

Financial Statements for the Quarter and
Nine Months Period Ended 30 September 2017 (Un-audited)

The Way Forward



Bank Alfalah

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Company Information

Board of Directors

HH Sheikh Nahayan Mabarak Al Nahayan
Chairman

Abdulla Nasser Hawaileel Al-Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Khalid Qurashi
Director

Kamran Y. Mirza
Director

Nauman Ansari
President/CEO and Director

Board Audit Committee

Kamran Y. Mirza
Chairman

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Tahir Khurshid
Secretary

Board Strategy and Finance Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Khalid Qurashi
Director

Nauman Ansari
President/CEO and Director

M.Iftikhar Shabbir
Secretary

Board Risk Management Committee

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Director

Khalid Qurashi
Director

Nauman Ansari
President/CEO and Director

Farhan Ali
Secretary

Board Human Resources and Nomination Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Kamran Y. Mirza
Director

Nauman Ansari
President/CEO and Director

Mian Ejaz Ahmad
Secretary

Central Management Committee

Nauman Ansari
Chairman

Suhail Yaqoob Khan
Member

Mirza Zafar Baig
Member

Faisal Farooq Khan
Member

Khurram Hussain
Member

Mehreen Ahmed
Member

Rizwan Ata
Member

Saad Ur Rahman Khan
Member

Aly Mustansir
Member

Syed Ali Sultan
Member

Aasim Wajid Jawad
Member

Imran Zafar
Member

Khawaja Muhammad Ahmad
Member

Mohib Hasan Khan
Member

Board Compensation Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Kamran Y. Mirza
Director

Mian Ejaz Ahmad
Secretary

Chief Financial Officer

Mirza Zafar Baig

Company Secretary

Mian Ejaz Ahmad

Auditors

KPMG Taseer Hadi & Co.
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, I am pleased to present the interim financial statements of the Bank for the nine months period ended September 30, 2017.

	Nine months period ended	
	September 30, 2017	September 30, 2016
	(Rupees in '000)	
Profit before provisions and taxation	11,601,468	10,956,055
(Reversal) / Provision against loans and advances – net	(645,056)	267,108
Provision for diminution in the value of investments	109,112	67,849
	(535,944)	334,957
Profit before Taxation	12,137,412	10,621,098
Taxation	4,962,051	4,354,849
Profit after taxation	7,175,361	6,266,249
Earnings per share – basic	Rs. 4.47	Rs. 3.90

Performance Review

The Bank's performance for the nine months period ended September 30, 2017 remained impressive, with Profit before taxation improving by 14 percent as against the corresponding prior period to end at Rs.12.137 billion. Earnings per share for the nine months were reported at Rs. 4.47.

The Bank's Net Interest Income (NII) was maintained at the same level as that for the corresponding prior period, with NII reported at Rs. 21.685 billion. Sustaining NII levels amidst a consistently low interest rate regime is reflective of the Bank's prudent and effective Balance Sheet management strategy.

Non-fund based income was reported at Rs. 7.966 billion, improving 15 percent against the level reached for the corresponding period last year. Main contributions came from core fee, commission and brokerage income, which grew by Rs. 855 million, while Income from dealing in foreign currencies also improved by 47 percent, against the prior period.

Growth under Administrative Expenses was restricted to 2 percent as against the corresponding period last year, as all non-essential costs were continually kept in check. The Bank intends to pursue a stricter discipline of cost control to further identify and curb its controllable cost base.

Following the trend followed in the earlier quarters of the year, recoveries continued to outpace the charge considered against NPLs in the third quarter as well. Overall reversals considered over the nine month period amounted to Rs.1.906 billion, as against a charge against NPLs of Rs. 1.268 billion. This resulted in an overall net reversal of Rs.645.056 million for the current period as against a net charge of Rs. 267.108 million considered in the corresponding prior period.

The Bank's total assets were reported at Rs. 969.808 billion at September 2017 end, improving by 6 percent against December 2016 closing levels. Net Advances at the nine months period end were reported at Rs. 397.852 billion, indicating a growth of 5.1 percent against December 2016. The Bank's coverage ratio at the period end improved to 89.8 percent, whereas the Bank's NPL ratio is at 4.2 percent.

With total deposits at the period end reported at Rs. 661.223 billion, the Bank's Gross ADR ratio remains at a healthy 63 percent. As at the period end, the Bank's CASA mix stands at 80.4 percent.

Economic Review

The overall macroeconomic environment remains conducive to growth. With positive outlooks for real, industrial and agricultural sectors, the annual target of 6.0 percent for GDP growth in FY18 appears achievable. Challenges however, continue to remain, with pressure on the external front and expansionary fiscal policy measures being undertaken.

Moving into FY18, manufacturing activity is expected to benefit from higher development spending, ongoing investments in CPEC-related projects, improvement in security conditions and the continuing trend of stable and low cost of borrowing.

Large Scale Manufacturing (LSM) indicated a healthy growth of 5.7 percent in FY17, surpassing the initial estimates of 4.9 percent. The same trend is expected to continue going forward.

The current account deficit for the first two months of FY18 widened to US\$ 2.6 billion, mainly due to higher imports of productive goods, especially machinery, metal and petroleum products. This has outpaced the combined positive influence of strong growth in exports, foreign direct investments (US\$ 456 million) and workers' remittances during Jul-Aug FY18. Improvement in the external account and foreign exchange reserve shall rely upon timely realization of financial inflows along with adequate structural reforms for improving trade competitiveness. Incentives given to the export industry, favourable global economic conditions, and improvement in domestic energy and security situations are likely to lead to a gain in exports, while adequate growth in workers' remittances remains a challenge.

The State Bank of Pakistan has kept the policy rate unchanged at 5.75 percent. With interest rates at a historic low, demand for credit has continued to pick up. Healthy growth in banking sector deposits has improved the supply of funds available for lending for the banking sector, and market rates have generally remained stable.

Average CPI Inflation of 3.2 percent in July-August FY18, indicated a downward trend as against 3.8 percent during the same period last year. Based on the current assessment of the demand and supply side dynamics, average CPI inflation is expected to remain well below FY18 target of 6.0 percent.

Credit Rating

At the start of the year, JCR-VIS Credit Rating Company Limited assigned the Bank an entity rating of 'AA+' (Double A Plus) for the long term and 'A1+' (A-One Plus) for the Short Term, with outlook assigned as 'Stable', which was reaffirmed by them during their interim review in August 2017 .

At June 2017, PACRA has also upgraded the Bank's rating to 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term, with outlook assigned as 'Stable', while the credit rating of the Bank's outstanding unsecured subordinated TFCs has been upgraded to AA (Double A).

The assigned improved 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, I thank the State Bank of Pakistan, the Ministry of Finance and other regulatory authorities for their guidance and cooperation extended to the Bank. At the same time, I would also like to express my sincere gratitude to our shareholders, our customers, business partners and staff for their continued support, loyalty and trust.

A momentous milestone was achieved by the Bank recently, as we were recognized as the "Best Customer Franchise" – for the second year running, and more importantly – the "Best Bank" in Pakistan, at the prestigious Pakistan Banking Awards. These accolades are testament to the hard work, zeal, and commitment of our management team and staff, and the confidence reposed in us by our valued customers. We constantly strive to live our values to the fullest, with an aim to deliver unparalleled services to our customers.

NAUMAN ANSARI

Director & Chief Executive Officer

Date: October 25, 2017

Place: Abu Dhabi

ڈائریکٹرز کا جائزہ

میں بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2017 کو ختم ہونے والی سہ ماہی اور نو ماہ کے عبوری مالیاتی حسابات پیش کر رہا ہوں۔

30 ستمبر 2016	30 ستمبر 2017	
کو ختم ہونے والی نو ماہ کی مدت	کو ختم ہونے والی نو ماہ کی مدت	
(Rupees in '000)		
10,956,055	11,601,468	پراویژن اور ٹیکس کی ادائیگی سے قبل کا منافع
267,108	(645,056)	(ریورسل) / قرضہ جات اور ایڈوانسز کے مقابل پراویژن۔ خالص
67,849	109,112	سرمایہ کاری کی قدر میں کمی کے لیے پراویژن
334,957	(535,944)	
10,621,098	12,137,412	قبل از ٹیکس منافع
4,354,849	4,962,051	ٹیکس
6,266,249	7,175,361	بعد از ٹیکس منافع
3.90 روپے	4.47 روپے	فی شخص آمدن۔ خالص

کارکردگی کا جائزہ:

30 ستمبر 2017 کو ختم ہونے والی نو ماہی کے دوران بینک نے شاندار کارکردگی کا مظاہرہ کیا جہاں بینک کا قبل از ٹیکس منافع 12.137 ارب روپے رہا، جو گزشتہ مالی سال کی اسی مدت کے مقابلے میں 14 فیصد اضافہ کو ظاہر کرتا ہے۔ ان نو ماہ کے دوران فی شخص آمدن 4.47 روپے رہی۔

بینک کی خالص مارک اپ آمدن 21.685 ارب روپے رہی جس کو گزشتہ سال کے اسی دورانیے کی سطح پر برقرار رکھا گیا۔ کم منافع کی فضا میں منافع بخش آمدن کی سطح برقرار رکھنا بینک کی جانب سے ہینلس شیٹ کے انتظام کے عمدہ لائحہ عمل کا عکاس ہے۔

نان فنڈ پر استوار آمدن گزشتہ سال کے مقابلے میں 15 فی صد اضافے کے بعد 7.966 ارب روپے رہی۔ اس ضمن میں اہم کردار بنیادی فیئیں، کمیشن اور بروکرینج آمدن نے ادا کیا جس میں 855 ملین روپے کا اضافہ ہوا جبکہ فارن کرنسی کے کاروبار میں گزشتہ سال کے مقابلے میں 47 فی صد اضافہ دیکھا گیا۔

انتظامی اخراجات میں اضافے کو گزشتہ سال کے مقابلے میں 2 فی صد تک محدود کر دیا گیا جبکہ تمام غیر ضروری اخراجات کو بھی محدود رکھا گیا۔ بینک اپنے غیر ضروری اخراجات کی نشاندہی اور ان میں کمی کرنے کے لیے مزید اقدامات کرنے کا خواہاں ہے۔

گزشتہ سہ ماہیوں کے نتائج کے تسلسل میں تیسری سہ ماہی میں بھی ریکوریز کا حجم NPLs کے مقابل چارج سے زیادہ رہا۔ اس نو ماہی کے دوران شمار کیے گئے ریورسلز کا حجم NPLs کے مقابل چارج 1.268 روپے کے مقابلے میں 1.906 ارب روپے رہا۔ اس کے نتیجے میں گزشتہ نو ماہی کے 267.108 ملین روپے کے نیٹ چارج کے مقابلے میں 645.056 ملین روپے کا عمومی ریورسل دیکھا گیا۔

اس مدت کے اختتام پر بینک کے اثاثہ جات کی مجموعی مالیت 969.808 ارب روپے ریکارڈ کی گئی جو کہ دسمبر 2016 کے مقابلے میں 6 فی صد زیادہ رہی۔ نیٹ ایڈوانسز کی مالیت دسمبر 2016 کے مقابلے میں 5.1 فی صد اضافے کے بعد 397.852 ارب روپے رہی۔ بینک کی کوریج کا تناسب 89.9 فیصد پر بہتر رہا جبکہ بینک کے NPLs کا تناسب 4.2 فی صد رہا۔

اس مدت کے اختتام پر بینک کے ڈپازٹس کی مجموعی مالیت 661.223 ارب روپے ریکارڈ کی گئی۔ بینک کا کل ADR 63 فی صد کے امید افزا سطح پر برقرار ہے۔ بینک کا CASA مکس اس مدت کے اختتام پر 80.4 فی صد رہا۔

معاشی جائزہ:

مجموعی معاشی صورتحال بدستور ترقی کے لیے معاون ہے۔ ریئل سیکٹر، صنعت اور زراعت کے شعبوں میں مثبت رجحانات مالی سال 2018 کے لیے مجموعی قومی پیداوار کے ہدف 6.0 فیصد کے حصول کے لیے سازگار ہیں۔ تاہم بیرونی سطح پر چیلنجز کا بدستور سامنا ہے جن سے نمٹنے کے لیے توسیعی مالی پالیسی اقدامات کیے جا رہے ہیں۔

مالی سال 2018 میں CPEC سے متعلق پراجیکٹس، ترقیاتی اخراجات میں اضافہ، امن و امان کی صورتحال میں بہتری اور قرض گیری کی کم اور منظم لاگت کی وجہ سے مینوفیکچرنگ سرگرمیوں کو تقویت ملنے کی توقع ہے۔ بڑے پیمانے پر مصنوعات کی تیاری (لارج اسکیل مینوفیکچرنگ) میں مالی سال 2017 کے دوران 5.7 فیصد کی نمایاں افزائش کے ساتھ اس شعبے میں 4.9 فیصد اضافے کے ابتدائی اندازوں سے زائد رہی۔ یہ رجحان آئندہ بھی برقرار رہنے کی توقع ہے۔

پیداواری مصنوعات بالخصوص مشینری، دھاتوں اور پیٹرولیم مصنوعات کی بڑے پیمانے پر درآمد کی وجہ سے مالی سال 2018 کے ابتدائی دو ماہ کے دوران کرنٹ اکاؤنٹ خسارہ 2.6 ارب ڈالر تک بڑھ چکا ہے۔ جاری کھاتے کے بلند خسارے نے برآمدات میں نمایاں اضافے اور غیر ملکی براہ راست سرمایہ کاری (456 ملین ڈالر) اور جولائی تا اگست 2018 کے دوران آنے والی ترسیلات کے مجموعی اثرات کو زائل کر دیا ہے۔ بیرونی کھاتے اور زرمبادلہ کے ذخائر کی صورتحال فی نیشنل انفلووز کی بروقت آمد اور تجارتی مسابقت کو بہتر بنانے کے لیے موثر ساختی اصلاحات پر زیادہ انحصار کرتی ہے۔ برآمدی صنعت کو دی جانے والی مراعات، عالمی معیشت میں سازگار ماحول اور مقامی سطح پر توانائی اور سیکورٹی کی صورتحال میں بہتری برآمدات میں اضافے کے لیے معاون ہوگی تاہم ترسیلات میں موثر اضافہ بدستور ایک چیلنج ہے۔

اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ 5.75 فیصد کی سطح پر برقرار رکھا ہے۔ شرح سود تاریخ کی کم ترین سطح پر آنے کے ساتھ قرضوں کی طلب میں مسلسل اضافہ ہو رہا ہے۔ بینکوں کے ڈپازٹس میں نمایاں اضافہ کی وجہ سے بینکوں کے لیے قرضوں کی فراہمی کی استطاعت اور فنڈز کی دستیابی میں بھی بہتری آئی ہے اور مارکیٹ ریٹ عمومی طور پر مستحکم ہیں۔

مالی سال 2018 کے جولائی تا اگست کے دوران اوسط گزریں پر اے ایٹیکس (CPI) کی سطح 3.2 فیصد رہی جو گزشتہ مالی سال کے اسی عرصے میں CPI کی 3.8 فیصد کے مقابلے میں کمی کے رجحان کی عکاسی کرتی ہے۔ موجودہ تخمینوں کی بنیاد پر طلب و رسد کے عوامل کی وجہ سے اوسط CPI افراط زر مالی سال 2018 کے لیے 6.0 فیصد کے ہدف سے کم رہنے کی توقع ہے۔

کرڈٹ ریٹنگ:

سال کے آغاز میں کرڈٹ ریٹنگ کمپنی JCR-VIS نے بینک الفلاح کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) اور قبل مدت کے لیے 'A1+' (اے ون پلس) کرڈٹ ریٹنگ تفویض کی ہے۔ تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے جس کی اگست 2017 میں عبوری نظر ثانی میں توثیق کر دی گئی۔

جون 2017 میں کرڈٹ ریٹنگ ایجنسی PACRA کی جانب سے بینک کی کرڈٹ ریٹنگ کو طویل مدت کے لیے بہتر کر ڈبل اے پلس (AA+) تفویض کی گئی جبکہ قبل مدت کے لیے اے ون پلس (A1+) کرڈٹ ریٹنگ تفویض کی گئی ہے اور آؤٹ لک کو مثبت قرار دیا گیا ہے۔ PACRA کی جانب سے بینک کے ٹرم فنڈس شمولیت کو ڈبل اے (AA) ریٹنگ تفویض کی گئی ہے۔

مذکورہ کریڈٹ ریٹنگ بینک الفلاح کے متنوع آپریشنز، مستحکم مالیاتی رسک پروفائل، اسپانسرز کی مضبوطی اور مارکیٹ میں بینک کی مستحکم پوزیشن کی عکاسی کرتی ہے۔ یہ ریٹنگز 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:

میں بورڈ آف ڈائریکٹرز کی جانب سے اسٹیٹ بینک آف پاکستان، وفاقی وزارت خزانہ اور دیگر ریگولیٹری اتھارٹیز کی مسلسل رہنمائی اور تعاون کی فراہمی کا شکریہ ادا کرتا ہوں۔ اس کے ساتھ ہی میں مسلسل اعتماد اور معاونت کرنے والے اپنے معزز شیئرز ہولڈرز، صارفین اور برنس پارٹنرز کا بھی تہ دل سے شکر گزار ہوں۔

بینک نے حال ہی میں ایک شاندار کامیابی حاصل کی ہے۔ ہمیں مسلسل دوسرے سال پاکستان بینکنگ ایوارڈز جیسے معتبر ادارے کی جانب سے 'بیسٹ کسٹمر فرینڈلی' اور اس بار "ملک کا بہترین بینک" قرار دیا گیا ہے۔ یہ کامیابی ہماری انتظامی ٹیم اور ملازمین کی سخت محنت، جذبے اور عزم اور اس اعتماد کی عکاس ہے جو ہمارے صارفین نے ہمیں دیا ہے۔ ہم اپنے صارفین کو بہترین خدمات کی فراہمی کے لیے اپنے اقدار کی مسلسل پاسداری کرتے ہیں۔

نعمان انصاری

ڈائریکٹر اینڈ چیف ایگزیکٹو آفیسر

25 اکتوبر 2017

مقام: ایٹھوی

Unconsolidated Condensed Interim Statement of Financial Position

As at September 30, 2017

	Note	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		71,519,724	74,071,384
Balances with other banks		13,105,795	9,373,123
Lendings to financial institutions	7	53,979,617	30,149,029
Investments - net	8	400,526,685	389,092,637
Advances - net	9	397,851,993	378,720,349
Operating fixed assets	10	17,918,283	18,133,267
Deferred tax assets		-	-
Other assets		14,906,052	17,917,264
		969,808,149	917,457,053
LIABILITIES			
Bills payable		11,110,253	12,886,990
Borrowings	11	207,840,220	178,311,035
Deposits and other accounts	12	661,223,465	640,944,254
Sub-ordinated loans		6,653,340	8,317,670
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		1,028,442	2,650,428
Other liabilities		17,440,463	14,221,914
		905,296,183	857,332,291
NET ASSETS		<u>64,511,966</u>	<u>60,124,762</u>
REPRESENTED BY			
Share capital		16,075,720	15,952,076
Reserves		17,409,603	15,895,652
Unappropriated profit		23,102,000	17,337,458
		56,587,323	49,185,186
Surplus on revaluation of assets - net of tax		7,924,643	10,939,576
		<u>64,511,966</u>	<u>60,124,762</u>
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The annexed notes 1 to 19 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Director

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

For the quarter and nine months period ended September 30, 2017

Note	Quarter ended September 30, 2017	Nine months period ended September 30, 2017	Quarter ended September 30, 2016	Nine months period ended September 30, 2016
----- (Rupees in '000) -----				
Mark-up / return / interest earned	14,032,559	42,081,950	13,735,289	43,447,882
Mark-up / return / interest expensed	7,168,237	20,397,463	6,702,127	21,761,153
Net mark-up / interest income	6,864,322	21,684,487	7,033,162	21,686,729
(Reversal) / provision against non-performing loans and advances - net	(378,083)	(645,056)	(76,467)	267,108
Provision for diminution in value of investments - net	(21,776)	109,112	2,962	67,849
Bad debts written-off directly	-	-	-	-
	(399,859)	(535,944)	(73,505)	334,957
Net mark-up / interest income after provisions	7,264,181	22,220,431	7,106,667	21,351,772
Non mark-up / interest income				
Fee, commission and brokerage income	1,411,870	4,221,410	992,825	3,366,369
Dividend income	102,482	269,754	147,910	450,901
Income from dealing in foreign currencies	561,483	1,304,924	274,856	888,133
Gain on sale of securities - net	284,227	1,786,621	369,364	1,699,179
Unrealised loss on revaluation of investments classified as held for trading - net	(1,726)	(6,116)	(40,643)	(16,632)
Other income	125,533	389,901	178,052	538,973
Total non mark-up / interest income	2,483,869	7,966,494	1,922,364	6,926,923
	9,748,050	30,186,925	9,029,031	28,278,695
Non mark-up / interest expenses				
Administrative expenses	5,996,946	17,810,099	5,927,709	17,458,956
Provision / (reversal) against off-balance sheet obligations	5,341	(7,782)	(5,446)	9,643
Provision / (reversal) against other assets	3,576	(12,594)	3,599	(41,024)
Other charges	74,538	259,790	74,046	230,022
Total non mark-up / interest expenses	6,080,401	18,049,513	5,999,908	17,657,597
	3,667,649	12,137,412	3,029,123	10,621,098
Extra ordinary / unusual items	-	-	-	-
Profit before taxation	3,667,649	12,137,412	3,029,123	10,621,098
Taxation				
	16			
Current	1,272,421	4,414,671	1,309,358	4,018,458
Deferred	100,813	(37,054)	(192,952)	(226,609)
Prior years	-	584,434	-	563,000
	1,373,234	4,962,051	1,116,406	4,354,849
Profit after taxation	2,294,415	7,175,361	1,912,717	6,266,249
	(Rupees)	(Rupees)		
Basic earnings per share	14	1.43	4.47	1.19
Diluted earnings per share	14	1.42	4.45	1.19

The annexed notes 1 to 19 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited) For the quarter and nine months period ended September 30, 2017

	Quarter ended September 30, 2017	Nine months period ended September 30, 2017	Quarter ended September 30, 2016	Nine months period ended September 30, 2016
	(Rupees in '000)			
Profit after taxation	2,294,415	7,175,361	1,912,717	6,266,249
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	(29,153)	(40,180)	6,486	13,783
Comprehensive income - transferred to unconsolidated condensed interim statement of changes in equity	<u>2,265,262</u>	<u>7,135,181</u>	<u>1,919,203</u>	<u>6,280,032</u>
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available-for-sale	(2,579,565)	(4,559,872)	(940,543)	1,243,801
Related deferred tax liability	1,261,211	1,584,180	329,190	(435,330)
	<u>(1,318,354)</u>	<u>(2,975,692)</u>	<u>(611,353)</u>	<u>808,471</u>

The annexed notes 1 to 19 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2017

	Note	Nine Months period ended	
		September 30, 2017 (Un-audited)	September 30, 2016 (Audited)
----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		12,137,412	10,621,098
Less: Dividend income		(269,754)	(450,901)
		<u>11,867,658</u>	<u>10,170,197</u>
Adjustments for:			
Depreciation		1,352,662	1,258,394
Amortisation		320,900	255,553
(Reversal) / provision against non-performing loans and advances - net		(645,056)	267,108
Provision for diminution in the value of investments - net		109,112	67,849
(Reversal) / provision against off-balance sheet obligations		(7,782)	9,643
Provision / (reversal) against other assets		(12,594)	(41,024)
Unrealised loss on revaluation of investments classified as held for trading - net		6,116	16,632
Gain on sale of operating fixed assets - net		(6,763)	(19,272)
Charge for defined benefit plan		210,949	211,678
		<u>1,327,544</u>	<u>2,026,561</u>
		<u>13,195,202</u>	<u>12,196,758</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(19,546,261)	(5,419,174)
Held-for-trading securities		(2,567,263)	(2,471,794)
Advances		(18,486,588)	6,173,518
Other assets (excluding tax recoverable and dividend receivable)		3,085,589	5,182,607
		<u>(37,514,523)</u>	<u>3,465,157</u>
Increase / (decrease) in operating liabilities			
Bills payable		(1,776,737)	1,685,798
Borrowings		29,529,185	(44,307,879)
Deposits and other accounts		20,279,211	1,252,504
Other liabilities		1,004,775	1,337,027
		<u>49,036,434</u>	<u>(40,032,550)</u>
Income tax paid		24,717,113	(24,370,635)
		<u>(3,004,921)</u>	<u>(2,807,427)</u>
Net cash generated from / (used in) operating activities		<u>21,712,192</u>	<u>(27,178,062)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(15,156,119)	(15,404,241)
Net investments in held-to-maturity securities		1,136,660	32,484,527
Disposal / (investment) in subsidiaries and associates		511,397	95,790
Dividend income received		226,270	402,172
Investments in operating fixed assets		(1,515,199)	(2,094,115)
Proceeds from sale of operating fixed assets		63,384	28,073
Net cash (used in) / generated from investing activities		<u>(14,733,607)</u>	<u>15,512,206</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Redemption of sub-ordinated loans		(1,664,330)	(3,000)
Proceeds from issue of shares		191,722	84,895
Dividend paid		(458)	(1,585,285)
Net cash (used in) / generated from financing activities		<u>(1,473,066)</u>	<u>(1,503,390)</u>
Exchange difference on translation of the net investments in foreign branches		(40,180)	13,783
Increase / (decrease) in cash and cash equivalents		<u>5,465,339</u>	<u>(13,155,463)</u>
Cash and cash equivalents at beginning of the period		88,864,916	93,459,547
Effect of exchange rate changes on cash and cash equivalents		(113,819)	136,174
		<u>88,751,097</u>	<u>93,595,721</u>
Cash and cash equivalents at end of the period	15	<u>94,216,436</u>	<u>80,440,258</u>

The annexed notes 1 to 19 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the nine months period ended September 30, 2017

	Capital Reserves				Revenue Reserves		Total
	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropriated profit	
	(Rupees in '000)						
Balance as at January 1, 2016	15,898,062	4,329,648	8,140,904	1,572,966	120,602	12,362,596	42,424,778
Changes in equity for the nine months period ended September 30, 2016							
Total comprehensive income for the period							
Profit after taxation for the nine months period ended September 30, 2016	-	-	-	-	-	6,266,249	6,266,249
Other comprehensive income for the nine months period ended September 30, 2016							
Exchange differences on translation of net investment in foreign branches	-	-	-	13,783	-	-	13,783
	-	-	-	13,783	-	6,266,249	6,280,032
Transfer to statutory reserve	-	-	1,253,250	-	-	(1,253,250)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,328	24,328
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended December 31, 2015 @ 10%	-	-	-	-	-	(1,589,806)	(1,589,806)
Shares issued during the period	54,014	30,881	-	-	-	-	84,895
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	126,102	-	126,102
Unamortised portion of deferred employee compensation expense	-	-	-	-	(38,754)	-	(38,754)
Transfer of Share Premium on issuance of shares under Stock Option Scheme	-	56,597	-	-	(56,597)	-	-
Balance as at September 30, 2016	15,952,076	4,417,126	9,394,154	1,586,749	151,353	15,810,117	47,311,575
Changes in equity for the quarter ended December 31, 2016							
Total comprehensive income for the period							
Profit after taxation for the quarter ended December 31, 2016	-	-	-	-	-	1,633,659	1,633,659
Other comprehensive income for the quarter ended December 31, 2016							
Exchange differences on translation of net investment in foreign branches	-	-	-	(2,729)	-	-	(2,729)
Remeasurement of defined benefit plans	-	-	-	-	-	309,314	309,314
Related tax charge	-	-	-	-	-	(108,260)	(108,260)
	-	-	-	(2,729)	-	1,834,713	1,831,984
Transfer to statutory reserve	-	-	326,732	-	-	(326,732)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	19,360	19,360
Transactions with owners, recorded directly in equity							
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	5,924	-	5,924
Unamortised portion of deferred employee compensation expense	-	-	-	-	(16,343)	-	(16,343)
Balance as at December 31, 2016	15,952,076	4,417,126	9,720,886	1,584,020	173,620	17,337,458	49,185,186
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 during the period	123,644	68,078	-	-	-	-	191,722
Amortisation 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	16,075,720	4,612,991	11,155,958	1,543,840	96,814	23,102,000	56,587,323

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

The annexed notes 1 to 19 and Annexure I form an integral part of the unconsolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Director

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Information (Un-audited) For the nine months period ended September 30, 2017

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 under the Companies Ordinance, 1984. 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 (formerly Karachi, Lahore and Islamabad Stock Exchanges). The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 472 conventional banking branches including 20 sub branches (2016: 475 branches including 18 sub branches), 10 overseas branches (2016: 10 branches), 151 Islamic banking branches (2016: 153 branches) and 1 offshore banking unit (2016: 1 unit).

