 30,
2022
------(Rupees in '000)-----
(Audited)
December 31,
2021

38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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	82,368,716	76,111,426
Eligible Additional Tier 1 (ADT 1) Capital	7,000,000	7,000,000
Total Eligible Tier 1 Capital	89,368,716	83,111,426
Eligible Tier 2 Capital	26,139,564	24,963,207
Total Eligible Capital (Tier 1 + Tier 2)	115,508,280	108,074,633

Risk Weighted Assets (RWAs):

Credit risk	690,167,585	643,252,085
Market risk	6,269,588	13,336,750
Operational risk	92,460,900	92,460,900
Total	788,898,073	749,049,735

Common Equity Tier 1 Capital Adequacy ratio	10.44%	10.16%
Tier 1 Capital Adequacy Ratio	11.33%	11.10%
Total Capital Adequacy Ratio	14.64%	14.43%

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*	88,860,033	83,253,057
Total exposures	2,363,278,687	2,161,906,415
Leverage ratio	3.76%	3.85%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	618,529,496	474,660,774
Total Net Cash Outflow	358,539,364	275,665,253
Liquidity coverage ratio	173%	172%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	1,148,886,808	1,017,917,252
Total Required Stable Funding	818,688,801	753,951,739
Net Stable Funding Ratio	140%	135%

*Eligible Tier -1 Capital measure for calculation of Leverage Ratio is based on three months average.

The Bank operates 252 Islamic banking branches (December 31, 2021: 230 branches) and 2 sub branches (December 31, 2021: 2 sub branches) as at June 30, 2022.

STATEMENT OF FINANCIAL POSITION

		(Un-audited) June 30, 2022	(Audited) December 31, 2021
	Note	------(Rupees in '000)-----	
ASSETS			
Cash and balances with treasury banks		17,891,024	15,428,071
Balances with other banks		739,837	805,107
Due from financial institutions	39.1	16,966,115	16,493,641
Investments	39.2	104,745,523	91,822,133
Islamic financing and related assets - net	39.3	163,394,735	133,102,677
Fixed assets		10,685,543	9,227,055
Intangible assets		29,444	18,002
Deferred tax assets		-	103,108
Other assets		14,890,939	12,289,789
Total Assets		329,343,160	279,289,583
LIABILITIES			
Bills payable		5,496,318	5,019,894
Due to financial institutions		48,010,665	31,305,163
Deposits and other accounts	39.4	226,567,209	200,390,388
Deferred tax liabilities		279,144	-
Other liabilities		32,725,507	27,473,205
		313,078,843	264,188,650
NET ASSETS		16,264,317	15,100,933
REPRESENTED BY			
Islamic Banking Fund		3,950,000	3,800,000
Surplus on revaluation of assets		2,240,415	2,376,812
Unappropriated/ Unremitted profit	39.5	10,073,902	8,924,121
		16,264,317	15,100,933
CONTINGENCIES AND COMMITMENTS	39.6		

PROFIT AND LOSS ACCOUNT

		(Un-audited)	
		Half year ended	
		June 30,	June 30,
		2022	2021
		----- (Rupees in '000) -----	
Profit / return earned	39.7	11,422,486	6,126,264
Profit / return expensed	39.8	5,925,795	2,197,328
Net Profit / return		5,496,691	3,928,936
Fee and Commission Income		571,750	387,376
Foreign Exchange Income		309,577	170,698
Gain / (loss) on securities		16,943	(967)
Other Income		29,933	41,600
Total other income		928,203	598,707
Total Income		6,424,894	4,527,643
Other expenses			
Operating expenses		4,159,177	3,121,557
Workers Welfare Fund		43,696	19,252
Other charges		114	1,401
Total other expenses		4,202,987	3,142,210
Profit before provisions		2,221,907	1,385,433
Provisions and write offs - net		80,817	983,777
Profit before taxation		2,141,090	401,656
Taxation		991,993	136,758
Profit after taxation		1,149,097	264,898

	June 30, 2022 (Un-audited)			December 31, 2021 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
39.1 Due from Financial Institutions	(Rupees in '000)					
Musharaka Placements	2,000,061	-	2,000,061	14,500,061	-	14,500,061
Bai Muajjal Receivable from other financial institutions	14,966,054	-	14,966,054	1,993,580	-	1,993,580
	16,966,115	-	16,966,115	16,493,641	-	16,493,641

39.2 Investments

	June 30, 2022 (Un-audited)				December 31, 2021 (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

Naya Pakistan Certificates

Held-to-maturity securities

Other Federal Government Securities

Non Government Debt Securities

Available-for-sale securities

Suks - Unlisted

Held-to-maturity securities

Suks - Unlisted

Total Investments

85,854,836	-	(655,544)	82,199,603	68,508,229	-	(404,622)	68,103,607
3,524,818	-	-	3,524,818	1,016,120	-	-	1,016,120
89,379,654	-	(655,544)	85,724,421	69,524,349	-	(404,622)	69,119,727
-	-	-	-	3,094,151	-	-	3,094,151
16,802,586	-	266,916	17,069,502	17,385,415	-	239,990	17,625,405
2,032,322	(80,722)	-	1,951,600	2,063,572	(80,722)	-	1,982,850
108,214,562	(80,722)	(388,628)	104,745,523	92,067,487	(80,722)	(164,632)	91,822,133

(Un-audited) (Audited)

June 30, December 31,

2022 2021

(Rupees in '000)

39.3 Islamic financing and related assets

Ijarah

Murabaha

Musharaka

Diminishing Musharaka

Salam

Muajjal Financing

Musawama Financing

Islamic Staff financing

SBP Islamic Export Refinance

SBP Refinance Scheme For Wages & Salaries

Islamic Long Term Finance Facility Plant & Machinery

Islamic Refinance Renewable Energy

Islamic Temporary Economic Refinance Facility (ITERF)

Naya Pakistan Home Financing

Islamic Refinance Facility for combatting Covid

Advances against Islamic assets

Refinance Facility Under Bills Discounting

Inventory related to Islamic financing

Other Islamic modes

Gross Islamic financing and related assets

Less: provision against Islamic financings

- Specific

- General

Islamic financing and related assets - net of provision

22,167,088	19,640,189
4,067,080	3,218,521
36,646,405	23,921,871
3,811,066	3,700,611
4,986,639	8,323,762
24,999,917	19,999,869
5,143,213	3,584,831
2,848,893	2,509,738
11,480,827	11,479,701
1,531,953	2,721,556
1,310,611	752,187
108,690	48,701
3,949,259	1,536,776
3,049,512	1,147,252
187,091	68,317
30,579,970	30,620,850
3,978,586	-
5,721,738	3,261,485
567,866	235,125
167,136,404	136,771,342
(3,597,701)	(3,551,597)
(143,968)	(117,068)
(3,741,669)	(3,668,665)
163,394,735	133,102,677

39.4 Deposits

	June 30, 2022 (Un-audited)			December 31, 2021 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	108,707,690	6,681,651	115,389,341	86,434,680	5,571,558	92,006,238
Savings deposits	54,442,374	3,426,836	57,869,210	58,259,099	2,668,502	60,927,601
Term deposits	32,202,466	193,130	32,395,596	27,442,176	284,500	27,726,226
Other deposits	2,243,798	578,602	2,822,400	1,607,719	352,555	1,960,274
	<u>197,596,328</u>	<u>10,880,219</u>	<u>208,476,547</u>	<u>173,743,674</u>	<u>8,876,665</u>	<u>182,620,339</u>
Financial Institutions						
Current deposits	171,828	-	171,828	23,180	-	23,180
Savings deposits	373,834	-	373,834	214,369	-	214,369
Term deposits	17,545,000	-	17,545,000	17,532,500	-	17,532,500
	<u>18,090,662</u>	<u>-</u>	<u>18,090,662</u>	<u>17,770,049</u>	<u>-</u>	<u>17,770,049</u>
	<u>215,686,990</u>	<u>10,880,219</u>	<u>226,567,209</u>	<u>191,513,723</u>	<u>8,876,665</u>	<u>200,390,388</u>

39.4.1 Current deposits include remunerative current deposits of Rs. 13,581.075 million (December 31, 2021 : Rs. 8,823.382 million).

