

Financial Statements for the Quarter and
Nine Months Period Ended 30 September 2018
(Un-audited)



Bank Alfalah
The Way Forward

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Company Information

Board of Directors

HH Sheikh Nahayan Mubarak Al Nahayan
Chairman / Director

Abdulla Nasser Hawaileel Al Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Shehzad Naqvi
Director

Gyorgy Tamas Ladics
Director

Ayesha Khan
Director

Nauman Ansari
President / CEO and Director

Board Audit Committee

Shehzad Naqvi
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Ayesha Khan
Member

Board Strategy and Finance Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Shehzad Naqvi
Member

Nauman Ansari
Member

Board Risk Management Committee

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Member

Efstratios Georgios Arapoglou
Member

Shehzad Naqvi
Member

Nauman Ansari
Member

Board Human Resources, Remuneration and Nomination Committee

Ayesha Khan
Chairperson

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Shehzad Naqvi
Member

Gyorgy Tamas Ladics
Member

Board Compensation Committee

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Member

Efstratios Georgios Arapoglou
Member

Ayesha Khan
Member

Board Information Technology Committee

Gyorgy Tamas Ladics
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Nauman Ansari
Member

Central Management Committee

Nauman Ansari
Chairman

Anjum Hai
Member

Hafsa Abbasy
Member

Mehreen Ahmed
Member

Muhammad Imran
Member

Bilal Asghar
Member

Syed Ali Sultan
Member

Aasim Wajid Jawad
Member

Khawaja Mohammad Ahmad
Member

Mohib Hasan Khan
Member

Muhammad Akram Sawleh
Member

Haroon Khalid
Member

Muhammad Yahya Khan
Member

Najamuz Zaman Siddiqui
Member

Chief Financial Officer

Anjum Hai

Company Secretary

Muhammad Akram Sawleh

Auditors

EY Ford Rhodes
Chartered Accountants

Registered/Head Office

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

Share Registrar

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

Directors' Review

On behalf of the Board of Directors, we are pleased to present the unconsolidated condensed interim financial statements of Bank Alfalah Limited (the Bank) for the quarter and nine months ended September 30, 2018.

Economic Review

At the start of FY19, the country witnessed notable changes on the political front that had a positive impact on the business and consumer confidence, with the smooth transition between democratic governments. However, concerns on the economic front remain; fueled by rising inflation, rupee adjustment, the large twin deficits (fiscal and current account deficits), growing external debt and circular debt in the power sector. In the short to medium term, these are likely to reduce real economic growth.

The macroeconomic policy focus has shifted to stabilization. Following a healthy annual GDP growth of 5.8 percent in FY18, economic activity is expected to slowdown in FY19. To assuage pressure on the external front, measures to stimulate exports and contain non-essential imports have been taken. As a result, domestic demand is projected to decelerate in FY19. Additionally, the lagged impact of SBP's policy rate hikes since January 2018 will curb demand in FY19. In September's Monetary Policy Statement (MPS) (effective October 01, 2018), the policy rate was increased by 100 bps, bringing the cumulative rate hike for the year to 275 bps and revising the policy rate upwards to 8.5 percent.

On the fiscal side, the government is targeting increased tax revenues through improved administrative measures and oversight, and additional revenue generation. Significant amendments have been made to the Federal Budget 2018-19. Additionally, the government is looking to curb expenditure by slashing development spending.

Monetary and fiscal measures are likely to affect Large Scale Manufacturing. Gas prices have recently been raised in line with the regulator's recommendations. Latest information shows that cotton production is expected to miss its FY19 target of 14.4 million bales with downside implications for agriculture growth. The ancillary services sector is also expected to miss its FY19 target. A positive impact is expected from the contribution of export-led production, higher fertilizer production amidst depleting stocks and increased availability of energy. In view of these demand and supply predictions, SBP projects the real GDP growth for FY19 at around 5.0 percent.

The significant current account deficit (CAD) continues to pose a challenge. Despite a 13.4 percent growth in workers' remittances and a 4.5 percent increase in exports in the first two months of FY19, a prominent increase in the value of oil imports drove overall imports up by 11.0 percent and kept the CAD at US\$2.7 billion, as compared to US\$2.5 billion in the corresponding period last year. The increase was registered despite contracting non-oil imports. As a result, import cover dropped to 8 weeks in August 2018 as compared to 14 weeks in same period last year. Financing the gap has depleted SBP's net liquid FX reserves which stood at US\$ 8.4 billion as of 28th September, 2018, down from US\$ 9.8 billion at the end of FY18. To bridge the current account gap, the government plans to reach out to the International Monetary Fund (IMF). Besides providing immediate relief to the low FX reserves, entry into an IMF program is likely to enhance the credibility of Pakistan in the eyes of global financial community and pave the way for fetching flows from multilateral agencies and improved access to international capital markets.

During the first quarter of FY19, YoY headline CPI inflation averaged 5.6 percent as compared to 3.4 percent during the same period last year. The jump is more pronounced in core Non-Food-Non-Energy (NFNE) inflation - a key measure reflecting the underlying inflationary pressures in the economy - which increased by 8 percent YoY. SBP's inflation projections show that the average headline inflation is expected to be in the revised forecast range of 6.5 - 7.5 percent in FY19. This assessment takes into account factors such as a higher than anticipated increase in international oil prices; upward revision in domestic gas prices; increase in regulatory duties on imports; and the continuing impact of previous exchange rate depreciations.

Broad money (M2) stocks were up 0.2 percent at the end of the first quarter of FY19, following a seasonal contraction, as compared to last year when a slight 0.6 percent contraction was witnessed during the same period. However, Private Sector Credit (PSC) performed relatively better, with credit off-take up to PKR 123.3 billion during the quarter compared to last year when PKR 28.7 billion was retired. SBP attributes the improved off-take to improved availability of energy, conducive exports demand and higher working capital needs due to capacity additions over the last few years. PSC growth is expected to continue, but at a slower pace than in FY18 as domestic demand falls and import duties are levied. Government borrowing from commercial banks was also subdued with PKR 1.4 trillion retired during the quarter. Monetary growth is expected to remain between 10.5 to 11.5 percent in FY19.

Review of the Bank's Performance

The summarized operating results of the Bank for the nine months period ended September 30, 2018 are presented as follows:

	Nine months ended September 30, 2018	Nine Months ended September 30, 2017
FINANCIAL PERFORMANCE		
Rupees in Millions		
Net Interest Income and Non Markup Income	31,401	29,821
Non Markup Expenses	17,763	18,220
Profit before tax	14,261	12,137
Profit after tax	8,629	7,175
Basic earnings per share – Rupees	5.35	4.46
Diluted earnings per share - Rupees	5.34	4.46
	September 30, 2018	December 31, 2017
STATEMENT OF FINANCIAL POSITION		
Rupees in Millions		
Shareholders' Equity (before surplus)	64,466	58,514
Total Deposits	680,497	653,406
Total Assets	894,371	988,074
Advances – net	472,753	400,655
Investments – net	211,859	400,733

The Bank's Profit before Taxation for the nine months ended September 30, 2018 is Rs. 14.261 Billion, being 17 percent higher than Rs. 12.137 Billion posted in the corresponding period last year. This translates into earnings per share of Rs. 5.35 versus Rs. 4.46 per share for the corresponding period last year.

Total revenue for the nine months stands at Rs. 31.401 Billion, improving by 5.3 percent from the corresponding period last year. Both Net Interest Income and Non-Interest Income improved by 5 percent YoY to end at Rs. 23.242 Billion and Rs. 8.159 Billion respectively. The growth in net interest income was primarily due to improved volumes as well as spreads. The predominant elements in non-markup income are higher FX, core fee and commission earnings which are offset by lower capital gains being a market phenomenon.

During the current period, the bank's net advances have improved by 18 percent. Investments reduced by 53 percent in line with reduced borrowing levels of 37 percent due to reduced arbitrage opportunities in 2018 versus last year. Deposits increased by 4%, ending at Rs. 680.497 Billion. The Bank's CA mix improved to 43.9%, while cost of deposits has just increased by 18 bps as compared to corresponding period last year, despite the policy rate increase by 175 bps over the course of the period.

A strict culture of cost discipline has led to administrative expenses being lower as compared to the last corresponding period. On a quarter on quarter basis, expenses were impacted by premium payments for depositors' protection, effective for quarters beginning July 01, 2018. This requirement has been introduced by the State Bank of Pakistan for all banks operating in Pakistan. Total expenses even after neutralizing impacts of certain one off items have reduced by 1 percent.

Recoveries against non-performing advances continued to outpace fresh charge booked against delinquent loans, and an overall specific provision reversal of Rs. 602.779 million was recorded.

As at the period end, the Bank's coverage ratio stands at 87.9 percent, while the Bank's NPL ratio stands at 3.5 percent, and remains one of the lowest in the industry.

Effective January 2018, IFRS 9 Financial Instruments, became applicable for the Bank's overseas locations, excluding Bangladesh, the impact of which has been taken in these financial statements. For Bank's local operations, an impact analysis is underway as per the directives of State Bank of Pakistan.

The Bank's total assets at the period end stand at Rs. 893.510 Billion as against Rs. 988.074 Billion at December 2017 end, mainly due to reduced borrowing levels. However, the Bank's net assets show a growth of 6% as against December 2017 end despite the payout of yearly and interim dividends.

The Bank remains adequately capitalized, with CAR for September, reported at 14.92 percent. The Bank's monthly average Liquidity Coverage Ratio (LCR) for the nine months period ended September 2018 is 1.56 or 156%, while the Bank's Net Stable Funding Ratio (NSFR) as at September 30, 2018, is 141% which are both well in excess of SBP prescribed minimum requirement.

Credit Rating

The Bank has been assigned an Entity Rating of 'AA+' (Double A Plus) for the Long Term and 'A1+' (A-One Plus) for the Short Term by PACRA, at June 2018 with Outlook assigned as Stable. The unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of AA (double A).

Furthermore, JCR-VIS Credit Rating Company Limited (JCR-VIS) has also assigned an entity rating of 'AA+' (Double A Plus) for the Long Term and 'A-1+' (A-One Plus) for the short term to the Bank, with Outlook assigned as 'Stable'. These ratings were also assigned in June 2018. The Bank's first ever Additional Tier 1 instrument (ADT-1) has been assigned an instrument rating 'AA-' (Double A Minus), with Stable Outlook.

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

Acknowledgment

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

President & Chief Executive Officer

Director

Date: October 25, 2018

Place: Abu Dhabi

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے جون 2018 کو بینک کی ریٹنگ طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) تفویض کی گئی۔ بینک کا آؤٹ لک مثبت قرار دیا گیا ہے۔ بینک کے ٹرم فنانس سرٹیفکیٹ کی ریٹنگ AA (ڈبل اے) تفویض کی گئی ہے۔

کریڈٹ ریٹنگ کمپنی JCR-VIS نے بینک الفلاح کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A-1+' (اے ون پلس) کریڈٹ ریٹنگ تفویض کی ہے۔ بینک الفلاح کے لیے تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے۔ یہ ریٹنگ جون 2018 کو جاری کی گئی ہے۔ بینک کا پہلا اضافی Tier 1 انسٹرومنٹ (ADT-1) کو مستحکم آؤٹ لک کے ساتھ انسٹرومنٹ ریٹنگ 'AA-' (ڈبل اے مائنس) تفویض کی گئی ہے۔

مذکورہ بہتر 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۔

اظہار تشکر:

بینک کے بورڈ کی طرف سے ہم سٹیٹ بینک، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، وزارت خزانہ اور دیگر ریگولیٹری اتھارٹیز کی مسلسل راہنمائی اور تعاون پر ان کا شکریہ ادا کرتے ہیں۔ ہم اپنے شیئر ہولڈرز، صارفین، ملازمین اور کاروباری شراکت داروں کے سرپرستی کرنے پر شکرگزار ہیں۔

ڈائریکٹر

صدر اور چیف ایگزیکٹو آفیسر

مورخہ: 25 اکتوبر 2018ء

بمقام: ابو ظہبی

ڈپازٹرز پروٹیکشن پر بیمہ جس کا آغاز یکم جولائی 2018 سے ہوا، شامل ہیں جو پاکستان میں کام کرنے والے تمام بینکوں پر سٹیٹ بینک کی طرف سے متعارف کروائی گئیں۔ کل اخراجات میں ایک فیصد تک کی کمی آئی۔

اچھی کارکردگی کا مظاہرہ نہ کرنے والوں کے خلاف اور غیر ادا شدہ قرضوں کے خلاف کارروائیوں کا سلسلہ جاری رہا اور 602.779 ملین روپے کی وصولیاں کی گئیں۔

سہ ماہی کے اختتام پر بینک کی کوریج کی شرح 87.9 فیصد رہی اور NPL کی شرح 3.5 فیصد رہی جو بینکوں کے شعبہ میں ابھی تک کم ہے۔

جنوری 2018 سے مؤثر IFRS 9 مالیاتی ساز و سامان سمندر پار مقامات پر قابل اطلاق ہو گیا ماسوائے بنگلہ دیش کے۔ جس کا اثر ان مالیاتی سٹیٹمنٹس پر ہوا ہے۔ بینک کے مقامی امور پر سٹیٹ بینک کی ہدایات پر IFRS 9 کے اثر کا تجزیہ کیا جا رہا ہے۔

بینک کے کل اثاثے موجودہ عرصے میں 893.510 بلین روپے تھے جبکہ گزشتہ سال دسمبر 2017 کے آخر تک یہ 988.074 بلین روپے تھے جس کی وجہ قرضوں کے حصول میں نمایاں کمی ہے۔

بینک کا CAR ستمبر کے اختتام پر 14.92 فیصد ہے۔ بینک کی ماہانہ اوسط لیکوڈیٹی کوریج ریشو (LCR) اختتام ستمبر 2018 میں 1.56 یا 156 فیصد ہے جبکہ بینک کی نیٹ سٹے ایبل فنڈنگ (NSFR) 30 ستمبر 2018 میں 141 فیصد ہے جو کہ دونوں سٹیٹ بینک کی مقرر کردہ کم سے کم حد سے زیادہ ہیں۔

30 ستمبر 2018 31 دسمبر 2017

(روپے بلین میں)

		فنانشل پوزیشن کی اسٹیٹمنٹ
64,466	58,514	شیر ہولڈرز کی ایکویٹی (قبل از سرپلس)
680,497	653,406	جمع شدہ رقوم (ڈپازٹس) کی مجموعی مالیت
894,371	988,074	اثاثوں کی مجموعی مالیت
472,753	400,655	قرضہ جات - خالص
211,859	400,733	سرمایہ کاری - خالص

30 ستمبر 2018 کو 9 ماہ کے اختتام پر بینک کا منافع ٹیکسوں کی کٹوتی سے پہلے 14.261 بلین روپے تھا جو کہ گزشتہ سال کے مقابلے میں 17 فیصد زیادہ ہے جو اس مدت میں گزشتہ سال 12.137 بلین روپے تھا۔ جو فی شیر میں تقسیم ہو کر فی شیر 5.35 روپے ہے جو گزشتہ سال اسی دورانیے میں 4.46 روپے فی شیر تھا۔

9 ماہ کے دوران کل آمدنی 31.401 بلین روپے رہی، جو گزشتہ سال کی نسبت 5.3 فیصد زیادہ ہے۔ انٹرسٹ انکم اور نان انٹرسٹ انکم دونوں میں بہتری ہوئی جو بالترتیب 23.242 بلین روپے اور 8.159 بلین روپے رہی۔ خالص آمدن میں اضافے کی بنیادی وجہ حجم میں بہتری اور پھیلاؤ ہے۔ غیر مارک اپ آمدنی میں زیادہ اہم عناصر زیادہ FX، بنیادی فیس اور کمیشن آمدنی ہیں جبکہ مارکیٹ کی موجودہ صورتحال کی وجہ سے سرمایہ کاری سے حاصل شدہ رقوم میں کمی دیکھی گئی۔

موجودہ عرصے میں بینک کے نیٹ ایڈوائس میں بہتری آئی جو 18 فیصد ہے۔ سرمایہ کاری میں 53 فیصد کمی ہوئی۔ جس کے ساتھ گزشتہ سال کے مقابلے میں قرض لینے کے رجحان میں بھی 37 فیصد کمی آئی۔ ڈپازٹس میں 4 فیصد اضافہ ہوا جو بڑھ کر 680.497 بلین روپے ہو گئے۔ بینک کے کرنٹ اکاؤنٹس مکس میں 43.9 فیصد کمی بہتری آئی، جبکہ ڈپازٹس کی لاگت میں گزشتہ سال کی نسبت صرف 18 bps اضافہ ہوا، باوجود اس کے کہ پالیسی ریٹ 175 bps سے بڑھ گیا۔ خرچ پر سختی سے عمل درآمد کے کلچر کی وجہ سے گزشتہ عرصے کی نسبت انتظامی اخراجات میں کمی آئی۔ اس سہ ماہی میں

مالی سال 19 کی پہلی سہ ماہی کے آخر میں براڈ منی (M2) سٹاکس 0.2 فیصد اوپر تھے، جس میں گزشتہ سال کی نسبت اسی مدت میں بہت معمولی 0.6 فیصد کمی دیکھی گئی۔ البتہ، پرائیویٹ سیکٹر کریڈٹ (PSC) نے نسبتاً بہتر کارکردگی دکھائی ہے۔ گزشتہ سال کی نسبت جب 28.7 بلین روپے کی ریٹائرمنٹ دیکھی گئی، جبکہ اس سہ ماہی میں 123.3 بلین روپے کریڈٹ آف ٹیک رہا۔ سٹیٹ بینک کے مطابق اس آف ٹیک کی وجہ تو انائی میں فراہمی، سازگار برآمدات کی طلب اور ہائی ورکنگ کیپٹل کی طلب ہے۔ امید ہے کہ PSC گروتھ جاری رہے گی تاہم مالی سال 18 کی نسبت یہ رفتار کم رہے گی جس کی وجہ اندرونی طلب میں کمی اور امپورٹ ڈیویڈنڈز کا جاری رہنا ہے۔ حکومت نے کمرشل بینکوں سے قرض میں اس سہ ماہی میں 1.4 ٹریلین روپے ادائیگی کی۔ مانیٹری ترقی مالی سال 19 کے دوران 10.5 سے 11.5 فیصد تک رہنے کا امکان ہے۔

بینک کی کارکردگی کا جائزہ:

بینک کی گزشتہ 9 ماہ کی کارکردگی جس کا اختتام 30 ستمبر 2018 کو ہوا، کی مختصر رپورٹ درج ذیل ہے:

9 ماہ اختتام 30 ستمبر 2018	9 ماہ اختتام 30 ستمبر 2017	
		(روپے بلین میں)
		فنانشل کارکردگی
31,401	29,821	خالص انٹرسٹ آمدن اور بغیر مارک اپ آمدن
17,763	18,220	بغیر مارک اپ اخراجات
14,261	12,137	قبل از ٹیکس منافع
8,629	7,175	بعد از ٹیکس منافع
5.35	4.46	بنیادی فی حصص آمدن - روپے
5.34	4.46	ڈائیلیوٹڈ فی حصص آمدن - روپے

اضافہ کیا گیا ہے۔ تازہ ترین اطلاعات کے مطابق مالی سال 19 میں زراعت میں خسارے کے باعث کپاس کی پیداوار کا مقررہ ہدف (14.4 بلین بیلز) پورا نہیں ہو سکے گا بلکہ اس میں کمی ہوگی۔ مالی سال 19 میں تنظیمی خدمات فراہم کرنے والے شعبہ میں بھی ہدف پورا نہ ہونے کا خدشہ ہے۔ برآمدات سے متعلقہ اشیاء کے شعبہ میں اضافے اور زیادہ کھاد کی پیداوار، جس کا انحصار موجودہ سٹاک پر ہے، اور موجودہ توانائی میں اضافے سے مثبت ردعمل کی توقع ہے۔ اس تناظر میں طلب اور رسد کے بارے میں پیشگوئی کے تحت، سٹیٹ بینک آف پاکستان کے مطابق جی ڈی پی کی گروتھ مالی سال 19 کے دوران 5.0 فیصد رہنے کا امکان ہے۔