PACRA has upgraded the long term credit rating of the Bank to AA+ [Double A plus] and assigned a short term credit rating of A1+ (A one plus) to the Bank as at June 2017 with a stable outlook (2016: AA [Double A] for long term and A1+ [A one plus] for short term with a positive outlook).

JCR-VIS has assigned a long term credit rating of AA+ [Double A plus] and a short term credit rating of A1+ (A one plus) as at February 2017 with a stable outlook, which was reaffirmed at August 2017.

2 BASIS OF PRESENTATION

2.1 The unconsolidated condensed interim financial information represents 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 this unconsolidated condensed interim financial information 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 repealed Companies Ordinance, 1984.

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

2.4 The disclosures made in this unconsolidated condensed interim financial information 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 this unconsolidated condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2016.

3 STATEMENT OF COMPLIANCE

3.1 This unconsolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting", the provisions of repealed Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, provisions of the repealed Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the said directives have been followed.

The Companies Ordinance, 1984 was repealed by enactment of the Companies Act 2017 on May 30, 2017. SECP vide its Circular No. 17 of 2017 and press release of July 20, 2017, initially clarified that all those companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017 can prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. The relaxation was further extended for financial reporting periods ending on or before December 31, 2017 by the SECP vide its Circular No. 23 of 2017 dated October 04, 2017. The Companies Act 2017 requires enhanced disclosures and has also enhanced the definition of related parties.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies and the methods of computation adopted in the preparation of this unconsolidated condensed interim financial information are same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2016.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and methods used for critical accounting estimates and judgements adopted in this unconsolidated condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2016.

5.1 During the current period, the management of the Bank has revised its estimate of the useful life of ATM machines, which have been increased from 5 years to 8 years. The revision has been made after taking into account the expected pattern of recovery of economic benefits associated with the use of these assets. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standards. Had the revision in useful life of ATMs not been made, depreciation expense for the nine month period would have been higher by Rs. 27.665 million and consequently profit before taxation would have been lower by the same amount.

6 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, 2016.

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	September 30, 2017 (Un-audited) (Rupees in `000)	December 31, 2016 (Audited)
Call money lendings	7.1	9,590,917	5,306,590
Bai Muajjal	7.2	28,998,425	24,497,227
Repurchase agreement lendings	7.3	15,390,275	345,212
		<u>53,979,617</u>	<u>30,149,029</u>

7.1 These represent lendings to financial institutions at interest rates ranging from 3.60% to 8.00% per annum (December 2016: 0.25% to 9.00% per annum) having maturities upto February 2018 (December 2016: March 2017).

7.2 This represents Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) and other commercial banks, whereby the Bank sold Sukuks having carrying value of Rs. 28,998 million (December 2016: 24,497 million) on deferred payment basis. The rates of return range from 5.43% to 5.80% per annum (December 2016: 5.62% to 5.97% per annum), and these are due to mature by December 2017 (December 2016: June 2017).

7.3 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 5.25% to 6.20% per annum (December 2016: 6.15% per annum) with maturities upto February 2018 (December 2016: January 2017).

8. INVESTMENTS - NET

8.1 Investments by types

	September 30, 2017 (Un-audited)			December 31, 2016 (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	17,534,091	-	17,534,091	14,120,130	-	14,120,130
Pakistan Investment Bonds	-	-	-	20,207	-	20,207
Overseas Bonds	28,921	-	28,921	549,615	-	549,615
Fully paid up ordinary shares / units - Listed	435,088	-	435,088	740,776	-	740,776
	17,998,100	-	17,998,100	15,430,728	-	15,430,728
Available-for-sale securities						
Market Treasury Bills	84,048,541	62,211,275	146,259,816	38,584,821	-	38,584,821
Pakistan Investment Bonds	22,439,348	93,988,129	116,427,477	78,936,759	128,150,711	207,087,470
Fully paid up ordinary shares / units - Listed	6,348,423	-	6,348,423	6,223,937	-	6,223,937
Fully paid up ordinary shares - Unlisted	492,455	-	492,455	82,056	-	82,056
Term Finance Certificates	609,162	-	609,162	514,483	-	514,483
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	1,062,426	-	1,062,426	501,938	-	501,938
Pakistan Euro Bonds	2,361,896	345,185	2,707,081	2,688,770	-	2,688,770
Overseas Bonds	4,467,422	3,283,702	7,751,124	7,819,677	4,839,993	12,659,670
Sukuk Bonds	38,956,356	6,572,276	45,528,632	38,663,395	5,023,937	43,687,332
	160,919,864	166,400,567	327,320,431	174,149,671	138,014,641	312,164,312
Held-to-maturity securities						
Market Treasury Bills	1,894,757	-	1,894,757	1,995,857	-	1,995,857
Pakistan Investment Bonds	31,737,240	-	31,737,240	31,793,773	-	31,793,773
Term Finance Certificates	524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds	711,523	-	711,523	706,255	-	706,255
Commercial Papers	-	-	-	661,557	-	661,557
Overseas Bonds	8,986,079	1,045,214	10,031,293	9,714,052	1,036,079	10,750,131
Sukuk Bonds	4,243,373	-	4,243,373	3,847,273	-	3,847,273
	48,097,238	1,045,214	49,142,452	49,243,033	1,036,079	50,279,112
Subsidiaries						
Alfalsh Securities (Private) Limited	1,126,000	-	1,126,000	1,126,000	-	1,126,000
Alfalsh GHP Investment Management Limited	130,493	-	130,493	130,493	-	130,493
Alfalsh GHP Cash Fund	-	-	-	525,474	-	525,474
	1,256,493	-	1,256,493	1,781,967	-	1,781,967
Associates						
Alfalsh 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	-	-	-
Alfalsh GHP Money Market Fund	-	-	-	55,153	-	55,153
Alfalsh GHP Income Multiplier Fund	-	-	-	250,000	-	250,000
Alfalsh GHP Sovereign Fund	-	-	-	200,000	-	200,000
Alfalsh GHP Islamic Stock Fund	-	-	-	250,000	-	250,000
	1,816,343	-	1,816,343	1,802,266	-	1,802,266
Investments at cost	230,088,038	167,445,781	397,533,819	242,407,665	139,050,720	381,458,385
Provision for diminution in value of investments - net	8.2	(2,188,714)	(2,188,714)	(2,079,781)	-	(2,079,781)
Investments (net of provisions)						
	227,899,324	167,445,781	395,345,105	240,327,884	139,050,720	379,378,604
(Deficit) / surplus on revaluation of held for trading securities - net	(6,116)	-	(6,116)	109	-	109
Surplus on revaluation of available for sale securities-net	2,695,527	2,492,169	5,187,696	7,636,113	2,077,811	9,713,924
Total investments	230,588,735	169,937,950	400,526,685	247,964,106	141,128,531	389,092,637

Quarter and Nine Months Report September 30, 2017

	Note	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
(Rupees in '000)			
8.2 Particulars of provision for diminution in value of investments - net			
Opening balance		2,079,781	6,345,811
Exchange adjustment		(179)	-
Charge for the period / year		120,800	100,766
Reversals during the period / year		(11,688)	-
		109,112	100,766
Provision written off / (adjusted) during the period / year		-	(4,366,796)
Closing balance		<u>2,188,714</u>	<u>2,079,781</u>
8.3 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
- Preference shares			
- Agritech Limited		108,835	108,835
Unlisted companies			
- Fully paid up ordinary shares of Rs. 10 each			
- Pakistan Export Finance Guarantee Agency Limited		5,725	5,725
- Al-Hamra Avenue (Private) Limited		50,000	50,000
- Pakistan Mobile Communications Limited (Related party)		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		23,105	23,105
- New Allied Electronics		2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited		193,551	161,407
- Quetta Textile Mills Limited		72,619	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		24,489	36,177
- Security Leasing Corporation Limited		29,245	29,245
- Sitara Peroxide (Private) Limited		118,052	113,643
- Zulekha Textile Mills		24,680	24,680
Investment in subsidiaries			
Unlisted company			
- Fully paid up ordinary shares of Rs. 10 each			
- Alfalah Securities (Private) Limited		826,000	826,000
Regulatory general reserve held against overseas investments - Afghanistan	8.3.1	84,068	-
		<u>2,188,714</u>	<u>2,079,781</u>
8.3.1 This represents general reserve (of at least one percent) for losses against performing investments - i.e. those classified as standard, under Asset Classification and Provisioning Regulations of DAB, Afghanistan.			
	Note	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
(Rupees in '000)			
9 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		330,640,154	309,121,955
Outside Pakistan		12,974,846	13,181,132
		343,615,000	322,303,087
Net investment in finance lease			
In Pakistan		4,115,945	4,181,047
Outside Pakistan		-	-
		4,115,945	4,181,047
Islamic financing and related assets (gross)	9.1	54,092,976	57,908,118
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		6,270,919	5,033,339
Payable outside Pakistan		6,109,298	6,437,718
		12,380,217	11,471,057
		414,204,138	395,863,309
Provision against advances			
Specific provision against non-performing advances	9.3	(15,586,998)	(16,366,993)
General provision against advances	9.3	(765,147)	(775,967)
		(16,352,145)	(17,142,960)
		<u>397,851,993</u>	<u>378,720,349</u>

- 9.1 This represents financing and related assets placed under shariah permissible modes and presented in Annexure I to this unconsolidated interim financial information.
- 9.2 Advances include Rs. 17,356 million (December 31, 2016: Rs. 19,019 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2017 (Un-audited)					
	Classified Advances		Provision Required		Provision Held	
	Domestic	Overseas	Domestic	Overseas	Domestic	Overseas
	(Rupees in '000)					
Other Assets Especially Mentioned (Agri Financing)	80,047	-	80,047	3,263	-	3,263
Substandard	1,996,922	-	1,996,922	527,372	-	527,372
Doubtful	1,436,729	-	1,436,729	1,222,256	-	1,222,256
Loss	13,550,444	292,285	13,842,729	13,584,729	249,378	13,834,107
	17,064,142	292,285	17,356,427	15,337,620	249,378	15,586,998

Category of classification	December 31, 2016 (Audited)					
	Classified Advances		Provision Required		Provision Held	
	Domestic	Overseas	Domestic	Overseas	Domestic	Overseas
	(Rupees in '000)					
Other Assets Especially Mentioned (Agri Financing)	149,224	-	149,224	4,318	-	4,318
Substandard	2,336,995	-	2,336,995	577,634	-	577,634
Doubtful	1,990,208	-	1,990,208	1,483,906	-	1,483,906
Loss	14,223,167	318,921	14,542,088	14,061,997	239,138	14,301,135
	18,699,594	318,921	19,018,515	16,127,855	239,138	16,366,993

9.3 Particulars of provisions against non-performing loans and advances

	Nine months period ended September 30, 2017 (Un-audited)			Year ended December 31, 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	16,366,993	775,967	17,142,960	15,452,555	739,904	16,192,459
Exchange adjustment and other movements	(8,200)	(4,033)	(12,233)	347	(1,135)	(788)
Charge for the period / year	1,268,147	106,388	1,374,535	3,408,125	157,643	3,565,768
Reversals / recoveries	(1,906,416)	(113,175)	(2,019,591)	(2,362,817)	(120,445)	(2,483,262)
	(638,269)	(6,787)	(645,056)	1,045,308	37,198	1,082,506
Amounts written off	(133,526)	-	(133,526)	(131,217)	-	(131,217)
Closing balance	15,586,998	765,147	16,352,145	16,366,993	775,967	17,142,960

- 9.3.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at September 30, 2017 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 28.713 million (December 31, 2016: Rs. 95.817 million).
- 9.3.2 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.
- 9.3.3 Exposure amounting to Rs. 18.121 billion relating to certain facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, has not been classified as non-performing, pursuant to a relaxation given by SBP in this respect. The relaxation is valid upto October 31, 2017.

	Note	September 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited) (Rupees in '000)
10 OPERATING FIXED ASSETS			
Capital work-in-progress		685,861	775,408
Property and equipment		15,895,353	16,098,712
Intangible assets		1,337,069	1,259,147
		<u>17,918,283</u>	<u>18,133,267</u>
		Nine months period ended	
		September 30, 2017	September 30, 2016
		(Un-audited)	
		(Rupees in '000)	
10.1 Additions to operating fixed assets			
Office premises		108,413	386,224
Leasehold improvements		217,648	88,419
Office equipment		761,971	387,606
Furniture and fixtures		15,805	30,919
Vehicles		113,578	16,550
10.2 Additions to Intangibles			
Computer software		398,891	148,611
10.3 Disposals of operating fixed assets			
Office premises		50,160	-
Leasehold improvements		64,801	10
Office equipment		192,226	67,385
Furniture and fixtures		10,272	11,147
Vehicles		20,220	25,227
11 BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under ERF / LTF - EOP		23,828,002	21,668,916
Repurchase agreement borrowings	11.1	131,309,544	136,763,030
Borrowings from other central banks		-	198,418
Bai Muajjal	11.2	<u>35,127,188</u>	<u>-</u>
		190,264,734	158,630,364
Unsecured			
Call borrowings	11.3	10,969,776	13,461,835
Bai Muajjal	11.4	3,019,610	6,218,836
Trading liabilities		<u>3,586,100</u>	<u>-</u>
		17,575,486	19,680,671
		<u>207,840,220</u>	<u>178,311,035</u>

11.1 This represents repurchase agreement borrowing from SBP and other banks at the rate of 1.35% and 5.93% per annum respectively (December 2016: 1.10% and 5.95% per annum) having maturities upto December 2017 (December 2016: February 2017).

11.2 This represents borrowings from financial institutions at mark-up rates ranging from 5.73% to 5.83% per annum (December 2016: Nil) having maturities upto August 2018 (December 2016: Nil).

11.3 This represents borrowings from financial institutions at mark-up rates ranging from 0.04% to 5.75% per annum (December 2016: 0.55% to 5.80% per annum) having maturities upto December 2017 (December 2016: March 2017).

11.4 This represents borrowings from financial institutions at mark-up rates ranging from 5.65% to 5.70% per annum (December 2016: 5.60% to 5.70% per annum) having maturities upto November 2017 (December 2016: May 2017).