	(Un-audited)	(Audited)
	June 30, 2022	December 31, 2021
	------(Rupees in '000)-----	
39.5 Islamic Banking Business Unappropriated Profit		
Opening Balance	8,924,121	7,965,912
Add: Islamic Banking profit before taxation for the period / year	2,141,090	1,538,407
Less: Taxation for the period / year	(991,993)	(581,628)
Add: Transfer from surplus on revaluation of assets to unappropriated profit - net	684	1,430
Closing Balance	<u>10,073,902</u>	<u>8,924,121</u>
39.6 Contingencies and Commitments		
-Guarantees	4,142,994	3,624,100
-Commitments	66,645,762	69,720,999
	<u>70,788,756</u>	<u>73,345,099</u>
	------(Rupees in '000)-----	
	(Un-audited)	
	Half year ended	
	June 30, 2022	June 30, 2021
	------(Rupees in '000)-----	
39.7 Profit/Return Earned of Financing, Investments and Placement		
Financing	5,825,502	3,706,969
Investments	5,273,098	1,531,285
Placements	323,886	888,010
	<u>11,422,486</u>	<u>6,126,264</u>
39.8 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	4,455,451	1,721,515
Due to financial institutions	684,210	175,535
Securities sold under repurchase agreements	377,966	-
Cost of foreign currency swaps against foreign currency deposits / borrowings	97,238	99,863
Borrowing cost on lease liability	303,132	191,416
Reward points / customer loyalty	7,798	8,999
	<u>5,925,795</u>	<u>2,197,328</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) FIs Pool for Treasury Purposes
- 4) IERS Pool for Islamic Export Refinance Scheme facilities
- 5) Special pool
- 6) PMRC Musharikhah 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)	(Audited)
	June 30, 2022	December 31, 2021
	------(Rupees in '000)-----	
Agriculture, Forestry, Hunting and Fishing	25,968,904	21,074,345
Automobile and transportation equipment	4,494,698	3,037,316
Cement	4,009,347	4,320,169
Chemical and Pharmaceuticals	7,497,971	6,493,960
Construction	2,973,814	3,041,612
Electronics and electrical appliances	1,727,110	1,555,604
Exports / Imports	125,890	126,223
Financial	380,156	556,300
Food & Allied Products	6,881,212	5,165,571
Footwear and Leather garments	951,869	884,036
Glass and Ceramics	94,622	96,824
Individuals	34,244,005	29,000,085
Metal & Allied industries	2,266,295	2,065,731
Mining and Quarrying	505,305	5,534
Oil and Allied	3,434,742	2,820,773
Paper and Board	826,264	767,537
Power (electricity), Gas, Water, Sanitary	13,285,976	9,040,180
Plastic & Allied Industries	3,015,337	2,432,533
Services	2,841,684	2,192,142
Sugar	1,902,302	1,799,775
Technology and Communication	3,811,574	41,158
Textile	37,394,821	33,613,974
Transport, Storage and Communication	437,960	592,580
Wholesale and Retail Trade	7,002,469	4,952,166
Others	1,062,077	1,095,214
Total Gross Islamic Financing and Related Assets	167,136,404	136,771,342
Total gross investments (at cost)	108,214,562	92,067,487
Total Islamic placements	16,966,115	16,493,641
Total Invested Funds	292,317,081	245,332,470

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 relevant 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 manages the following general and specific pools:

Remunerative Depositors' 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				

(In %) (In %) (In %) (Rupees in '000) (In %) (In %) (Rupees in '000)

General Pools

PKR Pool	Monthly	8.60%	50.00%	50.00%	2,172,406	5.90%	9.59%	170,007
USD Pool	Monthly	2.59%	85.00%	15.00%	31,750	0.40%	4.18%	1,091
GBP Pool	Monthly	2.89%	85.00%	15.00%	3,269	0.51%	6.80%	167
EUR Pool	Monthly	2.39%	85.00%	15.00%	2,665	0.59%	15.67%	319
AED Pool	Monthly	3.34%	85.00%	15.00%	212	0.33%	1.63%	4
SAR Pool	Monthly	2.94%	85.00%	15.00%	185	0.16%	0.75%	1
CAD Pool	Monthly	1.13%	85.00%	15.00%	22	0.01%	6.50%	1

Specific Pools

Special Pool (Saving)	Monthly	8.31%	11.94%	88.06%	3,345	7.69%	0.00%	-
Special Pool (TDR)	Monthly	11.37%	5.09%	94.91%	101,038	11.28%	0.00%	-
Special Pool FBA (Saving)	Monthly	10.50%	15.00%	85.00%	21,018	9.81%	44.33%	9,090

Islamic Export Refinance (IERS) Pool	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				

(In %) (In %) (In %) (Rupees in '000) (In %) (In %) (Rupees in '000)

Islamic Export Refinance (IERS) Pool	Monthly	3.13%	83.71%	16.29%	702,364	Nil	0.71%	5,000
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40 AFGHANISTAN OPERATIONS

Bank Alfalah maintains a two branch presence in Afghanistan. The board and management of the Bank continue to closely monitor the evolving situation in Afghanistan which has been hampered due to country's frozen reserves and uncertainty regarding international recognition which prevent normal flows in and out of Afghanistan. The bank remains focused on maintaining its control standards i.e. both onshore and through Head Office oversight.

41 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on July 28, 2022 has declared an interim cash dividend of 25% i.e. Rs. 2.50 per share (June 30, 2021: Rs. 2.0 per share). These unconsolidated condensed interim financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

42 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on July 28, 2022 by the Board of Directors of the Bank.

43 GENERAL

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

The effect of reclassification, rearrangement, restatement in the comparative information presented in these unconsolidated condensed interim financial statements is as follows:

Description of Item	Nature	Rs '000	From	To
Business Partner Incentive - Card Centre	Income	42,451	Fee & Commission Income - Card Related Fees (Debit And Credit Cards)	Mark-Up/Return/Interest Earned - Loans And Advances
Step By Step Fee - Credit Card	Income	56,224	Fee & Commission Income - Card Related Fees (Debit And Credit Cards)	Mark-Up/Return/Interest Earned - Loans And Advances
Islamic Refinance Facility for Combating COVID (IRFCC)	Liability	66,861	Borrowings - Other refinance schemes	Borrowings - Refinance Facility for Combating COVID (RFCC)
Refinance Facility for Combating COVID (RFCC)	Liability	134,184	Borrowings - Export Refinance Scheme	Borrowings - Refinance Facility for Combating COVID (RFCC)
Refinance and Credit Guarantee Scheme for Women Entrepreneurs	Liability	177,244	Borrowings - Other refinance schemes	Borrowings - Refinance and Credit Guarantee Scheme for Women Entrepreneurs
Government of Pakistan Euro Bond	Asset	5,374,105	Investment - Overseas Bonds	Investment - Government of Pakistan Euro Bond

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Bank Alfalah Limited

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Half Year Ended June 30, 2022



Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2022

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	7	131,807,368	105,606,930
Balances with other banks	8	12,978,310	9,981,307
Lendings to financial institutions	9	90,529,973	35,982,065
Investments	10	950,030,040	811,923,246
Advances	11	726,508,785	673,883,285
Fixed assets	12	45,270,596	39,561,952
Intangible assets	13	1,306,638	1,119,389
Deferred tax assets	14	5,667,307	1,157,470
Other assets	15	76,733,049	57,557,447
		2,040,832,066	1,736,773,091
LIABILITIES			
Bills payable	16	28,521,232	22,825,500
Borrowings	17	466,403,133	384,108,872
Deposits and other accounts	18	1,318,858,481	1,139,009,620
Liabilities against assets subject to finance lease		-	-
Subordinated debt	19	7,000,000	7,000,000
Other liabilities	20	113,593,087	81,955,000
		1,934,375,933	1,634,898,992
NET ASSETS		106,456,133	101,874,099
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		32,416,284	29,953,963
Surplus on revaluation of assets	21	9,185,935	11,440,246
Unappropriated profit		46,959,913	42,578,350
Total equity attributable to the equity holders of the Bank		106,333,783	101,744,210
Non-controlling interest	22	122,350	129,889
		106,456,133	101,874,099
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 43 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, 2022

	Note	Quarter ended June 30, 2022	Quarter ended June 30, 2021	Half year ended June 30, 2022	Half year ended June 30, 2021
------(Rupees in '000)-----					
Mark-up/Return/Interest Earned	25	46,702,182	24,626,264	82,654,343	46,015,571
Mark-up/Return/Interest Expensed	26	28,860,569	12,871,201	50,533,760	23,935,373
Net Mark-up/Return/Interest Income		17,841,613	11,755,063	32,120,583	22,080,198
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	27	2,787,787	2,067,426	5,325,091	4,010,821
Dividend Income		396,888	140,495	591,399	273,215
Foreign Exchange Income		3,420,817	1,063,558	4,851,638	1,721,554
Gain / (loss) from derivatives		20,626	(1,493)	101,083	47,620
(Loss) / gain on securities	28	(95,928)	767,884	(84,860)	1,862,275
Share of profit from associates		327,630	214,749	388,898	253,094
Other Income	29	43,442	41,831	204,229	79,958
Total non-markup/interest income		6,901,263	4,294,450	11,377,478	8,248,537
Total Income		24,742,876	16,049,513	43,498,061	30,328,735
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	30	11,513,212	8,982,698	21,854,240	17,492,239
Workers Welfare Fund	31	263,657	119,768	423,819	229,352
Other charges	32	5,367	12,453	7,170	18,988
Total non-markup/interest expenses		11,782,236	9,114,919	22,285,229	17,740,579
Profit before provisions		12,960,640	6,934,594	21,212,832	12,588,156
Provisions and write offs - net	33	3,654,289	934,214	4,040,148	1,150,382
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		9,306,351	6,000,380	17,172,684	11,437,774
Taxation	34	5,580,753	2,404,562	8,416,927	4,419,720
PROFIT AFTER TAXATION		3,725,598	3,595,818	8,755,757	7,018,054
Profit / (loss) attributable to:					
Equity holders of the Bank		3,725,935	3,583,148	8,759,037	6,994,629
Non-controlling interest		(340)	12,670	(3,283)	23,425
		3,725,598	3,595,818	8,755,757	7,018,054
Basic and Diluted Earnings per share	35	2.10	2.02	4.93	3.94

The annexed notes 1 to 43 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, 2022

