

MOVING FORWARD WITH **PRIDE**

Quarterly Report - March 31, 2020
(Un-audited)



Best Bank 2019



Best Customer Franchise 2019



Bank Alfalah
The Way Forward

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Company Information

Board of Directors

HH Sheikh Nahayan Mubarak Al Nahayan
Chairman/Director

Abdulla Nasser Hawaileel Al Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Dr. Gyorgy Tamas Ladics
Director

Dr. Ayesha Khan
Director

Atif Aslam Bajwa
President/CEO and Director

Senior Management

Atif Aslam Bajwa

President and Chief Executive Officer

Aasim Wajid Jawad

Group Head Strategy, Transformation and Customer Experience

Anjum Hai

Chief Financial Officer

Bilal Asghar

Group Head Corporate, Investment Banking and International Business

Faisal Rabbani

Chief Risk Officer

Hafsa Abbasy

Group Head Human Resource and Learning

Haroon Khalid

Group Head Compliance and Control

Khawaja Muhammad Ahmed

Group Head Operations and Corporate Services

Mehreen Ahmed

Group Head Retail Banking

Mohib Hasan Khan

Chief Information Officer

Muhammad Akram Sawleh

Company Secretary, Head of Legal and Corporate Affairs

Dr. Muhammad Imran

Group Head Islamic Banking

Muhammad Yahya Khan

Group Head Digital Banking

Syed Ali Sultan

Group Head Treasury and Capital Markets

Tahir Khurshid

Group Head Audit and Inspection

Zahid Anjum

Group Head Special Assets Management

Chief Financial Officer

Anjum Hai

Company Secretary

Muhammad Akram Sawleh

Auditors

EY Ford Rhodes

Chartered Accountants

Registered/Head Office

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

Share Registrar

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

Board Committees

Board Audit Committee (BAC)

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Dr. Ayesha Khan
Member

Board Risk Management Committee (BRMC)

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Member

Efstratios Georgios Arapoglou
Member

Atif Aslam Bajwa
Member

Board Human Resources, Remuneration and Nomination Committee (BHR&NC)

Dr. Ayesha Khan
Chairperson

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Dr. Gyorgy Tamas Ladics
Member

Board Compensation Committee (BCC)

Dr. Ayesha Khan
Chairperson

Khalid Mana Saeed Al Otaiba
Member

Abdulla Khalil Al Mutawa
Member

Efstratios Georgios Arapoglou
Member

Board Strategy and Finance Committee (BS&FC)

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Atif Aslam Bajwa
Member

Board Information Technology Committee (BITC)

Dr. Gyorgy Tamas Ladics
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Atif Aslam Bajwa
Member

Directors' Review

On behalf of the Board of Directors, we are pleased to present the unconsolidated condensed interim financial statements of Bank Alfalah Limited for the quarter ended 31st March, 2020.

Economic Review

2020 started off with expectations that Pakistan economy would emerge out of the stabilisation phase and head towards a managed growth path, but the outbreak of Coronavirus altered assessments and expectations completely. Global lockdowns, travel restrictions and other preventive measures took a toll on both local and international economy.

Pakistan's policymakers, in line with global central banks and governments, resorted to support and stimulus packages to compensate for the severely interrupted economic cycle. Aided by weak international oil prices, the government announced a PKR 1.2 trillion stimulus programme and a special package for the construction industry, with a view to support the wide range of allied industries associated with the sector.

State Bank of Pakistan announced a series of steps to ensure smooth functioning of the financial system. In addition to cutting the policy rate by a cumulative 425bp to 9% (200bps in April 2020), the SBP announced a comprehensive package for both individual and corporate borrowers. Key market indicators also reacted in tandem as secondary market bond yields adjusted sharply on expectations of further monetary easing, while the currency markets priced in PKR weakness, especially towards the end of March, closing the quarter down 7.7%.

Negative sentiments in the currency market were contained (to a certain extent) on news that the global pandemic could lead to varied forms of global assistances for developing economies like Pakistan. Furthermore, a US\$1.4bn emergency loan by the IMF should help improve market sentiments.

The stock market also reflected the new landscape as it priced in different scenarios depending on local and international news flow. In addition to Coronavirus, the oil heavy nature of PSX index meant that the first-round impact of oil prices declining was negative on the index. All in all, the benchmark KSE-100 index went from 6% positive for the year at one point, to closing the quarter down 28%.

Looking ahead, concerns remain over the extent of the impact of Coronavirus both in terms of domestic recovery and interplay with the external world. 2M20 exports are down 3% to US\$4.04bn, while imports are down 3.8% to US\$7.5bn. Remittances have so far shown 12% growth to US\$5.6bn in 1Q20 vs last year and current account deficit clocked in at US\$744mn for 2M20 (down 38% YoY). The outlook on these variables is largely dependent on how quickly global demand recovers and the impact of that on commodity prices. Market participants cannot predict the outcomes with any degree of confidence at this stage, hence all participants will likely move tentatively on all fronts.