کرنٹ اکاؤنٹ خسارے (CAD) کا چیلنج نمایاں طور پر جاری رہے گا۔ بیرون ملک ورکرز کی ترسیلات میں 13.4 فیصد اضافہ مالی سال 19 کے پہلے دو ماہ میں دیکھا گیا، جبکہ برآمدات میں 4.5 فیصد اضافہ دیکھا گیا اور گزشتہ سال کی نسبت تیل کی درآمد میں نمایاں اضافہ ہوا، گزشتہ سال CAD 2.5 بلین ڈالر تھا جو اس سال بڑھ کر 2.7 بلین ڈالر ہو گیا۔ اس کے نتیجے میں برآمدات کو اگست 2018 میں 8 ہفتوں پر پہنچ گیا جو گزشتہ سال کے اسی دورانیہ کے 14 ہفتوں کی سطح پر تھا۔ اس خسارے کو پورا کرنے کیلئے سٹیٹ بینک کے نیٹ Liquid FX Reserves کم ہو کر 28 ستمبر 2018ء کو 8.4 بلین ڈالر تک رہ گئے جو گزشتہ مالی سال 18 تک 9.8 بلین ڈالر تھے۔ موجودہ مالی خسارے کو پورا کرنے کیلئے حکومت نے طے کیا ہے کہ وہ انٹرنیشنل مالیاتی فنڈ (IMF) سے رابطہ کرے گی۔ موجودہ کم FX Reserves کی وجہ سے فوری امداد کے علاوہ حکومت IMF پروگرام کی بدولت اس قابل ہو جائے گی کہ عالمی مالیاتی اداروں کی نظر میں اس کی ساکھ بحال ہو جائے اور حکومت ان مالیاتی اداروں سے معاہدے کر سکے۔

مالی سال 19 کی پہلی سہ ماہی میں CPI افراط زر کی اوسط 5.6 فیصد ہے جبکہ گزشتہ سال یہ اسی دورانیہ میں 3.4 فیصد تھی۔ یہ اضافہ خوراک اور توانائی کے علاوہ دیگر اشیاء کے افراط زر میں زیادہ نمایاں ہے۔ جو کہ مہنگائی کے دباؤ کی نشاندہی کرتا ہے جس میں 8 فیصد کا سالانہ اضافہ دیکھا گیا۔ سٹیٹ بینک کے اعداد و شمار کے مطابق مالی سال 19 افراط زر 7.5 - 6.5 فیصد ہونے کا امکان ہے۔ اس اندازے میں عالمی تیل کی قیمتوں میں ہونے والے اضافے، گھریلو گیس کی قیمتوں میں اضافی نظر ثانی، درآمد پر یگولیرٹی ڈیویڈنڈ میں اضافے اور سابقہ اکیچینج ریٹ میں جاری استحصال کے اثر کو مد نظر رکھا گیا ہے۔

ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے ہم بخوشی بینک الفلاح کی عبوری فنانشل سٹیٹمنٹ پیش کرتے ہیں۔ یہ گزشتہ سہ ماہی اور 9 ماہ مختتم 30 ستمبر 2018ء کیلئے ہیں۔

معاشی جائزہ:

مالی سال 19 کے آغاز میں ملک نے سیاسی شعبہ میں کئی اہم تبدیلیاں دیکھیں۔ جمہوری طور پر اقتدار کی منتقلی کے نتیجے میں بزنس اور صارفین کے اعتماد پر مثبت اثر ہوا۔ اگرچہ معاشی شعبہ میں ابھی بھی خدشات باقی ہیں۔ جس میں بڑھتا ہوا افراط زر، روپے کی ایڈجسٹمنٹ، دو بڑے خسارے (مالیاتی اور کرنٹ اکاؤنٹ کا خسارہ) معاشی شعبہ میں بڑھتے ہوئے بیرونی قرضے اور بجلی کے شعبے میں سرکلر قرضہ جات مختصر سے درمیانی مدت کیلئے یہ سب مل کر اصل معاشی گروتھ کو متاثر کریں گے۔ مائیکرو اکنامک پالیسی کی توجہ استحکام پر ہے۔ مالی سال 18 میں سالانہ جی ڈی پی کی نشوونما 5.8 فیصد تھی۔ مالی سال 19 میں خیال کیا جا رہا ہے کہ معاشی سرگرمیاں کم ہو جائیں گی۔ ملک بیرونی طور پر دباؤ سے گزر رہا ہے۔ اقدامات کئے جا رہے ہیں کہ ہماری برآمدات میں اضافہ ہو اور غیر ضروری درآمدات میں کمی آئے۔ اس کے نتیجے میں ملک کے اندر مالی سال 19 میں طلب میں کمی کا امکان ہے۔ اس کے علاوہ، جنوری 2018 سے سٹیٹ بینک آف پاکستان کی طرف سے پالیسی ریٹ میں اضافہ مالی سال 19 طلب کو کم کرے گا۔ ستمبر میں مانیٹری پالیسی سٹیٹمنٹ (MPS) جو یکم اکتوبر 2018ء سے مؤثر ہے میں پالیسی ریٹ میں 100bps اضافہ کیا گیا تھا جس سے ریٹ بڑھ کر 8.5 فیصد پر پہنچ گیا، جو کہ اس مدت میں 275bps کے اضافے کو ظاہر کرتا ہے۔

مالیاتی شعبہ میں، حکومت کا ہدف ہے کہ انتظامی اقدامات اور نگرانی سے ٹیکس کی بہتر کولیکشن سے اضافی آمدنی حاصل کی جاسکے۔ 2018-19 کے وفاقی بجٹ میں اہم ترامیم کردی گئی ہیں۔ اس کے علاوہ حکومت جائزہ لے رہی ہے کہ اپنے اخراجات میں کمی کی جائے تاکہ ترقیاتی منصوبوں کیلئے زیادہ سرمایہ مہیا کیا جاسکے۔ مانیٹری اور مالیاتی اقدامات سے پیداواری شعبہ پر بڑے پیمانے پر اثر پڑنے کا امکان ہے۔ ریگولیٹری سفارشات کے تحت حال ہی میں گیس کی قیمتوں میں

Unconsolidated Condensed Interim Statement of Financial Position

As at September 30, 2018

	Note	(Un-audited)	(Audited) (Restated)
	5.1	September 30, 2018	December 31, 2017
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		73,674,783	70,381,435
Balances with other banks		4,630,728	3,753,954
Lendings to financial institutions	8	74,387,369	48,895,828
Investments - net	9	211,858,557	400,733,286
Advances - net	10	472,753,047	400,655,424
Operating fixed assets	11	16,473,725	17,627,997
Deferred tax assets		-	-
Other assets	12	40,592,330	46,026,023
		894,370,539	988,073,947
LIABILITIES			
Bills payable		10,563,367	12,461,866
Borrowings	13	76,693,749	207,193,686
Deposits and other accounts	14	680,496,656	653,406,071
Sub-ordinated loans	15	11,989,000	4,991,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		1,798,433	3,153,750
Other liabilities	12	43,243,847	41,067,834
		824,785,052	922,274,207
NET ASSETS		<u>69,585,487</u>	<u>65,799,740</u>
REPRESENTED BY			
Share capital		16,130,572	16,075,720
Reserves		22,844,993	18,156,669
Unappropriated profit		25,490,834	24,282,103
		64,466,399	58,514,492
Surplus on revaluation of assets - net of tax		5,119,088	7,285,248
		<u>69,585,487</u>	<u>65,799,740</u>
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes 1 to 26 and Annexure I form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter and nine months period ended September 30, 2018

Note	Quarter ended September 30, 2018	Nine Months Period ended September 30, 2018	Quarter ended September 30, 2017	Nine Months Period ended September 30, 2017	
------(Rupees in '000)-----					
Mark-up / return / interest earned	14,812,059	42,903,970	13,993,180	41,972,947	
Mark-up / return / interest expensed	6,926,316	19,662,236	7,027,586	19,896,628	
Net mark-up / interest income	7,885,743	23,241,734	6,965,594	22,076,319	
(Reversal) / provision against non-performing loans and advances - net	10.3	(54,453)	(378,083)	(645,056)	
Provision for diminution in value of investments - net	9.2	9,758	(21,776)	109,112	
Bad debts written-off directly		-	-	-	
		(44,695)	(399,859)	(535,944)	
Net mark-up / interest income after provisions	7,930,438	23,864,717	7,365,453	22,612,263	
Non mark-up / interest income					
Fee, commission and brokerage income	1,525,629	4,678,973	1,451,733	4,519,222	
Dividend income	73,488	346,197	102,482	269,754	
Income from dealing in foreign currencies	520,235	1,403,093	451,750	918,165	
Gain on sale of securities - net	143,378	1,421,034	284,227	1,786,621	
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	41,572	(54,032)	(1,726)	(6,116)	
Other income	90,466	364,227	141,588	257,469	
Total non mark-up / interest income	2,394,768	8,159,492	2,430,054	7,745,115	
	10,325,206	32,024,209	9,795,507	30,357,378	
Non mark-up / interest expenses					
Administrative expenses	5,966,643	17,642,277	6,044,403	17,980,552	
Provision / (reversal) against off-balance sheet obligations	1,246	4,103	5,341	(7,782)	
Provision / (reversal) against other assets	17	(1,749)	3,576	(12,594)	
Other charges	105,431	298,787	74,538	259,790	
Total non mark-up / interest expenses	6,071,571	17,763,052	6,127,858	18,219,966	
	4,253,635	14,261,157	3,667,649	12,137,412	
Extra ordinary / unusual items	-	-	-	-	
Profit before taxation	4,253,635	14,261,157	3,667,649	12,137,412	
Taxation	20				
- Current	1,717,129	6,002,933	1,272,421	4,414,671	
- Deferred	(187,157)	(284,554)	100,813	(37,054)	
- Prior years	133,799	(86,044)	-	584,434	
	1,663,771	5,632,335	1,373,234	4,962,051	
Profit after taxation	2,589,864	8,628,822	2,294,415	7,175,361	
(Rupees)					
Basic earnings per share - Restated	18	1.61	5.35	1.43	4.46
Diluted earnings per share - Restated	18	1.60	5.34	1.43	4.46

The annexed notes 1 to 26 and Annexure I form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter and nine months period ended September 30, 2018

	Quarter ended September 30, 2018	Nine Months Period ended September 30, 2018	Quarter ended September 30, 2017	Nine Months Period ended September 30, 2017
	------(Rupees in '000)-----			
Profit after taxation	2,589,864	8,628,822	2,294,415	7,175,361
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss account				
Exchange differences on translation of net investment in foreign branches	221,849	1,311,667	(29,153)	(40,180)
Comprehensive income - transferred to unconsolidated condensed interim statement of changes in equity	<u>2,811,713</u>	<u>9,940,489</u>	<u>2,265,262</u>	<u>7,135,181</u>
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available-for-sale securities	(753,227)	(3,312,805)	(2,579,565)	(4,559,872)
Related deferred tax liability	247,682	1,172,257	1,261,211	1,584,180
	<u>(505,545)</u>	<u>(2,140,548)</u>	<u>(1,318,354)</u>	<u>(2,975,692)</u>

The annexed notes 1 to 26 and Annexure I form an integral part of the unconsolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2018

	Note	Nine months period ended	
		September 30, 2018	September 30, 2017
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		14,261,157	12,137,412
Less: Dividend income		(346,197)	(269,754)
		<u>13,914,960</u>	<u>11,867,658</u>
Adjustments for:			
Depreciation		1,321,241	1,352,662
Amortisation		366,055	320,900
(Reversal) against non-performing loans and advances - net		(549,999)	(645,056)
(Reversal) / provision for diminution in the value of investments - net		(72,984)	109,112
Provision / (Reversal) against off-balance sheet obligations		4,103	(7,782)
(Reversal) / provision against other assets		(182,115)	(12,594)
Unrealised loss on revaluation of investments classified as held for trading - net		54,032	6,116
Gain on sale of operating fixed assets - net		(127,827)	(6,763)
Charge for defined benefit plan		140,753	210,949
		<u>953,259</u>	<u>1,327,544</u>
		<u>14,868,219</u>	<u>13,195,202</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(26,078,190)	(19,546,261)
Held-for-trading securities		5,892,711	(2,567,263)
Advances		(71,547,624)	(18,486,588)
Other assets (excluding tax recoverable and dividend receivable)		4,626,571	3,085,589
		<u>(87,106,532)</u>	<u>(37,514,523)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(1,898,499)	(1,776,737)
Borrowings		(130,077,140)	29,529,185
Deposits and other accounts		27,090,585	20,279,211
Other liabilities		(1,246,228)	1,004,775
		<u>(106,131,282)</u>	<u>49,036,434</u>
		<u>(178,369,595)</u>	<u>24,717,113</u>
Income tax paid		(3,192,857)	(3,004,921)
Net cash (used in) / generated from operating activities		<u>(181,562,452)</u>	<u>21,712,192</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		174,702,950	(15,156,119)
Net investment in held-to-maturity securities		4,962,799	1,136,660
Disposal in subsidiaries and associates		-	511,397
Dividend income received		309,934	226,270
Investment in operating fixed assets		(820,913)	(1,515,199)
Proceeds from sale of operating fixed assets		415,716	63,384
Net cash generated from / (used in) investing activities		<u>179,570,486</u>	<u>(14,733,607)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance / (Redemption) of sub-ordinated loans		6,998,000	(1,664,330)
Proceeds from issue of shares		82,489	191,722
Dividend paid		(2,393,920)	(458)
Net cash (used in) / generated from financing activities		<u>4,686,569</u>	<u>(1,473,066)</u>
Exchange difference on translation of the net investments in foreign branches		1,311,667	(40,180)
Increase / (decrease) in cash and cash equivalents		<u>4,006,270</u>	<u>5,465,339</u>
Cash and cash equivalents at beginning of the period		96,541,867	88,864,916
Effect of exchange rate changes on cash and cash equivalents		(3,120,656)	(113,819)
		<u>93,421,211</u>	<u>88,751,097</u>
Cash and cash equivalents at end of the period	19	<u><u>97,427,481</u></u>	<u><u>94,216,436</u></u>

The annexed notes 1 to 26 and Annexure I form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the nine months period ended September 30, 2018

	Capital Reserves					Revenue Reserves		Total
	Share Capital	Reserve for issue of bonus shares	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropriated profit	
	-----Rupees in '000-----							
Balance as at January 1, 2017, as previously reported	15,952,076	-	4,417,126	9,720,886	1,584,020	173,620	17,337,458	49,185,186
Effect of change in accounting policy for surplus / (deficit) on operating fixed assets - note 5.1	-	-	-	-	-	-	(30,137)	(30,137)
Balance as at January 1, 2017 (Restated)	15,952,076	-	4,417,126	9,720,886	1,584,020	173,620	17,307,321	49,155,049
Changes in equity for the nine months period ended September 30, 2017								
Total comprehensive income for the period								
Profit after taxation for the nine months period ended September 30, 2017	-	-	-	-	-	-	7,175,361	7,175,361
Other comprehensive income for the nine months period ended September 30, 2017								
Exchange differences on translation of net investment in foreign branches	-	-	-	-	(40,180)	-	-	(40,180)
	-	-	-	-	(40,180)	-	7,175,361	7,135,181
Transfer to statutory reserve	-	-	-	1,435,072	-	-	(1,435,072)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	24,253	24,253
Transactions with owners, recorded directly in equity								
Shares issued under stock option scheme during the period	123,644	-	68,078	-	-	-	-	191,722
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	-	50,981	-	50,981
Transfer of Share Premium on issuance of shares under Stock Option Scheme	-	-	127,787	-	-	(127,787)	-	-
Balance as at September 30, 2017 - Restated	16,075,720	-	4,612,991	11,155,958	1,543,840	96,814	23,071,863	56,557,186
Changes in equity for the quarter ended December 31, 2017								
Total comprehensive income for the period								
Profit after taxation for the quarter ended December 31, 2017	-	-	-	-	-	-	1,191,934	1,191,934
Other comprehensive income for the quarter ended December 31, 2017								
Exchange differences on translation of net investment in foreign branches	-	-	-	-	532,967	-	-	532,967
Remeasurement of defined benefit plans	-	-	-	-	-	-	380,229	380,229
Related tax charge	-	-	-	-	-	-	(133,080)	(133,080)
	-	-	-	-	532,967	-	1,439,083	1,972,050
Transfer to statutory reserve	-	-	-	238,387	-	-	(238,387)	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	-	9,544	9,544
Transactions with owners, recorded directly in equity								
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	-	(24,288)	-	(24,288)
Balance as at December 31, 2017 - Restated	16,075,720	-	4,612,991	11,394,345	2,076,807	72,526	24,282,103	58,514,492
Impact of adoption of IFRS 9 - note 5.2	-	-	-	-	-	-	(81,596)	(81,596)
Restated opening balances as at January 01, 2018 under IFRS 9	16,075,720	-	4,612,991	11,394,345	2,076,807	72,526	24,200,507	58,432,896
Changes in equity for the nine months period ended September 30, 2018								
Total comprehensive income for the period								
Profit after taxation for the nine months period ended September 30, 2018	-	-	-	-	-	-	8,628,822	8,628,822
Other comprehensive income for the nine months period ended September 30, 2018								
Exchange differences on translation of net investment in foreign branches	-	-	-	-	1,311,667	-	-	1,311,667
	-	-	-	-	1,311,667	-	8,628,822	9,940,489
Transfer to statutory reserve	-	-	-	1,725,764	-	-	(1,725,764)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	24,741	24,741
Transactions with owners, recorded directly in equity								
Final cash dividend for the year ended December 31, 2017 @15%	-	-	-	-	-	-	(2,411,358)	(2,411,358)
Interim cash dividend for the half year ended June 30, 2018 @10%	-	-	-	-	-	-	(1,613,057)	(1,613,057)
Shares issued under stock option scheme during the period	54,852	-	27,637	-	-	-	-	82,489
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	(1,613,057)	-
Amortisation of deferred employee compensation expense	-	-	-	-	-	10,199	-	10,199
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-
Balance as at September 30, 2018	16,130,572	1,613,057	4,695,600	13,120,109	3,388,474	27,753	25,490,834	64,466,399

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

The annexed notes 1 to 26 and Annexure I form an integral part of these unconsolidated condensed interim financial statements.

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 nine months period ended September 30, 2018

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 478 conventional banking branches including 22 sub branches (2017: 475 branches including 22 sub branches), 10 overseas branches (2017: 10 branches), 152 Islamic banking branches (2017: 152 branches) and 1 offshore banking unit (2017: 1 unit).

The Bank has been assigned an Entity Rating of 'AA+' (Double A Plus) for the Long Term and 'A1+' (A-One Plus) for the Short Term by PACRA, with Outlook assigned as 'Stable' (2017: AA+ [Double A Plus] for long term and A1+ [A-One Plus] for short term with a 'Stable' outlook). The unsecured subordinated debt (Term Finance Certificates) of the Bank has been assigned a credit rating of AA (double A). These ratings were assigned at June 2018.

Furthermore, JCR-VIS Credit Rating Company Limited (JCR-VIS) also assigned an entity rating of 'AA+' (Double A Plus) for the Long Term and 'A-1+' (A-One Plus) for the short term to the Bank, with Outlook assigned as 'Stable' (2017: AA+ [Double A Plus] for long term and A1+ [A-One Plus] for short term with a 'Stable' outlook). These ratings were assigned in June 2018. The Bank's first ever Additional Tier 1 instrument (ADT-1) has been assigned an instrument rating 'AA-' (Double A Minus), with 'Stable' Outlook.

2 BASIS OF PRESENTATION

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

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Act, 2017.

2.3 Key financial figures of the Islamic Banking branches are disclosed in Annexure I to these unconsolidated condensed interim financial statements.

3 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS-34), Interim financial reporting, issued by the International Accounting Standards Board (IASB),
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017,
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.

Wherever the requirements of provisions of Companies Act, 2017, Banking Companies Ordinance, 1962 and directives issued by the SBP and the SECP differ with the requirements of IAS-34 or IFAS, the requirements of the Companies

Act, 2017, Banking Companies Ordinance, 1962 and the directives issued by the SECP and SBP have been followed.

3.2 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2017.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets and other assets are stated at revalued amounts, held for trading and available for sale investments and derivative financial instruments are measured at fair value. Further, staff retirement benefits have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits'.