	Quarter ended June 30, 2022	Quarter ended June 30, 2021	Half year ended June 30, 2022	Half year ended June 30, 2021
	------(Rupees in '000)-----			
Profit after taxation for the period	3,725,598	3,595,818	8,755,757	7,018,054
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	968,456	662,547	1,592,001	(483,906)
Movement in surplus / (deficit) on revaluation of investments - net of tax	(1,256,044)	755,863	(2,142,967)	(772,066)
Movement in surplus / (deficit) on revaluation of investments - net of tax (share of associates)	(5,154)	5,654	(7,337)	(2,842)
	(292,742)	1,424,064	(558,303)	(1,258,814)
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	(81,842)	(9,362)	(111,043)	(236,872)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(6,442)	3,315	11,062	3,033
	(88,284)	(6,047)	(99,981)	(233,839)
Total comprehensive income	3,344,572	5,013,835	8,097,473	5,525,401
Total comprehensive income / (loss) attributable to:				
Equity holders of the Bank	3,344,912	4,995,728	8,100,756	5,497,317
Non-controlling interest	(340)	18,107	(3,283)	28,084
	3,344,572	5,013,835	8,097,473	5,525,401

The annexed notes 1 to 43 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, 2022

	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, 2021	17,771,651	4,731,049	7,358,815	15,590,158	3,282,573	7,141,899	103,947	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)
Balances as at June 30, 2021	17,771,651	4,731,049	6,874,909	16,283,541	2,503,006	6,905,027	106,980	39,338,538	94,514,701	135,521	94,650,222
Changes in equity for the six months ended December 31, 2021											
Profit after taxation	-	-	-	-	-	-	-	7,442,075	7,442,075	339	7,442,414
Other comprehensive income - net of tax	-	-	1,336,180	-	(3,730,641)	5,718,104	(19,224)	37,345	3,341,764	(5,971)	3,335,793
Transfer to statutory reserve	-	-	-	728,284	-	-	-	(728,284)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	(42,938)	(68)	43,006	-	-	-
Transactions with owners, recorded directly in equity											
Interim cash dividend for the half year ended June 30, 2021 - 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Balances as at December 31, 2021	17,771,651	4,731,049	8,211,089	17,011,825	(1,227,635)	12,580,193	87,688	42,578,350	101,744,210	129,889	101,874,099
Changes in equity for the half year ended June 30, 2022											
Profit after taxation	-	-	-	-	-	-	-	8,759,037	8,759,037	(3,283)	8,755,754
Other comprehensive income - net of tax	-	-	1,592,001	-	(2,150,304)	(66,992)	11,122	-	(614,173)	-	(614,173)
Transfer of revaluation surplus upon change in use - net of tax	-	-	-	-	-	36,886	(36,886)	-	-	-	-
Transfer to statutory reserve	-	-	-	870,320	-	-	-	(870,320)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	(4,026)	(44,051)	(60)	48,137	-	-	-
Transactions with owners, recorded directly in equity											
Sale of shares by Non-controlling interest	-	-	-	-	-	-	-	-	-	(5,217)	(5,217)
Movement in reserve due to capital injection	-	-	-	-	-	-	-	(961)	(961)	961	-
Final cash dividend for the year ended December 31, 2021 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Balances as at June 30, 2022	17,771,651	4,731,049	9,803,090	17,882,145	(3,381,965)	12,506,036	61,864	46,959,913	106,333,789	122,350	106,456,139

The annexed notes 1 to 43 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, 2022

	Half year ended	
	June 30, 2022	June 30, 2021
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,172,684	11,437,774
Dividend income	(591,399)	(273,215)
Share of profit from associates	(388,898)	(253,094)
	<u>16,192,387</u>	<u>10,911,465</u>
Adjustments		
Depreciation	2,496,288	2,123,575
Amortisation	177,321	210,815
Provisions and write offs - net	4,040,148	1,150,382
Unrealised loss on revaluation of investments classified as held for trading - net	198,951	49,217
Gain on sale of operating fixed assets and non banking assets - net	(53,754)	(21,067)
Gain on termination of lease (IFRS 16)	(112,285)	(9,850)
Borrowing cost on lease liability	873,257	679,086
Workers' Welfare Fund	423,819	229,352
Charge for defined benefit plan	166,923	108,424
Charge for staff compensated absences	90,000	67,000
	<u>8,300,668</u>	<u>4,586,934</u>
	<u>24,493,055</u>	<u>15,498,399</u>
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(56,764,736)	29,309,421
Held for trading securities	30,551,651	(43,207,853)
Advances	(56,225,588)	(37,416,229)
Other assets (excluding advance taxation)	(16,117,855)	(8,150,589)
	<u>(98,556,528)</u>	<u>(59,465,250)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	5,695,732	6,339,169
Borrowings	81,402,177	93,439,275
Deposits	179,848,861	144,005,170
Other liabilities (excluding current taxation)	22,757,982	6,202,304
	<u>289,704,752</u>	<u>249,985,918</u>
	<u>215,641,279</u>	<u>206,019,067</u>
	<u>(5,084,893)</u>	<u>(2,514,364)</u>
Income tax paid		
Net cash generated from / (used in) operating activities	<u>210,556,386</u>	<u>203,504,703</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(169,736,749)	(152,530,544)
Net investments in held-to-maturity securities	(8,747,832)	(23,942,880)
Dividends received from associates	75,000	51,000
Dividends received	591,399	263,946
Investments in operating fixed assets	(5,018,768)	(1,210,100)
Proceed from sale proceeds of fixed assets	63,708	26,656
Effect of translation of net investment in foreign branches	1,592,001	(483,906)
Net cash (used in) / generated from investing activities	<u>(181,181,241)</u>	<u>(177,825,828)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of leased obligations	(1,778,363)	(1,530,865)
Dividend paid	(1,507,450)	(3,549,565)
Net cash used in financing activities	<u>(3,285,813)</u>	<u>(5,080,430)</u>
Increase in cash and cash equivalents	<u>26,089,332</u>	<u>20,598,445</u>
Cash and cash equivalents at beginning of the year	<u>141,758,323</u>	<u>117,709,567</u>
Effects of exchange rate changes on cash and cash equivalents - (gain) / loss	<u>(6,965,601)</u>	<u>885,306</u>
	<u>134,792,722</u>	<u>118,594,873</u>
Cash and cash equivalents at end of the period	<u>160,882,054</u>	<u>139,193,318</u>

The annexed notes 1 to 43 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, 2022

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company : Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services in Pakistan and overseas. 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 823 branches (December 31, 2021: 770 branches) and 16 sub-branches (December 31, 2021: 20 sub-branches). Out of the 823 branches, 560 (December 31, 2021: 529) are conventional, 252 (December 31, 2021: 230) are Islamic, 10 (December 31, 2021: 10) are overseas and 1 (December 31, 2021: 1) is an offshore banking unit.

Subsidiary	Note	Percentage of Holding	
		June 2022	December 2021
Alfalah CLSA Securities (Private) Limited, Pakistan	1.1.1	62.50%	61.20%

1.1.1 During the period, the Bank has purchased stake of 1.3% from non-controlling interest of the subsidiary.

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 (IFIS). Further, SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. SBP has directed banks in Pakistan to implement IFRS 9 with effect from January 1, 2023 vide BPRD circular no. 03 dated July 05, 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, subsidiaries and associates 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 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, 2021.

2.2.4 The Group company believes that there is no significant doubt on the Group company's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on the going concern basis.

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 Group's accounting periods beginning on or after January 1, 2022 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 consolidated 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)
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 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, 2021.

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, 2021, except as disclosed in note 11.4.2(v).

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, 2021.

(Un-audited) (Audited)
June 30, December 31,
2022 2021
------(Rupees in '000)-----

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	27,686,829	21,886,083
Foreign currency	3,718,467	2,722,351
	31,405,296	24,608,434
With State Bank of Pakistan in		
Local currency current account	51,784,153	47,249,054
Foreign currency current account	6,376,871	5,231,881
Foreign currency deposit account	9,235,122	9,466,467
	67,396,146	61,947,402
With other central banks in		
Foreign currency current account	15,684,228	9,536,033
Foreign currency deposit account	6,379,651	2,589,553
	22,063,879	12,125,586
With National Bank of Pakistan in local currency current account	10,894,059	6,699,191
Prize bonds	47,988	226,317
	<u>131,807,368</u>	<u>105,606,930</u>

8 BALANCES WITH OTHER BANKS

In Pakistan		
In current account	373,201	159,395
In deposit account	67,220	57,615
	440,421	217,010
Outside Pakistan		
In current account	12,509,479	9,737,924
In deposit account	28,410	26,373
	12,537,889	9,764,297
	<u>12,978,310</u>	<u>9,981,307</u>

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	18,762,709	22,815,581
Repurchase agreement lendings (Reverse Repo)	71,768,067	11,172,904
Bai Muajjal receivable with other financial institutions	-	1,993,580
	90,530,776	35,982,065
Less: expected credit loss - overseas branches	(803)	-
Lending to Financial Institutions - net of provision	<u>90,529,973</u>	<u>35,982,065</u>

10 INVESTMENTS

Note

10.1 Investments by type:

June 30, 2022 (Un-audited)				December 31, 2021 (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