The uncertainty is also likely to reflect in key banking sector metrics such as deposits, advances and business volumes. The change in mechanism for determining the minimum deposit rate payable on savings accounts will likely pressure banks' profitability. The SBP package for individual and corporate borrowers is expected to ease the near term asset quality pressures in addition to other measures announced by SBP to facilitate businesses (additional funding lines) and banks (CAR, financial reporting and provisions related relaxations). More importantly however the actions of policymakers and SBP has provided market the comfort that authorities stand ready to take all actions required to ensure stability and quick revival of the financial and economic system.

Our Response to COVID-19 Pandemic

The spread of COVID-19 has affected countries and economies across the world, including Pakistan. As we adapt to the new challenges presented by this outbreak, we keep the safety and health of our people a topmost priority. A Crisis Management Committee at the outset of the escalating situation is closely monitoring the developments on local and international fronts and prepare appropriate response measures. A board level Coronavirus-Crisis Management Committee has been setup to oversee and assist the Board of Directors and the management in the matters relating to COVID-19.

To minimise the exposure and impact of COVID-19, the following measures have been taken:

- Employees

We have significantly scaled down the headcount present at our locations across Pakistan, including the branches. The majority of our employees are working remotely (while maintaining strong IT security) to increase social distancing for our colleagues in office critical roles. There is a complete suspension of employee travel and participation in all events. Internal communications are consistently being shared to increase awareness about social distancing and hygiene.

- Customers

The Bank is communicating with its customers on how they can connect with the Bank through its full suite of platforms, including digital and online channels, and also apprising them of the regulatory changes being introduced by the State Bank of Pakistan. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs, and the Bank continues to meet the expectations of its clients as they would have been in a normal scenario.

- Communities

In an effort to support our community, especially the daily wage earners across the country whose lives have been most affected by the pandemic, we have introduced the Bank Alfalah COVID-19 Relief Programme for the Daily Wage Earners. Through this programme, we will assist credible charitable organisations across the country who have taken up the mantle and have commenced work in this regard; distributing food and medical supplies to the needy daily wage earners.

- Regulator

We are working closely with the State Bank of Pakistan and the law enforcement agencies to keep the economy moving. The SBP has responded to the crisis by introducing various regulatory measures to maintain the soundness of the banking system and to sustain economic activity. As advised by the regulator, we are working with the customers to ensure that they have easy access to these benefits and relaxations.

Review of the Bank's Performance

The highlights of the financial results of the Bank for the quarter ended 31st March, 2020 are presented as follows:

	31st March, 2020	31st December, 2019
Financial Position	Rupees in Millions	
Shareholders' Equity	88,089	88,028
Total Assets	1,081,803	1,065,311
Deposits	755,135	782,284
Advances – net	500,865	511,236
Investments – net	366,830	299,098

	Quarter ended 31st March, 2020	Quarter ended 31st March, 2019
Financial Performance	Rupees in Millions	
Net Interest Income and Non-Markup Income	14,490	13,455
Non-Markup Expenses	8,206	6,875
Provisions and Write offs (net)	1,528	446
Profit before Tax	4,757	6,134
Profit after Tax	2,821	3,122
Basic Earnings per Share – Rupees	1.59	1.76
Diluted Earnings per Share – Rupees	1.59	1.76

The profit after taxation for the first quarter 2020 shows a decline of 9.6% to Rs. 2.821 billion from Rs. 3.122 billion in Q1 2019. The Earning Per Share (EPS) thus stands at Rs. 1.59 (Mar 2019: Rs. 1.76). This is primarily due to prudent provision built up against investment book and non-performing clients. Negative market sentiment and lockdown in an effort to lessen the spread of Coronavirus has started impacting the economy, while the cost of doing business would continue to rise.

On the revenue front, net markup income and non-markup income showed combined growth of 7.7%. Net interest income was 5.5% higher than the corresponding period last year and closed at Rs. 11.781 billion. Higher average earning assets along with effective balance sheet management contributed to this rise in the net interest income. Non-markup income stood at Rs. 2.709 billion, higher by 18.3%, with strong contribution from FX income of Rs. 1.056 billion due to favourable exchange rate movement. Fee and commission income remained flat due to low transaction volume amid the lockdown in the country. However, some of the income lines such as bancassurance, wealth management, trade and remittances were higher than last year.

Non-markup expenses were higher by 19.4% compared to same period last year largely driven by higher compensation cost, IT support and maintenance fee, regulatory compliances, full year impact of new branches opened last year along with overall impact of inflation and rupee devaluation. The cost to income ratio of the Bank stood at 55.6%.