	September 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited) (Rupees in '000)
12 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	113,845,197	94,268,250
Savings deposits	228,181,333	229,010,684
Current accounts - non-remunerative	280,113,948	283,711,087
Others	7,420,689	4,721,828
	<u>629,561,167</u>	<u>611,711,849</u>
Financial institutions		
Remunerative deposit	30,021,091	27,435,848
Non-remunerative deposits	1,641,207	1,796,557
	<u>31,662,298</u>	<u>29,232,405</u>
	<u>661,223,465</u>	<u>640,944,254</u>
13 CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
i) Government	114,227	1,632,063
ii) Banking companies and other financial institutions	-	-
iii) Others	377,811	53,167
	<u>492,038</u>	<u>1,685,230</u>
13.2 Transaction - related contingent liabilities		
i) Government	50,083,798	32,243,564
ii) Banking companies and other financial institutions	931,556	544,762
iii) Others	11,644,970	11,725,088
	<u>62,660,324</u>	<u>44,513,414</u>
13.3 Trade - related contingent liabilities		
Letters of credit	75,965,809	73,061,529
Acceptances	9,303,562	12,188,691
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	17,375,681	13,847,649
<p>These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.</p>		
	September 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited) (Rupees in '000)
13.5 Commitments in respect of forward lendings		
Commitments to extend credit	24,169,830	28,450,269
Commitments in respect of investments	3,055,160	3,596,186
13.6 Commitments in respect of forward exchange contracts		
Purchase	60,022,695	53,992,848
Sale	32,739,045	41,084,440
13.7 Commitments for the acquisition of operating fixed assets	504,289	336,774
13.8 Commitments in respect of repo transactions		
Repurchase	131,488,178	136,912,078
Resale	15,509,964	349,222

	September 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited) (Rupees in '000)
13.9 Other commitments		
Interest rate swaps	<u>7,720,090</u>	<u>7,622,307</u>
Donations	<u>22,000</u>	<u>22,000</u>
13.10		
Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged and conflicting judgments were rendered by various courts. Appeals against these orders were filed in the Supreme Court.		
The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against the above judgment. These petitions are currently pending.		
Based on the legal advice obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petitions are decided, the amount charged for Workers Welfare Fund since 2008 has not been reversed.		
13.11 Contingencies for tax payable (note 16)		
	<u>Nine months period ended</u>	
	<u>September 30,</u>	<u>September 30,</u>
	<u>2017</u>	<u>2016</u>
	(Un-audited)	
	(Rupees in '000)	
14 EARNINGS PER SHARE		
14.1 BASIC EARNINGS PER SHARE		
Profit after taxation for the period	<u>7,175,361</u>	<u>6,266,249</u>
	(Number of shares in thousand)	
Weighted average number of ordinary shares	<u>1,605,455</u>	<u>1,606,195</u>
	(Rupees)	
Basic earnings per share	<u>4.47</u>	<u>3.90</u>
14.2 DILUTED EARNINGS PER SHARE	(Rupees in '000)	
Profit after taxation for the period	<u>7,175,361</u>	<u>6,266,249</u>
	(Number of shares in thousand)	
Weighted average number of ordinary shares	<u>1,612,428</u>	<u>1,606,195</u>
	(Rupees)	
Diluted earnings per share	<u>4.45</u>	<u>3.90</u>
15 CASH AND CASH EQUIVALENTS	September 30,	December 31,
	2017	2016
	(Un-audited)	(Audited)
	(Rupees in '000)	
Cash and balances with treasury banks	71,519,724	74,071,384
Balances with other banks	13,105,795	9,373,123
Call money lendings	9,590,917	5,306,590
	<u>94,216,436</u>	<u>88,751,097</u>

16 TAXATION

The income tax assessments of the Bank have been finalized upto and including tax year 2016. 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, 2011, 2014, 2015 and 2016, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains and dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements resulting in additional demand of Rs. 987.015 million. As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 60.032 million whereas appeal effect orders are pending. The management's appeals on certain issues 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.

The Bank has received amended assessment orders for Tax Years from 2010 to 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs. 990.423 million. As a result of appeal filed before Commissioner Appeal, relief is provided to the Bank. Accordingly tax amount is reduced to Rs. 96.161 million. The Bank has filed appeal before Appellate Tribunal. Further, Bank has received two amended orders for Tax Years 2014 and 2015 wherein tax demand of Rs. 37.638 million is raised on this matter. The Bank has not made any provision against these orders and the management is of the view that the matter will be settled in Bank's favour through appellate process.

In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs. 42.539 million against tax demand for tax years 2016 and 2017. The Bank intends to obtain relief through rectification orders. The management is of the view that the matter will be settled in Bank's favour.

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.97.560 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.

17 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.

17.1 Details of transactions with the related parties and balances with them as at period end / year end are as follows:

	September 30, 2017 (Un-audited)				
	Directors	Key Management Personnel	Group / Associated Companies / Others	Subsidiaries / Associates	Total
----- (Rupees in '000) -----					
Deposits					
Balance at beginning of the period	10,201	164,506	8,688,564	1,121,889	9,985,160
Placements during the period	266,897	1,223,815	104,765,140	50,092,849	156,348,701
Withdrawals / adjustments during the period	(270,668)	(1,214,241)	(108,185,934)	(48,584,601)	(158,255,444)
Balance at end of the period	6,430	174,080	5,267,770	2,630,137	8,078,417
Advances					
Balance at beginning of the period	79,130	351,335	8,040,236	-	8,470,701
Disbursements / adjustments during the period	21,130	203,648	15,024,761	-	15,249,539
Repayments / adjustments during the period	(100,260)	(119,747)	(15,549,413)	-	(15,769,420)
Balance at end of the period	-	435,236	7,515,584	-	7,950,820
Provision held against advances	-	-	1,541,709	-	1,541,709
Investments					
Balance at beginning of the period	-	-	2,579,489	3,584,233	6,163,722
Investments during the period	-	-	100,000	769,230	869,230
Redemption / adjustments during the period	-	-	(885,414)	(1,280,627)	(2,166,041)
Balance at end of the period	-	-	1,794,075	3,072,836	4,866,911
Provision held against investments	-	-	53,936	826,000	879,936
Call borrowings / Repo					
Balance at beginning of the period	-	-	-	-	-
Borrowings during the period	-	-	7,387,097	-	7,387,097
Repayments during the period	-	-	(6,700,000)	-	(6,700,000)
Balance at end of the period	-	-	687,097	-	687,097
Call lendings / Reverse repo					
Balance at beginning of the period	-	-	-	-	-
Placements during the period	-	-	63,250,000	-	63,250,000
Withdrawals during the period	-	-	(63,250,000)	-	(63,250,000)
Balance at end of the period	-	-	-	-	-

	December 31, 2016 (Audited)				
	Directors	Key Management Personnel	Group / Associated Companies / Others	Subsidiaries / Associates	Total
	----- (Rupees in `000) -----				
Deposits					
Balance at beginning of the year	14,825	120,281	6,095,049	402,093	6,632,248
Placements during the year	306,363	1,257,912	117,678,110	47,045,141	166,287,526
Withdrawals / adjustments during the year	(310,987)	(1,213,687)	(115,084,595)	(46,325,345)	(162,934,614)
Balance at end of the year	10,201	164,506	8,688,564	1,121,889	9,985,160
Advances					
Balance at beginning of the year	89,000	328,280	6,339,450	-	6,756,730
Disbursements during the year	-	287,570	22,062,374	-	22,349,944
Repayments / adjustments during the year	(9,870)	(264,515)	(20,361,588)	-	(20,635,973)
Balance at end of the year	79,130	351,335	8,040,236	-	8,470,701
Provision held against advances	-	-	1,543,054	-	1,543,054
Investments					
Balance at beginning of the year	-	-	4,716,796	4,466,152	9,182,948
Investments during the year	-	-	2,529,489	258,481	2,787,970
Redemptions / adjustments during the year	-	-	(4,666,796)	(1,140,400)	(5,807,196)
Balance at end of the year	-	-	2,579,489	3,584,233	6,163,722
Provision held against investments	-	-	53,936	826,000	879,936
Call borrowings / Repo					
Balance at beginning of the year	-	-	-	-	-
Borrowings during the year	-	-	2,200,000	-	2,200,000
Repayments during the year	-	-	(2,200,000)	-	(2,200,000)
Balance at end of the year	-	-	-	-	-
Call lendings / Reverse Repo					
Balance at beginning of the year	-	-	-	-	-
Placements during the year	-	-	17,250,000	-	17,250,000
Withdrawals during the year	-	-	(17,250,000)	-	(17,250,000)
Balance at end of the year	-	-	-	-	-

	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
	(Rupees in `000)	
17.2 Advances		
Running finance	765,160	753,858
Long term loans	7,185,660	7,716,843
17.3 Contingencies and commitments		
Letter of credit, acceptance and guarantees outstanding	1,700,362	1,724,344
17.4 Customer Accounts		
PLS accounts	5,287,158	5,957,992
Current accounts	424,379	1,212,614
Fixed deposit accounts	2,366,880	2,814,554

17.5 Transactions with Subsidiaries / Associates and Others	Nine months period ended	
	September 30, 2017	September 30, 2016
	(Un-audited) (Rupees in '000)	
Subsidiaries / Associates		
Mark-up expense on deposits	56,036	29,913
Mark-up paid to Alfalah GHP Income Multiplier Fund on TFCs Issued	450	488
Mark-up paid to Alfalah GHP Income Fund on TFCs issued	3,122	5,509
Brokerage Expense pertaining to Alfalah Securities (Private) Limited	854	644
Rent Income from Alfalah Insurance Limited	-	1,747
Rent Income from Alfalah Securities (Private) Limited	-	115
Insurance premium paid to Alfalah Insurance Company Limited	470,826	537,588
Insurance claims received from Alfalah Insurance Company Limited against operating fixed assets	6,588	4,418
Revenue from Alfalah GHP Investment Management Limited against sale of units	150,985	47,962
Other Income - Sapphire Wind Power Company Limited	5,452	-
Dividend paid to Alfalah Insurance Company Limited	-	500
Dividend income from Alfalah GHP Sovereign Fund	-	9,253
Dividend income from Alfalah GHP Islamic Stock Fund	-	45,320
Dividend income from Alfalah GHP Cash Fund	-	32,926
Dividend income from Alfalah GHP Income Multiplier Fund	-	10,270
Dividend income from Alfalah GHP Money Market Fund	-	4,210
Dividend income from Pakistan Mobile Communication Limited	1,460	-
Capital Gain on sale of units of Alfalah GHP Value Fund	-	104,800
Capital Gain on sale of units of Alfalah GHP Income Multiplier Fund	55,948	-
Capital Gain on sale of units of Alfalah GHP Islamic Stock Fund	217,178	-
Capital Gain on sale of units of Alfalah GHP Cash Fund	28,049	-
Capital Gain on sale of units of Alfalah GHP Money Market Fund	3,288	-
Capital Gain on sale of units of Alfalah GHP Sovereign Fund	18,911	-
Investment in TriconBoston Consulting Corporation (Private) Limited	769,230	-
Others		
Mark-up income	499,284	257,051
Mark-up expense on deposits	176,490	110,478
Rent income from Warid Telecom (Private) Limited / Pakistan Mobile Communication Limited	8,929	12,339
Rent expense paid pertaining to Wateen Telecom Limited	-	4,264
Rent paid in respect of Dhabi Tower	6,195	5,910
Interest received on placements with Silk Bank	16,377	856
Mark-up paid to Taavun (Private) Limited on TFCs Issued	24,936	37,410
Mark-up paid to Key Management Personnel on TFCs Issued	11,395	14,518
Mark-up received on Sukuk from Pakistan Mobile Communication Limited	80,457	-
Amount received on Redemption of Silk Bank Preference Shares	-	439,200
Interest paid on Borrowings from Silk Bank	1,079	195
Payment to Institute of Bankers of Pakistan	2,743	2,512
Payment to Wateen Telecom Limited and Wateen Solutions (Private) Limited for purchase of equipment and maintenance charges	135,019	100,555
Payment to Monet (Private) Limited for Branchless banking services	49,692	144,821
Payment to Al-Qudees & Co.	-	10,263
Payment to Locker Smiths (Private) Limited	-	10,675
Payment to Sundar Interior & Architects	-	4,525
Payment to Timber Links	18	2,484
Payment to Expressive Safety & Security Solutions	3,603	8,971
Payment to Olive International (Private) Limited	369	1,525
Payment to Computer Marketing Co. (Private) Limited.	1,756	15,258
Payment to K-Tabs	-	16,112
Payment to MEC Engineer	5,301	9,324
Payment to Tahiri Printers	6,605	5,946
Payment to Bawany Traders	-	4,102
Payment to MEK Steel Furniture	2,091	-
Payment to S-TECH	9,190	-
Payment to The Pakistan Business Council	2,040	-
Payment to Digital Plus	17,203	-
Payment to Computer Need Network	4,266	-
Payment to A. S. General Supplies	6,008	-
Contribution to employees provident fund	242,958	244,490
Contribution to gratuity fund	210,949	211,678
(Reversal) / Provision against advances to Wateen Telecom (Private) Limited	(1,344)	679,385
Provision against advances to Wateen Wimax (Private) Limited	-	185,460
Commission received from Warid Telecom (Private) Limited	-	1,828

	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
	(Rupees in '000)	
17.6 Balances with Subsidiaries / Associates and Others		
Subsidiaries / Associates		
Advance against issuance of Shares - Sapphire Wind Power Company Limited	112,350	112,350
Rent receivable from Alfalah Insurance Company Limited	1,872	416
Rent receivable from Warid Telecom (Private) Limited / Pakistan Mobile Communication Limited	4,611	-
Brokerage payable to Alfalah Securities (Private) Limited	31	296
TFCs held by Alfalah GHP Income Multiplier Fund	6,114	6,116
TFCs held by Alfalah GHP Income Fund	41,922	72,887
Others		
Mark-up suspended on advances to Wateen Telecom (Private) Limited	929,384	808,508
Mark-up suspended on advances to Wateen Wimax (Private) Limited	25,091	16,808
Mark-up suspended on advances to Warid Telecom Limited (Private) / Pakistan Mobile Communication Limited	74,419	61,267
Mark-up receivable on Sukuk from Pakistan Mobile Communication Limited	2,043	3,247
Capital loss on bonds - Union National Bank	3,208	-
Advance Rent from Warid Telecom Limited	-	9,164
TFCs held by Taavun (Private) Limited	166,234	332,467
TFCs held by Key Management Personnel	86,138	132,348
	Nine months period ended	
	September 30, 2017	September 30, 2016
	(Un-audited)	
	(Rupees in '000)	
17.7 The key management personnel / directors compensation are as follows:		
Salaries and Allowances	1,143,371	1,060,289
Fair value charge against employee stock option scheme	50,981	87,348

In addition the Chief Executive Officer and other executive officers are provided with the Bank maintained car as per Bank's policy.