Pakistan Investment Bonds

Government of Pakistan Sukuks

Shares

Ordinary shares / units - Listed

Foreign Securities

Overseas Bonds - Sovereign

28,970,643	-	(6,182)	28,964,461	58,471,616	-	(20,039)	58,451,577
36,633,066	-	(79,243)	36,553,817	38,043,325	-	993	38,044,318
1,952,545	-	(10,313)	1,942,232	-	-	-	-
937,412	-	(21,826)	915,586	1,010,085	-	(13,039)	997,046
2,134,502	-	(81,387)	2,053,115	4,078,675	-	(391,803)	3,686,872
70,628,162	-	(198,951)	70,429,211	101,603,701	-	(423,888)	101,179,813

Available-for-sale securities

Federal Government Securities

Market Treasury Bills

Pakistan Investment Bonds

Government of Pakistan Sukuks

Government of Pakistan Euro Bonds

Naya Pakistan Certificates

Shares

Ordinary shares - Listed

Ordinary shares - Unlisted

Preference Shares - Listed

Preference Shares - Unlisted

Non Government Debt Securities

Term Finance Certificates

Sukuks

Foreign Securities

Overseas Bonds - Sovereign

Overseas Bonds - Others

Redeemable Participating Certificates 10.1.1

Mutual Fund units

953,918	-	(16,581)	937,337	66,709,176	-	(31,162)	66,678,014
623,450,630	-	(3,809,523)	619,641,107	421,777,608	-	(2,068,279)	419,709,329
86,790,047	-	(618,261)	86,171,786	70,415,751	-	(427,810)	69,987,941
10,748,299	-	(3,148,003)	7,600,296	6,672,320	-	(16,227)	6,656,093
3,524,818	-	-	3,524,818	1,016,120	-	-	1,016,120
7,464,547	(672,391)	(304,876)	6,487,280	4,228,215	(315,697)	50,388	3,962,906
1,211,363	(57,728)	-	1,153,635	1,211,363	(55,725)	-	1,155,638
108,835	(108,835)	-	-	108,835	(108,835)	-	-
25,000	(25,000)	-	-	25,000	(25,000)	-	-
2,726,768	(336,276)	(9,907)	2,380,585	2,426,778	(311,298)	(10,682)	2,104,798
16,899,097	(96,511)	266,916	17,069,502	17,481,926	(96,511)	239,990	17,625,405
19,567,765	-	(1,648,118)	17,919,647	16,991,437	-	300,601	17,292,038
29,473,864	-	(1,666,988)	27,806,876	25,215,398	-	521,640	25,737,038
3,882,599	-	-	3,882,599	3,310,874	-	-	3,310,874
500,000	-	-	500,000	-	-	-	-
807,327,550	(1,296,741)	(10,955,341)	795,075,468	637,590,801	(913,066)	(1,441,541)	635,236,194

Held-to-maturity securities

Federal Government Securities

Pakistan Investment Bonds

Other Federal Government Securities

Non Government Debt Securities

Term Finance Certificates

Sukuks

Foreign Securities

Overseas Bonds - Sovereign

65,558,286	-	-	65,558,286	52,966,763	-	-	52,966,763
-	-	-	-	3,094,151	-	-	3,094,151
898,013	(24,680)	-	873,333	431,347	(24,680)	-	406,667
2,032,322	(80,722)	-	1,951,600	2,063,572	(80,722)	-	1,982,850
11,921,272	-	-	11,921,272	13,106,228	-	-	13,106,228
80,409,893	(105,402)	-	80,304,491	71,662,061	(105,402)	-	71,556,659

Associates (valued at equity method)

Alfalsh Insurance Company Limited

Sapphire Wind Power Company Limited

Alfalsh GHP Investment Management Limited

544,900	-	-	544,900	552,910	-	-	552,910
3,318,990	-	-	3,318,990	3,039,576	-	-	3,039,576
554,755	-	-	554,755	525,636	-	-	525,636
4,418,645	-	-	4,418,645	4,118,122	-	-	4,118,122

General provision and expected credit loss-

Overseas operations 10.3.2.1

-	(197,775)	-	(197,775)	-	(167,542)	-	(167,542)
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Total Investments

962,784,250	(1,599,918)	(11,154,292)	950,030,040	814,974,685	(1,186,010)	(1,865,429)	811,923,246
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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.

(Un-audited) (Audited)
June 30, **December 31,**
2022 **2021**
 -----(Rupees in '000)-----

10.2 Investments given as collateral

Market Treasury Bills	-	34,714,491	
Pakistan Investment Bonds	273,896,500	109,031,611	
Overseas Bonds	9,532,301	10,749,672	
	283,428,801	154,495,774	

10.2.1 Market value of securities given as collateral is Rs. 280,631,354 million (December 31, 2021: Rs. 154,163.013 million).

(Un-audited) (Audited)
June 30, **December 31,**
2022 **2021**
 -----(Rupees in '000)-----

10.3 Provision for diminution in value of investments

10.3.1 Opening balance	1,186,010	1,354,553	
Exchange and other adjustments	33,787	6,183	
Charge / reversals			
Charge for the period / year	423,965	421,889	
Reversals for the period / year	(20,797)	(217,924)	
Reversal on disposals	(23,047)	(374,755)	
	380,121	(170,790)	
Written off	-	(3,936)	
Closing Balance	1,599,918	1,186,010	

10.3.2 Particulars of provision against debt securities

Category of classification	June 30, 2022 (Un-audited)		December 31, 2021 (Audited)	
	NPL	Provision	NPL	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	538,189	538,189	513,211	513,211

10.3.2.1 In addition to the above, overseas branches hold a provision of Rs. 197.775 million (December 31, 2021: Rs. 167.542 million) against investments in accordance with ECL requirements of IFRS 9.

10.3.3 The market value of securities classified as held-to-maturity as at June 30, 2022 amounted to Rs. 74,599.349 million (December 31, 2021: Rs. 69,624.622 million).

Note	Performing		Non Performing		Total	
	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	------(Rupees in '000)-----					
Loans, cash credits, running finances, etc.	539,263,872	515,836,257	19,457,736	20,346,565	558,721,608	536,182,822
Islamic financing and related assets	163,265,221	132,995,060	3,871,183	3,776,282	167,136,404	136,771,342
Bills discounted and purchased	26,546,917	25,534,513	2,957,512	588,182	29,504,429	26,122,695
Advances - gross	729,076,010	674,365,830	26,286,431	24,711,029	755,362,441	699,076,859
Provision against advances						
- Specific	11.4	-	(21,796,287)	(21,126,338)	(21,796,287)	(21,126,338)
- General	11.4	(7,057,369)	-	-	(7,057,369)	(4,067,236)
		(7,057,369)	(21,796,287)	(21,126,338)	(28,853,656)	(25,193,574)
Advances - net of provision	722,018,641	670,298,594	4,490,144	3,584,691	726,508,785	673,883,285

11.1 Advances include an amount of Rs. 286.296 million (December 31, 2021: Rs. 233.151 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 10.17% to 25.10% (December 31, 2021: 10.17% to 23.65%) with maturities up to June 29, 2042 (December 31, 2021: October 2041).

	(Un-audited) (Audited)	
	June 30, 2022	December 31, 2021
	------(Rupees in '000)-----	
11.2 Particulars of advances (Gross)		
In local currency	692,531,339	631,768,509
In foreign currencies	62,831,102	67,308,350
	755,362,441	699,076,859

11.3 Advances include Rs. 26,286.431 million (December 31, 2021: Rs. 24,711.029 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2022 (Un-audited)		December 31, 2021 (Audited)	
	Non- Performing Loans	Provision	Non- Performing Loans	Provision
	------(Rupees in '000)-----			
Domestic				
Other Assets Especially Mentioned	171,795	5,337	84,230	4,693
Substandard	3,950,937	1,071,192	2,466,916	566,982
Doubtful	2,422,520	1,276,233	2,743,571	1,423,199
Loss	19,075,677	18,936,862	18,790,302	18,655,497
	25,620,929	21,289,624	24,085,019	20,650,371
Overseas				
Overdue by:				
91 to 180 days	-	-	29,467	249
181 to 365 days	31,360	1,110	-	-
Above 365 days	634,142	505,553	596,543	475,718
	665,502	506,663	626,010	475,967
Total	26,286,431	21,796,287	24,711,029	21,126,338

11.4 Particulars of provision against advances

	June 30, 2022 (Un-audited)			December 31, 2021 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	21,126,338	4,067,236	25,193,574	18,318,525	5,266,171	23,584,696
Exchange and other adjustments	30,567	23,402	53,970	39,420	20,227	59,647
Charge for the period / year	1,923,674	2,966,731	4,890,405	4,959,088	-	4,959,088
Reversals for the period / year	(1,103,646)	-	(1,103,646)	(1,871,249)	(1,219,162)	(3,090,411)
	820,028	2,966,731	3,786,759	3,087,839	(1,219,162)	1,868,677
Amounts written off	(110,855)	-	(110,855)	(319,446)	-	(319,446)
Amounts charged off - agriculture financing	(69,791)	-	(69,791)	-	-	-
	(180,646)	-	(180,646)	(319,446)	-	(319,446)
Closing balance	21,796,287	7,057,369	28,853,657	21,126,338	4,067,236	25,193,574

11.4.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at June 30, 2022 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 88.560 million (December 31, 2021: Rs. 89.192 million).