A net provision charge of Rs. 1.528 billion was taken against advances and equity investments, versus Rs. 446.076 million during the same period last year. The Bank has non-performing advances of Rs. 23,502 billion and our NPL ratio remains at 4.5%, and continues to remain one of the lowest infection ratios in the industry. This ratio incorporates the impact of subjective provisioning taken by the Bank based on prudence. In the latter half of March 2020, the central bank relaxed regulation relating to provisioning and loan classification to soften the impact of the pandemic on the banks. The Bank took benefit of this relaxation. A 28% decline in KSE-100 index during Q1 2020 led to impairment of Rs. 935,446 million being booked on number of equity securities. The Bank took a conservative view and booked 100% impairment charge against shares despite relaxation allowed by the central bank.

The Bank's focus remains on re-profiling its deposit base. Total deposits have been reported at Rs. 755,135 billion, lower than December 2019 level, which is a customary decline in quarter one. The Bank's gross advances were reported at Rs. 520,436 billion. At the quarter end, our gross advances to deposits ratio improved to 68.9% against 67.7% as at the close of last year. Our CASA ratio (80.6%) remains a leading indicator for the Bank in the industry.

The shareholders' equity of the Bank improved marginally despite payment of dividend approved by the shareholders in the AGM held in March 2020. At the close of first quarter, the Bank remains adequately capitalised with CAR at 17.25%.

Credit Rating

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

Furthermore, JCR-VIS Credit Rating Company Limited (JCR-VIS) also assigned an entity rating of 'AA-' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term to the Bank, with Outlook assigned as 'Stable'. The unsecured Tier 1 Capital (Term Finance Certificate) of the Bank has been awarded a credit rating of 'AA-' (Double A Minus), with 'Stable' Outlook.

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

Future Outlook

Bank Alfalah remains well-positioned for sustainable growth and building long-term shareholder value in these testing times. We will continue to invest in Digital Banking, our technology infrastructure, human capital, and strengthening our compliance and controls environment. In these challenging times, we are there for our staff, clients, customers and communities. Our actions during this global crisis are essential to keeping the economy going. We are working very closely with our customers to assist them in their banking needs and minimise the risk of credit headwinds in these unprecedented times. At the same time, we will continue to focus on building a low cost deposit base, improving the return on capital on risk assets, optimising returns from the banking book, enforcing a strong cost discipline across the bank, and maximising value for our stakeholders.

Acknowledgment

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

Atif Aslam Bajwa

President and Chief Executive Officer

26th April, 2020

Karachi

Ayesha Khan

Director

ایڈوانسز اور ایکونٹی انویسٹمنٹ کے عوض نیٹ پرویژن چارج 1.528 بلین روپے رہا جبکہ پچھلے سال اسی مدت کے دوران 446.076 ملین روپے تھا۔ بینک کے پاس 23.502 بلین روپے کے نان پرفارمنگ ایڈوانسز موجود ہیں اور ہمارے این بی ایل کا تناسب 4.5 فیصد ہے جو کہ انڈ سٹری کے سب سے کم انفیکشن تناسبوں میں سے ایک رہا ہے۔ اس تناسب میں بینک کی طرف سے پروڈینس کی بنیاد پر لیا گیا سبجیکٹو پرویژننگ کا اثر شامل ہے۔ مارچ 2020 کے آخر میں مرکزی بینک نے بینکوں کو روپائی مرض کے اثرات کو کم کرنے کے لیے فراہمی اور قرض کی درجہ بندی کے متعلق ضابطے میں ترمیمی کی۔ بینک نے اس ترمیمی کا فائدہ اٹھایا۔ 2020 کی پہلی سہ ماہی کے دوران کے ایس ای۔ 100 انڈیکس میں 28 فیصد کی کمی ہوئی جس کی وجہ سے کئی ایکونٹی سیکوریٹیز پر بک کیے گئے 935.446 ملین روپے کا نقصان ہوا۔ بینک نے ایک محتاط جائزہ لیا اور سینٹرل بینک کی طرف سے ترمیمی کی اجازت کے باوجود شیئرز کے عوض نقصان کے 100 فیصد چارج بک کیے۔

بینک کی توجہ اپنی ڈپازٹ بینک کی ری فنانسلنگ کرنے پر رہی۔ کل ڈپازٹس 755.135 بلین روپے ریکارڈ کیے گئے، جو کہ دسمبر 2019 کے مقابلے میں کم ہے، جو پہلی سہ ماہی میں ایک روایتی کمی ہے۔ بینک کے مجموعی ایڈوانسز 520.436 بلین روپے ریکارڈ کیے گئے۔ سہ ماہی کے اختتام پر، ڈپازٹس کے تناسب میں ہمارے مجموعی ایڈوانسز 68.9 فیصد بڑھ گئے جو کہ پچھلے سال کے اختتام پر 67.7 فیصد تھے۔ ہمارے کرنٹ اکاؤنٹ سیونگ اکاؤنٹ کا تناسب (80.6 فیصد) انڈ سٹری میں بینک کے لیے ایک سربراہی علامت کی حیثیت رکھتا ہے۔ مارچ 2020 میں منعقدہ سالانہ اجلاس عام میں شیئر ہولڈرز کی طرف سے منظور شدہ ڈیویڈنڈ کی ادائیگی کے باوجود بینک کے شیئر ہولڈرز کی ایکونٹی میں معمولی بہتری آئی۔ پہلی سہ ماہی کے اختتام پر، بینک 17.25 فیصد پر سی اے آر کے ساتھ موزوں طور پر کیپیٹلانڈ رہا۔