Furthermore, in addition to the above, the Bank, being a primary dealer also provides liquidity and investment options including custodial services to clients including its employees.

18 GENERAL

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

19 DATE OF AUTHORISATION

This unconsolidated condensed interim financial information was authorised for issue on October 25, 2017 by the Board of Directors of the Bank.

Chief Executive Officer

Director

Director

Director

ANNEXURE - I

ISLAMIC BANKING BUSINESS

The bank is operating through 151 Islamic banking branches as at September 30, 2017 (December 31, 2016: 153 branches)

	Note	September 30, 2017	December 31, 2016
(Rupees in '000)			
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Cash and balances with treasury banks		11,833,348	10,191,942
Balances with and due from financial institutions		220,109	1,672,323
Lendings to financial institutions		35,998,528	27,997,227
Investments - net		38,187,246	38,670,241
Islamic financing and related assets	A-I.1	52,944,947	56,720,714
Operating fixed assets		2,087,100	2,128,031
Other assets		2,485,845	2,317,048
		<u>143,757,123</u>	<u>139,697,526</u>
LIABILITIES			
Bills payable		2,169,733	1,862,656
Due to financial institutions		3,764,981	3,833,240
Deposits and other accounts			
Current accounts		45,286,715	43,990,411
Saving accounts		52,882,374	53,988,674
Term deposits		20,796,875	18,038,671
Others		776,665	428,262
Deposits from financial institutions - remunerative deposits		706,321	1,113,125
Deposits from financial institutions - non-remunerative deposits		25,204	1,867
Other liabilities		5,686,020	6,302,957
		<u>132,094,888</u>	<u>129,559,863</u>
NET ASSETS		<u>11,662,235</u>	<u>10,137,663</u>
REPRESENTED BY			
Islamic banking fund		1,800,000	1,800,000
Exchange translation reserve		-	878
Unappropriated / unremitted profit		8,669,119	6,626,936
		<u>10,469,119</u>	<u>8,427,814</u>
Surplus on revaluation of assets - net of tax		1,193,116	1,709,849
		<u>11,662,235</u>	<u>10,137,663</u>
Remuneration to Shariah Advisor / Board		<u>5,040</u>	<u>6,720</u>
CHARITY FUND			
Opening Balance		148,314	176,557
Additions during the period			
Received from customers on delayed payments & others		30,685	40,182
Non-shariah compliant income		-	9,524
Profit on charity saving account		2,881	6,958
		<u>33,566</u>	<u>56,664</u>
Distribution of Charity			
Welfare Works		(51,155)	(38,357)
Health		(11,300)	(38,850)
Education		(26,000)	(7,700)
		<u>(88,455)</u>	<u>(84,907)</u>
Closing Balance		<u>93,425</u>	<u>148,314</u>

ANNEXURE - I

ISLAMIC BANKING BUSINESS

PROFIT AND LOSS ACCOUNT	Quarter ended	Nine months period ended	Quarter ended	Nine months period ended
	September 30, 2017	September 30, 2017	September 30, 2016	September 30, 2016
	------(Rupees in '000)-----			
Income / return earned	1,999,435	5,878,392	1,814,323	5,464,248
Income / return expensed	796,327	2,429,101	915,666	2,576,834
Net income / return earned	1,203,108	3,449,291	898,657	2,887,414
(Reversal) / provisions against loans and advances - net	45,948	(39,376)	(1,905)	45,113
(Reversal) / provision for diminution in value of investments - net	(3,896)	(7,279)	(975)	3,088
Bad debts written off directly	-	-	-	-
	42,052	(46,655)	(2,880)	48,201
Net income / return earned after provisions	1,161,056	3,495,946	901,537	2,839,213
Other income				
Fee, commission and brokerage income	122,380	360,671	76,706	224,567
Dividend income	-	-	-	45,320
Income from dealing in foreign currencies	79,724	139,796	38,377	123,487
Gain on sale of securities - net	(2,594)	209,726	1,966	2,991
Unrealised gain / (loss) on revaluation of investment classified as held for trading	(3,685)	-	-	-
Other income	24,989	68,037	27,679	70,073
Total other income	220,814	778,230	144,728	466,438
	1,381,870	4,274,176	1,046,265	3,305,651
Other expenses				
Administrative expenses	648,750	2,178,060	738,177	2,245,112
Provision against other assets	44	1,225	-	-
Other charges	891	1,094	331	675
Total other expenses	649,685	2,180,379	738,508	2,245,787
	732,185	2,093,797	307,757	1,059,864
Profit before taxation	732,185	2,093,797	307,757	1,059,864

ANNEXURE - I

ISLAMIC BANKING BUSINESS

	Nine months period ended	
	September 30, 2017	September 30, 2016
	(Rupees in '000)	
CASH FLOW STATEMENT		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,093,797	1,059,864
Less: Dividend income	-	(45,320)
	2,093,797	1,014,544
Adjustments		
Depreciation	172,151	182,879
Amortization	707	701
(Reversal) / provision against loans and advances - net	(39,376)	45,113
(Reversal) / provision for diminution in value of investments - net	(7,279)	3,088
Provision against other assets	1,225	-
Gain on sale of fixed assets - net	(251)	(5,070)
	127,177	226,711
	2,220,974	1,241,255
(Increase) / decrease in operating assets		
Held for trading securities	-	-
Lendings to financial institutions	(8,001,301)	(6,010,179)
Islamic financing and related assets	3,815,143	(308,303)
Others assets	(164,807)	(1,130,683)
	(4,350,965)	(7,449,165)
Increase/ (decrease) in operating liabilities		
Bills payable	307,077	566,975
Borrowings	(68,259)	2,251,958
Deposits and other accounts	2,913,144	6,818,280
Other liabilities	(616,937)	189,614
	2,535,025	9,826,827
	405,034	3,618,917
Income tax paid	(61,487)	(23,078)
Net cash flows generated from operating activities	343,547	3,595,839
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	124,299	(3,754,948)
Net investment in held to maturity securities	(396,100)	331,926
Disposal of investment in associated company	250,000	-
Dividend received	-	45,320
Net investments in fixed assets	(131,927)	(77,714)
Proceeds from sale of fixed assets	251	5,070
Net cash flows used in investing activities	(153,477)	(3,450,346)
Adjustment of Exchange translation reserve	(878)	1,638
Decrease in cash and cash equivalents	189,192	147,131
Cash and cash equivalents at beginning of the period	11,864,265	12,455,117
Cash and cash equivalents at end of the period	12,053,457	12,602,248

ISLAMIC BANKING BUSINESS

Notes to the Annexure I

	Note	September 30, 2017	December 31, 2016
(Rupees in '000)			
A-1.1	Islamic Financing and Related Assets		
	Murabaha	A-1.1.1 8,379,321	10,002,211
	Ijarah	A-1.1.2 9,400,369	7,912,045
	Diminishing Musharakah	A-1.1.3 1,162,481	709,981
	Musharakah	A-1.1.4 10,301,901	9,893,714
	Running Musharakah	A-1.1.5 12,598,520	10,424,504
	Salam	A-1.1.6 3,368,986	11,888,467
	Istisna	A-1.1.7 2,848,490	1,934,468
	Falah Tijarah	A-1.1.8 268,447	100,000
	SBP Islamic Export Refinance Scheme	A-1.1.9 3,590,614	2,889,840
	Others	A-1.1.10 1,025,818	965,484
		52,944,947	56,720,714
A-1.1.1	Murabaha		
	Financing / Investments / Receivables	6,740,390	6,793,602
	Advances	701,946	2,869,333
	Inventory	1,490,892	867,834
	Others (Provisions)	(553,907)	(528,558)
		8,379,321	10,002,211
A-1.1.2	Ijarah		
	Advances	1,007,253	614,708
	Assets	8,614,628	7,566,948
	Others (Provisions)	(221,512)	(269,611)
		9,400,369	7,912,045
A-1.1.3	Diminishing Musharakah		
	Financing / Investments / Receivables	1,103,660	747,673
	Advances	162,280	100,077
	Others (Provisions)	(103,459)	(137,769)
		1,162,481	709,981
A-1.1.4	Musharakah		
	Financing / Investments / Receivables	8,195,220	8,978,617
	Advances	2,287,902	1,096,318
	Others (Provisions)	(181,221)	(181,221)
		10,301,901	9,893,714
A-1.1.5	Running Musharakah		
	Financing / Investments / Receivables	12,598,520	10,424,504
	Advances	-	-
	Others (Provisions)	-	-
		12,598,520	10,424,504
A-1.1.6	Salam		
	Financing / Investments / Receivables	2,982,490	11,927,367
	Advances	-	-
	Inventory	433,396	8,000
	Others (Provisions)	(46,900)	(46,900)
		3,368,986	11,888,467
A-1.1.7	Istisna		
	Financing / Investments / Receivables	85,142	221,340
	Advances	2,680,459	1,469,378
	Inventory	82,889	243,750
		2,848,490	1,934,468
A-1.1.8	Falah Tijarah		
	Financing / Investments / Receivables	11,780	50,000
	Inventory	256,667	50,000
		268,447	100,000
A-1.1.9	SBP Islamic Export Refinance Scheme		
	Financing / Investments / Receivables	3,590,614	2,889,840
	Advances	-	-
	Others (Provisions)	-	-
		3,590,614	2,889,840
A-1.1.10	Others		
	Staff Loans	954,079	915,094
	Staff Loans Inventory	-	48
	Advance Against Musharakah Staff	73,851	63,413
	Advance Against Ijarah Staff	13,574	8,472
	Overdue Acceptances and FBP	25,344	1,802
	Others (Provisions)	(41,030)	(23,345)
		1,025,818	965,484

Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2017

	Note	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		71,519,844	74,071,394
Balances with other banks		13,287,713	9,498,787
Lendings to financial institutions	7	53,979,617	30,149,029
Investments - net	8	401,440,299	389,666,922
Advances - net	9	397,854,708	378,724,300
Operating fixed assets	10	17,999,525	18,216,937
Deferred tax assets		-	-
Other assets		15,353,482	19,115,471
		971,435,188	919,442,840
LIABILITIES			
Bills payable		11,110,253	12,886,990
Borrowings	11	207,840,220	178,710,629
Deposits and other accounts	12	661,167,623	640,854,225
Sub-ordinated loans		6,653,340	8,317,670
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		1,303,024	2,911,531
Other liabilities		17,861,741	14,836,925
		905,936,201	858,517,970
NET ASSETS		<u>65,498,987</u>	<u>60,924,870</u>
REPRESENTED BY			
Share capital		16,075,720	15,952,076
Reserves		17,409,603	15,895,652
Unappropriated profit		23,659,897	17,777,737
Total equity attributable to the equity holders of the bank		57,145,220	49,625,465
Non-controlling interest		397,470	323,466
Surplus on revaluation of assets - net of tax		7,956,297	10,975,939
		<u>65,498,987</u>	<u>60,924,870</u>
CONTINGENCIES AND COMMITMENTS		13	

The annexed notes 1 to 19 form an integral part of the consolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Director

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

For the Quarter and Nine Months Period Ended September 30, 2017

Note	Quarter ended September 30, 2017	Nine months period ended September 30, 2017	Quarter ended September 30, 2016	Nine months period ended September 30, 2016	
	------(Rupees in '000)-----				
Mark-up / return / interest earned	14,031,231	42,079,720	13,736,027	43,451,065	
Mark-up / return / interest expensed	7,167,962	20,401,864	6,701,947	21,760,539	
Net mark-up / interest income	6,863,269	21,677,856	7,034,080	21,690,526	
(Reversal) / provision against non-performing loans and advances - net	(378,083)	(645,056)	(76,467)	267,108	
Provision for diminution in value of investments - net	(21,776)	109,112	2,962	67,849	
Bad debts written-off directly	-	-	-	-	
	(399,859)	(535,944)	(73,505)	334,957	
Net mark-up / interest income after provisions	7,263,128	22,213,800	7,107,585	21,355,569	
Non mark-up / interest income					
Fee, commission and brokerage income	1,435,455	4,580,180	921,633	3,460,662	
Dividend income	102,902	270,174	148,120	349,626	
Income from dealing in foreign currencies	561,483	1,304,924	274,856	888,133	
Gain on sale of securities - net	280,508	1,510,216	369,360	1,594,408	
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	(3,500)	(10,478)	(40,643)	(16,632)	
Share of profit from associates	70,144	388,497	166,556	371,566	
Other income	132,579	411,342	358,668	696,400	
Total non mark-up / interest income	2,579,571	8,454,855	2,198,550	7,344,163	
	9,842,699	30,668,655	9,306,135	28,699,732	
Non mark-up / interest expenses					
Administrative expenses	5,962,471	18,011,223	6,013,037	17,686,842	
Provision / (reversal) against off-balance sheet obligations	5,341	(7,782)	(5,446)	9,643	
Provision / (reversal) against other assets	3,576	(12,594)	3,599	(41,143)	
Other charges	78,659	263,911	75,809	231,785	
Total non mark-up / interest expenses	6,050,047	18,254,758	6,086,999	17,887,127	
	3,792,652	12,413,897	3,219,136	10,812,605	
Extra ordinary / unusual items	-	-	-	-	
Profit before taxation	3,792,652	12,413,897	3,219,136	10,812,605	
Taxation					
- Current	1,291,400	4,486,144	1,306,686	4,045,332	
- Deferred	125,048	(23,664)	(194,667)	(228,320)	
- Prior years	-	584,434	-	563,000	
	1,416,448	5,046,914	1,112,019	4,380,012	
Profit after taxation	2,376,204	7,366,983	2,107,117	6,432,593	
Profit attributable to:					
Equity holders of the Bank	2,346,061	7,292,979	2,093,296	6,398,595	
Non-controlling interest	30,143	74,004	13,821	33,998	
	2,376,204	7,366,983	2,107,117	6,432,593	
		(Rupees)		(Rupees)	
Basic earnings per share	14	1.46	4.54	1.30	3.98
Diluted earnings per share	14	1.45	4.52	1.30	3.98

The annexed notes 1 to 19 form an integral part of the consolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited) For the Quarter and Nine Months Period Ended September 30, 2017