4.2 Functional and Presentation Currency

These condensed interim unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2017, except for the following:

5.1 Surplus / Deficit on Revaluation of Operating Fixed Assets

The Companies Ordinance, 1984 (the repealed Ordinance) was repealed through the enactment of the Companies Act, 2017 on May 30, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular number 23 dated October 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

The repealed Ordinance specified the accounting treatment for the surplus on revaluation on fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with IAS16, which requires that such deficit is to be taken to the profit and loss account as an impairment.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets and accordingly, any surplus/deficit arising on revaluation of owned property and non-banking assets acquired in satisfaction of claims is accounted for at individual assets level.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	December 31, 2017	December 31, 2016	December 31, 2015
	------(Rupees in '000)-----		
Decrease in unappropriated profit	732	732	28,673
Increase in surplus on revaluation of assets – net of tax	732	732	28,673

5.2 Expected Credit Losses - IFRS 9

During the current period, the Bank's Bahrain, Afghanistan and UAE Operations have, in line with their respective locally applicable regulatory frameworks, adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014. In order to ensure compliance with the regulatory framework in these countries, the expected credit loss charge arising as a result of adoption of IFRS 9 has been retained as a general provision in these unconsolidated condensed interim financial statements.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

The adoption of this standard by the overseas branches have resulted in additional net of tax provisioning requirement of Rs. 81.596 million in respect of prior year which has been incorporated in the opening balance of retained earnings, while net of tax provision reversal of Rs. 24.296 million has been booked in profit and loss statement of overseas operations, in respect of current period.

Had IFRS 9 not been adopted by the overseas branches, unappropriated profit, investments, advances, other assets, other liabilities and deferred tax as at September 30, 2018 would have been higher by Rs. 57.237 million, Rs. 66.790 million, Rs. 8.751 million, Rs. 4.157 million, Rs. 1.363 million and Rs. 23.733 million, respectively.

5.3 Measurement of Redeemable Participating Certificates - IFRS 9

During the current period, 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.

5.4 New / Revised Standards, Interpretations and Amendments

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or don't have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim unconsolidated financial statements.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and methods used for critical accounting estimates and judgements adopted in these unconsolidated condensed interim financial statements are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2017.

7 FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2017.

	Note	(Un-audited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	19,669,287	20,255,936
Bai Muajjal		-	16,791,356
Repurchase agreement lendings	8.2	54,718,082	11,848,536
		<u>74,387,369</u>	<u>48,895,828</u>

8.1 These represent lendings to financial institutions at interest rates ranging from 1.00 % to 9.00 % per annum (December 2017: 1.50% to 9.75% per annum) having maturities upto March 2019 (December 2017: March 2018).

8.2 These represent short term lending to financial institutions against government securities. These carry mark-up rates ranging from 7.50% to 7.95% per annum (December 2017: 5.80% to 6.20% per annum) with maturities upto October 2018 (December 2017: June 2018).

9 INVESTMENTS - NET

9.1 Investments by type

	September 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rupees in '000) -----						
Held-for-trading securities						
Market Treasury Bills	14,996,990	-	14,996,990	22,759,650	-	22,759,650
Pakistan Investment Bonds	1,494,571	-	1,494,571	-	-	-
Overseas Bonds	21,620	-	21,620	19,443	-	19,443
Fully paid up ordinary shares / units - Listed	393,990	-	393,990	28,140	-	28,140
	16,907,171	-	16,907,171	22,807,233	-	22,807,233
Available-for-sale securities						
Market Treasury Bills	53,876,781	6,479,172	60,355,953	77,610,358	85,274,643	162,885,001
Pakistan Investment Bonds	22,311,079	15,396,800	37,707,879	43,168,310	64,920,622	108,088,932
Fully paid up ordinary shares / units - Listed	7,235,060	-	7,235,060	5,773,258	-	5,773,258
Fully paid up ordinary shares - Unlisted	382,055	-	382,055	350,507	-	350,507
Term Finance Certificates	1,375,986	-	1,375,986	1,297,084	-	1,297,084
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted	25,000	-	25,000	25,000	-	25,000
Redeemable Participating Certificates	2,128,890	-	2,128,890	1,133,659	-	1,133,659
Commercial papers	-	-	-	90,201	-	90,201
Pakistan Euro Bonds	683,334	1,502,794	2,186,128	1,435,375	845,802	2,281,177
Overseas Bonds	6,584,302	6,572,991	13,157,293	1,479,097	2,526,175	4,005,272
Sukuk Bonds	29,804,131	-	29,804,131	36,191,513	6,939,721	43,131,234
	124,515,453	29,951,757	154,467,210	168,663,197	160,506,963	329,170,160
Held-to-maturity securities						
Market Treasury Bills	2,728,786	-	2,728,786	1,470,741	-	1,470,741
Pakistan Investment Bonds	26,368,362	-	26,368,362	31,637,988	-	31,637,988
Term Finance Certificates	524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds	217,440	-	217,440	193,239	-	193,239
Overseas Bonds	4,877,857	1,233,817	6,111,674	4,945,043	1,095,269	6,040,312
Sukuk Bonds	3,051,029	-	3,051,029	4,097,810	-	4,097,810
	37,767,740	1,233,817	39,001,557	42,869,087	1,095,269	43,964,356
Subsidiaries						
Alfalah Securities (Private) Limited	300,000	-	300,000	300,000	-	300,000
Alfalah GHP Investment Management Limited	130,493	-	130,493	130,493	-	130,493
	430,493	-	430,493	430,493	-	430,493
Associates						
Alfalah Insurance Limited	68,990	-	68,990	68,990	-	68,990
Sapphire Wind Power Company Limited	978,123	-	978,123	978,123	-	978,123
TriconBoston Consulting Corporation (Private) Limited	769,230	-	769,230	769,230	-	769,230
	1,816,343	-	1,816,343	1,816,343	-	1,816,343
Investments at cost	181,437,200	31,185,574	212,622,774	236,586,353	161,602,232	398,188,585
Provision for diminution in value of investments - net						
	(1,391,211)	-	(1,391,211)	(1,349,330)	-	(1,349,330)
Investments (net of provisions)	180,045,989	31,185,574	211,231,563	235,237,023	161,602,232	396,839,255
Surplus / (deficit) on revaluation of held for trading securities - net	(54,032)	-	(54,032)	(7,351)	-	(7,351)
Surplus / (deficit) on revaluation of available for sale securities-net	681,026	-	681,026	1,976,459	1,924,923	3,901,382
Total investments	180,672,983	31,185,574	211,858,557	237,206,131	163,527,155	400,733,286

9.2 Particulars of provision for diminution in value of investments - net

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
Opening balance	1,349,330	2,079,781
Impact of adoption of IFRS 9 (note 5.2)	77,698	-
Balance at January 01 on adoption of IFRS 9	1,427,028	2,079,781
Charge for the period / year	54,349	189,997
Reversals during the period / year	(127,333)	(15,584)
	(72,984)	174,413
Provision written off / (adjusted) during the period / year	37,167	(904,864)
Closing balance	1,391,211	1,349,330

	Note	(Un-audited) September 30, 2018	(Audited) December 31, 2017
(Rupees in '000)			
9.3 Particulars of provision for diminution in value of investments by type and segment			
Available for sale securities			
Listed companies / mutual funds			
- Fully paid up ordinary shares / units			
- First Dawood Investment Bank Limited		15,000	15,000
- Agritech Limited		7,383	-
- Preference shares			
- Agritech Limited		108,835	108,835
Unlisted companies			
- Fully paid up ordinary shares of Rs. 10 each			
- AGP Limited		-	43,632
- Pakistan Export Finance Guarantee Agency Limited		5,725	5,725
- Al-Hamra Avenue (Private) Limited		50,000	50,000
- Pakistan Mobile Communications Limited		3,936	3,936
Unlisted securities			
- Term finance certificates / sukus			
- Azgard Nine Limited		76,220	76,220
- Security Leasing Corporation Limited I		6,418	6,418
- Security Leasing Corporation Limited II		29,245	23,105
- New Allied Electronics		1,785	2,185
- Fauji Akbar Portia Marine Terminals Limited		253,560	224,499
- Quetta Textile Mills Limited		66,987	72,619
- Preference shares			
- Trust Investment Bank Limited		25,000	25,000
Held to maturity securities			
Unlisted securities			
- Term finance certificates / sukuk bonds			
- Agritech Limited		499,586	499,586
- BRR Guardian Modaraba		8,904	20,593
- Security Leasing Corporation Limited II		23,105	29,245
- Sitara Peroxide (Private) Limited		118,052	118,052
- Zulekha Textile Mills		24,680	24,680
General Provision - Overseas Operations - (Refer Note 5.2)	9.3.1	66,790	-
		<u>1,391,211</u>	<u>1,349,330</u>

9.3.1 General provision pertains to overseas branches to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

	Note	(Un-audited) September 30, 2018	(Audited) December 31, 2017
(Rupees in '000)			
10 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
- In Pakistan		377,596,714	331,070,523
- Outside Pakistan		12,986,087	14,338,182
		<u>390,582,801</u>	<u>345,408,705</u>
Net investment in finance lease			
- In Pakistan		4,393,355	4,090,945
- Outside Pakistan		-	-
		4,393,355	4,090,945
Islamic financing and related assets (gross)	10.1	83,264,079	56,880,169
Bills discounted and purchased			
- Payable in Pakistan		4,047,259	5,444,779
- Payable outside Pakistan		6,321,539	5,357,334
		<u>10,368,798</u>	<u>10,802,113</u>
Gross Advances		488,609,033	417,181,932
Provision against advances			
- Specific provision	10.3	(14,932,043)	(15,683,771)
- General provision	10.3	(923,943)	(842,737)
		<u>(15,855,986)</u>	<u>(16,526,508)</u>
Advances - net of provision		<u>472,753,047</u>	<u>400,655,424</u>

- 10.1** This represents financing and related assets placed under shariah permissible modes and presented in Annexure I to these unconsolidated interim financial statements.
- 10.2** Advances include Rs. 16,992 million (December 31, 2017: Rs. 17,579 million) which have been placed under non-performing status as detailed below:

	September 30, 2018 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Category of classification									
Other Assets Especially Mentioned (Agri Financing)	124,365	-	124,365	2,193	-	2,193	2,193	-	2,193
Substandard	1,817,267	93,860	1,911,127	429,397	7,124	436,521	429,397	7,124	436,521
Doubtful	841,362	-	841,362	495,675	-	495,675	495,675	-	495,675
Loss	13,800,762	313,915	14,114,677	13,715,647	282,007	13,997,654	13,715,647	282,007	13,997,654
	16,583,756	407,775	16,991,531	14,642,912	289,131	14,932,043	14,642,912	289,131	14,932,043

	December 31, 2017 (Audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Category of classification									
Other Assets Especially Mentioned (Agri Financing)	84,960	-	84,960	4,979	-	4,979	4,979	-	4,979
Substandard	1,359,006	-	1,359,006	338,582	-	338,582	338,582	-	338,582
Doubtful	1,854,513	-	1,854,513	1,245,152	-	1,245,152	1,245,152	-	1,245,152
Loss	13,977,344	303,018	14,280,362	13,836,719	258,339	14,095,058	13,836,719	258,339	14,095,058
	17,275,823	303,018	17,578,841	15,425,432	258,339	15,683,771	15,425,432	258,339	15,683,771

10.3 Particulars of provisions against non-performing loans and advances

	Nine months period ended September 30, 2018 (Un-audited)			Year ended December 31, 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	15,683,771	842,737	16,526,508	16,366,993	775,967	17,142,960
Impact of adoption of IFRS 9 (note 5.2)	-	25,297	25,297	-	-	-
Balance at January 01 on adoption of IFRS 9	15,683,771	868,034	16,551,805	16,366,993	775,967	17,142,960
Exchange adjustment and other movements	29,089	3,129	32,218	2,221	(9,425)	(7,204)
Charge for the period / year	1,339,314	153,080	1,492,394	2,230,902	169,445	2,400,347
Reversals / recoveries	(1,942,093)	(100,300)	(2,042,393)	(2,741,259)	(93,250)	(2,834,509)
	(602,779)	52,780	(549,999)	(510,357)	76,195	(434,162)
Amounts written off	(178,038)	-	(178,038)	(175,086)	-	(175,086)
Closing balance	14,932,043	923,943	15,855,986	15,683,771	842,737	16,526,508

10.3.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at September 30, 2018 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 29.290 million (December 31, 2017: Rs. 29.889 million).

10.3.2 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General reserve of at least equivalent to 1% of the secured and performing SE portfolio and 2% of the unsecured and performing SE portfolio is also maintained as required under Prudential Regulations for Small and Medium Enterprise Financing.

General provision also includes Rs. 127.986 million (December 31, 2017: Rs. 141.702 million) pertaining to overseas branches to meet the requirements of the regulatory authorities of the respective countries in which the Bank operates.

10.3.3 Pursuant to a relaxation given to the Bank by the SBP, exposure under certain facilities granted to Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, is not required to be classified as non-performing. The relaxation is valid upto December 31, 2018. However, as at September 30, 2018, the past due amount for such facilities amounted to Rs 1,207 million (Dec 2017: Rs. 8,421 million), and mark-up suspended and kept in memo account amounts to Rs 13.961 million (Dec 2017: Rs 111.449 million).

	Note	(Un-audited) September 30, 2018	(Audited) December 31, 2017
11 OPERATING FIXED ASSETS		(Rupees in '000)	
Capital work-in-progress		236,063	209,328
Property and equipment	11.1	15,082,459	16,076,088
Intangible assets		1,155,203	1,342,581
		<u>16,473,725</u>	<u>17,627,997</u>

11.1 This includes certain properties having a carrying amount of Rs. 281 million which the Bank has earmarked for disposal.

	(Un-audited) Nine months period ended	
	September 30, 2018	September 30, 2017
11.2 Additions to operating fixed assets	(Rupees in '000)	

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

Capital work-in-progress	26,735	-
Tangible fixed assets		
Office premises	47,409	108,413
Leasehold improvements	53,522	217,648
Office equipment	533,762	761,971
Furniture and fixtures	25,620	15,805
Vehicles	10,352	13,578
Intangibles assets		
Computer software	<u>180,443</u>	<u>398,891</u>
	<u>877,843</u>	<u>1,616,306</u>

11.3 Transfer / disposals of operating fixed assets

The cost of operating fixed assets disposed off during the period is as follows:

Capital work-in-progress	-	89,547
Tangible fixed assets		
Office premises	242,489	50,160
Leasehold improvements	43,983	64,801
Office equipment	190,573	192,226
Furniture and fixtures	16,416	10,272
Vehicles	<u>81,694</u>	<u>20,220</u>
	<u>575,155</u>	<u>337,679</u>

12 OTHER ASSETS AND OTHER LIABILITIES

These include assets and liabilities held for sale as referred to in note 21 to the Bank's annual financial statements for the year ended December 31, 2017, as the Bank is in the process of selling its Afghanistan Operations.

The Business transfer agreement with the buyer was executed in the second quarter of 2018. The sale is expected to be materialized in the near future, subject to all regulatory approvals.

Accordingly, the assets and liabilities relating to the Bank's Afghanistan Operations continue to be classified as assets and liabilities held for sale under other assets and other liabilities respectively.

12.1 The carrying amounts of the assets and liabilities classified as held for sale are as follows:

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
Other Assets - Assets Held for Sale (Afghanistan Operations)	22,575,020	26,821,724
Other Liabilities - Assets Held for Sale (Afghanistan Operations)	20,495,247	24,759,096

	Note	(Un-audited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017
13 BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under ERF / LTF - EOP		29,968,910	27,798,748
Repurchase agreement borrowings	13.1	18,286,753	125,220,096
Borrowings from other central banks	13.2	258,522	-
Bai Muajjal	13.3	12,175,909	37,650,637
		<u>60,690,094</u>	<u>190,669,481</u>
Unsecured			
Call borrowings	13.4	15,456,338	10,332,574
Trading Liabilities		-	5,221,517
Overdrawn nostro accounts	13.5	547,317	970,114
		<u>16,003,655</u>	<u>16,524,205</u>
		<u>76,693,749</u>	<u>207,193,686</u>
13.1	This represents repurchase agreement borrowing from SBP and other banks at the rate of 2.36 % and 7.60 % per annum respectively (December 2017: 1.55% and 5.82% per annum) having maturities upto October 2018 (December 2017: February 2018).		
13.2	This represents Export Development Fund refinancing facility availed by the Bank's Bangladesh Operations from Bangladesh Bank at mark-up rates ranging from 3.47% to 3.55% per annum (December 2017: Nil) having maturities upto March 2019 (December 2017: Nil).		
13.3	This represents borrowings from financial institutions at mark-up rates ranging from 5.83 % to 8.12% per annum (December 2017: 5.73% to 5.83%) having maturities upto March 2019 (December 2017: October 2018).		
13.4	This represents borrowings from financial institutions at mark-up rates ranging from 0.70 % to 3.55 % per annum (December 2017: 0.60% to 5.75% per annum) having maturities upto January 2019 (December 2017: March 2018).		
13.5	This represents book overdrawn balances appearing under certain nostro accounts which are due for settlement and the balance exists only due to timing differences. These do not carry any mark-up rates.		
	Note	(Un-audited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017
14 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		133,275,110	131,010,038
Savings deposits		218,275,697	215,129,943
Current accounts - non-remunerative		288,349,034	266,018,609
Others		9,152,177	6,505,849
		<u>649,052,018</u>	<u>618,664,439</u>
Financial institutions			
Remunerative deposits		28,878,248	29,548,087
Non-remunerative deposits		2,566,390	5,193,545
		<u>31,444,638</u>	<u>34,741,632</u>
		<u>680,496,656</u>	<u>653,406,071</u>
15 SUB-ORDINATED LOANS			
Term Finance Certificates V - Quoted, Unsecured		4,989,000	4,991,000
Additional Tier-I	15.1	7,000,000	-
		<u>11,989,000</u>	<u>4,991,000</u>

- 15.1 During the period, the Bank issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates ("TFCs") issued under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I Capital as outlined by State Bank of Pakistan ("SBP") under BPRD Circular No. 6 dated August 15, 2013. Salient feature of the issue are as follows:

Credit Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.
Tenor	Perpetual.
Mark-up Payment Frequency	Payable semi-annually in arrears.
Mark-up Rate	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 6 month KIBOR + 1.50% with no step up feature.
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.
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	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.

(Un-audited) (Audited)
September 30, December 31,
2018 2017
(Rupees in '000)

16 CONTINGENCIES AND COMMITMENTS

16.1 Direct credit substitutes

i) Government	861,855	9,955,661
ii) Banking companies and other financial institutions	484,575	430,638
iii) Others	-	6,531
	<u>1,346,430</u>	<u>10,392,830</u>

16.2 Transaction - related contingent liabilities

i) Government	51,444,264	41,857,229
ii) Banking companies and other financial institutions	1,135,913	609,154
iii) Others	10,309,891	11,317,138
	<u>62,890,068</u>	<u>53,783,521</u>

16.3 Trade - related contingent liabilities

Letters of credit	<u>78,621,904</u>	<u>73,773,817</u>
Acceptances	<u>11,492,373</u>	<u>10,701,434</u>

16.4 Other contingencies

Claims against the Bank not acknowledged as debts	<u>17,708,048</u>	<u>18,973,919</u>
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These mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these unconsolidated condensed interim financial statements.