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے بینک کی ایڈیٹیو ریٹنگ طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) تفویض کی گئی۔ بینک کا آؤٹ لک 'مثبت' قرار دیا گیا ہے۔ بینک کے ان سیکوریڈ سب آرڈینینٹ ڈیپٹ (ٹرم فنانس سر ٹیفیکٹ) کی کریڈٹ ریٹنگ AA (ڈبل اے) تفویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

کریڈٹ ریٹنگ کمپنی CR-VIS نے بینک الفلاح کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) کریڈٹ ریٹنگ تفویض کی ہے۔ بینک الفلاح کے لیے تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے۔ بینک کے ان سیکوریڈ Tier 1 کیپیٹل (ٹرم فنانس سر ٹیفیکٹ) کی ریٹنگ AA- (ڈبل اے مائنس) تفویض کی گئی ہے اور اس کا آؤٹ لک مثبت قرار دیا گیا ہے۔

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

آگے بڑھنے کا عزم

اس آزمائشی وقت میں بینک الفلاح مستحکم نمو اور شیئر ہولڈرز کے لیے مستقل بنیادوں پر ویلیو بنانے کی مؤثر پوزیشن میں ہے۔ ہم ڈیجیٹل بینکنگ، ٹیکنالوجی انفراسٹرکچر، ہیومن کیپیٹل، کمپلائنس اور کنٹرول ماحول کو بہتر بنانے کے لیے مزید سرمایہ کاری کریں گے۔ اس چیلنجنگ وقت میں، ہم اپنے عملے، کلائنٹس، کسٹمرز اور کمیونٹیز کے ساتھ کھڑے ہیں۔ اس عالمی بحران کے دوران ہمارے اقدامات معیشت کو جاری رکھنے کے لیے بہت اہم ہیں۔ ہم اپنے صارفین کے ساتھ بھرپور تعاون کر رہے ہیں تاکہ ان کی بینکنگ کی ضروریات کو پورا کیا جاسکے اور کریڈٹ رسک کو کم سے کم کیا جاسکے۔ اسی کے ساتھ ساتھ ہم کم لاگت کے ڈپازٹس، کیپیٹل آن رسک ایسیٹس، بینکنگ بک کے منافع جات کو بہتر بنانے اور لاگت میں مضبوط نظم و ضبط لانے کے لیے اور اسٹیک ہولڈرز کی ویلیو بڑھانے کے لیے مسلسل کوشاں ہیں۔

اظہار تشکر:

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

عائشہ خان

ڈائریکٹر

عاطف اسلم باجوہ

صدر اور چیف ایگزیکٹو آفیسر

26 اپریل، 2020

کراچی

۔ صارفین

بینک اپنے صارفین کے ساتھ رابطے میں ہے کہ وہ کس طرح ڈیجیٹل اور آن لائن چینلز سمیت اپنے پورے پلٹ فارمز کے ذریعے بینک سے رابطہ قائم کر سکتے ہیں اور انہیں اسٹیٹ بینک آف پاکستان کی طرف سے پیش کی جانے والی ریگولیٹری تبدیلیوں سے بھی آگاہ کر رہے ہیں۔ بینک نے اس بات کو یقینی بنانے کے لیے تمام اقدامات اٹھائے ہیں کہ خدمات کے لیولز برقرار رہیں۔ صارفین کی شکایات کو ایس ایل اے کے مطابق حل کیا جائے اور بینک اپنے کلانتس کی توقعات پر اسی طرح پورا اترے جیسا کہ عام حالات میں ہوتا ہے۔

۔ کمیونٹیز

ہماری کمیونٹی کی مدد کے لیے، خاص طور پر ملک بھر میں روزانہ اجرت کمانے والے جن کی زندگی وبائی بیماری سے سب سے زیادہ متاثر ہوئی ہے، ہم نے روزانہ اجرت حاصل کرنے والوں کے لیے بینک الفلاح COVID-19 ریلیف پروگرام متعارف کروایا ہے۔ اس پروگرام کے ذریعے ہم ملک بھر میں معتبر رہائی تنظیموں کی مدد کریں گے جنہوں نے اس کام کی ذمہ داری اٹھائی ہے اور اس سلسلے میں کام کا آغاز کیا ہے جس کے تحت روزانہ اجرت کمانے والے ضرورت مندوں کو کھانا اور طبی سامان تقسیم کیا جاتا ہے۔