	Quarter ended September 30, 2017	Nine months period ended September 30, 2017	Quarter ended September 30, 2016	Nine months period ended September 30, 2016
	------(Rupees in '000)-----			
Profit after taxation	2,376,204	7,366,983	2,107,117	6,432,593
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	(29,153)	(40,180)	6,486	13,783
Comprehensive income - transferred to consolidated condensed interim statement of changes in equity	<u>2,347,051</u>	<u>7,326,803</u>	<u>2,113,603</u>	<u>6,446,376</u>
Attributable to:				
Equity holders of the Bank	2,316,908	7,252,799	2,099,782	6,412,378
Non-controlling Interest	30,143	74,004	13,821	33,998
Comprehensive income - transferred to consolidated condensed interim statement of changes in equity	<u>2,347,051</u>	<u>7,326,803</u>	<u>2,113,603</u>	<u>6,446,376</u>
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available for sale securities	(3,517,659)	(4,601,214)	(940,543)	1,243,802
Related deferred tax liability	1,219,399	1,598,643	329,190	(435,331)
	(2,298,260)	(3,002,571)	(611,353)	808,471
Share of surplus on revaluation of associates' available for sale securities	-	-	-	(536)
	<u>(2,298,260)</u>	<u>(3,002,571)</u>	<u>(611,353)</u>	<u>807,935</u>

The annexed notes 1 to 19 form an integral part of the consolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the Nine Months Period Ended September 30, 2017

Note	Nine months period ended	
	September 30, 2017	September 30, 2016
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	12,413,897	10,812,605
Dividend income	(270,174)	(349,626)
Share of profit from associates	(388,497)	(371,566)
	<u>11,755,226</u>	<u>10,091,413</u>
Adjustments for:		
Depreciation	1,361,955	1,265,919
Amortisation	322,222	258,701
(Reversal) / provision against non-performing loans and advances - net	(645,056)	267,108
Provision for diminution in the value of investments - net	109,112	67,849
(Reversal) / provision against off-balance sheet obligations	(7,782)	9,643
(Reversal) / provision against other assets	(12,594)	(41,143)
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	10,478	16,632
Gain on sale of operating fixed assets - net	(6,672)	(23,786)
Charge for defined benefit plan	210,949	211,678
	<u>1,342,612</u>	<u>2,032,601</u>
	<u>13,097,838</u>	<u>12,124,014</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(19,546,261)	(5,149,174)
Held for trading securities	(2,588,112)	(2,471,794)
Advances	(18,485,352)	6,171,833
Other assets (excluding tax recoverable and dividend receivable)	3,874,972	5,151,236
	<u>(36,744,753)</u>	<u>3,702,101</u>
Increase / (decrease) in operating liabilities		
Bills payable	(1,776,737)	1,685,798
Borrowings	29,129,591	(44,307,879)
Deposits and other accounts	20,313,398	1,208,241
Other liabilities	822,070	1,571,947
	<u>48,488,322</u>	<u>(39,841,893)</u>
Income tax paid	24,841,407	(24,015,778)
Net cash (used in) / generated from operating activities	<u>(3,087,422)</u>	<u>(2,840,769)</u>
	<u>21,753,985</u>	<u>(26,856,547)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(15,169,677)	(15,404,241)
Net investments in held to maturity securities	1,136,660	32,484,527
Investment in associated company	(1,430,742)	95,790
Proceeds from disposal of investment in associates	1,966,469	-
Dividend income received	226,690	300,697
Dividend income received from associates	11,657	114,324
Investments in operating fixed assets	(1,523,512)	(2,108,076)
Proceeds from sale of operating fixed assets	63,419	32,587
Net cash generated from / (used in) investing activities	<u>(14,719,036)</u>	<u>15,515,608</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of sub-ordinated loans	(1,664,330)	(3,000)
Proceeds from issue of shares	191,722	84,895
Dividend paid	(458)	(1,585,285)
Net cash (used in) / generated from financing activities	<u>(1,473,066)</u>	<u>(1,503,390)</u>
Difference on translation of the net investments in foreign branches	(40,180)	13,783
Increase / (decrease) in cash and cash equivalents	<u>5,521,703</u>	<u>(12,830,546)</u>
Cash and cash equivalents at beginning of the period	88,990,590	93,490,515
Effect of exchange rate changes on cash and cash equivalents	(113,819)	136,174
	<u>88,876,771</u>	<u>93,626,689</u>
Cash and cash equivalents at end of the period	<u>94,398,474</u>	<u>80,796,143</u>

The annexed notes 1 to 19 form an integral part of the consolidated condensed interim financial information.

Chief Executive Officer

Director

Director

Director

Consolidated Condensed Interim Statement of Changes In Equity (Un-audited) For the Nine Months Period Ended September 30, 2017

	Capital Reserves				Revenue Reserves		Sub-total	Non Controlling Interest	Total
	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee share option Compensation Reserve	Unappropriated profit			
	(Rupees in '000)								
Balance as at January 1, 2016	15,898,062	4,329,648	8,140,904	1,572,966	120,602	12,813,488	42,875,670	274,134	43,149,804
Changes in equity for the nine months period ended September 30, 2016									
Total comprehensive income for the period									
Profit after taxation for the nine months period ended September 30, 2016	-	-	-	-	-	6,398,595	6,398,595	33,998	6,432,593
Other comprehensive income for the nine months period ended September 30, 2016									
Exchange difference on translation of net investment in foreign branches	-	-	-	13,783	-	-	13,783	-	13,783
Transfer to statutory reserve	-	-	1,253,250	-	-	(1,253,250)	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,328	24,328	-	24,328
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2015 @ 10%	-	-	-	-	-	(1,589,806)	(1,589,806)	-	(1,589,806)
Shares issued during the period	54,014	30,881	-	-	-	-	84,895	-	84,895
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	126,102	-	126,102	-	126,102
Unamortised portion of deferred employee compensation expense	-	-	-	-	(38,754)	-	(38,754)	-	(38,754)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	56,597	-	-	(56,597)	-	-	-	-
Balance as at September 30, 2016	15,952,076	4,417,126	9,394,154	1,586,749	151,353	16,393,355	47,894,813	308,132	48,202,945
Changes in equity for the quarter ended December 31, 2016									
Total comprehensive income for the period									
Profit after taxation for the quarter ended December 31, 2016	-	-	-	-	-	1,491,199	1,491,199	15,334	1,506,533
Other comprehensive income for the quarter ended December 31, 2016									
Exchange difference on translation of net investment in foreign branches	-	-	-	(2,729)	-	-	(2,729)	-	(2,729)
Remeasurement of defined benefit plans	-	-	-	-	-	309,314	309,314	-	309,314
Related tax charge	-	-	-	-	-	(108,260)	(108,260)	-	(108,260)
Share of Remeasurement of defined benefit plans of associate	-	-	-	-	-	(499)	(499)	-	(499)
Transfer to statutory reserve	-	-	326,732	-	-	(326,732)	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	19,360	19,360	-	19,360
Transactions with owners, recorded directly in equity									
Recognition of fair value of share based payments on grant date	-	-	-	-	5,924	-	5,924	-	5,924
Unamortised portion of deferred employee compensation expense	-	-	-	-	16,343	-	16,343	-	16,343
Balance as at December 31, 2016	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
Changes in equity for 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 difference on translation of net investment in foreign branches	-	-	-	(40,180)	-	-	(40,180)	-	(40,180)
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 during the period	123,644	68,078	-	-	-	-	191,722	-	191,722
Amortisation of deferred employee compensation expense	-	-	-	-	50,981	-	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	16,075,720	4,612,991	11,155,958	1,543,840	96,814	23,659,897	57,145,220	397,470	57,542,690

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

The annexed notes 1 to 19 form an integral part of the consolidated condensed interim financial information.

Chief Executive 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, 2017

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company

Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. 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 (formerly Karachi, Lahore and Islamabad Stock Exchanges). The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 472 conventional banking branches including 20 sub branches (2016: 475 branches including 18 sub branches), 10 overseas branches (2016: 10 branches), 151 Islamic banking branches (2016: 153 branches) and 1 offshore banking unit (2016: 1 unit).

PACRA has upgraded the long term credit rating of the Bank to AA+ [Double A plus] and assigned a short term credit rating of A1+ [A one plus] to the Bank as at June 2017 with a stable outlook (2016: AA [Double A] for long term and A1+ [A one plus] for short term with a positive outlook).

JCR-VIS has assigned a long term credit rating of AA+ [Double A plus] and a short term credit rating of A1+ [A one plus] as at February 2017 with a stable outlook, which was reaffirmed at August 2017.

	Percentage of Holding	
	September 30, 2017	December 31, 2016

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 December 31, 2016.

2 BASIS OF PRESENTATION

- 2.1 This consolidated condensed interim financial information represents financial information 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 Bank is eliminated against the corresponding share capital of subsidiaries in these consolidated condensed interim 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 this consolidated condensed interim financial information as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.3 Key financial figures of the Islamic Banking branches of the Bank are disclosed in Annexure I to the unconsolidated condensed interim financial information of the Bank.
- 2.4 The disclosures made in this consolidated condensed interim financial information 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 this consolidated condensed interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2016.

2.5 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain economic benefits from its activities.

This consolidated condensed interim financial information incorporates 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 holding company. Material intra-group balances and transactions are eliminated.

3 STATEMENT OF COMPLIANCE

- 3.1 This consolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting", the provisions of repealed Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, provisions of the repealed Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2 The Companies Ordinance, 1984 was repealed by enactment of the Companies Act 2017 on May 30, 2017. SECP vide its Circular No. 17 of 2017 and press release of July 20, 2017, initially clarified that all those companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017 can prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. The relaxation was further extended for financial reporting periods ending on or before December 31, 2017 by the SECP vide its Circular No. 23 of 2017 dated October 04, 2017. The Companies Act 2017 requires enhanced disclosures and has also enhanced the definition of related parties.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2016.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and methods used for critical accounting estimates and judgements adopted in this consolidated condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2016.

- 5.1 During the current period, the Group has revised its estimate of the useful life of ATM machines, which have been increased from 5 years to 8 years. The revision has been made after taking into account the expected pattern of recovery of economic benefits associated with the use of these assets. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standards. Had the revision in useful life of ATMs not been made, depreciation expense for the nine month period would have been higher by Rs. 27.665 million and consequently profit before taxation would have been lower by the same amount.

6 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, 2016.

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Notes	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
(Rupees in '000)			
Call money lendings	7.1	9,590,917	5,306,590
Bai Muajjal	7.2	28,998,425	24,497,227
Repurchase agreement lendings	7.3	15,390,275	345,212
		53,979,617	30,149,029

- 7.1 These represent lendings to financial institutions at interest rates ranging from 3.60% to 8.00% per annum (December 2016: 0.25% to 9.00% per annum) having maturities upto February 2018 (December 2016: March 2017).
- 7.2 This represents Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) and other commercial banks, whereby the Bank sold Sukuks having carrying value of Rs. 28,998 million (December 2016: 24,497 million) on deferred payment basis. The rates of return range from 5.43% to 5.80% per annum (December 2016: 5.62% to 5.97% per annum), and these are due to mature by December 2017 (December 2016: June 2017).
- 7.3 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 5.25% to 6.20% per annum (December 2016: 6.15% per annum) with maturities upto February 2018 (December 2016: January 2017).

8 INVESTMENTS - NET

8.1 Investments by types	Note	September 30, 2017 (Un-audited)			December 31, 2016 (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		17,534,091	-	17,534,091	14,120,130	-	14,120,130
Pakistan Investment Bonds		-	-	-	20,207	-	20,207
Overseas Bonds		28,921	-	28,921	549,615	-	549,615
Fully paid up ordinary shares / units - Listed		455,937	-	455,937	740,776	-	740,776
		18,018,949	-	18,018,949	15,430,728	-	15,430,728
Available-for-sale securities							
Market Treasury Bills		84,048,541	62,211,275	146,259,816	38,584,821	-	38,584,821
Pakistan Investment Bonds		22,439,348	93,988,129	116,427,477	78,936,759	128,150,711	207,087,470
Fully paid up ordinary shares / units - Listed		6,389,587	-	6,389,587	6,223,937	-	6,223,937
Fully paid up ordinary shares - Unlisted		492,455	-	492,455	109,662	-	109,662
Term Finance Certificates		609,162	-	609,162	514,483	-	514,483
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		1,062,426	-	1,062,426	501,938	-	501,938
Pakistan Euro Bonds		2,361,896	345,185	2,707,081	2,688,770	-	2,688,770
Overseas Bonds		4,467,422	3,283,702	7,751,124	7,819,677	4,839,993	12,659,670
Sukuk Bonds		38,956,356	6,572,276	45,528,632	38,663,395	5,023,937	43,687,332
		160,961,028	166,400,567	327,361,595	174,177,277	138,014,641	312,191,918
Held-to-maturity securities							
Market Treasury Bills		1,894,757	-	1,894,757	1,995,857	-	1,995,857
Pakistan Investment Bonds		31,737,240	-	31,737,240	31,793,773	-	31,793,773
Term Finance Certificates		524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds		711,523	-	711,523	706,255	-	706,255
Commercial Papers		-	-	-	661,557	-	661,557
Overseas Bonds		8,986,079	1,045,214	10,031,293	9,714,052	1,036,079	10,750,131
Sukuk Bonds		4,243,373	-	4,243,373	3,847,273	-	3,847,273
		48,097,238	1,045,214	49,142,452	49,243,033	1,036,079	50,279,112
Investments in Associates and Mutual Funds established under Trust Structure not considered for consolidation							
Alfalah Insurance Limited		313,391	-	313,391	282,909	-	282,909
Sapphire Wind Power Company Limited		1,517,259	-	1,517,259	1,221,237	-	1,221,237
TriconBoston Consulting Corporation (Private) Limited		767,831	-	767,831	-	-	-
Alfalah GHP Money Market Fund		110,232	-	110,232	57,287	-	57,287
Alfalah GHP Income Multiplier Fund		6	-	6	298,473	-	298,473
Alfalah GHP Sovereign Fund		15,311	-	15,311	253,490	-	253,490
Appollo Pharma Limited		-	-	-	169,745	-	169,745
Alfalah GHP Income Fund		189,349	-	189,349	6,683	-	6,683
Alfalah GHP Islamic Income Fund		5,512	-	5,512	-	-	-
Alfalah GHP Value Fund		-	-	-	439,502	-	439,502
Alfalah GHP Cash Fund		9,695	-	9,695	534,264	-	534,264
Alfalah GHP Pension Fund -Debt		30,817	-	30,817	-	-	-
Alfalah GHP Pension Fund -Equity		25,295	-	25,295	-	-	-
Alfalah GHP Pension Fund -Money Market		30,837	-	30,837	-	-	-
Alfalah GHP Islamic Pension Fund -Debt		30,572	-	30,572	-	-	-
Alfalah GHP Islamic Pension Fund -Equity		26,071	-	26,071	-	-	-
Alfalah GHP Islamic Pension Fund -Money Market		30,621	-	30,621	-	-	-
		3,102,799	-	3,102,799	3,263,590	-	3,263,590
Investments		230,180,014	167,445,781	397,625,795	242,114,628	139,050,720	381,165,348
Provision for diminution in value of investments including associates	8.2	(1,362,714)	-	(1,362,714)	(1,253,781)	-	(1,253,781)
Investments (net of provisions)		228,817,300	167,445,781	396,263,081	240,860,847	139,050,720	379,911,567
(Deficit) / Surplus on revaluation of held for trading securities - net		(10,478)	-	(10,478)	109	-	109
Surplus on revaluation of available for sale securities-net		2,695,527	2,492,169	5,187,696	7,677,435	2,077,811	9,755,246
Total investments		231,502,349	169,937,950	401,440,299	248,538,391	141,128,531	389,666,922