11.4.2 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;

(iii) Provision of Rs. 1,450.000 million (December 31, 2021: 2,550.000 million) representing Covid 19 general loan loss reserve. The restructured portfolio is performing and the provision represents upto 5% of the restructured customers as at June 30, 2022; and

(iv) Provision of Rs. 3,850.000 million (December 31, 2021: nil) against the high risk advances portfolio, which is showing higher economic vulnerability. The portfolio excludes GoP backed exposures, staff loans, loans secured against liquid collaterals and loans against which COVID general provision is being maintained.

11.4.3 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, 2022	(Audited) December 31, 2021
------(Rupees in '000)-----			
12 FIXED ASSETS			
Capital work-in-progress	12.1	1,627,087	1,117,186
Property and equipment	12.2	29,514,735	26,588,783
Right-of-use assets		14,128,774	11,855,983
		<u>45,270,596</u>	<u>39,561,952</u>
12.1 Capital work-in-progress			
Civil works		1,104,354	692,766
Equipment		516,208	414,857
Others		6,525	9,563
		<u>1,627,087</u>	<u>1,117,186</u>

12.2 It includes land and buildings carried at revalued amount of Rs. 20,898.881 million (December 31, 2021: Rs. 19,341.240 million).

12.2.1 During the period, non banking assets having cost of Rs. 161.759 million and surplus of Rs. 60.660 million were transferred to fixed assets.

		(Un-audited) Half year ended	
		June 30, 2022	June 30, 2021
		----- (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	509,901	36,137
	Property and equipment		
	Freehold land	912,286	-
	Buildings on freehold land	510,647	53,438
	Buildings on leasehold land	20,110	42,845
	Leasehold improvement	382,967	171,413
	Furniture and fixtures	98,048	35,081
	Office equipment	1,974,767	803,751
	Vehicles	34,086	8,545
		3,932,911	1,115,073
	Total additions to fixed assets	4,442,812	1,151,210

12.4 Disposals of fixed assets

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

Leasehold improvements	1,864	1,414
Furniture and fixtures	300	987
Office equipments	7,790	3,188
Total disposal of fixed assets	9,954	5,589

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	556,432	381,761
Software	747,706	735,128
Membership Card	2,500	2,500
	1,306,638	1,119,389

		(Un-audited) Half year ended	
		June 30, 2022	June 30, 2021
		----- (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	174,671	(8,485)
Directly purchased	189,938	88,794
Total additions to intangible assets	364,609	80,309

13.2 There were no disposals during the periods ended June 30, 2022 and June 30, 2021.

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
14 DEFERRED TAX ASSETS			
----- (Rupees in '000) -----			
Deductible Temporary Differences on:			
- Provision against investments		918,326	463,795
- Provision against advances		3,010,708	2,899,949
- Unrealised loss on revaluation of HFT investments		82,669	165,446
- Deficit on revaluation of available for sale investments		4,710,798	561,126
- Provision against other assets		802,061	730,972
- Provision against lending to financial institutions		90	81
- Worker Welfare Fund		396,142	-
		9,920,794	4,821,369
Taxable Temporary Differences on:			
- Surplus on revaluation of fixed assets		(563,878)	(473,110)
- Surplus on revaluation of non banking assets		(45,651)	(84,039)
- Share of profit and other comprehensive income from associates		(1,393,648)	(1,146,801)
- Accelerated tax depreciation		(2,250,310)	(1,959,949)
		(4,253,487)	(3,663,899)
		5,667,307	1,157,470
15 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		33,721,609	23,325,336
Income/ Mark-up accrued in foreign currency - net of provision		1,787,098	1,389,395
Advances, deposits, advance rent and other prepayments		3,610,988	2,636,643
Non-banking assets acquired in satisfaction of claims	15.1 & 15.2	1,271,035	1,435,191
Mark to market gain on forward foreign exchange contracts		4,601,070	2,249,270
Mark to market gain on derivatives	24.1	3,200,132	-
Branch Adjustment Account		31,231	-
Stationery and stamps on hand		20,809	25,415
Defined benefit plan		609,915	744,324
Due from card issuing banks		1,344,526	1,212,831
Accounts receivable		5,201,942	3,421,970
Margin deposits on derivatives		-	427,232
Claims against fraud and forgeries		71,716	67,515
Acceptances		21,799,752	20,050,282
Receivable against DSC/SSC and overseas government securities		485,661	570,897
Receivable against tradeable market securities		687,690	1,623,912
Others		70,918	53,914
		78,516,092	59,234,127
Less: Provision held against other assets	15.3	(1,890,558)	(1,848,407)
Other assets (net of provision)		76,625,534	57,385,720
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	15.1 & 15.2	107,515	171,727
		76,733,049	57,557,447

15.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 1,378.550 million (December 31, 2021: Rs. 1,606.618 million).

15.2 During the period, non banking assets having cost of Rs. 161.759 million and surplus of Rs. 60.660 million were transferred to fixed assets.

15.3 Provision held against other assets	(Un-audited)	(Audited)
	June 30, 2022	December 31, 2021
	----- (Rupees in '000) -----	
Impairment against overseas operation	1,000,000	1,000,000
Expected credit loss (overseas operation)	157,565	134,891
Fraud and forgeries	71,716	67,515
Accounts receivable	563,201	552,033
Non banking assets acquired in satisfaction of claims	-	300
Others	98,076	93,668
	1,890,558	1,848,407

15.3.1 Movement in provision held against other assets

Opening balance	1,848,407	797,976
Exchange and other adjustments	24,713	8,393
Charge for the period / year	21,384	1,060,710
Reversals for the period / year	(1,591)	(1,017)
	19,793	1,049,693
Amount written off	(2,355)	(7,655)
Closing balance	1,890,558	1,848,407

16 BILLS PAYABLE	(Un-audited)	(Audited)
	June 30, 2022	December 31, 2021
	----- (Rupees in '000) -----	
In Pakistan	25,839,659	21,774,411
Outside Pakistan	2,681,573	1,051,089
	28,521,232	22,825,500

17 BORROWINGS

Secured

Borrowings from State Bank of Pakistan under:

Export Refinance Scheme	52,917,816	52,677,880
Long-Term Finance Facility	29,589,321	26,394,909
Financing Facility for Renewable Energy Projects	11,164,227	9,793,026
Financing Facility for Storage of Agriculture Produce (FFSAP)	813,340	685,931
Refinance For Wages & Salaries	7,105,310	14,332,866
Temporary Economic Refinance Facility	42,538,205	28,933,063
Export Refinance under Bill Discounting	9,409,908	-
SME Asaan Finance (SAAF)	900,999	-
Refinance Facility for Combating COVID (RFCC)	516,258	201,045
Refinance and Credit Guarantee Scheme for Women Entrepreneurs	181,671	177,244
Repurchase Agreement Borrowings	200,000,000	97,506,050
	355,137,055	230,702,014

Repurchase agreement borrowings	22,312,277	55,219,084
Bai Muajjal	49,754,306	47,960,362
Medium Term Note	11,000,000	11,000,000
Others	873,647	300,000
Total secured	439,077,285	114,479,446

Unsecured

Call borrowings	9,715,713	21,084,927
Overdrawn nostro accounts	2,666,333	1,774,249
Bai Muajjal	-	849,923
Others		
- Pakistan Mortgage Refinance Company	2,231,723	2,280,921
- Karandaaaz Risk Participation	2,688,283	2,345,604
- Other financial institutions	10,023,796	10,591,788
Total unsecured	27,325,848	38,927,412
	466,403,133	384,108,872

	June 30, 2022 (Un-audited)			December 31, 2021 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	485,494,612	111,574,081	597,068,693	407,126,787	88,329,596	495,456,383
Savings deposits	259,312,595	34,755,099	294,067,694	249,702,928	34,000,491	283,703,419
Term deposits	233,334,365	40,607,690	273,942,055	169,741,023	42,871,078	212,612,101
Others	36,105,776	5,779,843	41,885,619	19,942,860	4,683,544	24,626,404
	1,014,247,348	192,716,713	1,206,964,061	846,513,598	169,884,709	1,016,398,307
Financial Institutions						
Current deposits	1,926,935	854,644	2,781,579	1,984,546	3,280,707	5,265,253
Savings deposits	71,521,297	2,495,266	74,016,563	90,175,266	900,203	91,075,469
Term deposits	34,334,350	118,476	34,452,826	24,170,116	988,200	25,158,316
Others	619,511	23,941	643,452	950,897	161,378	1,112,275
	108,402,093	3,492,327	111,894,420	117,280,825	5,330,488	122,611,313
	1,122,649,441	196,209,040	1,318,858,481	963,794,423	175,215,197	1,139,009,620

18.1 Current deposits include remunerative current deposits of Rs. 13,581.075 million (December 31, 2021 : Rs. 8,823.382 million).