۔ ریگولیٹر

معیشت کو متحرک رکھنے کے لیے ہم اسٹیٹ بینک آف پاکستان اور قانون نافذ کرنے والے اداروں کے ساتھ مل کر کام کر رہے ہیں۔ اسٹیٹ بینک نے بینکاری نظام اور معاشی سرگرمی کو مستقل برقرار رکھنے کے لیے کئی مختلف ریگولیٹری اقدامات کا آغاز کر کے بحران پر اپنے رد عمل کا اظہار کیا ہے۔ جیسا کہ ریگولیٹر نے مشورہ دیا ہے، ہم صارفین کے ساتھ مل کر کام کر رہے ہیں تاکہ یہ یقینی بنایا جا سکے کہ ان کو ان فوائد اور نرمی تک رسائی کی سہولت حاصل رہے۔

بینک کی کارکردگی کا جائزہ

31 مارچ 2020 کو ختم ہونے والی سہ ماہی کے لیے بینک کے مالیاتی نتائج کی جھلکیاں مندرجہ ذیل ہیں:

31 دسمبر، 2019	31 مارچ، 2020
روپے ملین میں	روپے ملین میں
88,028	88,089
1,065,311	1,081,803
782,284	755,135
511,236	500,865
299,098	366,830
مالیاتی پوزیشن	
شیفر ہولڈرز کی ایکونٹی	
اثاثوں کی مجموعی مالیت	
جمع شدہ رقوم (ڈپازٹس)	
ایڈوانسز - خالص	
سرمایہ کاریاں - خالص	
31 مارچ، 2020 کو ختم ہونے والی سہ ماہی	31 مارچ، 2019 کو ختم ہونے والی سہ ماہی
روپے ملین میں	روپے ملین میں
13,455	14,490
6,875	8,206
446	1,528
6,134	4,757
3,122	2,821
1.76	1.59
1.76	1.59
مالیاتی کارکردگی	
خالص سود آمدنی اور نان مارک اپ آمدنی	
نان مارک اپ اخراجات	
پروویژن اور رائلٹی آف (خالص)	
قبل از ٹیکس منافع	
بعد از ٹیکس منافع	
بنیادی آمدنی فی شیئر - روپے	
ڈائیلیٹڈ آمدنی فی شیئر - روپے	

2020 کی پہلی سہ ماہی کے لیے بعد از ٹیکس منافع نے 9.6 فیصد کمی کا اظہار کیا، جو کہ 2,821 بلین روپے رہا جبکہ 2019 کی پہلی سہ ماہی میں 3,122 بلین روپے تھا۔ فی شیئر آمدنی 1.59 روپے پر قائم ہوئی (مارچ 2019: 1.76 روپے)۔ اس کی بنیادی وجہ انویسٹمنٹ بک اور عدم کارکردگی کا مظاہرہ کرنے والے کلانتس کے لیے بنائی گئی محتاط شرط ہے۔ کورونا وائرس کے پھیلاؤ کو کم کرنے کی کوشش میں مارکیٹ کے منفی رجحانات اور لاک ڈاؤن نے معیشت کو متاثر کرنا شروع کر دیا ہے جبکہ کاروبار کرنے کی لاگت میں اضافہ ہوتا رہے گا۔

ریونیٹو کی سطح پر اصل مارک اپ آمدنی اور نان مارک اپ آمدنی کو ملا کر 7.7 فیصد کی ترقی دیکھنے میں آئی۔ اصل سودی آمدنی 5.5 فیصد تھی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں زیادہ رہی اور 11.781 بلین روپے پر بند ہوئی۔ اصل سودی آمدنی میں اس اضافے کی وجہ بلند اوسط آمدنی کے اثاثے اور مؤثر بیلنس شیٹ مینجمنٹ ہیں۔ نان مارک اپ آمدنی 2,709 بلین روپے پر قائم ہوئی جس میں 18.3 فیصد کا اضافہ ہے، جس کی وجہ موافق تبادلہ شرح کی وجہ سے 1,056 بلین روپے فارن کرنسی آمدنی کی مضبوط حصہ داری ہے۔ ملک میں لاک ڈاؤن کے دوران ٹرانزیکشن کی تعداد کم ہونے کی وجہ سے فیس اور کمیشن کی آمدنی بھی کم رہی۔ تاہم، آمدنی کے کچھ ذرائع جیسے بینک اشورنس، ویلٹو مینجمنٹ، تجارت اور ترسیلات زر، پچھلے سال کے مقابلے میں بلند رہے۔

پچھلے سال اسی مدت کے مقابلے میں نان مارک اپ اخراجات 19.4 فیصد بلند رہے، جو بیڑی حد تک بلند معاوضہ لاگت، آئی ٹی کی معاونت اور میٹینیننس فیس، ریگولیٹری کمیونٹیز، پچھلے سال کھولی گئی نئی برانچوں کے باعث ہونے والے پورے سال کے اثرات بمعہ منگائی اور روپے کی مالیت میں کمی سے ہونے والے تمام اثرات کے باعث ممکن ہوا۔ بینک کی آمدنی کے تناسب کی لاگت 55.6 فیصد پر قائم ہوئی۔