	Note	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
(Rupees in '000)			
8.2 Particulars of provision for diminution in value of investments - net			
Opening balance		1,253,781	5,519,811
Exchange adjustment		(179)	-
Charge for the period / year		120,800	100,766
Reversals during the period / year		(11,688)	-
		109,112	100,766
Provision written off / (adjusted) during the period / year		-	(4,366,796)
Closing balance		<u>1,362,714</u>	<u>1,253,781</u>
8.3 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
- Preference shares			
- Agritech Limited		108,835	108,835
Unlisted companies			
- Fully paid up ordinary shares of Rs. 10 each			
- Pakistan Export Finance Guarantee Agency Limited		5,725	5,725
- Al-Hamra Avenue (Private) Limited		50,000	50,000
- Pakistan Mobile Communications Limited (Related party)		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		23,105	23,105
- New Allied Electronics		2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited		193,551	161,407
- Quetta Textile Mills Limited		72,619	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		24,489	36,177
- Security Leasing Corporation Limited		29,245	29,245
- Sitara Peroxide (Private) Limited		118,052	113,643
- Zulekha Textile Mills		24,680	24,680
Regulatory Reserve held against overseas investments - Afghanistan	8.3.1	84,068	-
		<u>1,362,714</u>	<u>1,253,781</u>

8.3.1 This represents general reserve (of at least one percent) for losses against performing investments - i.e. those classified as standard, under Asset Classification and Provisioning Regulations of DAB, Afghanistan.

	Note	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
(Rupees in '000)			
9 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		330,644,140	309,127,177
Outside Pakistan		<u>12,974,846</u>	<u>13,181,132</u>
		343,618,986	322,308,309
Net investment in finance lease			
In Pakistan		4,115,945	4,181,047
Outside Pakistan		-	-
		4,115,945	4,181,047
Islamic financing and related assets (gross)	9.1	54,092,976	57,908,118
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		6,270,919	5,033,339
Payable outside Pakistan		<u>6,109,298</u>	<u>6,437,718</u>
		12,380,217	11,471,057
Provision against advances		414,208,124	395,868,531
Specific provision against non-performing advances	9.3	(15,588,268)	(16,368,263)
General provision against advances	9.3	(765,148)	(775,968)
		<u>(16,353,416)</u>	<u>(17,144,231)</u>
		<u>397,854,708</u>	<u>378,724,300</u>

9.1 This represents financing and related assets placed under shariah permissible modes and presented in Annexure I to the unconsolidated condensed interim financial information of the Bank.

9.2 Advances include Rs. 17,358 million (December 31, 2016: Rs. 19,020 million) which have been placed under non-performing status as detailed below:

	September 30, 2017 (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)	80,047	-	80,047	3,263	-	3,263	3,263	-	3,263
Substandard	1,996,922	-	1,996,922	527,372	-	527,372	527,372	-	527,372
Doubtful	1,436,729	-	1,436,729	1,222,256	-	1,222,256	1,222,256	-	1,222,256
Loss	13,551,714	292,285	13,843,999	13,585,999	249,378	13,835,377	13,585,999	249,378	13,835,377
	<u>17,065,412</u>	<u>292,285</u>	<u>17,357,697</u>	<u>15,338,890</u>	<u>249,378</u>	<u>15,588,268</u>	<u>15,338,890</u>	<u>249,378</u>	<u>15,588,268</u>

	December 31, 2016 (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)	149,224	-	149,224	4,318	-	4,318	4,318	-	4,318
Substandard	2,336,995	-	2,336,995	577,634	-	577,634	577,634	-	577,634
Doubtful	1,990,208	-	1,990,208	1,483,906	-	1,483,906	1,483,906	-	1,483,906
Loss	14,224,437	318,921	14,543,358	14,063,267	239,138	14,302,405	14,063,267	239,138	14,302,405
	<u>18,700,864</u>	<u>318,921</u>	<u>19,019,785</u>	<u>16,129,125</u>	<u>239,138</u>	<u>16,368,263</u>	<u>16,129,125</u>	<u>239,138</u>	<u>16,368,263</u>

9.3 Particulars of provisions against non-performing loans and advances

	Nine months period ended September 30, 2017 (Un-audited)			Year ended December 31, 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	16,368,263	775,968	17,144,231	15,452,915	739,904	16,192,819
Exchange adjustment and other movements	(8,200)	(4,033)	(12,233)	1,258	(1,135)	123
Charge for the period / year	1,268,147	106,388	1,374,535	3,408,124	157,644	3,565,768
Reversals / recoveries	(1,906,416)	(113,175)	(2,019,591)	(2,362,817)	(120,445)	(2,483,262)
	(638,269)	(6,787)	(645,056)	1,045,307	37,199	1,082,506
Amounts written off	(133,526)	-	(133,526)	(131,217)	-	(131,217)
Closing balance	15,588,268	765,148	16,353,416	16,368,263	775,968	17,144,231

9.3.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at September 30, 2017 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 28.713 million (December 31, 2016: Rs. 95.817 million).

9.3.2 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.

9.3.3 Exposure amounting to Rs. 18.121 billion relating to certain facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, has not been classified as non-performing, pursuant to a relaxation given by SBP in this respect. The relaxation is valid up to October 31, 2017.

	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
	(Rupees in '000)	
Capital work-in-progress	685,861	775,408
Property and equipment	15,939,754	16,144,219
Intangible assets	1,373,910	1,297,310
	<u>17,999,525</u>	<u>18,216,937</u>

10 OPERATING FIXED ASSETS

	Note	Nine months period ended	
		September 30,	September 30,
		2017	2016
		(Un-audited)	
		(Rupees in '000)	
10.1 Additions to operating fixed assets			
Office premises		108,413	666,281
Leasehold improvements		217,648	90,143
Office equipment		767,377	586,971
Furniture and fixtures		18,689	44,097
Vehicles		113,623	36,337
10.2 Additions to Intangibles			
Computer software		398,891	481,358
10.3 Disposals of operating fixed assets			
Office premises		50,159	-
Leasehold improvements		45,023	141
Office equipment		168,026	105,598
Furniture and fixtures		5,597	24,279
Vehicles		11,720	26,773
		September 30,	December 31,
		2017	2016
		(Un-audited)	(Audited)
		(Rupees in '000)	
11 BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under ERF / LTF - EOP		23,828,002	21,668,916
Repurchase agreement borrowings	11.1	131,309,544	136,763,030
Borrowings from other central banks		-	198,418
Bai Muajjal	11.2	35,127,188	-
Other short term borrowings		-	399,594
		190,264,734	159,029,958
Unsecured			
Call borrowings	11.3	10,969,776	13,461,835
Bai Muajjal	11.4	3,019,610	6,218,836
Trading liabilities		3,586,100	-
		17,575,486	19,680,671
		207,840,220	178,710,629

11.1 This represents repurchase agreement borrowing from SBP and other banks at rate ranging from 1.35% and 5.93% per annum respectively (December 2016: 1.10% and 5.95% per annum) having maturities upto December 2017 (December 2016: February 2017).

11.2 This represents borrowings from financial institutions at mark-up rates ranging from 5.73% to 5.83% per annum (December 2016: Nil) having maturities upto August 2018 (December 2016: Nil).

11.3 This represents borrowings from financial institutions at mark-up rates ranging from 0.04% to 5.75% per annum (December 2016: 0.55% to 5.80% per annum) having maturities upto December 2017 (December 2016: March 2017).

11.4 This represents borrowings from financial institutions at mark-up rates ranging from 5.65% to 5.70% per annum (December 2016: 5.60% to 5.70% per annum) having maturities upto November 2017 (December 2016: May 2017).

	September 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited)
12 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	113,845,197	94,268,250
Savings deposits	228,181,333	229,010,684
Current accounts - non-remunerative	280,113,948	283,711,087
Others	7,420,689	4,721,828
	<u>629,561,167</u>	<u>611,711,849</u>
Financial institutions		
Remunerative deposits	29,965,249	27,347,009
Non-remunerative deposits	1,641,207	1,795,367
	<u>31,606,456</u>	<u>29,142,376</u>
	<u>661,167,623</u>	<u>640,854,225</u>
13 CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
i) Government	114,227	1,632,063
ii) Banking companies and other financial institutions	-	-
iii) Others	377,811	53,167
	<u>492,038</u>	<u>1,685,230</u>
13.2 Transaction - related contingent liabilities		
i) Government	50,083,798	32,243,564
ii) Banking companies and other financial institutions	931,556	544,762
iii) Others	11,644,970	11,725,088
	<u>62,660,324</u>	<u>44,513,414</u>
13.3 Trade - related contingent liabilities		
Letters of credit	75,965,809	73,061,529
Acceptances	9,303,562	12,188,691
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	17,375,681	13,847,649
<p>These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.</p>		
	September 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited)
13.5 Commitments in respect of forward lendings		
Commitments to extend credit	24,169,830	28,450,269
Commitments in respect of investments	3,055,160	3,596,186
13.6 Commitments in respect of forward exchange contracts		
Purchase	60,022,695	53,992,848
Sale	32,739,045	41,084,440
13.7 Commitments for the acquisition of operating fixed assets	504,289	336,774

	September 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited)
13.8 Commitments in respect of repo lendings		
Repurchase	<u>131,488,178</u>	<u>136,912,078</u>
Resale	<u>15,509,964</u>	<u>349,222</u>
13.9 Other commitments		
Interest rate swaps	<u>7,720,090</u>	<u>7,622,307</u>
Donations	<u>22,000</u>	<u>22,000</u>

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

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

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

13.11 Contingencies for tax payable (note 16)

	<u>Nine months period ended</u>	
	September 30, 2017 (Un-audited) (Rupees in '000)	September 30, 2016
14 EARNINGS PER SHARE		
14.1 BASIC EARNINGS PER SHARE		
Profit after taxation for the period	<u>7,292,979</u>	<u>6,398,595</u>
	(Number of shares in thousand)	
Weighted average number of ordinary shares	<u>1,605,455</u>	<u>1,606,195</u>
	(Rupees)	
Basic earnings per share	<u>4.54</u>	<u>3.98</u>
14.2 DILUTED EARNINGS PER SHARE	(Rupees in '000)	
Profit after taxation for the period	<u>7,292,979</u>	<u>6,398,595</u>
	(Number of shares in thousand)	
Weighted average number of ordinary shares	<u>1,612,428</u>	<u>1,606,195</u>
	(Rupees)	
Diluted earnings per share	<u>4.52</u>	<u>3.98</u>

15 CASH AND CASH EQUIVALENTS	September 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited)
Cash and balances with treasury banks	71,519,844	74,071,394
Balances with other banks	13,287,713	9,498,787
Call money lendings	9,590,917	5,306,590
	<u>94,398,474</u>	<u>88,876,771</u>

16 TAXATION

The income tax assessments of the Bank have been finalized up to and including tax year 2016. 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, 2011, 2014, 2015 and 2016, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains and dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements resulting in additional demand of Rs. 987.015 million. As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 60.032 million whereas appeal effect orders are pending. The management's appeals on certain issues 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.

The Bank has received amended assessment orders for Tax Years from 2010 to 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs. 990.423 million. As a result of appeal filed before Commissioner Appeal, relief is provided to the Bank. Accordingly, tax amount is reduced to Rs. 96.161 million. The Bank has filed appeal before Appellate Tribunal. Further, Bank has received two amended orders for Tax Years 2014 and 2015 wherein tax demand of Rs. 37.638 million is raised on this matter. The Bank has not made any provision against these orders and the management is of the view that the matter will be settled in Bank's favour through appellate process.

In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs. 42.539 million against tax demand for tax years 2016 and 2017. The Bank intends to obtain relief through rectification orders. The management is of the view that the matter will be settled in Bank's favour.

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. 97.560 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.

17 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.