	(Un-audited)	(Audited)
	June 30,	December 31,
	2022	2021
	------(Rupees in '000)-----	

19 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 Pakistan Credit Rating Agency.		
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 absorbcency 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><u>7,000,000</u></u>	<u><u>7,000,000</u></u>

20 OTHER LIABILITIES	Note	(Un-audited)	(Audited)
		June 30, 2022	December 31, 2021
------(Rupees in '000)-----			
Mark-up/ Return/ Interest payable in local currency		10,608,950	5,347,968
Mark-up/ Return/ Interest payable in foreign currency		972,713	784,610
Unearned fee commission and income on bills discounted and guarantees		2,382,794	1,386,030
Accrued expenses		7,754,737	8,478,693
Current taxation		14,237,568	10,497,948
Acceptances		21,799,752	20,050,282
Dividends payable		2,198,910	152,030
Mark to market loss on forward foreign exchange contracts		3,342,807	1,021,507
Mark to market loss on derivatives	24.1	-	191,189
Branch adjustment account		-	334,445
ADC settlement accounts		6,241,519	1,558,435
Provision for compensated absences		724,224	634,224
Payable against redemption of customer loyalty / reward points		541,485	486,149
Charity payable		53,436	24,963
Provision against off-balance sheet obligations	20.1	176,288	137,639
Security deposits against leases, lockers and others		13,927,322	11,185,102
Worker's Welfare Fund		2,895,275	2,471,455
Payable to vendors and suppliers		575,952	722,986
Margin deposits on derivatives		3,345,147	-
Payable to merchants (card acquiring)		18,969	188,553
Indirect Taxes Payable		1,675,093	1,284,540
Lease Liabilities		15,761,524	13,220,387
Payable against tradeable market securities		396,645	496,595
Trading Liability		1,308,741	-
Others		2,653,236	1,299,270
		113,593,087	81,955,000

20.1 Provision against off-balance sheet obligations

Opening balance	137,639	127,428
Exchange and other adjustments	9,248	10,468
Charge / (reversal) for the period / year	29,401	(257)
Closing balance	176,288	137,639

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
------(Rupees in '000)-----			
21 SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of:			
- Available for sale securities	10.1	(10,955,341)	(1,441,541)
- Available for sale securities of associates		(20,518)	(7,142)
- Fixed Assets		13,069,914	13,053,303
- Non-banking assets acquired in satisfaction of claims		107,515	171,727
		2,201,570	11,776,347
Less: Deferred tax (asset) / liability on surplus / (deficit) on revaluation of:			
- Available for sale securities		(4,710,797)	(562,201)
- Available for sale securities of associates		(8,823)	(2,784)
- Fixed Assets		563,878	473,110
- Non-banking assets acquired in satisfaction of claims		45,651	84,039
		(4,110,091)	(7,836)
Less: Derivatives (Deficit) / Surplus		(2,874,274)	347,961
Gain on sale of available for sale investment		-	11,399
Surplus / (deficit) on revaluation of available for sale securities attributable to non controlling interest		-	(7,375)
		9,185,935	11,440,246
22 NON-CONTROLLING INTEREST			
		(Un-audited) June 30, 2022	(Audited) December 31, 2021
Name	Principal activity	Principal place	Note
			Ownership interest held by NCI
Alfalah CLSA Securities (Private) Limited, Pakistan	Stock Brokerage	Pakistan	1.1.1
			37.50%
			38.80%
Key financial information of the subsidiary		(Un-audited) June 30, 2022	(Audited) December 31, 2021
Assets		1,711,822	985,710
Liabilities		1,385,559	650,986
Net Assets		326,263	334,724
Non-Controlling Interest (NCI)		122,350	129,889
		(Un-audited) Half year ended	
		June 30, 2022	June 30, 2021
		------(Rupees in '000)-----	
Revenue		143,151	172,681
Expenses		151,612	112,314
(Loss) / profit after tax for the period / year		(8,461)	60,367
Other Comprehensive (loss) / income for the period / year		(8,461)	72,373
Cash Flows:			
Cash Flows from Operating Activities		(348,023)	(591,065)
Cash Flows from Investing Activities		(23,602)	(2,489)
Cash Flows from Financing Activities		(2,081)	(6,498)
Net increase / (decrease) in cash and cash equivalent		(373,706)	(600,052)

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
23 CONTINGENCIES AND COMMITMENTS			
-Guarantees	23.1	123,262,232	99,914,966
-Commitments	23.2	506,336,900	466,501,999
-Other contingent liabilities	23.3.1	7,183,984	4,823,035
		<u>636,783,116</u>	<u>571,240,000</u>
23.1 Guarantees:			
Performance guarantees		47,058,240	41,041,271
Other guarantees		76,203,992	58,873,695
		<u>123,262,232</u>	<u>99,914,966</u>
23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		192,173,808	178,246,952
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	196,759,243	164,776,360
- forward government securities transactions	23.2.2	29,133,093	39,784,849
- derivatives	23.2.3	50,857,885	36,820,716
- forward lending	23.2.4	33,770,831	43,921,848
Commitments for acquisition of:			
- operating fixed assets		2,786,668	2,054,239
- intangible assets		405,372	447,035
Other commitments	23.2.5	450,000	450,000
		<u>506,336,900</u>	<u>466,501,999</u>
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		121,402,509	104,574,460
Sale		75,356,734	60,201,900
		<u>196,759,243</u>	<u>164,776,360</u>
23.2.2 Commitments in respect of forward government securities transactions			
Purchase		31,687	10,167,457
Sale		29,101,406	29,617,392
		<u>29,133,093</u>	<u>39,784,849</u>
23.2.3 Commitments in respect of derivatives (Interest Rate Swaps)			
Purchase	24.1	50,857,885	36,820,716
Sale		-	-
		<u>50,857,885</u>	<u>36,820,716</u>

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
23.2.4 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.4.1	28,597,509	39,356,808
Commitments in respect of investments		5,173,322	4,565,040
		<u>33,770,831</u>	<u>43,921,848</u>

23.2.4.1 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.

23.2.5 Other Commitments

A commercial bank on behalf of Alfalah CLSA Securities (Private) Limited, Pakistan has given a guarantee of Rs. 450 million (2021: 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.

23.3 Other contingent liabilities

23.3.1 Claims against the Bank not acknowledged as debts	<u>7,183,984</u>	<u>4,823,035</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. 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.

23.4 Contingency for tax payable

There were no tax related contingencies other than as disclosed in note 34.1.

24 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.

24.1 Product Analysis	June 30, 2022 (Un-audited)			December 31, 2021 (Audited)		
	Interest Rate Swaps			Interest Rate Swaps		
	No. of contracts	Notional Principal	Mark to market Gain	No. of contracts	Notional Principal	Mark to market (Loss)
	----- (Rupees in '000) -----					
With Banks for Hedging	61	50,857,885	3,200,132	50	36,820,716	(191,189)
	<u>61</u>	<u>50,857,885</u>	<u>3,200,132</u>	<u>50</u>	<u>36,820,716</u>	<u>(191,189)</u>

	Note	(Un-audited)	
		Half year ended	
		June 30, 2022	June 30, 2021
------(Rupees in '000)-----			
25	MARK-UP/RETURN/INTEREST EARNED		
	On:		
	a) Loans and advances	33,115,917	22,125,122
	b) Investments	46,884,237	22,240,140
	c) Lendings to financial institutions	589,149	1,010,714
	d) Balances with banks / financial institutions	32,723	17,379
	e) On securities purchased under resale agreements / Bai Muajjal	2,032,317	622,216
		82,654,343	46,015,571
26	MARK-UP/RETURN/INTEREST EXPENSED		
	On:		
	a) Deposits	28,769,693	13,010,910
	b) Borrowings	4,599,991	3,327,813
	c) Securities sold under repurchase agreements	14,213,507	5,579,272
	d) Subordinated debt	411,199	315,911
	e) Cost of foreign currency swaps against foreign currency deposits / borrowings	1,553,948	957,758
	f) Borrowing cost on leased properties	873,257	679,086
	g) Reward points / customer loyalty	112,165	64,623
		50,533,760	23,935,373
27	FEE & COMMISSION INCOME		
	Branch banking customer fees	526,363	481,290
	Consumer finance related fees	248,204	185,142
	Card related fees (debit and credit cards)	796,728	495,383
	Credit related fees	119,381	113,845
	Investment banking fees	189,708	197,387
	Commission on trade	1,063,561	841,437
	Commission on guarantees	256,887	140,233
	Commission on cash management	25,648	21,786
	Commission on remittances including home remittances	553,080	422,955
	Commission on bancassurance	332,988	286,017
	Card acquiring business	412,648	225,036
	Wealth Management Fee	48,809	35,648
	Commission on Employees' Old-Age Benefit Institution (EOBI)	20,812	16,236
	Commission on Benazir Income Support Programme (BISP)	164,517	137,965
	Alternate Delivery Channel (ADC)	321,614	166,161
	Brokerage/ Commission Income	144,791	149,860
	Others	99,352	94,440
		5,325,091	4,010,821
28	(LOSS) / GAIN ON SECURITIES		
	Realised	28.1	114,091
	Unrealised - held for trading	10.1	(198,951)
			(84,860)
28.1	Realised gain/(loss) on:		
	Federal Government Securities		(28,715)
	Shares		(63,072)
	Non Government Debt Securities		12,737
	Foreign Securities		193,141
			114,091
29	OTHER INCOME		
	Rent on property		16,444
	Gain on sale of fixed assets-net		44,554
	Gain on sale of non banking assets	29.1	9,200
	Profit on termination of leased contracts (Ijarah)		21,746
	Gain on termination of leases (IFRS 16)		112,285
			204,229
29.1	The Bank earned an income of Rs. 9.200 million against sale of membership shares / cards.		79,958