ڈائریکٹر کا جائزہ

معزز شیئر ہولڈرز،

ہم بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2020 کو ختم ہونے والی سہ ماہی کے لیے بینک الفلاح لمیٹڈ کے غیر منظم کنٹینسٹ عبوری مالیاتی گوشوارے پیش کرنے میں خوشی محسوس کرتے ہیں۔

معاشی جائزہ

سال 2020 کا آغاز ان توقعات سے ہوا کہ پاکستان کی معیشت استحکامی مرحلے سے باہر نکل آئے گی اور ایک ترقی کے ایک منظم شدہ راستے پر آگے بڑھے گی لیکن کورونا وائرس کے پھیلاؤ نے اندازوں اور توقعات کو مکمل طور پر تبدیل کر دیا۔ عالمی لاک ڈاؤن، سفری پابندیوں اور دیگر احتیاطی اقدامات نے مقامی اور بین الاقوامی دونوں معیشت کو نقصان پہنچایا۔

پاکستان کے پالیسی سازوں نے عالمی وسطی بینکوں اور حکومتوں کے ساتھ مل کر شدید طور پر متاثر معاشی سائیکل کی تلافی کے لیے حمایت اور محرک پیکیج کا سہارا لیا۔ بین الاقوامی سطح پر تیل کی کم قیمتوں کی مدد سے حکومت نے اس شعبے سے وابستہ صنعتوں کی وسیع رینج کی معاونت کرنے کے پیش نظر 1.2 ٹریلین روپے کے محرک پروگرام اور تعمیراتی صنعت کے لیے ایک خصوصی پیکیج کا اعلان کیا۔

اسٹیٹ بینک آف پاکستان نے مالیاتی نظام کی فعالیت کی آسانی کو یقینی بنانے کے لیے کئی اقدامات کا اعلان کیا۔ پالیسی کی شرح میں مجموعی طور پر bp 425 سے 9 فیصد تک (اپریل 2020 میں 200 bps) کسی کے علاوہ، اسٹیٹ بینک آف پاکستان نے انفرادی اور کارپوریٹ دونوں قرض دہندگان کے لیے ایک جامع پیکیج کا اعلان کیا۔ مارکیٹ کے اہم نمائندوں نے بھی اس پر رد عمل کا اظہار کیا کیونکہ ثانوی مارکیٹ میں بانڈ کی پیداوار، مالیات میں مزید آسانی کی توقعات پر مکمل طور پر موافق رہی، جبکہ کرنسی مارکیٹوں میں روپے کی قیمت کمزور رہی، خاص طور پر مارچ کے اختتام پر سہ ماہی 7.7 فیصد پر ختم ہوئی۔

کرنسی مارکیٹ میں منفی رجحانات (ایک خاص حد تک) ان خبروں پر مشتمل تھے کہ عالمی وبائی بیماری پاکستان جیسی ترقی پذیر معیشتوں کے لیے مختلف قسم کی عالمی معاونت کا سبب بن سکتی ہے۔ مزید یہ کہ، آئی ایم ایف کی طرف سے 1.4 بلین امریکی ڈالر کے ہنگامی قرض کے ذریعے مارکیٹ کے رجحانات کو بہتر بنانے میں مدد ملے گی۔

اسٹاک مارکیٹ نے بھی نئے پیش منظر کی عکاسی کی کیونکہ اس نے مختلف پس منظروں میں قیمت مقرر کی ہے جس کا انحصار مقامی اور بین الاقوامی خبروں پر ہے۔ کورونا وائرس کے علاوہ، پی ایس ایکس انڈیکس کے تیل کی بھاری نوعیت سے مراد ہے کہ تیل کی قیمتوں میں کمی کے پہلے مرحلے کا اثر انڈیکس پر منفی رہا۔ تمام تر خلاصہ یہ رہا کہ بیچ مارک کے ایس ای 100 انڈیکس سال کے لیے 6 فیصد مثبت سے ایک نقطے پر قائم ہوا اور سہ ماہی کا اختتام 28 فیصد پر ہوا۔

آگے بڑھتے ہوئے، مقامی سطح پر صحت یابی اور بیرونی دنیا کے ساتھ تعامل دونوں کے لحاظ سے کورونا وائرس کے اثرات کی حد تک خدشات برقرار ہیں۔ 2020 کے پہلے دو ماہ میں برآمدات 3 فیصد کم ہو کر 4.04 بلین امریکی ڈالر ہیں جبکہ درآمدات 3.8 فیصد کم ہو کر 7.5 بلین امریکی ڈالر ہیں۔ ترسیلات زر میں اب تک 12 فیصد کی ترقی ہوئی جو کہ پچھلے سال کے مقابلے میں 2020 کی پہلی سہ ماہی میں 5.6 بلین امریکی ڈالر رہے اور کرنٹ اکاؤنٹ ڈیفیسیٹ 2020 کے پہلے دو ماہ میں 744 ملین امریکی ڈالر رہے (سال بہ سال 38 فیصد کم)۔ متغیرات کا نقطہ نظریہ ڈی حد تک اس بات پر منحصر ہے کہ عالمی طلب کتنی تیزی سے بازیافت ہوتی ہے اور اس سے تجارتی اشیاء کی قیمتوں پر کیا اثر پڑتا ہے۔ مارکیٹ کے شراکت دار اس مرحلے پر کسی بھی درجے کے اعتماد کے ساتھ نتائج کی پیش گوئی نہیں کر سکتے ہیں، لہذا تمام شراکت دار آزمائشی طور پر آگے بڑھیں گے۔