	(Un-audited) September 30, 2018 (Rupees in '000)	(Audited) December 31, 2017
16.5 Commitments in respect of forward lendings		
Commitments to extend credit	<u>21,110,015</u>	<u>22,628,329</u>
Commitments in respect of investments	<u>6,130,771</u>	<u>7,579,043</u>
16.6 Commitments in respect of forward exchange contracts		
Purchase	<u>121,959,429</u>	<u>60,285,544</u>
Sale	<u>73,304,446</u>	<u>31,823,206</u>
16.7 Commitments for the acquisition of operating fixed assets	<u>412,744</u>	<u>318,978</u>
16.8 Commitments in respect of repo transactions		
Repurchase	<u>17,759,153</u>	<u>125,378,959</u>
Resale	<u>16,862,173</u>	<u>12,017,776</u>
16.9 Other commitments		
Interest rate swaps	<u>9,529,914</u>	<u>8,865,756</u>
Futures	<u>1,299,362</u>	<u>-</u>
Donations	<u>1,814</u>	<u>23,952</u>
16.10 Contingencies in respect of tax related matters are discussed in note 20 of these unconsolidated condensed interim financial statements.		
17 REVERSAL / PROVISION AGAINST OTHER ASSETS		
This includes reversal of provision amounting to Rs. 443.898 million (USD 3.949 million), previously held against amount blocked in the Bank's Nostro account following settlement of dispute, and release of funds in favour of the Bank.		
	(Un-audited)	(Restated)
	Nine months period ended	
	September 30, 2018	September 30, 2017
	(Rupees in '000)	
18 EARNINGS PER SHARE		
18.1 BASIC EARNINGS PER SHARE		
Profit after taxation for the period	<u>8,628,822</u>	<u>7,175,361</u>
	(Number of shares in thousand) (Restated)	
Weighted average number of ordinary shares	<u>1,612,218</u>	<u>1,609,237</u>
	(Rupees)	
Basic earnings per share	<u>5.35</u>	<u>4.46</u>

	(Un-audited) (Restated)	
	Nine months period ended	
	September 30, 2018	September 30, 2017
	(Rupees in '000)	
18.2 DILUTED EARNINGS PER SHARE		
Profit after taxation for the period	<u>8,628,822</u>	<u>7,175,361</u>
	(Number of shares in thousand)	
	(Restated)	
Weighted average number of ordinary shares	<u>1,614,517</u>	<u>1,609,237</u>
	(Rupees)	
	(Restated)	
Diluted earnings per share	<u>5.34</u>	<u>4.46</u>

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
19 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	73,674,783	70,381,435
Balances with other banks	4,630,728	3,753,954
Call money lendings	19,669,287	20,255,936
Overdrawn nostro accounts	<u>(547,317)</u>	<u>(970,114)</u>
	<u>97,427,481</u>	<u>93,421,211</u>

20 TAXATION

- a) The income tax assessments of the Bank have been finalized upto and including tax year 2017. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2014 and 2017, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements resulting in additional demand of Rs.599.879 million (December 31, 2017 : Rs.1,033.519 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.116.351 million. 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 an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2017 : Rs.77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

21 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Based on the Bank's internal reporting framework, business activities are split into various reporting segments. The segment analysis with respect to the business activities is presented below:

	For the period ended September 30, 2018 (Un-audited)						
	Retail Banking	Corporate Banking	Treasury	Islamic Banking	International Operations	Others*	Total
	(Rs. in '000)						
Segment income	12,119,726	12,424,735	16,274,032	6,849,814	2,771,746	623,409	51,063,462
Inter-segment income / (expense)	11,883,371	(6,322,127)	(7,282,309)	(596,279)	(235,201)	2,552,545	-
Segment expenses	16,389,756	2,572,938	4,742,715	4,654,101	1,255,822	7,186,973	36,802,305
Profit before tax / (loss)	7,613,341	3,529,670	4,249,008	1,599,434	1,280,723	(4,011,019)	14,261,157
	As at September 30, 2018 (Un-audited)						
	Retail Banking	Corporate Banking	Treasury	Islamic Banking	International Operations	Others*	Total
	(Rs. in '000)						
Segment assets	188,935,857	244,656,886	215,611,709	141,825,425	76,465,802	26,874,860	894,370,539
Segment non performing loans	8,609,185	6,624,864	-	1,129,667	407,775	220,040	16,991,531
Segment provision required against loans and advances	8,273,909	5,872,970	-	1,160,438	409,614	139,055	15,855,986
Segment liabilities	472,354,248	108,225,567	31,672,669	127,021,662	65,185,634	20,325,272	824,785,052
Segment return on assets (ROA %)	1.7%	1.6%	0.9%	1.5%	2.3%	-4.7%	2.1%
Segment cost of funds(%)	3.6%	5.4%	6.3%	1.3%	1.9%	3.0%	3.2%
	For the period ended September 30, 2017 (Un-audited)						
	Retail Banking	Corporate Banking	Treasury	Islamic Banking	International Operations	Others*	Total
	(Rs. in '000)						
Segment income	10,098,783	10,332,391	19,175,108	6,776,447	2,905,251	430,082	49,718,062
Inter-segment income / (expense)	10,451,433	(5,884,486)	(5,583,776)	-438,664	(209,594)	1,665,087	-
Segment expenses	14,772,868	2,096,384	7,309,001	4,560,450	1,799,877	7,042,070	37,580,650
Profit before tax / (loss)	5,777,348	2,351,521	6,282,331	1,777,333	895,780	-4,946,901	12,137,412
	As at September 30, 2017 (Un-audited)						
	Retail Banking	Corporate Banking	Treasury	Islamic Banking	International Operations	Others*	Total
	(Rs. in '000)						
Segment assets	171,039,820	213,540,590	335,598,676	143,477,857	68,919,126	37,232,080	969,808,149
Segment non performing loans	8,288,359	7,176,694	-	1,599,089	292,285	-	17,356,427
Segment provision required against loans and advances	8,237,199	6,470,235	43,766	1,148,029	388,180	64,736	16,352,145
Segment liabilities	439,497,004	91,691,913	162,927,103	130,875,822	59,913,049	20,391,292	905,296,183
Segment return on assets (ROA %)	1.5%	1.1%	1.3%	1.7%	1.7%	-6.9%	1.8%
Segment cost of funds (%)	3.2%	5.0%	5.6%	2.6%	1.9%	2.9%	3.3%

* Profit before tax of this segment includes head office related expenses

The segment analysis accounts for cost of capital / internal transfer pricing in arriving at profitability of business segments.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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 valuation techniques used in determination of fair values for various assets and liabilities is tabulated in note 22.2.

22.1 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:
September 30, 2018 (Un-audited)

	Carrying Amount				Fair value						
	HFT	AFS	HTM	Loans and Receivables	Subsidiaries & Associates	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments											
Financial assets measured at fair value											
- Other assets	999,125	-	-	-	-	-	999,125	-	999,125	-	999,125
- Unrealised gain on forward foreign exchange contracts	157,912	-	-	-	-	-	157,912	-	157,912	-	157,912
- Unrealised gain on interest rate swaps	11,959	-	-	-	-	-	11,959	-	11,959	-	11,959
- Investments											
- Government Securities (T-bills, PIBs, GOP Sukuks)	16,488,863	129,469,045	-	-	-	-	145,957,908	-	145,957,908	-	145,957,908
- Overseas Govt. Sukuks, Overseas and Euro bonds)		3,036,508	-	-	-	-	3,036,508	-	3,036,508	-	3,036,508
- Overseas Bonds - others	364,277	8,417,500	-	-	-	-	8,781,777	8,781,777	-	-	8,781,777
- Ordinary shares of listed companies	-	1,032,874	-	-	-	-	1,032,874	-	1,032,874	-	1,032,874
- Debt securities (TFCs)	-	10,045,585	-	-	-	-	10,045,585	-	10,045,585	-	10,045,585
- Sukuks-Other than Govt											
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	73,674,783	-	-	73,674,783	-	-	-	-
- Balances with other banks	-	-	-	4,630,728	-	-	4,630,728	-	-	-	-
- Lending to financial institutions	-	-	-	74,387,369	-	-	74,387,369	-	-	-	-
- Advances	-	-	-	472,753,047	-	-	472,753,047	-	-	-	-
- Other assets	-	-	-	38,569,130	-	-	38,569,130	-	-	-	-
- Investments											
- Government Securities (PIBs, WAPDA Sukuks, Overseas and Euro bonds)											
- Overseas Bonds - Others				34,804,977	-	-	34,804,977	-	-	-	-
- Unlisted Shares (Ordinary & Preference)				615,082	-	-	615,082	-	-	-	-
- Redeemable Participating Certificate				322,395	-	-	322,395	-	-	-	-
- Commercial Paper				2,119,788	-	-	2,119,788	-	-	-	-
- Sukuks-Other than Govt				2,894,827	-	-	2,894,827	-	-	-	-
- Associates					1,816,343	-	1,816,343	-	-	-	-
- Ordinary shares of unlisted companies											
- Subsidiaries											
- Ordinary shares of unlisted companies					430,493	-	430,493	-	-	-	-
	18,022,136	154,443,695	38,314,886	664,015,057	2,246,836	-	877,042,610	-	-	-	-
Financial liabilities measured at fair value											
- Other liabilities	1,681,753	-	-	-	-	-	1,681,753	-	1,681,753	-	1,681,753
- Unrealised loss on forward foreign exchange contracts											
- Unrealised loss on interest rate swaps											
- Unrealised loss on futures											
Financial liabilities not measured at fair value											
- Bills Payable						10,563,367	10,563,367	-	-	-	-
- Borrowings						76,693,749	76,693,749	-	-	-	-
- Deposits and other accounts						680,496,656	680,496,656	-	-	-	-
- Subordinated Loans						11,989,000	11,989,000	-	-	-	-
- Other liabilities						38,957,147	38,957,147	-	-	-	-
	1,681,753	-	-	-	-	818,699,919	820,381,672	-	-	-	-
Off balance sheet financial instruments											
- Forward Exchange Contracts Purchase						121,959,429	121,959,429	-	121,959,429	-	121,959,429
- Forward Exchange Contracts Sale						73,304,446	73,304,446	-	73,304,446	-	73,304,446
- Interest Rate Swaps						9,529,914	9,529,914	-	9,529,914	-	9,529,914
- Futures						1,299,362	1,299,362	-	1,299,362	-	1,299,362

December 31, 2017 (Audited)

	Carrying Amount			Fair value							
	HFT	AFS	HTM	Loans and Receivables	Subsidiaries & Associates	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments											
Financial assets measured at fair value											
- Other assets											
- Unrealised gain on forward foreign exchange contracts	1,960,858	-	-	-	-	-	1,960,858	-	1,960,858	-	1,960,858
- Unrealised gain on interest rate swaps	31,700	-	-	-	-	-	31,700	-	31,700	-	31,700
- Unrealised gain on futures	-	-	-	-	-	-	-	-	-	-	-
- Investments											
- Government Securities (T-bills, PIBs, GoP Sukuks, Overseas Govt. Sukuk, Overseas and Euro bonds)	22,772,732	315,202,970	-	-	-	-	337,975,702	-	337,975,702	-	337,975,702
- Overseas Bonds - others	-	4,045,616	-	-	-	-	4,045,616	-	4,045,616	-	4,045,616
- Ordinary shares of listed companies	27,149	6,124,766	-	-	-	-	6,151,915	6,151,915	-	-	6,151,915
- Debt securities (TFCs)	-	985,706	-	-	-	-	985,706	-	985,706	-	985,706
- Sukuk-Other than Govt	-	4,584,236	-	-	-	-	4,584,236	-	4,584,236	-	4,584,236
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	-	-	-	70,381,435	-	-	70,381,435	-	-	-	-
- Balances with other banks	-	-	-	3,753,954	-	-	3,753,954	-	-	-	-
- Lending to financial institutions	-	-	-	48,895,828	-	-	48,895,828	-	-	-	-
- Advances	-	-	-	400,655,424	-	-	400,655,424	-	-	-	-
- Other assets	-	-	-	42,123,604	-	-	42,123,604	-	-	-	-
- Investments											
- Government Securities (PIBs, WAPDA Sukuks, Overseas and Euro bonds)	-	-	38,794,138	-	-	-	38,794,138	-	-	-	-
- Overseas Bonds - Others	-	-	548,143	-	-	-	548,143	-	-	-	-
- Unlisted shares (Ordinary & Preference)	-	247,214	-	-	-	-	247,214	-	-	-	-
- Redeemable Participating Certificate	-	1,133,659	-	-	-	-	1,133,659	-	-	-	-
- Commercial Paper	-	90,201	-	-	-	-	90,201	-	-	-	-
- Sukuk-Other than Govt	-	-	3,929,920	-	-	-	3,929,920	-	-	-	-
- Associates											
- Mutual Funds	-	-	-	-	1,816,343	-	1,816,343	-	-	-	-
- Ordinary shares of unlisted companies	-	-	-	-	-	-	-	-	-	-	-
- Subsidiaries	-	-	-	-	430,493	-	430,493	-	-	-	-
- Mutual Funds	-	-	-	-	-	-	-	-	-	-	-
- Ordinary shares of unlisted companies	24,792,439	332,414,368	43,272,201	565,810,245	2,746,836	-	968,336,089	-	968,336,089	-	968,336,089
Financial liabilities measured at fair value											
- Other liabilities											
- Unrealised loss on forward foreign exchange contracts	968,982	-	-	-	-	-	968,982	-	968,982	-	968,982
- Unrealised loss on interest rate swaps	6,202	-	-	-	-	-	6,202	-	6,202	-	6,202
- Unrealised loss on futures	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value											
- Bills Payable	-	-	-	-	-	12,461,866	12,461,866	-	-	-	-
- Borrowings	-	-	-	-	-	207,193,686	207,193,686	-	-	-	-
- Deposits and other accounts	-	-	-	-	-	653,406,071	653,406,071	-	-	-	-
- Subordinated loans	-	-	-	-	-	4,991,000	4,991,000	-	-	-	-
- Other liabilities	-	-	-	-	-	40,942,997	40,942,997	-	-	-	-
	975,184	-	-	-	-	918,995,620	919,970,804	-	-	-	-
Off balance sheet financial instruments											
- Forward Exchange Contracts Purchase	-	-	-	-	-	60,285,544	60,285,544	-	60,285,544	-	60,285,544
- Forward Exchange Contracts Sale	-	-	-	-	-	31,823,206	31,823,206	-	31,823,206	-	31,823,206
- Interest Rate Swaps	-	-	-	-	-	8,865,756	8,865,756	-	8,865,756	-	8,865,756
- Futures	-	-	-	-	-	-	-	-	-	-	-

On balance sheet financial instruments
Financial assets measured at fair value

- Other assets
- Unrealised gain on forward foreign exchange contracts
- Unrealised gain on interest rate swaps
- Unrealised gain on futures
- Investments
- Government Securities (T-bills, PIBs, GoP Sukuks, Overseas Govt. Sukuk, Overseas and Euro bonds)
- Overseas Bonds - others
- Ordinary shares of listed companies
- Debt securities (TFCs)
- Sukuk-Other than Govt

Financial assets not measured at fair value

- Cash and bank balances with treasury banks
- Balances with other banks
- Lending to financial institutions
- Advances
- Other assets
- Investments
- Government Securities (PIBs, WAPDA Sukuks, Overseas and Euro bonds)
- Overseas Bonds - Others
- Unlisted shares (Ordinary & Preference)
- Redeemable Participating Certificate
- Commercial Paper
- Sukuk-Other than Govt
- Associates
- Mutual Funds
- Ordinary shares of unlisted companies
- Subsidiaries
- Mutual Funds
- Ordinary shares of unlisted companies

Financial liabilities measured at fair value

- Other liabilities
- Unrealised loss on forward foreign exchange contracts
- Unrealised loss on interest rate swaps
- Unrealised loss on futures

Financial liabilities not measured at fair value

- Bills Payable
- Borrowings
- Deposits and other accounts
- Subordinated loans
- Other liabilities

Off balance sheet financial instruments

- Forward Exchange Contracts Purchase
- Forward Exchange Contracts Sale
- Interest Rate Swaps
- Futures

The Bank's policy is to recognize 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.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

22.2 Valuation techniques used in determination of fair values:

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps is determined using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contract durations etc.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates.
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of rates 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.

23 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to executives is determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them as at the period end / year-end other than disclosed elsewhere are as follows:

September 30, 2018 (Un-audited)						
	Key					
	Directors	management personnel	Subsidiaries	Associates	Other related parties	Total
Statement of Financial Position						
----- (Rupees in '000)-----						
Lendings						
Balance at beginning of the period	-	-	-	-	1,500,000	1,500,000
Placements during the period	-	-	-	-	92,141,356	92,141,356
Withdrawals during the period	-	-	-	-	(91,041,356)	(91,041,356)
Balance at end of the period	-	-	-	-	2,600,000	2,600,000
Investments						
Balance at beginning of the period	-	-	430,493	1,816,343	1,317,808	3,564,644
Investments during the period	-	-	-	-	495,712	495,712
Redemptions during the period	-	-	-	-	(590,764)	(590,764)
Balance at end of the period	-	-	430,493	1,816,343	1,222,756	3,469,592
Provisions held against investments	-	-	-	-	53,936	53,936
Advances						
Balance at beginning of the period	-	444,585	-	-	7,591,327	8,035,912
Placements during the period	112,932	210,777	-	-	6,304,568	6,628,277
Withdrawals / adjustments during the period	(3,641)	(234,943)	-	-	(7,802,773)	(8,041,357)
Balance at end of the period	109,291	420,419	-	-	6,093,122	6,622,832
Provisions held against advances	-	-	-	-	1,540,029	1,540,029
Mark-up held in suspense against classified advances	-	-	-	-	1,210,438	1,210,438
Other receivables	-	-	-	208	54,236	54,444
Borrowings						
Balance at beginning of the period	-	-	-	-	502,800	502,800
Borrowing during the period	-	-	-	-	26,315,446	26,315,446
Repayments during the period	-	-	-	-	(26,818,246)	(26,818,246)
Balance at end of the period	-	-	-	-	-	-
Deposits						
Balance at beginning of the period	6,275	160,415	59,984	1,509,943	4,178,787	5,915,404
Placements during the period	155,049	1,006,224	3,624,695	25,433,129	65,377,144	95,596,241
Withdrawals / adjustments* during the period	(122,946)	(1,007,898)	(3,532,609)	(26,310,726)	(65,683,192)	(96,657,371)
Balance at end of the period	38,378	158,741	152,070	632,346	3,872,739	4,854,274
Sub-Ordinated Loans						
Balance at beginning of the period	-	19,964	-	45,044	-	65,008
Sub-Ordinated loans issued during the period	-	-	-	-	-	-
Sub-Ordinated loans redemption during the period	-	(19,964)	-	(45,044)	-	(65,008)
Balance at end of the period	-	-	-	-	-	-
Other payables	-	-	-	-	-	-
Off Balance Sheet Items						
Letters of credit, acceptance and Guarantees outstanding	-	-	-	145,371	859,446	1,004,817

	December 31, 2017 (Audited)					
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Total
	----- (Rupees in '000)-----					
Lendings						
Balance at beginning of the year	-	-	-	-	-	-
Placements during the year	-	-	-	-	89,750,000	89,750,000
Withdrawals during the year	-	-	-	-	(88,250,000)	(88,250,000)
Balance at end of the year	-	-	-	-	1,500,000	1,500,000
Investments						
Balance at beginning of the year	-	-	1,781,967	1,802,266	2,579,489	6,163,722
Investments during the year	-	-	-	769,230	1,819,585	2,588,815
Redemptions during the year	-	-	(1,351,474)	(755,153)	(3,081,266)	(5,187,893)
Balance at end of the year	-	-	430,493	1,816,343	1,317,808	3,564,644
Provisions held against investments	-	-	-	-	53,936	53,936
Advances						
Balance at beginning of the year	79,130	351,335	-	-	8,040,236	8,470,701
Placements during the year	21,130	314,797	-	-	15,620,727	15,956,654
Withdrawals / adjustments during the year	(100,260)	(221,547)	-	-	(16,069,636)	(16,391,443)
Balance at end of the year	-	444,585	-	-	7,591,327	8,035,912
Provisions held against advances	-	-	-	-	1,540,029	1,540,029
Mark-up held in suspense against classified advances	-	-	-	-	1,161,382	1,161,382
Other receivables	-	-	-	2,496	508	3,004
Borrowings						
Balance at beginning of the year	-	-	-	-	-	-
Borrowing during the year	-	-	-	-	34,192,883	34,192,883
Repayments during the year	-	-	-	-	(33,690,083)	(33,690,083)
Balance at end of the year	-	-	-	-	502,800	502,800
Deposits						
Balance at beginning of the year	10,201	164,506	90,030	1,031,859	8,662,986	9,959,582
Placements during the year	308,744	1,684,639	7,676,656	56,650,035	111,897,086	178,217,160
Withdrawals / adjustments* during the year	(312,670)	(1,688,730)	(7,706,702)	(56,171,951)	(116,381,285)	(182,261,338)
Balance at end of the year	6,275	160,415	59,984	1,509,943	4,178,787	5,915,404
Sub-Ordinated Loans						
Balance at beginning of the year	-	132,348	-	79,003	332,467	543,818
Sub-Ordinated loans issued during the year	-	-	-	-	-	-
Sub-Ordinated loans redemption during the year	-	(112,384)	-	(33,959)	(332,467)	(478,810)
Balance at end of the year	-	19,964	-	45,044	-	65,008
Other payables	-	-	316	-	9,444	9,760
Off Balance Sheet Items						
Letters of credit, acceptance and Guarantees outstanding	-	-	-	129,188	2,589,842	2,719,030

Nine months period ended September 30, 2018 (Un-audited)						
	Key					Total
	Directors	management personnel	Subsidiaries	Associates	Other related parties	
Transactions during the nine months period	----- (Rupees in '000)-----					
Mark-up received on lendings	-	-	-	-	26,717	26,717
Mark-up received on investments	-	-	-	-	50,232	50,232
Mark-up received on advances	4,010	11,775	-	-	261,377	277,162
Mark-up paid on deposits	15	4,232	2,602	37,871	117,690	162,410
Mark-up paid on borrowing	-	-	-	-	15,174	15,174
Brokerage	-	-	640	-	-	640
Insurance Premium paid	-	-	-	477,944	-	477,944
Insurance Claim received - Fixed Assets	-	-	-	6,156	-	6,156
Purchase and maintenance of machines / equipments and services	-	-	-	-	113,141	113,141
Dividend income	-	-	-	99,000	-	99,000
Dividend paid	377,458	6,241	-	473	820,394	1,204,566
Capital gain	-	-	-	-	11,229	11,229
Other income	-	-	23,491	1,872	15,264	40,627
Administrative expenses	-	-	-	-	425,172	425,172

Nine months period ended September 30, 2017 (Un-audited)						
	Key					Total
	Directors	management personnel	Subsidiaries	Associates	Other related parties	
Transactions during the nine months period	----- (Rupees in '000)-----					
Mark-up received on lendings	-	-	-	-	16,377	16,377
Mark-up received on investments	-	-	-	-	80,457	80,457
Mark-up received on advances	2,319	14,881	-	-	482,084	499,284
Mark-up paid on deposits	114	1,498	4,785	51,251	174,878	232,526
Mark-up paid on borrowing	-	11,395	-	3,572	24,936	39,903
Mark-up paid on sub-ordinated loans	-	-	-	-	1,079	1,079
Brokerage	-	-	854	-	-	854
Insurance Premium paid	-	-	-	470,826	-	470,826
Insurance Claim received - Fixed Assets	-	-	-	6,588	-	6,588
Rent paid	-	-	-	-	6,195	6,195
Purchase and maintenance of machines / equipments and services	-	-	-	-	184,711	184,711
Provision / (reversal) against non-performing advances	-	-	-	-	(1,344)	(1,344)
Dividend income	-	-	-	-	1,460	1,460
Capital gain	-	-	-	323,374	(3,208)	320,166
Other income	-	-	150,985	5,452	8,929	165,366
Administrative expenses	-	-	-	-	563,611	563,611

The key management personnel / directors compensation are as follows:

	(Un-audited)	
	Nine months period ended	
	September 30, 2018	September 30, 2017
	(Rupees in '000)	
Managerial remuneration (including allowances)	922,104	1,143,371
Fair value charge against employee stock option scheme	10,199	50,981
Contribution to employee funds	382,175	453,907
	<u>1,314,478</u>	<u>1,648,259</u>

In addition, the Chief Executive and certain Executives are provided with Bank maintained cars and other benefits, while the Non-executive Directors are entitled to fee for attending Directors' meetings as per the scale approved by the Board.