30	OPERATING EXPENSES	Note	(Un-audited)	
			Half year ended	
			June 30, 2022	June 30, 2021
			----- (Rupees in '000) -----	
	Total compensation expense	30.1	9,999,539	8,227,153
	Property expense			
	Rates and taxes		53,177	43,291
	Utilities cost		761,795	558,949
	Security (including guards)		452,721	379,437
	Repair and maintenance (including janitorial charges)		478,265	409,237
	Depreciation on right-of-use assets		1,285,737	1,087,177
	Depreciation on non-banking assets acquired in satisfaction of claims		2,160	2,158
	Depreciation on owned assets		309,695	244,713
			3,343,550	2,724,962
	Information technology expenses			
	Software maintenance		939,513	656,865
	Hardware maintenance		327,245	272,613
	Depreciation		337,787	284,961
	Amortisation		177,321	210,815
	Network charges		273,338	272,883
	Consultancy and support services		170,204	63,088
			2,225,408	1,761,225
	Other operating expenses			
	Directors' fees and allowances		103,277	99,693
	Fees and allowances to Shariah Board		6,691	4,719
	Legal and professional charges		442,158	101,475
	Outsourced services costs		374,661	411,746
	Travelling and conveyance		381,737	222,100
	Clearing and custodian charges		66,348	59,914
	Depreciation		560,909	504,566
	Training and development		56,744	66,477
	Postage and courier charges		248,453	244,888
	Communication		421,646	214,547
	Stationery and printing		452,050	376,264
	Marketing, advertisement and publicity		717,436	525,880
	Donations		15,350	14,510
	Auditors remuneration		29,294	36,587
	Brokerage and commission		143,116	126,735
	Entertainment		184,784	126,613
	Repairs and maintenance		316,416	318,671
	Insurance		622,192	540,358
	Cash Handling charges		513,524	472,053
	CNIC verification		88,542	71,942
	Others		540,415	239,161
			6,285,743	4,778,899
			21,854,240	17,492,239
30.1	Total compensation expense			
	Managerial Remuneration			
	i) Fixed		7,253,048	6,141,480
	ii) Variable:			
	a) Cash Bonus / Awards etc.		1,351,595	981,760
	b) Bonus and Awards in Shares etc.		120,000	78,980
	Charge for defined benefit plan		166,923	108,424
	Contribution to defined contribution Plan		300,969	244,197
	Medical		403,794	338,010
	Conveyance		177,054	140,152
	Staff compensated absences		90,000	67,000
	Others		112,685	99,208
	Sub-total		9,976,068	8,199,211
	Sign-on Bonus		18,471	27,802
	Severance Allowance		5,000	140
	Grand Total		9,999,539	8,227,153

31 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, 2022	June 30, 2021
------(Rupees in '000)-----			
32 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		5,173	18,290
Penalties imposed by other regulatory bodies		1,997	698
		<u>7,170</u>	<u>18,988</u>

33 PROVISIONS & WRITE OFFS - NET

Provision against lending to financial institutions (IFRS 9 - ECL)	9	803	-
Provision / (reversal) for diminution in value of investments	10.3.1	380,121	(230,333)
Provision against loans & advances	11.4	3,786,759	1,545,704
Provision against other assets	15.3.1	19,793	27,862
Provision / (reversal) against off-balance sheet obligations	20.1	29,401	(2,727)
Other provisions / write off - net		9,942	23,437
Recovery of written off / charged off bad debts		(186,671)	(213,561)
		<u>4,040,148</u>	<u>1,150,382</u>

34 TAXATION

Charge / (reversal) :

Current		10,390,748	4,519,607
Prior years		(1,566,235)	-
Deferred		(407,586)	(99,887)
		<u>8,416,927</u>	<u>4,419,720</u>

- 34.1 a) The income tax assessments of the Bank have been finalized upto and including tax year 2021. Certain addback 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, 2019, 2020 and 2021, 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 tax demand of Rs. 336.549 million net of relief provided in appeal (December 31, 2021: Rs. 714.263). Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) The Bank has received orders from a provincial tax authority for the periods from July 2011 to December 2020 wherein tax authority demanded sales tax on banking services and penalty amounting to Rs. 763.312 million [excluding default surcharge] (December 31, 2021: Rs. 763.312 million) by disallowing certain exemptions of sales tax on banking services and allegedly for short payment of sales tax. Appeals against 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, 2022	June 30, 2021
		----- (Rupees in '000) -----	
35	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period attributable to equity holders of the Bank	<u>8,759,037</u>	<u>6,994,629</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>4.93</u>	<u>3.94</u>

35.1 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.

36.1 Fair value of financial instruments

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

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

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

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

The table 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, 2022 (Un-audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	------(Rupees in '000)-----			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	785,335,853	-	785,335,853
Shares	7,402,864	-	-	7,402,864
Non-Government Debt Securities	12,084,000	7,366,088	-	19,450,088
Foreign Securities	-	51,662,238	-	51,662,238
Mutual Funds Units	-	500,000	-	500,000
Financial assets - not measured at fair value				
Investments - held to maturity securities	-	74,599,349	-	74,599,349
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	4,601,070	-	4,601,070
Forward sale of foreign exchange	-	(3,342,807)	-	(3,342,807)
Forward purchase of government securities	-	12	-	12
Forward sale government securities transactions	-	(5,270)	-	(5,270)
Derivatives purchases	-	3,200,132	-	3,200,132
	December 31, 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	------(Rupees in '000)-----			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	655,169,287	-	655,169,287
Shares	4,959,952	-	-	4,959,952
Non-Government Debt Securities	12,180,000	7,550,203	-	19,730,203
Foreign Securities	-	55,400,927	-	55,400,927
Financial assets - not measured at fair value				
Investments - held to maturity securities	-	69,624,622	-	69,624,622
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,249,270	-	2,249,270
Forward sale of foreign exchange	-	(1,021,507)	-	(1,021,507)
Forward purchase of government securities	-	(46,547)	-	(46,547)
Derivatives purchases	-	(191,189)	-	(191,189)

36.2 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.

36.3 Valuation techniques used in determination of fair values:

36.3.1 Fair value of financial assets

(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.

36.3.2 Fair value of non-financial assets

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 10 and 13. The valuations are conducted by the valuation experts appointed by Bank which are also on panel of State Bank of Pakistan.

36.3.3 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) including their forward contracts	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 / comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

37 SEGMENT INFORMATION

37.1 Segment details with respect to Business Activities

For the period ended June 30, 2022 (Un-audited)

	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
Profit & Loss									
Net mark-up/return/profit	(4,848,524)	5,666,306	5,496,691	24,409,312	(57,653)	1,774,619	(22,184)	(291,984)	32,120,583
Inter segment revenue - net	22,567,595	(2,002,538)	(84,159)	(21,026,771)	391,657	316,249	-	(162,033)	16,233,611
Non mark-up/return/interest income	2,943,928	1,384,945	9,28,203	4,250,368	265,025	668,318	165,335	771,356	11,377,478
Total Income	20,662,999	5,048,713	6,340,735	7,632,909	599,029	2,759,186	143,151	311,339	43,498,061
Segment direct expenses	8,845,522	780,697	2,990,263	275,208	938,021	1,104,977	145,727	7,204,814	22,285,229
Inter segment expense allocation	4,256,999	610,716	1,212,724	270,556	733,458	122,921	-	(7,207,374)	1,056,817
Total expenses	13,102,521	1,391,413	4,202,987	545,764	1,671,479	1,227,898	145,727	(2,560)	22,285,229
Provisions / (Reversals)	1,127,816	(327,035)	80,817	383,601	7,292	18,948	(1,291)	2,750,000	4,040,148
Profit / (loss) before tax	6,432,662	3,984,335	2,056,931	6,703,544	(1,079,742)	1,512,340	(1,285)	(2,436,101)	17,172,686
As at June 30, 2022 (Un-audited)									
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
Balance Sheet									
Cash & Bank balances	76,724,968	14,131,799	18,630,861	2,414,215	399,578	32,052,873	431,384	-	144,785,678
Investments	-	2,838,893	104,745,523	768,136,437	-	68,590,240	419,468	5,299,479	950,030,040
Net inter segment lending	506,329,266	-	-	-	12,322,732	-	-	105,038,478	623,690,476
Lendings to financial institutions	-	-	16,966,115	61,802,014	-	11,761,844	-	-	90,529,973
Advances - performing	224,624,394	284,640,529	163,121,253	-	70,594	39,418,903	21,175	10,121,793	722,018,641
Advances - non-performing	2,848,605	1,174,078	273,482	-	2,965	188,859	-	32,175	4,490,144
Others	24,444,898	18,384,960	25,605,926	19,994,659	1,242,996	14,387,668	839,794	24,076,689	128,977,590
Total Assets	834,972,131	321,170,259	329,343,160	852,347,325	14,038,865	166,370,367	1,771,821	144,568,614	2,664,522,542
Borrowings	27,550,246	94,120,524	48,010,665	270,693,124	-	25,154,927	873,647	-	466,403,133
Subordinated debt	-	-	-	-	-	-	-	7,000,000	7,000,000
Deposits & other accounts	788,075,919	188,841,103	226,567,209	-	13,822,249	101,497,989	-	54,012	1,318,858,481
Net inter segment borrowing	-	7,904,525	14,023,902	575,399,726	-	26,362,323	-	-	623,690,476
Others	19,408,479	30,304,107	38,500,969	8,593,529	216,616	14,553,993	511,912	30,024,715	142,114,320
Total Liabilities	835,034,644	321,170,259	327,102,745	854,686,379	14,038,865	167,569,232	1,385,569	37,078,727	2,558,066,410
Net Assets	(62,513)	-	2,240,415	(2,339,054)	-	(1,198,865)	326,263	107,489,887	106,456,132
Equity	-	-	-	-	-	-	-	-	106,456,132
Contingencies & Commitments	84,969,884	199,155,864	70,788,756	165,765,505	8,473	112,866,912	450,000	2,777,722	636,783,116

* Others include head office related activities and share of profit.