غیر یقینی صورت حال کا امکان بینکوں کے اہم شعبوں جیسے ڈپازٹس، ایڈوانسز اور کاروباری حجم میں بھی ظاہر ہوگا۔ سیونگر اکاؤنٹس پر قابل ادا کم سے کم ڈپازٹ کی شرح کے تعین کے لیے طریقہ کار میں تبدیلی بینکوں کے متافع پر دباؤ ڈالے گی۔ انفرادی اور کارپوریٹ قرض داروں کے لیے اسٹیٹ بینک آف پاکستان کے پیکیج سے توقع ہے کہ کاروباروں (اضافی فنڈنگ لانز) اور بینکوں (سی آرے، مالی رپورٹنگ اور متعلقہ نرمی سے متعلق شرائط) کو آسانی فراہم کرنے کے لیے اسٹیٹ بینک آف پاکستان کی طرف سے اعلان کردہ دیگر اقدامات کے علاوہ قریب مدتی ایسیٹ کوالٹی دباؤ میں آسانی ملے گی۔ تاہم سب سے اہم بات یہ ہے کہ پالیسی سازوں اور اسٹیٹ بینک آف پاکستان کے اقدامات نے مارکیٹ کو یہ اطمینان فراہم کیا ہے کہ حکام مالی اور معاشی نظام کے استحکام اور جلد بحالی کو یقینی بنانے کے لیے ضروری تمام اقدامات اٹھانے کے لیے تیار ہیں۔

وبائی کورونا وائرس COVID-19 سے نمٹنے کے لیے ہماری حکمت عملی

وبائی کورونا وائرس COVID-19 کے پھیلاؤ نے پوری دنیا کے کئی ممالک بشمول پاکستان کی معیشت کو متاثر کیا ہے۔ کیونکہ بیماری کے پھیلاؤ کی وجہ سے ہمیں نئے چیلنجز کا سامنا ہے اسی لیے ہماری اولین ترجیح ہمارے لوگوں کی صحت اور حفاظت ہے۔ اس سلسلے میں کرائسز مینجمنٹ کمیٹی مقامی اور بین الاقوامی سطحوں پر بڑھتی ہوئی صورتحال کی نگرانی کر رہی ہے اور موزوں اقدامات تیار کر رہی ہے۔ بورڈ کے لیول پر کورونا وائرس کرائسز مینجمنٹ کمیٹی تشکیل دی گئی ہے جو وبائی کورونا وائرس COVID-19 سے متعلق معاملات میں بورڈ آف ڈائریکٹرز اور انتظامیہ کی نگرانی اور مدد کر رہی ہے۔

وبائی کورونا وائرس COVID-19 کے اثرات کو کم کرنے کے لیے مندرجہ ذیل اقدامات اٹھائے گئے ہیں:

ملازمین

ہم نے برائچوں سمیت پاکستان بھر میں اپنے دفاتر پر موجود افراد کی تعداد کو نمایاں طور پر کم کر دیا ہے۔ ہمارے ملازمین کی اکثریت اپنے گھروں (آئی ٹی) کے مضبوط تحفظ کے ساتھ) سے کام کر رہی ہے تاکہ دفتر میں لوگوں کے درمیان سماجی فاصلے کو بڑھایا جاسکے۔ ملازمین کے لیے سفر کرنے اور تمام تقریبات میں شرکت کرنے پر مکمل معطلی ہے۔ اندرونی مواصلات کو یکساں طور پر ایک دوسرے تک پہنچایا جارہا ہے تاکہ سماجی فاصلے اور حفظان صحت سے متعلق آگاہی کو بڑھایا جاسکے۔

Bank Alfalah Limited

Unconsolidated Condensed Interim Financial Statements

Quarter Ended March 31, 2020

Unconsolidated Condensed Interim Statement of Financial Position

As at March 31, 2020

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	7	78,802,042	100,731,873
Balances with other banks	8	8,524,128	4,709,968
Lendings to financial institutions	9	50,404,016	71,434,895
Investments	10	366,829,676	299,098,115
Advances	11	500,864,636	511,235,949
Fixed assets	12	29,222,533	29,087,028
Intangible assets	13	1,304,684	1,257,361
Deferred tax assets		-	-
Other assets	14	45,851,176	47,755,956
		1,081,802,891	1,065,311,145
LIABILITIES			
Bills payable	15	14,835,781	17,169,059
Borrowings	16	146,893,349	102,842,330
Deposits and other accounts	17	755,134,773	782,284,196
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	11,986,000	11,987,000
Deferred tax liabilities	19	3,442,407	3,450,993
Other liabilities	20	61,421,700	59,549,991
		993,714,010	977,283,569
NET ASSETS		88,088,881	88,027,576
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		27,864,628	26,046,019
Surplus on revaluation of assets	21	10,615,036	11,367,004
Unappropriated profit		31,837,566	32,842,902
		88,088,881	88,027,576
CONTINGENCIES AND COMMITMENTS			
	22		