24 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

The Bank's monthly average Liquidity Coverage Ratio (LCR) for the nine months period of 2018 is 1.56 or 156% (Monthly Average for 2017: 1.41 or 141%) against the SBP minimum requirement of 90% (December 31, 2017: 90%), while the Bank's Net Stable Funding Ratio (NSFR) as at September 30, 2018, is 141% (December 2017: 137%) against the SBP minimum requirement of 100% (December 31, 2017: 100%). These ratios have been calculated in accordance with the State Bank of Pakistan's Basel III Liquidity standards issued vide BPRD Circular No. 08, dated June 23, 2016.

25 GENERAL

Comparative information has been re-classified, re-stated, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period.

The effect of re-classification, re-statement in comparative information presented in the unconsolidated condensed interim profit and loss accounts for the nine months period ended September 30, 2017 is as follows:

Head	(Rupees in '000)	From	To
Foreign exchange swap cost	(285,165)	Income from dealing in foreign currencies	Mark-up / return / interest expensed
Various service charges and commission income	92,221	Other income	Fee, commission and brokerage income
Staff commission and incentive expenses	(50,241)	Fee, commission and brokerage income	Salaries, allowances, etc.
Interest Income on Interest Rate Swaps	109,002	Mark-up / return / interest earned	Mark-up / return / interest expensed
Brokerage and commission expense	(139,277)	Mark-up / return / interest expensed	Administrative expense - Brokerage and commission
Brokerage and commission expense	(9,000)	Mark-up / return / interest expensed	Administrative expense - Other expense
Courier expense - recoveries	15,123	Other income	Administrative expense - communication
Swift / Telex Charges	12,932	Other income	Administrative expense - communication
Foreign exchange expense	(101,594)	Fee, commission and brokerage income	Income from dealing in foreign currencies
Reward points expense	(41,609)	Fee, commission and brokerage income	Mark-up / return / interest expensed

The effect of re-classification in comparative information presented in note 16 to these condensed interim unconsolidated financial statements is as follows:

Head	(Rupees in '000)	From	To
Contingencies and commitments	9,952,554	Transaction - related contingent liabilities	Direct credit substitutes

26 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on October 25, 2018 by the Board of Directors of the Bank.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

ANNEXURE - I

ISLAMIC BANKING BUSINESS

The bank is operating through 152 Islamic banking branches as at September 30, 2018 (December 31, 2017: 152 branches).

	Note	September 30, 2018	December 31, 2017
STATEMENT OF FINANCIAL POSITION			
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		8,761,634	10,165,273
Balances with and due from financial institutions		485,289	372,714
Lendings to financial institutions		12,700,053	30,891,460
Investments - net		32,521,804	37,914,191
Islamic financing and related assets	A-I.1	82,103,642	55,605,166
Operating fixed assets		1,968,604	2,075,079
Other assets		2,429,143	2,350,828
		<u>140,970,169</u>	<u>139,374,711</u>
LIABILITIES			
Bills payable		2,136,087	2,686,172
Borrowings		3,560,204	3,793,802
Deposits and other accounts		-	-
Current accounts		49,433,281	45,508,163
Saving accounts		50,452,715	51,057,687
Term deposits		13,800,209	16,452,472
Others		1,435,802	840,741
Deposits from financial institutions - remunerative deposits		590,008	743,414
Deposits from financial institutions - non-remunerative deposits		25,317	70,000
Deferred tax liabilities		-	-
Other liabilities		5,580,508	6,072,680
		<u>127,014,131</u>	<u>127,225,131</u>
NET ASSETS		<u>13,956,038</u>	<u>12,149,580</u>
REPRESENTED BY			
Islamic banking fund		1,800,000	1,800,000
Exchange translation reserve		-	-
Unappropriated / unremitted profit		<u>11,343,026</u>	<u>9,165,580</u>
		13,143,026	10,965,580
Surplus on revaluation of assets - net of tax		<u>813,012</u>	<u>1,184,000</u>
		<u>13,956,038</u>	<u>12,149,580</u>
CHARITY FUND			
Opening Balance		54,253	148,314
Additions during the period			
Received from customers on delayed payments & others		24,381	19,463
Non-shariah compliant income		3,436	15,551
Profit on charity saving account		557	3,428
		<u>28,374</u>	<u>38,442</u>
Distribution of Charity			
Welfare Works		(25,400)	(78,655)
Health		(7,800)	(15,816)
Education		(42,188)	(38,032)
		<u>(75,388)</u>	<u>(132,503)</u>
Closing Balance		<u>7,239</u>	<u>54,253</u>

ANNEXURE - I ISLAMIC BANKING BUSINESS

PROFIT AND LOSS ACCOUNT	Quarter ended	Nine Months	Quarter ended	Nine Months
	September 30, 2018	Period ended September 30, 2018	September 30, 2017	Period ended September 30, 2017
	------(Rupees in '000)-----			
Income / return earned	2,084,337	6,056,762	1,999,435	5,878,392
Income / return expensed	752,300	2,226,960	765,563	2,398,337
Net income / return earned	1,332,037	3,829,802	1,233,872	3,480,055
Provisions / (Reversal) against loans and advances - net	6,037	204,838	45,948	(39,376)
(Reversal) / provision for diminution in value of investments - net	(3,896)	(11,688)	(3,896)	(7,279)
Bad debts written off directly	-	-	-	-
	2,141	193,150	42,052	(46,655)
Net income / return earned after provisions	1,329,896	3,636,652	1,191,820	3,526,710
Other income				
Fee, commission and brokerage income	239,550	638,920	165,675	403,966
Dividend income	-	-	-	-
Income from dealing in foreign currencies	51,962	138,290	66,584	126,656
Gain on sale of securities - net	(19,081)	(19,070)	(2,594)	209,726
Unrealised gain / (loss) on revaluation of investment classified as held for trading	-	-	(3,685)	-
Other income	11,426	34,913	(9,857)	33,191
Total other income	283,857	793,053	216,124	773,540
	1,613,753	4,429,705	1,407,944	4,300,250
Other expenses				
Administrative expenses	803,483	2,248,829	674,825	2,204,135
Provision against other assets	3,469	3,589	44	1,225
Other charges	81	91	891	1,094
Total other expenses	807,033	2,252,509	675,759	2,206,453
Profit before taxation	806,720	2,177,196	732,185	2,093,797
Remuneration to Shariah Advisor / Board	1,680	5,040	1,680	5,040

ANNEXURE - I

ISLAMIC BANKING BUSINESS

Nine months period ended
September 30, 2018 **September 30, 2017**
 (Rupees in '000)

CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	2,177,196	2,093,797
Less: Dividend income	-	-
	<u>2,177,196</u>	<u>2,093,797</u>
Adjustments		
Depreciation	165,392	172,151
Amortization	946	707
(Reversal) / provision against loans and advances - net	204,838	(39,376)
(Reversal) / provision for diminution in value of investments - net	(11,688)	(7,279)
Provision against other assets	3,589	1,225
Unrealised loss on revaluation of investments classified as held for trading	-	
Gain on sale of fixed assets - net	(2,570)	(251)
	<u>360,507</u>	<u>127,177</u>
	2,537,703	2,220,974
(Increase) / decrease in operating assets		
Held for trading securities		-
Lendings to financial institutions	18,191,407	(8,001,301)
Islamic financing and related assets	(26,703,314)	3,815,143
Others assets	66,409	(164,807)
	<u>(8,445,498)</u>	<u>(4,350,965)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	(550,085)	307,077
Borrowings	(233,598)	(68,259)
Deposits and other accounts	1,064,855	2,913,144
Other liabilities	(492,172)	(616,937)
	<u>(211,000)</u>	<u>2,535,025</u>
	(6,118,795)	405,034
Income tax paid	(148,189)	(61,487)
Net cash flows generated from / (used in) operating activities	<u>(6,266,984)</u>	<u>343,547</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available for sale securities	3,986,432	124,299
Net investment in held to maturity securities	1,046,781	(396,100)
Disposal of investment in associated company	-	250,000
Net investments in fixed assets	(59,863)	(131,927)
Proceeds from sale of fixed assets	2,570	251
Net cash flows used in investing activities	<u>4,975,920</u>	<u>(153,477)</u>
Adjustment of Exchange translation reserve		(878)
Decrease in cash and cash equivalents	<u>(1,291,064)</u>	<u>189,192</u>
Cash and cash equivalents at beginning of the period	10,537,987	11,864,265
Cash and cash equivalents at end of the period	<u>9,246,923</u>	<u>12,053,457</u>

ISLAMIC BANKING BUSINESS

Notes to the Annexure I

	Note	September 30, 2018	December 31, 2017
(Rupees in '000)			
A-1.1 Islamic Financing and Related Assets			
Murabaha	A-1.1.1	11,340,379	11,538,075
Ijarah	A-1.1.2	12,026,730	10,208,716
Diminishing Musharakah	A-1.1.3	1,516,106	1,269,013
Musharakah	A-1.1.4	13,131,965	9,340,060
Running Musharakah	A-1.1.5	29,942,050	12,153,190
Salam	A-1.1.6	4,280,672	2,514,091
Istisna	A-1.1.7	6,353,325	4,848,883
Falah Tijarah	A-1.1.8	991,238	594,978
SBP Islamic Export Refinance Scheme	A-1.1.9	1,471,824	2,073,834
Others	A-1.1.10	1,049,353	1,064,326
		<u>82,103,642</u>	<u>55,605,166</u>
A-1.1.1 Murabaha			
Financing/Investments/Receivables		7,471,871	7,789,403
Advances		754,873	1,296,582
Inventory		3,352,950	3,032,872
Others (Provisions)		(239,315)	(580,782)
		<u>11,340,379</u>	<u>11,538,075</u>
A-1.1.2 Ijarah			
Financing / Investments / Receivables		(5,467)	(5,385)
Advances		962,745	1,257,996
Assets		11,243,040	9,165,446
Others (Provisions)		(173,588)	(209,341)
		<u>12,026,730</u>	<u>10,208,716</u>
A-1.1.3 Diminishing Musharakah			
Financing / Investments / Receivables		1,609,229	1,236,279
Advances		6,765	145,519
Others (Provisions)		(99,888)	(112,785)
		<u>1,516,106</u>	<u>1,269,013</u>
A-1.1.4 Musharakah			
Financing / Investments / Receivables		11,366,327	7,743,187
Advances		2,326,270	1,879,516
Others (Provisions)		(560,632)	(282,643)
		<u>13,131,965</u>	<u>9,340,060</u>
A-1.1.5 Running Musharakah			
Financing / Investments / Receivables		29,942,050	12,153,190
Advances		-	-
Others (Provisions)		-	-
		<u>29,942,050</u>	<u>12,153,190</u>
A-1.1.6 Salam			
Financing / Investments / Receivables		3,824,784	1,945,447
Advances		-	254,112
Inventory		502,788	361,432
Others (Provisions)		(46,900)	(46,900)
		<u>4,280,672</u>	<u>2,514,091</u>
A-1.1.7 Istisna			
Financing / Investments / Receivables		(9,111)	60,369
Advances		6,231,497	4,558,120
Inventory		130,939	230,394
		<u>6,353,325</u>	<u>4,848,883</u>
A-1.1.8 Falah Tijarah			
Financing / Investments / Receivables		313,645	81,360
Inventory		677,593	513,618
		<u>991,238</u>	<u>594,978</u>
A-1.1.9 SBP Islamic Export Refinance Scheme			
Financing / Investments / Receivables		1,471,824	2,073,834
Advances		-	-
Others (Provisions)		-	-
		<u>1,471,824</u>	<u>2,073,834</u>
A-1.1.10 Others			
Staff Loans		978,059	1,022,626
Staff Loans Inventory		-	-
Advance Against Musharakah Staff		96,251	65,484
Advance Against Ijarah Staff		11,499	6,085
Advance to Against Murabaha Staff		-	227
Overdue Acceptances and FBP		3,658	12,456
Others (Provisions)		(40,114)	(42,552)
		<u>1,049,353</u>	<u>1,064,326</u>

Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2018

	Note 5.5	(Un-audited) September 30, 2018	(Audited) (Restated) December 31, 2017
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		73,674,868	70,381,480
Balances with other banks		4,655,183	3,993,054
Lendings to financial institutions	8	74,387,369	48,895,828
Investments - net	9	213,270,252	401,742,398
Advances - net	10	472,756,286	400,659,922
Operating fixed assets	11	16,555,692	17,707,667
Deferred tax assets		-	-
Other assets	12	40,949,533	46,892,193
		896,249,183	990,272,542
LIABILITIES			
Bills payable		10,563,367	12,461,866
Borrowings	13	76,701,016	207,536,939
Deposits and other accounts	14	680,344,586	653,346,088
Sub-ordinated loans	15	11,989,000	4,991,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		2,211,621	3,443,012
Other liabilities	12	43,552,116	41,663,256
		825,361,706	923,442,161
NET ASSETS		<u>70,887,477</u>	<u>66,830,381</u>
REPRESENTED BY			
Share capital		16,130,572	16,075,720
Reserves		22,844,993	18,156,669
Unappropriated profit		26,292,863	24,865,838
Total equity attributable to the equity holders of the bank		<u>65,268,428</u>	<u>59,098,227</u>
Non-controlling interest		487,176	422,265
Surplus on revaluation of assets - net of tax		<u>5,131,873</u>	<u>7,309,889</u>
		<u>70,887,477</u>	<u>66,830,381</u>
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the Quarter and Nine Months Period Ended September 30, 2018

Note	Quarter ended September 30, 2018	Nine months period ended September 30, 2018	Quarter ended September 30, 2017	Nine months period ended September 30, 2017	
------(Rupees in '000)-----					
Mark-up / return / interest earned	14,812,628	42,906,629	13,922,228	41,970,717	
Mark-up / return / interest expensed	6,927,496	19,665,874	6,574,364	19,808,266	
Net mark-up / interest income	7,885,132	23,240,755	7,347,864	22,162,451	
(Reversal) / provision against non-performing loans and advances - net	10.3	(54,453)	(378,083)	(645,056)	
Provision for diminution in value of investments - net	9.2	9,758	(21,776)	109,112	
Bad debts written-off directly		-	-	-	
	(44,695)	(622,983)	(399,859)	(535,944)	
Net mark-up / interest income after provisions	7,929,827	23,863,738	7,747,723	22,698,395	
Non mark-up / interest income					
Fee, commission and brokerage income	1,648,365	5,041,613	1,733,267	4,877,992	
Dividend income	73,488	246,292	102,902	270,174	
Income from dealing in foreign currencies	520,235	1,403,093	81,961	825,402	
Gain on sale of securities - net	143,445	1,421,051	280,508	1,510,216	
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	41,629	(54,032)	(3,500)	(10,478)	
Share of profit from associates	135,671	472,044	70,144	388,497	
Other income	91,316	367,572	147	278,910	
Total non mark-up / interest income	2,654,149	8,897,633	2,265,429	8,140,713	
	10,583,976	32,761,371	10,013,152	30,839,108	
Non mark-up / interest expenses					
Administrative expenses	6,069,360	17,912,557	6,132,924	18,181,676	
Provision / (reversal) against off-balance sheet obligations	1,246	4,103	5,341	(7,782)	
Provision / (reversal) against other assets	17	(1,749)	3,576	(12,594)	
Other charges	101,329	302,050	78,659	263,911	
Total non mark-up / interest expenses	6,170,186	18,036,595	6,220,500	18,425,211	
	4,413,790	14,724,776	3,792,652	12,413,897	
Extra ordinary / unusual items	-	-	-	-	
Profit before taxation	4,413,790	14,724,776	3,792,652	12,413,897	
Taxation	20				
- Current	1,734,508	6,059,420	1,291,400	4,486,144	
- Deferred	(143,833)	(160,627)	125,048	(23,664)	
- Prior years	133,799	(86,044)	-	584,434	
	1,724,474	5,812,749	1,416,448	5,046,914	
Profit after taxation	2,689,316	8,912,027	2,376,204	7,366,983	
Profit attributable to:					
Equity holders of the Bank	2,666,816	8,847,116	2,346,061	7,292,979	
Non-controlling Interest	22,500	64,911	30,143	74,004	
	2,689,316	8,912,027	2,376,204	7,366,983	
		(Rupees)		(Rupees)	
Basic earnings per share - Restated	18	1.65	5.49	1.46	4.53
Diluted earnings per share - Restated	18	1.65	5.48	1.46	4.53

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the Quarter and Nine Months Period Ended September 30, 2018

	Quarter ended September 30, 2018	Nine months period ended September 30, 2018	Quarter ended September 30, 2017	Nine months period ended September 30, 2017
------(Rupees in '000)-----				
Profit after taxation	2,689,316	8,912,027	2,376,204	7,366,983
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss account				
Exchange differences on translation of net investment in foreign branches	221,849	1,311,667	(29,153)	(40,180)
Comprehensive income - transferred to consolidated condensed interim statement of changes in equity	<u>2,911,165</u>	<u>10,223,694</u>	<u>2,347,051</u>	<u>7,326,803</u>
Attributable to:				
Equity holders of the Bank	2,888,665	10,158,783	2,316,908	7,252,799
Non-controlling Interest	22,500	64,911	30,143	74,004
Comprehensive income - transferred to statement of changes in equity	<u>2,911,165</u>	<u>10,223,694</u>	<u>2,347,051</u>	<u>7,326,803</u>
Components of comprehensive income not reflected in equity				
Items that are or may be reclassified subsequently to profit and loss account				
(Deficit) / surplus on revaluation of available-for- sale securities	(771,436)	(3,336,057)	(3,517,659)	(4,601,214)
Related deferred tax liability	163,791	1,090,131	1,219,399	1,598,643
	<u>(607,645)</u>	<u>(2,245,926)</u>	<u>(2,298,260)</u>	<u>(3,002,571)</u>