For the period ended June 30, 2021 (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokersage	Others*	Total
(Rupees in '000)									
Profit & Loss									
Net mark-up/return/profit	(1,620,272)	7,052,176	3,928,936	11,488,705	(6,840)	1,448,733	(3,157)	(208,083)	22,080,198
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	2,385,875	1,152,054	596,707	2,494,976	201,572	878,425	175,838	361,090	8,248,537
Total Income	13,607,088	4,437,014	4,378,134	4,613,183	414,694	2,510,357	172,681	195,584	30,328,735
Segment direct expenses									
Inter segment expense allocation	7,216,270	487,582	2,240,978	233,282	712,823	969,935	108,877	5,770,832	17,740,579
Total expenses	3,603,416	505,035	901,232	203,760	401,871	162,028	-	(5,777,342)	-
Provisions / (Reversals)	10,819,686	992,617	3,142,210	437,042	1,114,694	1,131,963	108,877	(6,510)	17,740,579
Profit / (loss) before tax	(52,190)	254,313	983,777	(69,756)	1,605	32,693	-	-	1,150,382
	2,839,592	3,190,084	252,147	4,245,897	(701,605)	1,345,761	63,804	202,094	11,437,774

As at December 31, 2021 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokersage	Others*	Total
(Rupees in '000)									
Balance Sheet									
Cash & Bank balances	59,681,508	11,541,859	16,233,178	6,799,542	494,255	20,606,452	231,443	-	115,588,237
Investments	-	2,072,227	91,822,133	645,414,966	-	69,050,718	26,166	3,537,036	811,923,246
Net inter segment lending	431,128,123	-	-	-	6,355,852	-	-	86,291,183	523,775,158
Advances - performing	-	-	16,493,641	11,172,904	-	8,315,520	-	-	35,982,065
Advances - non-performing	203,165,570	282,208,814	132,877,992	-	65,423	41,101,258	2,661	10,876,876	670,298,594
Others	1,069,060	2,138,566	224,685	-	2,337	150,043	-	-	3,584,691
Total Assets	21,021,729	19,167,418	21,637,954	11,100,835	1,490,652	3,353,196	725,440	20,899,034	99,396,258
Borrowings	716,065,990	317,128,884	279,289,583	674,488,247	8,408,519	142,577,187	985,710	121,604,129	2,260,548,249
Subordinated debt	26,768,170	79,969,245	31,305,163	207,951,783	-	37,314,358	300,000	500,153	384,108,872
Deposits & other accounts	668,667,896	182,007,203	200,390,388	-	8,293,361	79,650,772	-	7,000,000	7,000,000
Net inter segment borrowing	-	26,502,870	12,724,121	464,701,513	-	19,846,654	-	-	1,139,009,620
Others	20,591,423	28,649,566	32,493,099	3,089,606	115,518	5,658,006	350,984	13,832,658	523,775,158
Total Liabilities	716,027,489	317,128,884	276,912,771	675,742,902	8,408,519	142,469,790	650,984	21,332,811	1,150,674,150
Net Assets	38,501	-	2,376,812	(1,254,655)	-	107,397	334,726	100,271,318	101,874,099
Equity									
Contingencies & Commitments	69,140,430	182,035,105	73,345,099	160,268,743	78,313	83,682,843	450,000	2,239,467	571,240,000

* Others include head office related activities and share of profit.

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:

	As at June 30, 2022 (Un-audited)		As at December 31, 2021 (Audited)					
	Directors/ CEO	Key management personnel*	Associates	Other related parties	Directors/ CEO	Key management personnel*	Associates	Other related parties
----- (Rupees in '000) -----								
Lendings to financial institutions								
Opening balance	-	-	-	2,330,078	-	-	-	1,745,880
Addition during the period / year	-	-	-	26,526,168	-	-	-	136,191,858
Repaid during the period / year	-	-	-	(28,856,246)	-	-	-	(133,658,672)
Transfer in / (out) - net	-	-	-	-	-	-	-	(1,948,938)
Closing balance	-	-	-	-	-	-	-	2,330,078
Investments								
Opening balance	-	-	4,118,122	1,119,230	-	-	3,675,044	1,241,405
Investment made during the period / year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	-	(22,245)
Equity method adjustment	-	-	300,523	-	-	-	443,078	-
Transfer in / (out) - net	-	-	-	-	-	-	-	(89,930)
Closing balance	-	-	4,418,645	1,119,230	-	-	4,118,122	1,119,230
Advances								
Opening balance	77	1,184,057	-	1,997,552	78,132	791,521	-	3,346,278
Addition during the period / year	20,197	311,071	-	14,907,453	-	681,118	-	1,954,966
Repaid during the period / year	(628)	(169,055)	-	(15,260,831)	(78,055)	(263,110)	-	(3,398,044)
Transfer in / (out) - net	-	(931,312)	-	(7)	-	(25,472)	-	94,352
Closing balance	19,646	394,761	-	1,644,167	77	1,184,057	-	1,997,552
Other Assets								
Interest / mark-up accrued	170	39,101	-	27,654	-	109,318	-	20,294
Receivable from staff retirement fund	-	-	-	609,915	-	-	-	744,324
Prepayment / rent receivable	-	-	975	-	-	-	-	-
Others	-	-	493	-	-	-	-	-

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) (Audited)
June 30, December 31,
2022 2021
------(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	84,270,869	77,928,098
Eligible Additional Tier 1 (ADT 1) Capital	7,016,309	7,013,781
Total Eligible Tier 1 Capital	91,287,179	84,941,879
Eligible Tier 2 Capital	26,127,867	24,985,562
Total Eligible Capital (Tier 1 + Tier 2)	117,415,045	109,927,441

Risk Weighted Assets (RWAs):

Credit Risk	709,447,034	659,974,433
Market Risk	7,025,000	13,389,075
Operational Risk	94,040,288	94,040,288
Total	810,512,322	767,403,796

Common Equity Tier 1 Capital Adequacy ratio	10.40%	10.15%
Tier 1 Capital Adequacy Ratio	11.26%	11.07%
Total Capital Adequacy Ratio	14.49%	14.32%

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*	90,114,897	84,941,879
Total Exposures	2,365,942,694	2,292,529,009
Leverage Ratio	3.81%	3.71%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	618,529,496	474,660,774
Total Net Cash Outflow	358,539,364	275,665,253
Liquidity Coverage Ratio	173%	172%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	1,148,886,808	1,017,917,252
Total Required Stable Funding	818,688,801	753,951,739
Net Stable Funding Ratio	140%	135%

*Eligible Tier -1 Capital measure for calculation of Leverage Ratio is based on three months average.

40 AFGHANISTAN OPERATIONS

Bank Alfalah maintains a two branch presence in Afghanistan. The board and management of the Bank continue to closely monitor the evolving situation in Afghanistan which has been hampered due to country's frozen reserves and uncertainty regarding international recognition which prevent normal flows in and out of Afghanistan. The bank remains focused on maintaining its control standards i.e. both onshore and through Head Office oversight.

41 NON-ADJUSTING EVENT

The Board of Directors of the holding company in its meeting held on July 28, 2022 has declared an interim cash dividend of 25% i.e. Rs. 2.50 per share (June 30, 2021: Rs. 2.0 per share). These consolidated condensed interim financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

42 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on July 28, 2022 by the Board of Directors of the Bank.

43 GENERAL

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

The effect of reclassification, rearrangement, restatement in the comparative information presented in these consolidated condensed interim financial statements is as follows:

Description of Item	Nature	Rs '000	From	To
Business Partner Incentive - Card Centre	Income	42,451	Fee & Commission Income - Card Related Fees (Debit And Credit Cards)	Mark-Up/Return/Interest Earned - Loans And Advances
Step By Step Fee - Credit Card	Income	56,224	Fee & Commission Income - Card Related Fees (Debit And Credit Cards)	Mark-Up/Return/Interest Earned - Loans And Advances
Islamic Refinance Facility for Combating COVID (IRFCC)	Liability	66,861	Borrowings - Other refinance schemes	Borrowings - Refinance Facility for Combating COVID (RFCC)
Refinance Facility for Combating COVID (RFCC)	Liability	134,184	Borrowings - Export Refinance Scheme	Borrowings - Refinance Facility for Combating COVID (RFCC)
Refinance and Credit Guarantee Scheme for Women Entrepreneurs	Liability	177,244	Borrowings - Other refinance schemes	Borrowings - Refinance and Credit Guarantee Scheme for Women Entrepreneurs
Government of Pakistan Euro Bond	Asset	5,374,105	Investment - Overseas Bonds	Investment - Government of Pakistan Euro Bond

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



Bank Alfalah
The Way Forward



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