17.1 Details of transactions with the related parties and balances with them as at period end / year end are as follows:

	September 30, 2017 (Un-audited)				
	Directors	Key Management Personnel	Group / Associated Companies / Others	Associates	Total
	----- (Rupees in '000) -----				
Deposits					
Balance at beginning of the period	10,201	164,506	8,688,767	1,031,657	9,895,131
Placements during the period	266,897	1,233,809	104,765,140	43,193,647	149,459,493
Withdrawals / adjustments during the period	<u>(270,668)</u>	<u>(1,224,067)</u>	<u>(108,185,934)</u>	<u>(41,651,212)</u>	<u>(151,331,881)</u>
Balance at end of the period	<u>6,430</u>	<u>174,248</u>	<u>5,267,973</u>	<u>2,574,092</u>	<u>8,022,743</u>
Advances					
Balance at beginning of the period	79,130	351,335	8,040,236	-	8,470,701
Disbursements / adjustments during the period	21,130	206,396	15,024,761	-	15,252,287
Repayments / adjustments during the period	<u>(100,260)</u>	<u>(120,264)</u>	<u>(15,549,413)</u>	-	<u>(15,769,937)</u>
Balance at end of the period	<u>-</u>	<u>437,467</u>	<u>7,515,584</u>	<u>-</u>	<u>7,953,051</u>
Provision held against advances	<u>-</u>	<u>-</u>	<u>1,541,709</u>	<u>-</u>	<u>1,541,709</u>
Investments					
Balance at beginning of the period	-	-	2,579,489	3,263,590	5,843,079
Investments during the period	-	-	100,000	1,607,687	1,707,687
Redemption / adjustments during the period	-	-	<u>(885,414)</u>	<u>(1,841,572)</u>	<u>(2,521,627)</u>
Balance at end of the period	<u>-</u>	<u>-</u>	<u>1,794,075</u>	<u>3,029,705</u>	<u>5,029,139</u>
Provision held against investments	<u>-</u>	<u>-</u>	<u>53,936</u>	<u>-</u>	<u>53,936</u>
Call borrowings / Repo					
Balance at beginning of the period	-	-	-	-	-
Borrowings during the period	-	-	7,387,097	-	7,387,097
Repayments during the period	-	-	<u>(6,700,000)</u>	-	<u>(6,700,000)</u>
Balance at end of the period	<u>-</u>	<u>-</u>	<u>687,097</u>	<u>-</u>	<u>687,097</u>
Call lendings / Reverse repo					
Balance at beginning of the period	-	-	-	-	-
Placements during the period	-	-	63,250,000	-	63,250,000
Withdrawals during the period	-	-	<u>(63,250,000)</u>	-	<u>(63,250,000)</u>
Balance at end of the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	December 31, 2016 (Audited)				
	Directors	Key Management Personnel	Group / Associated Companies / Others	Associates	Total
----- (Rupees in '000) -----					
Deposits					
Balance at beginning of the year	14,825	120,281	6,095,252	350,316	6,580,674
Placements during the year	306,363	1,257,912	117,678,110	44,962,231	164,204,616
Withdrawals / adjustments during the year	(310,987)	(1,213,687)	(115,084,595)	(44,280,890)	(160,890,159)
Balance at end of the year	10,201	164,506	8,688,767	1,031,657	9,895,131
Advances					
Balance at beginning of the year	89,000	328,280	6,339,450	-	6,756,730
Disbursements during the year	-	287,570	22,062,374	-	22,349,944
Repayments / adjustments during the year	(9,870)	(264,515)	(20,361,588)	-	(20,635,973)
Balance at end of the year	79,130	351,335	8,040,236	-	8,470,701
Provision held against advances	-	-	1,543,054	-	1,543,054
Investments					
Balance at beginning of the year	-	-	4,716,796	4,019,314	8,736,110
Investments during the year	-	-	2,529,489	67,267	2,596,756
Redemptions / adjustments during the year	-	-	(4,666,796)	(822,991)	(5,489,787)
Balance at end of the year	-	-	2,579,489	3,263,590	5,843,079
Provision held against investments	-	-	53,936	-	53,936
Call borrowings / Repo					
Balance at beginning of the year	-	-	-	-	-
Borrowings during the year	-	-	2,200,000	-	2,200,000
Repayments during the year	-	-	(2,200,000)	-	(2,200,000)
Balance at end of the year	-	-	-	-	-
Call lendings / Reverse Repo					
Balance at beginning of the year	-	-	-	-	-
Placements during the year	-	-	17,250,000	-	17,250,000
Withdrawals during the year	-	-	(17,250,000)	-	(17,250,000)
Balance at end of the year	-	-	-	-	-

	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
(Rupees in '000)		
17.2 Advances		
Running finance	765,160	753,858
Long term loans	7,187,891	7,716,843
17.3 Contingencies and commitments		
Letter of credit, acceptance and guarantees outstanding	1,700,362	1,724,344
17.4 Customer Accounts		
PLS accounts	5,233,432	5,869,154
Current accounts	422,431	1,211,423
Fixed deposit accounts	2,366,880	2,814,554

	Nine months period ended	
	September 30, 2017	September 30, 2016
	(Un-audited)	
	(Rupees in '000)	
17.5 Transactions with Associates and Others		
Associates		
Mark-up expense on deposits / TFCs	54,823	34,023
Rent Income from Alfalah Insurance Limited	-	1,747
Insurance premium paid to Alfalah Insurance Company Limited	470,826	537,588
Insurance claims received from Alfalah Insurance Company Limited against operating fixed assets	6,588	4,418
Other Income - Sapphire Wind Power Company Limited	5,452	-
Management fee earned from funds	330,452	203,419
Reimbursement of expenses from funds	25,170	15,352
Sales load receivable from funds	66,514	38,953
Redemption in Investment in fund units	162,125	9,501
Realized Gain on Redemption in Investment	-	499
Payment Made on Behalf of fund	-	132
Reimbursement of funds against allocation of expenses from funds	155	-
Reimbursement of funds for selling & marketing expenses from funds	22,792	-
Dividend income from funds	11,659	12,356
Dividend paid to Alfalah Insurance Company Limited	-	500
Dividend income from Pakistan Mobile Communication Limited	1,460	-
Capital Gain on sale of units of funds	319,719	104,800
Investment in TriconBoston Consulting Corporation (Private) Limited	769,230	-
Others		
Mark-up income on advances / Investment	535,820	308,979
Mark-up expense on deposits	176,490	110,478
Rent income from Warid Telecom (Private) Limited / Pakistan Mobile Communication Limited	8,929	12,339
Rent expense paid pertaining to Wateen Telecom Limited	-	4,264
Rent paid in respect of Dhabi Tower	6,195	5,910
Interest received on placements with Silk Bank	16,377	856
Mark-up received on Sukuk from Pakistan Mobile Communication Limited	80,457	-
Amount received on Redemption of Silk Bank Preference Shares	-	439,200
Interest paid on Borrowings from Silk Bank	1,079	195
Payment to Institute of Bankers of Pakistan	2,743	2,512
Payment to Wateen Telecom Limited and Wateen Solutions (Private) Limited for purchase of equipment and maintenance charges	135,019	100,555
Payment to Monet (Private) Limited for Branchless banking services	49,692	144,821
Payment to Al-Qudees & Co.	-	10,263
Payment to Locker Smiths (Private) Limited	-	10,675
Payment to Sundar Interior & Architects	-	4,525
Payment to Timber Links	18	2,484
Payment to Expressive Safety & Security Solutions	3,603	8,971
Payment to Olive International (Private) Limited	369	1,525
Payment to Computer Marketing Co. (Private) Limited.	1,756	15,258
Payment to K-Tabs	-	16,112
Payment to MEC Engineer	5,301	9,324
Payment to Tahiri Printers	6,605	5,946
Payment to Bawany Traders	-	4,102
Payment to MEK Steel Furniture	2,091	-
Payment to S-Tech	9,190	-
Payment to The Pakistan Business Council	2,040	-
Payment to Digital Plus	17,203	-
Payment to Computer Need Network	4,266	-
Payment to A. S. General Supplies	6,008	-
Contribution to employees provident fund	249,867	248,196
Contribution to gratuity fund	210,949	211,678
(Reversal) / Provision against advances to Wateen Telecom (Private) Limited	(1,344)	679,385
Provision against advances to Wateen Wimax (Private) Limited	-	185,460
Commission received from Warid Telecom (Private) Limited	-	1,828

	September 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited)
17.6 Balances with Associates and Others		
Associates		
Advance against issuance of Shares - Sapphire Wind Power Company Limited	112,350	112,350
Rent receivable from Alfalah Insurance Company Limited	1,872	416
Rent receivable from Warid Telecom (Private) Limited / Pakistan Mobile Communication Limited	4,611	-
TFCs held by Alfalah GHP Income Multiplier Fund	6,114	6,116
TFCs held by Alfalah GHP Income Fund	41,922	72,887
Management fee receivable from funds	144,062	137,853
Sales load receivable from funds	9,497	14,982
Investment in funds units	219,873	-
Receivable against formation of funds	3,636	2,647
Insurance payable for general and health	51	480
Receivable against allocation of expenses from funds	25,325	13,127
Receivable against selling & marketing expenses from funds	22,792	-
Seed Capital in funds	154,214	180,000
Advisory income receivable from funds	-	976
Employees and the Company's contribution payable to the provident fund	751	-
Others		
Mark-up suspended on advances to Wateen Telecom (Private) Limited	929,384	808,508
Mark-up suspended on advances to Wateen Wimax (Private) Limited	25,091	16,808
Mark-up suspended on advances to Warid Telecom Limited (Private) / Pakistan Mobile Communication Limited	74,419	61,267
Mark-up receivable on Sukuk from Pakistan Mobile Communication Limited	2,043	3,247
Capital loss on FCY bonds - Union National Bank	3,208	-
Advance Rent from Warid Telecom Limited	-	9,164
TFCs held by Taavun (Private) Limited	166,234	332,467
TFCs held by Key Management Personnel	86,138	132,348
	September	September
	2017	2016
	(Un-audited)	
	(Rupees in '000)	

17.7 The key management personnel / directors compensation are as follows:

Salaries and Allowances	1,165,068	1,060,289
Fair value charge against employee stock option scheme	50,981	87,348

In addition the Chief Executive Officer and other executive officers are provided with the Bank maintained car as per Bank's policy.

Furthermore, in addition to the above, the Bank, being a primary dealer also provides liquidity and investment options including custodial services to clients including its employees.

18 GENERAL

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

19 DATE OF AUTHORISATION

This consolidated condensed interim financial information was authorised for issue on October 25, 2017 by the Board of Directors of the Bank.

Chief Executive Officer

Director

Director

Director

Branch Network

Bank Alfalah Presence in Pakistan

Sr#	Location	No. of Branches		
		Conventional	Islamic	Total
1	Karachi	74	34	108
2	Lahore	63	30	93
3	Islamabad	24	10	34
4	Rawalpindi	23	8	31
5	Faisalabad	19	10	29
6	Quetta	14	4	18
7	Multan	10	6	16
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	1	6
14	Sahiwal	3	1	4
15	Okara	3	1	4
16	Jhang	1	1	2
17	Sheikhupura	3	-	3
18	Taxila	3	-	3
19	Rahim Yar Khan	3	1	4
20	Jhelum	1	1	2
21	Bahawalpur	2	1	3
22	Mingora	2	1	3
23	Abbottabad	2	1	3
24	Mansehra	1	1	2
25	Bahawalnagar	-	1	1
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	2
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
43	Ghotki	1	-	1
44	Sanghar	1	-	1
45	Dhodial	-	1	1

Sr#	Location	No. of Branches		
		Conventional	Islamic	Total
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	Gaggo Mandi	1	-	1
56	Bhimber	1	-	1
57	Gawadar	1	-	1
58	Burewala	1	-	1
59	Ghazi	1	-	1
60	Daultala	1	-	1
61	Chishtian	1	-	1
62	Depalpur	1	-	1
63	Ghourgushti	1	-	1
64	Murree	1	-	1
65	Chitral	1	-	1
66	Nowshera Virkan	1	-	1
67	Choa Saidan Shah	1	-	1
68	Phalia	1	-	1
69	Gujar Khan	1	-	1
70	Rabwah	1	-	1
71	Allahabad	1	-	1
72	Bhowana	1	-	1
73	Arifwala	1	-	1
74	Shahdadkot	1	-	1
75	Hafizabad	1	-	1
76	Shujaabad	1	-	1
77	Hangu	1	-	1
78	Malakwal	1	-	1
79	Chowk Azam	1	-	1
80	Mandi Quaidabad	1	-	1
81	Haroonabad	1	-	1
82	Mehrabpur.	1	-	1
83	Hasan Abdal	-	1	1
84	Mirpur Mathelo	1	-	1
85	Hasilpur	1	-	1
86	Battagram	1	-	1
87	Haveli Lakha	1	-	1
88	Chiniot	1	-	1
89	Havelian	1	-	1
90	Nawabshah	1	-	1

Sr#	Location	No. of Branches		
		Conventional	Islamic	Total
91	Hazro	1	-	1
92	Besham	1	-	1
93	Hub	1	-	1
94	Pattoki	1	-	1
95	Hunza Nagar	1	-	1
96	Pindi Ghaib	-	1	1
97	D.G Khan	-	1	1
98	Bhakkar	1	-	1
99	Badin	1	-	1
100	Rajanpur	1	-	1
101	Islamgarh	1	-	1
102	Renala Khurd	1	-	1
103	Jacobabad	1	-	1
104	Sambrial	1	-	1
105	Jahania	1	-	1
106	Serai Alamgir	-	1	1
107	Jalalpur Bhattian	1	-	1
108	Shakargarh	1	-	1
109	Jalalpur Jattan	-	1	1
110	Shinkhari	1	-	1
111	Jampur	1	-	1
112	Sibi	1	-	1
113	Dadu	1	-	1
114	Mailsi	-	1	1
115	Jauharabad	1	-	1
116	Mamukanjan	1	-	1
117	Jehlum	1	-	1
118	Mandi Faizabad	1	-	1
119	Dadyal	1	-	1
120	Deharki	2	-	2
121	Ahmedpur East	1	-	1
122	Mehar	1	-	1
123	Kabirwala	-	1	1
124	Mian Channu	1	-	1
125	Kahirpur	1	-	1
126	Batkhela	1	-	1
127	Kahuta	1	-	1
128	Mirpur, AJK	1	-	1
129	Kallar Syedan	1	-	1
130	Moro	1	-	1
131	Kamalia	-	1	1
132	Muridke	1	-	1
133	Kamoke	1	-	1
134	Muslim Bagh	1	-	1
135	Kamra	1	-	1

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

Sr#	Location	No. of Branches		
		Conventional	Islamic	Total
181	Umerkot	1	-	1
182	Chak Khasa	1	-	1
183	Vehari	-	1	1
184	Sillanwali	1	-	1
185	Waisa	1	-	1
186	Zafarwal	1	-	1
187	Kotli	1	-	1
188	Talagang	1	-	1
189	Kotmomin	1	-	1
190	Tando Allahyar	1	-	1
191	Kotri District Jamshoro	1	-	1
192	Tarnol	1	-	1
193	Bannu	1	-	1
194	Temargarha	1	-	1
195	Lala Musa	1	-	1
196	Toba Tek Singh	1	-	1
197	Larkana	1	-	1
198	Uch Sharif	1	-	1
199	Layyah	1	-	1
200	Usta Muhammad	1	-	1
201	Liaquat Pur	1	-	1
202	Wah Cantt	1	-	1
203	Lodharan	1	-	1
204	Yazman	1	-	1
205	Lodhran	1	-	1
206	Chaman	1	-	1
207	Loralai	1	-	1
208	Kot Addu	-	1	1
		472	151	623

Branch Network

Bank Alfalah Presence In Foreign Countries

Sr #	Location	No. Branches
	Bangladesh	
1	Dhaka	4
2	Chittagong	1
3	Sylhet	1
4	Dhanmondi	1
	Afghanistan	
1	Kabul	2
2	Herat	1
	Bahrain (WBU)	
1	Manama	1
	Total	11



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