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the Nine Months Period Ended September 30, 2018

Note	Nine months period ended	
	September 30, 2018	September 30, 2017
(Rupees in '000)		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	14,724,776	12,413,897
Dividend income	(246,292)	(270,174)
Share of profit from associates	(472,044)	(388,497)
	<u>14,006,440</u>	<u>11,755,226</u>
Adjustments for:		
Depreciation	1,332,121	1,361,955
Amortisation	367,093	322,222
(Reversal) / provision against non-performing loans and advances - net	(549,999)	(645,056)
Provision for diminution in the value of investments - net	(72,984)	109,112
(Reversal) / provision against off-balance sheet obligations	4,103	(7,782)
(Reversal) / provision against other assets	(182,115)	(12,594)
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	54,032	10,478
Gain on sale of operating fixed assets - net	(128,546)	(6,672)
Charge for defined benefit plan	140,753	210,949
	<u>964,458</u>	<u>1,342,612</u>
	<u>14,970,898</u>	<u>13,097,838</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(26,078,190)	(19,546,261)
Held-for-trading securities	5,892,711	(2,588,112)
Advances	(71,546,365)	(18,485,352)
Other assets (excluding tax recoverable and dividend receivable)	<u>5,072,332</u>	<u>3,874,972</u>
	<u>(86,659,512)</u>	<u>(36,744,753)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(1,898,499)	(1,776,737)
Borrowings	(130,413,126)	29,129,591
Deposits and other accounts	26,998,498	20,313,398
Other liabilities	<u>(1,460,641)</u>	<u>822,070</u>
	<u>(106,773,768)</u>	<u>48,488,322</u>
	<u>(178,462,382)</u>	<u>24,841,407</u>
Income tax paid	<u>(3,242,472)</u>	<u>(3,087,422)</u>
Net cash (used in) / generated from operating activities	<u>(181,704,854)</u>	<u>21,753,985</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	174,702,950	(15,169,677)
Net investments in held-to-maturity securities	4,962,799	1,136,660
Investment in associated company	-	(1,430,742)
Net proceed from sale and purchase of associated funds	(58,707)	1,966,469
Dividend income received	309,934	226,690
Dividend income received from associates	-	11,657
Investments in operating fixed assets	(835,128)	(1,523,512)
Proceeds from sale of operating fixed assets	416,435	63,419
	<u>179,498,283</u>	<u>(14,719,036)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance / (Redemption) of sub-ordinated loans	6,998,000	(1,664,330)
Proceeds from issue of shares	82,489	191,722
Dividend paid	<u>(2,393,920)</u>	<u>(458)</u>
Net cash (used in) / generated from financing activities	4,686,569	(1,473,066)
Exchange difference on translation of the net investments in foreign branches	<u>1,311,667</u>	<u>(40,180)</u>
	<u>3,791,665</u>	<u>5,521,703</u>
Increase / (decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	96,149,218	88,990,590
Effect of exchange rate changes on cash and cash equivalents	<u>(2,488,862)</u>	<u>(113,819)</u>
	<u>93,660,356</u>	<u>88,876,771</u>
Cash and cash equivalents at end of the period	<u>97,452,021</u>	<u>94,398,474</u>

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The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Condensed Interim Statement of Changes In Equity (Un-audited) For the Nine Months Period Ended September 30, 2018

	Capital Reserves					Revenue Reserves		Non Controlling Interest	Total	
	Share Capital	Reserve for issue of bonus shares	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropriated profit			Sub-total
	(Rupees in '000)									
Balance as at January 1, 2017, as previously reported	15,952,076	-	4,417,126	9,720,886	1,584,020	173,620	17,777,737	49,625,465	323,466	49,948,931
Effect of change in accounting policy for surplus / (deficit) on operating fixed assets - note 5.1	-	-	-	-	-	-	(30,137)	(30,137)	-	(30,137)
Balance as at January 1, 2017 (Restated)	15,952,076	-	4,417,126	9,720,886	1,584,020	173,620	17,747,600	49,595,328	323,466	49,918,794
Changes in equity for the nine months period ended September 30, 2017										
Total comprehensive income for the period										
Profit after taxation for the nine months period ended September 30, 2017	-	-	-	-	-	-	7,292,979	7,292,979	74,004	7,366,983
Other comprehensive income for the nine months period ended September 30, 2017										
Exchange differences on translation of net investment in foreign branches	-	-	-	-	(40,180)	-	-	(40,180)	-	(40,180)
	-	-	-	-	(40,180)	-	7,292,979	7,252,799	74,004	7,326,803
Transfer to statutory reserve	-	-	-	1,435,072	-	-	(1,435,072)	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	24,253	24,253	-	24,253
Transactions with owners, recorded directly in equity										
Shares issued under stock option scheme during the period	123,644	-	68,078	-	-	-	-	191,722	-	191,722
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	-	50,981	-	50,981	-	50,981
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	-	127,787	-	-	(127,787)	-	-	-	-
Balance as at September 30, 2017 - Restated	16,075,720	-	4,612,991	11,155,958	1,543,840	96,814	23,629,760	57,115,083	397,470	57,512,553
Changes in equity for half year ended December 31, 2017										
Total comprehensive income										
Profit after taxation for the half year ended December 31, 2017	-	-	-	-	-	-	1,221,937	1,221,937	24,884	1,246,821
Other comprehensive income for the half year ended December 31, 2017										
Exchange difference on translation of net investment in foreign branches	-	-	-	-	532,967	-	-	532,967	-	532,967
Remeasurement of defined benefit plans	-	-	-	-	-	-	376,064	376,064	(89)	375,975
Related tax charge	-	-	-	-	-	-	(133,080)	(133,080)	-	(133,080)
	-	-	-	-	532,967	-	1,464,921	1,997,888	24,795	2,022,683
Transfer to statutory reserve	-	-	-	238,387	-	-	(238,387)	-	-	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	-	9,544	9,544	-	9,544
Transactions with owners, recorded directly in equity										
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	-	(24,288)	-	(24,288)	-	(24,288)
Balance as at December 31, 2017 - Restated	16,075,720	-	4,612,991	11,394,345	2,076,807	72,526	24,865,838	59,098,227	422,265	59,520,492
Impact of adoption of IFRS 9 - note 5.2	-	-	-	-	-	-	(81,596)	(81,596)	-	(81,596)
Restated opening balances as at January 01, 2018 under IFRS 9	16,075,720	-	4,612,991	11,394,345	2,076,807	72,526	24,784,242	59,016,631	422,265	59,438,896
Changes in equity for the nine months period ended September 30, 2018										
Total comprehensive income										
Profit after taxation for the nine months period ended September 30, 2018	-	-	-	-	-	-	8,847,116	8,847,116	64,911	8,912,027
Other comprehensive income for the nine months period ended September 30, 2018										
Exchange difference on translation of net investment in foreign branches	-	-	-	-	1,311,667	-	-	1,311,667	-	1,311,667
	-	-	-	-	1,311,667	-	8,847,116	10,158,783	64,911	10,223,694
Transfer to statutory reserve	-	-	-	1,725,764	-	-	(1,725,764)	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	24,741	24,741	-	24,741
Transactions with owners, recorded directly in equity										
Final cash dividend for the year ended December 31, 2017 @15%	-	-	-	-	-	-	(2,411,358)	(2,411,358)	-	(2,411,358)
Interim cash dividend for the half year ended June 30, 2018 @10%	-	-	-	-	-	-	(1,613,057)	(1,613,057)	-	(1,613,057)
Shares issued under stock option scheme during the period	54,852	-	27,637	-	-	-	-	82,489	-	82,489
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	(1,613,057)	-	-	-
Amortisation of deferred employee compensation expense	-	-	-	-	-	10,199	-	10,199	-	10,199
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-
Balance as at September 30, 2018	16,130,572	1,613,057	4,695,600	13,120,109	3,388,474	27,753	26,292,863	65,268,428	487,176	65,755,604

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

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Notes to and Forming Part of the Consolidated Condensed Interim Financial Information (Un-audited) For the Nine Months Period Ended September 30, 2018

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company **Bank Alfalah Limited, Pakistan**

Bank Alfalah Limited (the Holding Company) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange. The Holding Company is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 478 conventional banking branches including 22 sub branches (2017: 475 branches including 22 sub branches), 10 overseas branches (2017: 10 branches), 152 Islamic banking branches (2017: 152 branches) and 1 offshore banking unit (2017: 1 unit).

The Holding Company has been assigned an Entity Rating of 'AA+' (Double A Plus) for the Long Term and 'A1+' (A-One Plus) for the Short Term by PACRA, with Outlook assigned as 'Stable' (2017: AA+ [Double A Plus] for long term and A1+ [A-One Plus] for short term with a 'Stable' outlook). The unsecured subordinated debt (Term Finance Certificates) of the Holding Company has been assigned a credit rating of AA (double A). These ratings were assigned at June 2018.

Furthermore, JCR-VIS Credit Rating Company Limited (JCR-VIS) also assigned an entity rating of 'AA+' (Double A Plus) for the Long Term and 'A-1+' (A-One Plus) for the short term to the Holding Company, with Outlook assigned as 'Stable' (2017: AA+ [Double A Plus] for long term and A1+ [A-One Plus] for short term with a 'Stable' outlook). These ratings were assigned in June 2018. The Holding Company's first ever Additional Tier 1 instrument (ADT-1) has been assigned an instrument rating 'AA-' (Double A Minus), with 'Stable' Outlook.

	Percentage of Holding	
	September 30, 2018	December 31, 2017
Subsidiaries		
Alfalah Securities (Private) Limited, Pakistan	97.91 percent	97.91 percent
Alfalah GHP Investment Management Limited, Pakistan	40.22 percent	40.22 percent

- 1.2 In addition, the Group maintains investments in associates, as well as in certain mutual funds established under trust structure not consolidated as subsidiaries, based on directives issued by the Security and Exchange Commission of Pakistan (SECP) through S.R.O. 56(I)/2016, dated January 28, 2016 (refer note 8.1), as detailed in note 1.2 and note 2.4 to the annual consolidated financial statements for the year ended 31 December 2017.

2 BASIS OF PRESENTATION

- 2.1 These consolidated condensed interim financial statements represents financial statements of the Holding Company - Bank Alfalah Limited and its subsidiaries. The assets and liabilities of subsidiaries have been consolidated on a line-by-line basis and the investment held by the Holding Company is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Holding Company have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Act, 2017.
- 2.3 Key financial figures of the Islamic Banking branches of the Holding Company are disclosed in Annexure I to the unconsolidated condensed interim financial statements of the Holding Company.
- 2.4 **Basis of consolidation**

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

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Associates as well as investment in mutual funds established under trust structure (not consolidated as subsidiaries) are accounted for using the equity method.

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

3 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS-34), Interim financial reporting, issued by the International Accounting Standards Board (IASB),
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017,
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.

Wherever the requirements of provisions of Companies Act, 2017, Banking Companies Ordinance, 1962 and directives issued by the SBP and the SECP differ with the requirements of IAS-34 or IFAS, the requirements of the Companies Act, 2017, Banking Companies Ordinance, 1962 and the directives issued by the SECP and SBP have been followed.

3.2 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2017.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets and other assets are stated at revalued amounts, held for trading and available for sale investments and derivative financial instruments are measured at fair value. Further, staff retirement benefits have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits'.

4.2 Functional and Presentation Currency

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2017, except for the following:

5.1 Surplus / Deficit on Revaluation of Operating Fixed Assets

The Companies Ordinance, 1984 (the repealed Ordinance) was repealed through the enactment of the Companies Act, 2017 on May 30, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular number 23 dated October 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

The repealed Ordinance specified the accounting treatment for the surplus on revaluation on fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with IAS 16, which requires that such deficit is to be taken to the profit and loss account as an impairment.

Consequently, the Group has changed its policy for accounting for a deficit arising on revaluation of fixed assets and accordingly, any surplus/deficit arising on revaluation of owned property and non-banking assets acquired in satisfaction of claims is accounted for at individual assets level.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	December 31, 2017	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----		
Decrease in unappropriated profit	732	732	28,673
Increase in surplus on revaluation of assets – net of tax	732	732	28,673

5.2 Expected Credit Losses - IFRS 9

During the current period, the Group's Bahrain, Afghanistan and UAE Operations have, in line with their respective locally applicable regulatory frameworks, adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014. In order to ensure compliance with the regulatory framework in these countries, the expected credit loss charge arising as a result of adoption of IFRS 9 has been retained as a general provision in these consolidated condensed interim financial statements.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

The adoption of this standard by the overseas branches have resulted in additional net of tax provisioning requirement of Rs. 81.596 million in respect of prior year which has been incorporated in the opening balance of retained earnings, while net of tax provision reversal of Rs. 24.296 million has been booked in profit and loss statement of overseas operations, in respect of current period.

Had IFRS 9 not been adopted by the overseas branches, unappropriated profit, investments, advances, other assets, other liabilities and deferred tax as at September 30, 2018 would have been higher by Rs. 57.237 million, Rs. 66.790 million, Rs. 8.751 million, Rs. 4.157 million, Rs. 1.363 million and Rs. 23.733 million, respectively.

5.3 Measurement of Redeemable Participating Certificates - IFRS 9

During the current period, the adoption of IFRS 9 at Bahrain Operations of the Holding Company 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.

5.4 New / Revised Standards, Interpretations and Amendments

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or don't have any significant effect on the Group's operations and are therefore not detailed in these consolidated condensed interim financial statements.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and methods used for critical accounting estimates and judgements adopted in these consolidated condensed interim financial statements are same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2017.

7 FINANCIAL RISK MANAGEMENT

The Group's Financial Risk Management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended December 31, 2017.

8 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	(Un-audited) September 30, 2018	(Audited) December 31, 2017
(Rupees in `000)			
Call money lendings	8.1	19,669,287	20,255,936
Bai Muajjal		-	16,791,356
Repurchase agreement lendings	8.2	54,718,082	11,848,536
		<u>74,387,369</u>	<u>48,895,828</u>

8.1 These represent lendings to financial institutions at interest rates ranging from 1.00 % to 9.00 % per annum (December 2017: 1.50% to 9.75% per annum) having maturities upto March 2019 (December 2017: March 2018).

8.2 These represent short term lending to financial institutions against government securities. These carry mark-up rates ranging from 7.50% to 7.95% per annum (December 2017: 5.80% to 6.20% per annum) with maturities upto October 2018 (December 2017: June 2018).

9 INVESTMENTS - NET

9.1 Investments by type

	September 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in '000)						
Held-for-trading securities						
Market Treasury Bills	14,996,990	-	14,996,990	22,759,650	-	22,759,650
Pakistan Investment Bonds	1,494,571	-	1,494,571	-	-	-
Overseas Bonds	21,620	-	21,620	19,443	-	19,443
Fully paid up ordinary shares / units - Listed	393,990	-	393,990	28,140	-	28,140
	16,907,171	-	16,907,171	22,807,233	-	22,807,233
Available-for-sale securities						
Market Treasury Bills	53,876,781	6,479,172	60,355,953	77,610,358	85,274,643	162,885,001
Pakistan Investment Bonds	22,311,079	15,396,800	37,707,879	43,168,310	64,920,622	108,088,932
Fully paid up ordinary shares / units - Listed	7,248,169	-	7,248,169	5,786,367	-	5,786,367
Fully paid up ordinary shares - Unlisted	382,055	-	382,055	350,507	-	350,507
Term Finance Certificates	1,375,986	-	1,375,986	1,297,084	-	1,297,084
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted	25,000	-	25,000	25,000	-	25,000
Redeemable Participating Certificates	2,128,890	-	2,128,890	1,133,659	-	1,133,659
Commercial Papers	-	-	-	90,201	-	90,201
Pakistan Euro Bonds	683,334	1,502,794	2,186,128	1,435,375	845,802	2,281,177
Overseas Bonds	6,584,302	6,572,991	13,157,293	1,479,097	2,526,175	4,005,272
Sukuk Bonds	29,804,131	-	29,804,131	36,191,513	6,939,721	43,131,234
	124,528,562	29,951,757	154,480,319	168,676,306	160,506,963	329,183,269
Held-to-maturity securities						
Market Treasury Bills	2,728,786	-	2,728,786	1,470,741	-	1,470,741
Pakistan Investment Bonds	26,368,362	-	26,368,362	31,637,988	-	31,637,988
Term Finance Certificates	524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds	217,440	-	217,440	193,239	-	193,239
Overseas Bonds	4,877,857	1,233,817	6,111,674	4,945,043	1,095,269	6,040,312
Sukuk Bonds	3,051,029	-	3,051,029	4,097,810	-	4,097,810
	37,767,740	1,233,817	39,001,557	42,869,087	1,095,269	43,964,356
Investments in Associates and Mutual Funds established under Trust Structure not considered for consolidation						
Alfalah GHP Cash Fund	10,130	-	10,130	9,800	-	9,800
Alfalah GHP Income Fund	154,250	-	154,250	1,529	-	1,529
Alfalah GHP Income Multiplier Fund	7	-	7	6	-	6
Alfalah GHP Islamic Income Fund	5,738	-	5,738	5,576	-	5,576
Alfalah GHP Islamic Pension Fund	87,569	-	87,569	86,277	-	86,277
Alfalah GHP Money Market Fund	287,859	-	287,859	381,416	-	381,416
Alfalah GHP Pension Fund	88,436	-	88,436	86,343	-	86,343
Alfalah GHP Sovereign Fund	505	-	505	491	-	491
Alfalah Insurance Limited	335,359	-	335,359	319,725	-	319,725
Sapphire Wind Power Company Limited	1,874,441	-	1,874,441	1,557,584	-	1,557,584
TriconBoston Consulting Corporation (Private) Limited	783,467	-	783,467	764,575	-	764,575
	3,627,761	-	3,627,761	3,213,322	-	3,213,322
Investments	182,831,234	31,185,574	214,016,808	237,565,948	161,602,232	399,168,180
Provision for diminution in value of investments including associates	(1,391,211)	-	(1,391,211)	(1,349,330)	-	(1,349,330)
Investments (net of provisions)	181,440,023	31,185,574	212,625,597	236,216,618	161,602,232	397,818,850
(Deficit) / Surplus on revaluation of held for trading securities - net	(54,032)	-	(54,032)	(7,351)	-	(7,351)
Surplus on revaluation of available for sale securities-net	698,687	-	698,687	2,005,976	1,924,923	3,930,899
Total investments	182,084,678	31,185,574	213,270,252	238,215,243	163,527,155	401,742,398

Note

9.2

	Note	(Un-audited) September 30, 2018	(Audited) December 31, 2017
(Rupees in '000)			
9.2 Particulars of provision for diminution in value of investments - net			
Opening balance		1,349,330	1,253,781
Impact of adoption of IFRS 9 (note 5.2)		77,698	-
Balance at January 01 on adoption of IFRS 9		1,427,028	1,253,781
Charge for the period / year		54,349	189,997
Reversals during the period / year		(127,333)	(15,584)
		(72,984)	174,413
Provision written off / (adjusted) during the period / year		37,167	(78,864)
Closing balance		1,391,211	1,349,330
9.3 Particulars of provision for diminution in value of investments by type and segment			
Available for sale securities			
Listed companies / mutual funds			
- Fully paid up ordinary shares / units			
- First Dawood Investment Bank Limited		15,000	15,000
- Agritech Limited		7,383	-
- Preference shares			
- Agritech Limited		108,835	108,835
Unlisted companies			
- Fully paid up ordinary shares of Rs. 10 each			
- AGP Limited		-	43,632
- Pakistan Export Finance Guarantee Agency Limited		5,725	5,725
- Al-Hamra Avenue (Private) Limited		50,000	50,000
- Pakistan Mobile Communications Limited		3,936	3,936
Unlisted securities			
- Term finance certificates / sukuks			
- Azgard Nine Limited		76,220	76,220
- Security Leasing Corporation Limited I		6,418	6,418
- Security Leasing Corporation Limited II		29,245	23,105
- New Allied Electronics		1,785	2,185
- Fauji Akbar Portia Marine Terminals Limited		253,560	224,499
- Quetta Textile Mills Limited		66,987	72,619
- Preference shares			
- Trust Investment Bank Limited		25,000	25,000
Held to maturity securities			
Unlisted securities			
- Term finance certificates / sukuk bonds			
- Agritech Limited		499,586	499,586
- BRR Guardian Modaraba		8,904	20,593
- Security Leasing Corporation Limited		23,105	29,245
- Sitara Peroxide (Private) Limited		118,052	118,052
- Zulekha Textile Mills		24,680	24,680
General Provision - Overseas Operations - (Refer Note 5.2)	9.3.1	66,790	-
		1,391,211	1,349,330

9.3.1 General provision pertains to overseas branches to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.

	Note	(Un-audited) September 30, 2018	(Audited) December 31, 2017
(Rupees in '000)			
10 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		377,601,224	331,076,292
- Outside Pakistan		12,986,087	14,338,182
		<u>390,587,311</u>	<u>345,414,474</u>
Net investment in finance lease			
- In Pakistan		4,393,355	4,090,945
- Outside Pakistan		-	-
		<u>4,393,355</u>	<u>4,090,945</u>
Islamic financing and related assets (gross)	10.1	83,264,079	56,880,169
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		4,047,259	5,444,779
- Payable outside Pakistan		6,321,539	5,357,334
		<u>10,368,798</u>	<u>10,802,113</u>
Gross Advances		488,613,543	417,187,701
Provision against advances			
Specific provision	10.3	(14,933,313)	(15,685,041)
General provision	10.3	(923,944)	(842,738)
		<u>(15,857,257)</u>	<u>(16,527,779)</u>
Advances - net of provision		<u>472,756,286</u>	<u>400,659,922</u>

10.1 This represents financing and related assets placed under shariah permissible modes and presented in Annexure I to the unconsolidated interim financial statements of the Holding Company.

10.2 Advances include Rs. 16,993 million (December 31, 2017: Rs. 17,580 million) which have been placed under non-performing status as detailed below:

	September 30, 2018 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Category of classification									
Other Assets Especially Mentioned (Agri Financing)	124,365	-	124,365	2,193	-	2,193	2,193	-	2,193
Substandard	1,817,267	93,860	1,911,127	429,397	7,124	436,521	429,397	7,124	436,521
Doubtful	841,362	-	841,362	495,675	-	495,675	495,675	-	495,675
Loss	13,800,762	313,915	14,114,677	13,716,917	282,007	13,998,924	13,716,917	282,007	13,998,924
	<u>16,583,756</u>	<u>407,775</u>	<u>16,991,531</u>	<u>14,644,182</u>	<u>289,131</u>	<u>14,933,313</u>	<u>14,644,182</u>	<u>289,131</u>	<u>14,933,313</u>
	(Rupees in '000)								
	December 31, 2017 (Audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Category of classification									
Other Assets Especially Mentioned (Agri Financing)	84,960	-	84,960	4,979	-	4,979	4,979	-	4,979
Substandard	1,359,006	-	1,359,006	338,582	-	338,582	338,582	-	338,582
Doubtful	1,854,513	-	1,854,513	1,245,152	-	1,245,152	1,245,152	-	1,245,152
Loss	13,978,614	303,018	14,281,632	13,837,989	258,339	14,096,328	13,837,989	258,339	14,096,328
	<u>17,277,093</u>	<u>303,018</u>	<u>17,580,111</u>	<u>15,426,702</u>	<u>258,339</u>	<u>15,685,041</u>	<u>15,426,702</u>	<u>258,339</u>	<u>15,685,041</u>

10.3 Particulars of provisions against non-performing loans and advances

	Nine months period ended September 30, 2018 (Un-audited)			Year ended December 31, 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
------(Rupees in `000)-----						
Opening balance	15,685,041	842,738	16,527,779	16,368,263	775,968	17,144,231
Impact of adoption of IFRS 9 (note 5.2)	-	25,297	25,297	-	-	-
Balance at January 01 on adoption of IFRS 9	15,685,041	868,035	16,553,076	16,368,263	775,968	17,144,231
Exchange adjustment and other movements	29,089	3,129	32,218	2,221	(9,425)	(7,204)
Charge for the period / year	1,339,314	153,080	1,492,394	2,230,902	169,445	2,400,347
Reversals / recoveries	(1,942,093)	(100,300)	(2,042,393)	(2,741,259)	(93,250)	(2,834,509)
	(602,779)	52,780	(549,999)	(510,357)	76,195	(434,162)
Amounts written off	(178,038)	-	(178,038)	(175,086)	-	(175,086)
Closing balance	14,933,313	923,944	15,857,257	15,685,041	842,738	16,527,779

10.3.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at September 30, 2018 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 29.290 million (December 31, 2017: Rs. 29.889 million).

10.3.2 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General reserve of at least equivalent to 1% of the secured and performing SE portfolio and 2% of the unsecured and performing SE portfolio is also maintained as required under Prudential Regulations for Small and Medium Enterprise Financing

General provision also includes Rs. 127.986 million (December 31, 2017: Rs. 141.702 million) pertaining to overseas branches to meet the requirements of the regulatory authorities of the respective countries in which the Group operates.

10.3.3 Pursuant to a relaxation given to the Bank by the SBP, exposure under certain facilities granted to Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, is not required to be classified as non-performing. The relaxation is valid upto December 31, 2018. However, as at September 30, 2018, the past due amount for such facilities amounted to Rs 1,207 million (Dec 2017 : Rs. 8,421 million) , and mark-up suspended and kept in memo account amounts to Rs 13.961 million (Dec 2017: Rs 111.449 million).

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
(Rupees in `000)		
11 OPERATING FIXED ASSETS		
Capital work-in-progress	236,063	209,328
Property and equipment	11.1 15,127,967	16,119,263
Intangible assets	1,191,662	1,379,076
	<u>16,555,692</u>	<u>17,707,667</u>

11.1 This includes certain properties having a carrying amount of Rs. 281 million which the Bank has earmarked for disposal.

Note	(Un-audited)	
	Nine months period ended	
	September 30, 2018	September 30, 2017

(Rupees in '000)

11.2 Additions to operating fixed assets

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

Capital work-in-progress	26,735	-
Tangible fixed assets		
Office premises	47,409	108,413
Leasehold improvements	72,898	217,648
Office equipment	533,762	767,377
Furniture and fixtures	25,620	18,698
Vehicles	10,352	113,623
Intangibles assets		
Computer software	180,824	398,891
	<u>897,600</u>	<u>1,624,650</u>

11.3 Transfer / disposals of operating fixed assets

Capital work-in-progress	-	89,547
Tangible fixed assets		
Office premises	242,489	50,159
Leasehold improvements	43,983	45,023
Office equipment	191,603	168,026
Furniture and fixtures	16,416	5,597
Vehicles	81,694	11,720

12 OTHER ASSETS AND OTHER LIABILITIES

These include assets and liabilities held for sale as referred to in note 21 to the Holding Company's annual financial statements for the year ended December 31, 2017, as the Holding Company is in the process of selling its Afghanistan Operations.

The Business transfer agreement with the buyer was executed in the second quarter of 2018. The sale is expected to be materialized in the near future, subject to all regulatory approvals.

Accordingly, the assets and liabilities relating to the Holding Company's Afghanistan Operations continue to be classified as assets and liabilities held for sale under other assets and other liabilities respectively.

12.1 The carrying amounts of the assets and liabilities classified as held for sale are as follows:

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
	(Rupees in '000)	
Other Assets - Assets Held for Sale (Afghanistan Operations)	22,575,020	26,821,724
Other Liabilities - Assets Held for Sale (Afghanistan Operations)	20,495,247	24,759,096

		(Un-audited) September 30, 2018	(Audited) December 31, 2017
13 BORROWINGS			
		(Rupees in `000)	
Secured			
Borrowings from State Bank of Pakistan under ERF / LTF - EOP		29,968,910	27,798,748
Repurchase agreement borrowings	13.1	18,286,753	125,220,096
Borrowings from other central banks	13.2	258,522	-
Bai Muajjal	13.3	12,175,909	37,650,637
Other short term borrowings		7,267	43,253
		<u>60,697,361</u>	<u>191,012,734</u>
Unsecured			
Call borrowings	13.4	15,456,338	10,332,574
Trading liabilities		-	5,221,517
Overdrawn nostro accounts	13.5	547,317	970,114
		<u>16,003,655</u>	<u>16,524,205</u>
		<u>76,701,016</u>	<u>207,536,939</u>

13.1 This represents repurchase agreement borrowing from SBP and other banks at the rate of 2.36 % and 7.60 % per annum respectively (December 2017: 1.55% and 5.82% per annum) having maturities upto October 2018 (December 2017: February 2018).

13.2 This represents Export Development Fund refinancing facility availed by the Bank's Bangladesh Operations from Bangladesh Bank at mark-up rates ranging from 3.47% to 3.55% per annum (December 2017: Nil) having maturities upto March 2019 (December 2017: Nil).

13.3 This represents borrowings from financial institutions at mark-up rates ranging from 5.83 % to 8.12% per annum (December 2017: 5.73% to 5.83%) having maturities upto March 2019 (December 2017: October 2018).

13.4 This represents borrowings from financial institutions at mark-up rates ranging from 0.70 % to 3.55 % per annum (December 2017: 0.60% to 5.75% per annum) having maturities upto January 2019 (December 2017: March 2018).

13.5 This represents book overdrawn balances appearing under certain nostro accounts which are due for settlement and the balance exists only due to timing differences. These do not carry any mark-up rates.

		(Un-audited) September 30, 2018	(Audited) December 31, 2017
14 DEPOSITS AND OTHER ACCOUNTS			
		(Rupees in `000)	
Customers			
Fixed deposits		133,275,110	131,010,038
Savings deposits		218,275,697	215,069,960
Current accounts - non-remunerative		288,349,034	266,018,609
Others		9,152,177	6,505,849
		<u>649,052,018</u>	<u>618,604,456</u>
Financial institutions			
Remunerative deposits		28,786,509	29,548,087
Non-remunerative deposits		2,506,059	5,193,545
		<u>31,292,568</u>	<u>34,741,632</u>
		<u>680,344,586</u>	<u>653,346,088</u>

		(Un-audited) September 30, 2018	(Audited) December 31, 2017
15 SUB-ORDINATED LOANS		(Rupees in '000)	
Term Finance Certificates V - Quoted, Unsecured		4,989,000	4,991,000
Additional Tier-I	15.1	7,000,000	-
		<u>11,989,000</u>	<u>4,991,000</u>

15.1 During the period, the Holding Company issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates ("TFCs") issued under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I Capital as outlined by State Bank of Pakistan ("SBP") under BPRD Circular No. 6 dated August 15, 2013. Salient feature of the issue are as follows:

Credit Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.
Tenor	Perpetual.
Mark-up Payment Frequency	Payable semi-annually in arrears.
Mark-up Rate	For the period at end of which the Holding Company is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be 6 month KIBOR + 1.50% with no step up feature.
Call Option	The Holding Company may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.
Lock-in Clause	Mark-up will only be paid from the Holding Company's current year's earning and if the Holding Company is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.
Loss Absorbency	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 Holding Company to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.

		(Un-audited) September 30, 2018	(Audited) December 31, 2017
16 CONTINGENCIES AND COMMITMENTS		(Rupees in '000)	
16.1 Direct credit substitutes			
i) Government		861,855	9,955,661
ii) Banking companies and other financial institutions		484,575	430,638
iii) Others		-	6,531
		<u>1,346,430</u>	<u>10,392,830</u>
16.2 Transaction - related contingent liabilities			
i) Government		51,444,264	41,857,229
ii) Banking companies and other financial institutions		1,135,913	609,154
iii) Others		10,309,891	11,317,138
		<u>62,890,068</u>	<u>53,783,521</u>

	(Un-audited) September 30, 2018	(Audited) December 31, 2017
16.3 Trade - related contingent liabilities	(Rupees in '000)	
Letters of credit	<u>78,621,904</u>	<u>73,773,817</u>
Acceptances	<u>11,492,373</u>	<u>10,701,434</u>
16.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>17,708,048</u>	<u>18,973,919</u>
<p>These mainly represent counter claims filed by the borrowers for restricting the Group from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Holding Company for damages sustained by them consequent to the termination from the Holding Company's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Group's favour and the possibility of any outcome against the Group is remote and accordingly no provision has been made in these financial statements.</p>		
	(Un-audited) September 30, 2018	(Audited) December 31, 2017
16.5 Commitments in respect of forward lendings	(Rupees in '000)	
Commitments to extend credit	<u>21,110,015</u>	<u>22,628,329</u>
Commitments in respect of investments	<u>6,130,771</u>	<u>7,579,043</u>
16.6 Commitments in respect of forward exchange contracts		
Purchase	<u>121,959,429</u>	<u>60,285,544</u>
Sale	<u>73,304,446</u>	<u>31,823,206</u>
16.7 Commitments for the acquisition of operating fixed assets	<u>412,744</u>	<u>318,978</u>
16.8 Commitments in respect of repo transactions		
Repurchase	<u>17,759,153</u>	<u>125,378,959</u>
Resale	<u>16,862,173</u>	<u>12,017,776</u>
16.9 Other commitments		
Interest rate swaps	<u>9,529,914</u>	<u>8,865,756</u>
Futures	<u>1,299,362</u>	<u>-</u>
Donations	<u>1,814</u>	<u>23,952</u>

16.10 Contingencies in respect of tax related matters are discussed in Note 20 of these consolidated condensed interim financial statements.

17 REVERSAL / PROVISION AGAINST OTHER ASSETS

This includes reversal of provision amounting to Rs. 443.898 million (USD 3.949 million), previously held against amount blocked in the Holding Company's Nostro account following settlement of dispute, and release of funds in favour of the Group.

		(Un-audited)	
		Nine months period ended	
		September 30, 2018	September 30, 2017
		(Rupees in '000)	
18 EARNINGS PER SHARE			
18.1 BASIC EARNINGS PER SHARE			
Profit after taxation for the period		8,847,116	7,292,979
		(Number of shares in thousand) (Restated)	
Weighted average number of ordinary shares		1,612,218	1,609,237
		(Rupees)	
Basic earnings per share		5.49	4.53
18.2 DILUTED EARNINGS PER SHARE		(Rupees in '000)	
Profit after taxation for the period		8,847,116	7,292,979
		(Number of shares in thousand) (Restated)	
Weighted average number of ordinary shares		1,614,517	1,609,237
		(Rupees) (Restated)	
Diluted earnings per share		5.48	4.53
		(Un-audited)	(Audited)
		September 30, 2018	December 31, 2017
		(Rupees in '000)	
19 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks		73,674,868	70,381,480
Balances with other banks		4,655,183	3,993,054
Call money lendings		19,669,287	20,255,936
Overdrawn nostro accounts		(547,317)	970,114)
		<u>97,452,021</u>	<u>93,660,356</u>
20 TAXATION			
a)	The income tax assessments of the Holding Company have been finalized upto and including tax year 2017. Matters of disagreement exist between the Holding Company and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.		
	In respect of tax years 2008, 2014 and 2017, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements resulting in additional demand of Rs.599.879 million (December 31, 2017 : Rs.1,033.519 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.116.351 million appeal effect orders are pending. The Holding Company 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 Holding Company and consequently has not made any provision in respect of these amounts.		
b)	The Holding Company has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2017 : Rs.77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Holding Company's appeal against this order is currently pending before Commissioner Appeals. The Holding Company has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.		

21 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Based on the Group's internal reporting framework, business activities are split into various reporting segments. The segment analysis with respect to the business activities is presented below:

For the period ended September 30, 2018 (Un-audited)									
Retail Banking	Corporate Banking	Treasury	Islamic Banking	International Operations	Retail Brokerage	Asset Management	Others*	Total	
(Rs. in '000)									
Segment income	12,119,726	12,424,735	16,274,032	6,849,814	2,771,746	90,671	346,693	974,791	51,852,208
Inter-segment income / (expense)	11,883,371	(6,322,127)	(7,282,309)	(596,279)	(235,201)	-	-	2,552,545	-
Segment expenses	16,389,756	2,572,938	4,742,715	4,654,101	1,255,822	141,255	183,872	7,186,973	37,127,432
Profit / (loss) before tax	7,613,341	3,529,670	4,249,008	1,599,434	1,280,723	(50,584)	162,821	(3,659,637)	14,724,776
As at September 30, 2018 (Un-audited)									
Retail Banking	Corporate Banking	Treasury	Islamic Banking	International Operations	Retail Brokerage	Asset Management	Others*	Total	
(Rs. in '000)									
Segment assets	188,935,857	244,656,886	215,611,709	141,825,425	76,465,802	290,283	1,020,747	27,442,474	896,249,183
Segment non performing loans	8,609,185	6,624,864	-	1,129,667	407,775	-	-	220,040	16,991,531
Segment provision required against loans and advances	8,273,909	5,872,970	-	1,160,438	409,614	1,271	-	139,055	15,857,257
Segment liabilities	472,354,248	108,225,567	31,672,669	127,021,662	65,185,634	132,686	210,858	20,558,382	825,361,706
Segment return on assets (ROA %)	1.7%	1.6%	0.9%	1.5%	2.3%	-	-	-4.7%	2.1%
Segment cost of funds(%)	3.6%	5.4%	6.3%	1.3%	1.9%	-	-	3.0%	3.2%
For the period ended September 30, 2017 (Un-audited)									
Retail Banking	Corporate Banking	Treasury	Islamic Banking	International Operations	Retail Brokerage	Asset Management	Others*	Total	
(Rs. in '000)									
Segment income	10,098,783	10,332,391	19,175,108	6,776,447	2,905,251	151,929	424,587	492,067	50,356,563
Inter-segment income / (expense)	10,451,433	(5,884,486)	(5,583,776)	(438,664)	(209,594)	-	-	1,665,087	-
Segment expenses	14,772,868	2,096,384	7,309,001	4,560,450	1,799,877	106,910	249,326	7,047,850	37,942,666
Profit / (loss) before tax	5,777,348	2,351,521	6,282,331	1,777,333	895,780	45,019	175,261	(4,890,696)	12,413,897
As at September 30, 2017 (Un-audited)									
Retail Banking	Corporate Banking	Treasury	Islamic Banking	International Operations	Retail Brokerage	Asset Management	Others*	Total	
(Rs. in '000)									
Segment assets	171,010,671	213,540,590	335,168,183	143,477,857	68,919,126	425,358	905,909	37,987,494	971,435,188
Segment non performing loans	8,288,359	7,176,694	-	1,599,089	292,285	1,270	-	-	17,357,697
Segment provision required against loans and advances	8,237,199	6,470,235	43,766	1,148,029	388,180	1,271	-	64,736	16,353,416
Segment liabilities	439,441,162	91,691,913	162,927,103	130,875,822	59,913,049	167,522	254,620	20,665,010	905,936,201
Segment return on assets (ROA %)	1.5%	1.1%	1.3%	1.7%	1.7%	-	-	-6.9%	1.8%
Segment cost of funds (%)	3.2%	5.0%	5.6%	2.6%	1.9%	-	-	2.9%	3.3%

* Profit before tax of this segment includes head office related expenses

The segment analysis accounts for cost of capital / internal transfer pricing in arriving at profitability of business segments.

22 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:

	September 30, 2018					Fair value			
	Carrying Amount					Level 1	Level 2	Level 3	Total
	HFT	AFS	HTM	Loans and Receivables	Subsidiaries & Associates				
On balance sheet financial instruments									
Financial assets measured at fair value									
- Other assets	999,125	-	-	-	-	-	999,125	-	999,125
- Forward foreign exchange contracts	157,912	-	-	-	-	-	157,912	-	157,912
- Interest rate swaps	11,959	-	-	-	-	-	11,959	-	11,959
- Unrealised gain on futures	-	-	-	-	-	-	-	-	-
- Investments	-	-	-	-	-	-	-	-	-
- Government Securities (T-bills, PIBs, GOP Sukuks)	16,488,863	129,469,045	-	-	-	-	145,957,908	-	145,957,908
- Overseas Govt. Sukuks, Overseas and Euro bonds)	-	3,036,508	-	-	-	-	3,036,508	-	3,036,508
- Overseas Bonds - others	364,277	8,448,271	-	-	-	8,812,548	-	-	8,812,548
- Ordinary shares of listed companies	-	1,032,874	-	-	-	1,032,874	-	-	1,032,874
- Debt securities (IFCs)	-	10,045,585	-	-	-	-	10,045,585	-	10,045,585
- Sukuks-Other than Govt	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value									
- Cash and bank balances with treasury banks	-	-	-	73,674,868	-	-	-	-	73,674,868
- Balances with other banks	-	-	-	4,655,183	-	-	-	-	4,655,183
- Lending to financial institutions	-	-	-	74,387,369	-	-	-	-	74,387,369
- Advances	-	-	-	472,756,286	-	-	-	-	472,756,286
- Other assets	-	-	-	38,849,349	-	-	-	-	38,849,349
- Investments	-	-	-	-	-	-	-	-	-
- Government Securities (PIBs, WAPDA Sukuks, Overseas and Euro bonds)	-	-	34,804,977	-	-	-	-	-	34,804,977
- Overseas Bonds - Others	-	615,082	-	-	-	-	-	-	615,082
- Unlisted Shares (Ordinary & Preference)	-	322,395	-	-	-	-	-	-	322,395
- Redeemable Participating Certificate	-	2,119,788	-	-	-	-	-	-	2,119,788
- Commercial Paper	-	-	-	-	-	-	-	-	-
- Sukuks-Other than Govt	-	-	-	2,894,827	-	-	-	-	2,894,827
Associates									
- Mutual Funds	-	-	-	-	3,627,759	-	-	3,627,759	-
- Ordinary shares of unlisted companies	-	-	-	-	-	-	-	-	-
	18,022,196	154,474,466	35,420,059	667,217,882	3,627,759	-	-	-	878,762,302
Financial liabilities measured at fair value									
- Other liabilities	1,681,753	-	-	-	-	-	1,681,753	-	1,681,753
- Forward foreign exchange contracts	-	-	-	-	-	-	-	-	-
- Interest rate swaps	-	-	-	-	-	-	-	-	-
- Unrealised loss on futures	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value									
- Bills Payable	-	-	-	-	-	10,563,367	-	-	10,563,367
- Borrowings	-	-	-	-	-	76,701,016	-	-	76,701,016
- Deposits and other accounts	-	-	-	-	-	680,344,586	-	-	680,344,586
- Subordinated loans	-	-	-	-	-	11,989,000	-	-	11,989,000
- Other liabilities	-	-	-	-	-	39,065,908	-	-	39,065,908
	1,681,753	-	-	-	-	818,663,877	-	-	820,345,630
Off balance sheet financial instruments									
- Forward Exchange Contracts Purchase	-	-	-	-	-	121,959,429	-	-	121,959,429
- Forward Exchange Contracts Sale	-	-	-	-	-	73,331,469	-	-	73,331,469
- Interest Rate Swaps	-	-	-	-	-	9,529,914	-	-	9,529,914
- Futures	-	-	-	-	-	1,299,362	-	-	1,299,362

The Group's policy is to recognize 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.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

22.2 Valuation techniques used in determination of fair values:

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps is determined using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contract durations etc.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates.
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of rates 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.

23 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to executives is determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them as at the year-end other than disclosed elsewhere are as follows:

	September 30, 2018 (Un-audited)				
	Directors	Key Management Personnel	Associates	Other related parties	Total
	Others				
	(Rupees in '000)				
Statement of Financial Position					
Lendings					
Balance at beginning of the period	-	-	-	1,500,000	1,500,000
Placements during the period	-	-	-	92,141,356	92,141,356
Withdrawals during the period	-	-	-	(91,041,356)	(91,041,356)
Balance at end of the period	-	-	-	2,600,000	2,600,000
Investments					
Balance at beginning of the period	-	-	3,040,701	1,317,808	4,358,509
Investments during the period	-	-	680,617	441,569	1,122,186
Redemptions during the period	-	-	(93,557)	(536,621)	(630,178)
Balance at end of the period	-	-	3,627,761	1,222,756	4,850,517
Provisions held against investments	-	-	-	53,936	53,936
Advances					
Balance at beginning of the period	-	446,634	-	7,591,327	8,037,961
Placements during the period	112,932	210,777	-	6,304,568	6,628,277
Withdrawals / adjustments during the period	(3,641)	(235,521)	-	(7,802,773)	(8,041,935)
Balance at end of the period	109,291	421,890	-	6,093,122	6,624,303
Provisions held against advances	-	-	-	1,540,029	1,540,029
Mark-up held in suspense against classified advances	-	-	-	1,210,438	1,210,438
Other receivables	-	271	275,626	54,236	330,133
Borrowings					
Balance at beginning of the period	-	-	-	502,800	502,800
Borrowing during the period	-	-	-	26,315,446	26,315,446
Repayments during the period	-	-	-	(26,818,246)	(26,818,246)
Balance at end of the period	-	-	-	-	-
Deposits					
Balance at beginning of the period	6,275	161,264	1,509,741	4,178,990	5,856,270
Placements during the period	155,049	1,061,437	25,433,129	65,377,144	92,026,759
Withdrawals / adjustments* during the period	(122,946)	(1,060,235)	(26,310,524)	(65,683,395)	(93,177,100)
Balance at end of the period	38,378	162,466	632,346	3,872,739	4,705,929
Sub-Ordinated Loans					
Balance at beginning of the period	-	19,964	45,044	-	65,008
Sub-Ordinated loans issued during the period	-	-	-	-	-
Sub-Ordinated loans redemption during the period	-	(19,964)	(45,044)	-	(65,008)
Balance at end of the period	-	-	-	-	-
Other payables	-	11,132	150	3,960	15,242
Off Balance Sheet Items					
Letters of credit, acceptance and Guarantees outstanding	-	-	145,371	859,446	1,004,817

	December 31, 2017 (Audited)				
	Directors	Key Management Personnel	Associates	Other Related Parties	Total
	(Rupees in '000)				
Lendings					
Balance at beginning of the year	-	-	-	-	-
Placements during the year	-	-	-	89,750,000	89,750,000
Withdrawals during the year	-	-	-	(88,250,000)	(88,250,000)
Balance at end of the year	-	-	-	1,500,000	1,500,000
Investments					
Balance at beginning of the year	-	-	3,263,590	2,579,489	5,843,079
Investments during the year	-	-	1,961,972	1,819,585	3,781,557
Redemptions during the year	-	-	(2,184,861)	(3,081,266)	(5,266,127)
Balance at end of the year	-	-	3,040,701	1,317,808	4,358,509
Provisions held against investments	-	-	-	53,936	53,936
Advances					
Balance at beginning of the year	79,130	351,335	-	8,040,236	8,470,701
Placements during the year	21,130	317,546	-	15,620,727	15,959,403
Withdrawals / adjustments during the year	(100,260)	(222,247)	-	(16,069,636)	(16,392,143)
Balance at end of the year	-	446,634	-	7,591,327	8,037,961
Provisions held against advances	-	-	-	1,540,029	1,540,029
Mark-up held in suspense against classified advances	-	-	-	1,161,382	1,161,382
Other receivables	-	132	224,149	508	224,789
Borrowings					
Balance at beginning of the year	-	-	-	-	-
Borrowing during the year	-	-	-	34,192,883	34,192,883
Repayments during the year	-	-	-	(33,690,083)	(33,690,083)
Balance at end of the year	-	-	-	502,800	502,800
Deposits					
Balance at beginning of the year	10,201	164,506	1,031,657	8,663,189	9,869,553
Placements during the year	308,744	1,699,071	56,650,035	111,897,086	170,554,936
Withdrawals / adjustments* during the year	(312,670)	(1,702,313)	(56,171,951)	(116,381,285)	(174,568,219)
Balance at end of the year	6,275	161,264	1,509,741	4,178,990	5,856,270
Sub-Ordinated Loans					
Balance at beginning of the year	-	132,348	79,003	332,467	543,818
Sub-Ordinated loans issued during the year	-	-	-	-	-
Sub-Ordinated loans redemption during the year	-	(112,384)	(33,959)	(332,467)	(478,810)
Balance at end of the year	-	19,964	45,044	-	65,008
Other payables	-	8,070	844	9,444	18,358
Off Balance Sheet Items					
Letters of credit, acceptance and Guarantees outstanding	-	-	-	1,126,336	1,126,336

Nine months period ended September 30, 2018 (Un-audited)				
Directors	Key management personnel	Associates	Other related parties	Total
Transactions during the nine months period				
----- (Rupees in '000)-----				
Mark-up received on lendings	-	-	26,717	26,717
Mark-up received on investments	-	-	50,232	50,232
Mark-up received on advances	4,010	11,921	261,377	277,308
Mark-up paid on deposits	15	4,232	37,871	117,690
Mark-up paid on borrowing	-	-	15,174	15,174
Insurance Premium paid	-	-	477,944	477,944
Insurance Claim received - Fixed Assets	-	-	6,156	6,156
Purchase and maintenance of machines / equipments and services	-	-	113,141	113,141
Dividend income	-	-	126,058	126,058
Dividend paid	377,458	6,241	473	820,394
Capital gain	-	-	11,229	11,229
Other income	-	-	1,872	15,264
Administrative expenses	-	-	425,172	425,172

Nine months period ended September 30, 2017 (Un-audited)				
Directors	Key management personnel	Associates	Other related parties	Total
Transactions during the nine months period				
----- (Rupees in '000)-----				
Mark-up received on lendings	-	-	16,377	16,377
Mark-up received on investments	-	-	80,457	80,457
Mark-up received on advances	2,319	15,086	482,084	499,489
Mark-up paid on deposits	114	1,498	51,251	174,878
Mark-up paid on borrowing	-	11,395	3,572	24,936
Mark-up paid on sub-ordinated loans	-	-	-	1,079
Insurance Premium paid	-	-	470,826	470,826
Insurance Claim received - Fixed Assets	-	-	6,588	6,588
Rent paid	-	-	6,195	6,195
Purchase and maintenance of machines / equipments and services	-	-	184,711	184,711
Provision / (reversal) against non-performing advances	-	-	(1,344)	(1,344)
Dividend income	-	-	11,659	1,460
Capital gain	-	-	323,374	(3,208)
Other income	-	-	5,452	8,929
Administrative expenses	-	-	563,611	563,611

The key management personnel / directors compensation are as follows:

	Nine months period ended	
	September 30, 2018	September 30, 2017
	(Rupees in '000)	
Managerial remuneration (including allowances)	950,088	1,143,371
Fair value charge against employee stock option scheme	10,199	50,981
Contribution to employee funds	390,482	460,816
	<u>1,350,769</u>	<u>1,655,168</u>

In addition, the Chief Executive and certain Executives are provided with Bank maintained cars and other benefits, while the Non-executive Directors are entitled to fee for attending Directors' meetings as per the scale approved by the Board.

24 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

The Bank's monthly average Liquidity Coverage Ratio (LCR) for the nine months period of 2018 is 1.56 or 156% (Monthly Average for 2017: 1.41 or 141%) against the SBP minimum requirement of 90% (December 31, 2017: 90%), while the Bank's Net Stable Funding Ratio (NSFR) as at September 30, 2018, is 141 % (December 2017: 137%) against the SBP minimum requirement of 100% (December 31, 2017: 100%). These ratios have been calculated in accordance with the State Bank of Pakistan's Basel III Liquidity standards issued vide BPRD Circular No. 08, dated June 23, 2016.

25 GENERAL

Comparative information has been re-classified, re-stated, re-arranged or additionally incorporated in this consolidated condensed interim financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period.

The effect of re-classification, re-statement in comparative information presented in the consolidated condensed interim profit and loss accounts for the nine months ended September 30, 2017 is as follows:

Head	(Rupees in '000)	From	To
Foreign exchange swap cost	(285,165)	Income from dealing in foreign currencies	Mark-up / return / interest expensed
Various service charges and commission income	92,221	Other income	Fee, commission and brokerage income
Staff commission and incentive expenses	(50,241)	Fee, commission and brokerage income	Salaries, allowances, etc.
Interest Income on Interest Rate Swaps	109,002	Mark-up / return / interest earned	Mark-up / return / interest expensed
Brokerage and commission expense	(139,277)	Mark-up / return / interest expensed	Administrative expense - Brokerage and commission
Brokerage and commission expense	(9,000)	Mark-up / return / interest expensed	Administrative expense - Other expense
Courier expense - recoveries	15,123	Other income	Administrative expense - communication
Swift / Telex Charges	12,932	Other income	Administrative expense - communication
Foreign exchange expense	(101,594)	Fee, commission and brokerage income	Income from dealing in foreign currencies
Reward points expense	(41,609)	Fee, commission and brokerage income	Mark-up / return / interest expensed

The effect of re-classification in comparative information presented in note 16 to these consolidated condensed interim financial statements is as follows:

Head	(Rupees in '000)	From	To
Contingencies and commitments	9,952,554	Transaction - related contingent liabilities	Direct credit substitutes

26 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on October 25, 2018 by the Board of Directors of the Group.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Branch Network

Bank Alfalah Presence in Pakistan

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
1	Karachi	76	34	110
2	Lahore	61	30	91
3	Islamabad	25	11	36
4	Rawalpindi	23	8	31
5	Faisalabad	19	10	29
6	Quetta	15	4	19
7	Multan	11	6	17
8	Peshawar	10	4	14
9	Gujranwala	11	2	13
10	Sialkot	8	3	11
11	Hyderabad	6	2	8
12	Gujrat	5	2	7
13	Sargodha	5	2	7
14	Sahiwal	3	1	4
15	Okara	3	1	4
16	Jhang	2	1	3
17	Sheikhupura	3	-	3
18	Taxila	3	-	3
19	Rahim Yar Khan	4	1	5
20	Jhelum	2	1	3
21	Bahawalpur	2	1	3
22	Mingora	2	1	3
23	Abbottabad	2	1	3
24	Mansehra	1	1	2
25	Bahawalnagar	1	1	2
26	Nankana Sahib	1	1	2
27	Charsadda	2	-	2
28	Chakwal	2	-	2
29	Chichawatni	2	-	2
30	Mirpurkhas	1	1	2
31	Dera Ghazi Khan	2	-	2
32	Jaranwala	2	-	2
33	Dera Ismail Khan	1	1	2
34	Kohat	2	-	2
35	Mandi Bahauddin	1	-	1
36	Gilgit	2	-	2
37	Mianwali	1	1	2
38	Gojra	2	-	2
39	Muzaffarabad	1	1	2
40	Haripur	2	-	2
41	Attock	2	-	2
42	Sukkur	1	1	2

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
43	Ghotki	2	-	2
44	Sanghar	1	-	1
45	Dhudial	-	1	1
46	Mardan	1	-	1
47	Ali Pur	1	-	1
48	Pishin	1	-	1
49	Farooqabad	1	-	1
50	Dukki	1	-	1
51	Fateh Jang	1	-	1
52	Chillas	1	-	1
53	Fort Abbas	1	-	1
54	Pano Aqil	1	-	1
55	Bhimber	1	-	1
56	Gawadar	1	-	1
57	Burewala	2	-	2
58	Ghazi	1	-	1
59	Daultala	1	-	1
60	Chishtian	1	-	1
61	Depalpur	1	-	1
62	Ghourgushti	1	-	1
63	Murree	1	-	1
64	Chitral	1	-	1
65	Nowshera Virkan	1	-	1
66	Choa Saidan Shah	1	-	1
67	Phalia	1	-	1
68	Gujar Khan	1	-	1
69	Rabwah	1	-	1
70	Allahabad	1	-	1
71	Arifwala	1	-	1
72	Shahdadkot	1	-	1
73	Hafizabad	1	-	1
74	Shujaabad	1	-	1
75	Hangu	1	-	1
76	Malakwal	1	-	1
77	Chowk Azam	1	-	1
78	Mandi Quaidabad	1	-	1
79	Haroonabad	1	-	1
80	Mehrappur.	1	-	1
81	Hasan Abdal	-	1	1
82	Mirpur Mathelo	1	-	1
83	Hasilpur	1	-	1
84	Battagram	1	-	1
85	Haveli Lakha	1	-	1
86	Chiniot	1	-	1
87	Havelian	1	-	1

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
88	Nawabshah	1	-	1
89	Hazro	1	-	1
90	Besham	1	-	1
91	Hub	1	-	1
92	Pattoki	1	-	1
93	Hunza Nagar	1	-	1
94	Pindi Ghaib	-	1	1
95	D.G Khan	-	1	1
96	Bhakkar	1	-	1
97	Badin	1	-	1
98	Rajanpur	1	-	1
99	Islamgarh	1	-	1
100	Renala Khurd	1	-	1
101	Jacobabad	1	-	1
102	Sambrial	1	-	1
103	Jahania	1	-	1
104	Serai Alamgir	-	1	1
105	Jalalpur Bhattian	1	-	1
106	Shakargarh	1	-	1
107	Jalalpur Jattan	-	1	1
108	Shinkiari	1	-	1
109	Jampur	1	-	1
110	Sibi	1	-	1
111	Dadu	1	-	1
112	Mailsi	-	1	1
113	Jauharabad	1	-	1
114	Mamukanjan	1	-	1
115	Jehlum	1	-	1
116	Mandi Faizabad	1	-	1
117	Dadyal	1	-	1
118	Deharki	1	-	1
119	Ahmedpur East	1	-	1
120	Mehar	1	-	1
121	Kabirwala	-	1	1
122	Mian Channu	1	-	1
123	Kahirpur	1	-	1
124	Batkhela	1	-	1
125	Kahuta	1	-	1
126	Kallar Syedan	1	-	1
127	Moro	1	-	1
128	Kamalia	-	1	1
129	Muridke	1	-	1
130	Kamoke	1	-	1
131	Muslim Bagh	1	-	1
132	Kamra	1	-	1

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
133	Muzaffargarh	1	-	1
134	Kandhkot	1	-	1
135	Narowal	1	-	1
136	Bakhshi Pul	1	-	1
137	Nowshera	1	-	1
138	Kasur	1	-	1
139	Oghi	1	-	1
140	Khan Bela	1	-	1
141	Pakpattan	1	-	1
142	Khanewal	1	-	1
143	Pasrur	1	-	1
144	Khanna	1	-	1
145	Bewal	-	1	1
146	Khanpur	1	-	1
147	Phool Nagar	1	-	1
148	Kharian	1	-	1
149	Pir Mahal	1	-	1
150	Khoiratta	1	-	1
151	Qaboola	1	-	1
152	Khushab	-	1	1
153	Qutba	1	-	1
154	Khuzdar	-	1	1
155	Bhalwal	1	-	1
156	Kkurrianwala	1	-	1
157	Daharki	1	-	1
158	Rawat	1	-	1
159	Kot Abdul Malik	-	1	1
160	Sadiqabad	1	-	1
161	Zhob	1	-	1
162	Saidqabad	-	1	1
163	Skardu	1	-	1
164	Samundri	1	-	1
165	Swabi	1	-	1
166	Buner	1	-	1
167	Tando Adam	1	-	1
168	Shahdad Pur	1	-	1
169	Tank Adda	1	-	1
170	Shahkot	-	1	1
171	Daska	1	-	1
172	Sharakpur	-	1	1
173	Tench Bhatta	1	-	1
174	Shikarpur	1	-	1
175	Turbat	1	-	1
176	Shorkot	1	-	1
177	Umerkot	1	-	1

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
178	Chak Khasa	1	-	1
179	Vehari	-	1	1
180	Sillanwali	1	-	1
181	Waisa	1	-	1
182	Zafarwal	1	-	1
183	Kotli	1	-	1
184	Talagang	1	-	1
185	Kotmomin	1	-	1
186	Tando Allahyar	1	-	1
187	Kotri District Jamshoro	1	-	1
188	Tarnol	1	-	1
189	Bannu	1	-	1
190	Temargarha	1	-	1
191	Lala Musa	1	-	1
192	Toba Tek Singh	1	-	1
193	Larkana	1	-	1
194	Uch Sharif	1	-	1
195	Layyah	1	-	1
196	Usta Muhammad	1	-	1
197	Liaquat Pur	1	-	1
198	Wah Cantt	1	-	1
199	Lodharan	1	-	1
200	Yazman	1	-	1
201	Lodhran	1	-	1
202	Chaman	1	-	1
203	Loralai	1	-	1
204	Dasu	1	-	1
205	Kot Addu	-	1	1
206	Kashmore	1	-	1
Total		478	152	630

BANK ALFALAH PRESENCE IN FOREIGN COUNTRIES

Serial No.	Location	No. of Branches
	Bangladesh	
1	Dhaka	5
2	Chittagong	1
3	Sylhet	1
	Afghanistan	
1	Kabul	1
2	Herat	1
	Bahrain (WBU)	
1	Bahrain	1
	United Arab Emirates (WBB)	
1	Dubai	1
	Total	11



Bank Alfalah

The Way Forward

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