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter ended March 31, 2020

	Note	Quarter ended March 31, 2020 ------(Rupees in '000)-----	Quarter ended March 31, 2019
Mark-up/Return/Interest Earned	24	25,905,669	20,760,690
Mark-up/Return/Interest Expensed	25	14,124,862	9,595,493
Net Mark-up/ Interest Income		11,780,807	11,165,197
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	26	1,651,844	1,679,857
Dividend Income		87,056	75,786
Foreign Exchange Income		1,055,601	477,970
(Loss) / gain from derivatives		(61,236)	3,403
Loss on securities	27	(45,991)	(26,491)
Other Income	28	22,054	79,275
Total non-markup/interest Income		2,709,328	2,289,800
Total Income		14,490,135	13,454,997
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	29	8,054,495	6,742,403
Workers Welfare Fund	30	110,122	131,022
Other charges	31	41,090	1,427
Total non-markup/interest expenses		8,205,707	6,874,852
Profit Before Provisions		6,284,428	6,580,145
Provisions and write offs - net	32	1,527,594	446,076
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		4,756,834	6,134,069
Taxation	33	1,935,576	3,011,608
PROFIT AFTER TAXATION		2,821,258	3,122,461
-----Rupees-----			
Basic earnings per share	34	1.59	1.76
Diluted earnings per share	35	1.59	1.76

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter ended March 31, 2020

	Quarter ended March 31, 2020	Quarter ended March 31, 2019
	----- (Rupees in '000) -----	
Profit after taxation	2,821,258	3,122,461
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	1,536,483	184,570
Movement in surplus / (deficit) on revaluation of investments - net of tax	(742,106)	651,758
	794,377	836,328
Items that will not be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	(9,450)	(6,789)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(412)	(302)
	(9,862)	(7,091)
Total comprehensive income	3,605,773	3,951,698

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter ended March 31, 2020

	Capital Reserves			Revenue Reserves	Surplus/(Deficit) on revaluation				
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Employee share option compensation reserve	Investments	Fixed / Non Banking Assets	Unappropriated profit	Total
(Rupees in '000)									
Balances as at January 01, 2019	17,743,629	4,695,600	5,051,449	13,273,115	30,590	43,730	7,339,220	27,469,542	75,646,875
Changes in equity for the quarter ended March 31, 2019									
Profit after taxation	-	-	-	-	-	-	-	3,122,461	3,122,461
Other comprehensive income - net of tax	-	-	184,570	-	-	651,758	1,272	-	837,600
Transfer to statutory reserve	-	-	-	312,246	-	-	-	(312,246)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(8,363)	8,363	-
Amortisation of deferred employee compensation expense	-	-	-	-	2,822	-	-	-	2,822
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2018 at 15%	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)
Balance as at March 31, 2019	17,743,629	4,695,600	5,236,019	13,585,361	33,412	695,488	7,332,129	27,626,576	76,948,214
Changes in equity for nine months ended December 31, 2019									
Profit after taxation	-	-	-	-	-	-	-	9,573,056	9,573,056
Other comprehensive income - net of tax	-	-	1,536,284	-	-	3,349,470	82,719	62,104	5,030,577
Transfer to statutory reserve	-	-	-	957,306	-	-	-	(957,306)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(92,802)	92,802	-
Reversal of deferred employee compensation expense	-	-	-	-	(8,023)	-	-	-	(8,023)
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,389	-	-	(25,389)	-	-	-	-
Transactions with owners, recorded directly in equity									
Interim cash dividend for the half year ended June 30, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Shares issued during the year	28,022	10,060	-	-	-	-	-	-	38,082
Balance as at December 31, 2019	17,771,651	4,731,049	6,772,303	14,542,667	-	4,044,958	7,322,046	32,842,902	88,027,576
Changes in equity for the quarter ended March 31, 2020									
Profit after taxation	-	-	-	-	-	-	-	2,821,258	2,821,258
Other comprehensive income - net of tax	-	-	1,536,483	-	-	(742,106)	-	-	794,377
Transfer to statutory reserve	-	-	-	282,126	-	-	-	(282,126)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(9,862)	9,862	-
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Balance as at March 31, 2020	17,771,651	4,731,049	8,308,786	14,824,793	-	3,302,852	7,312,184	31,837,566	88,088,881

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the quarter ended March 31, 2020

	Quarter ended March 31, 2020	Quarter ended March 31, 2019
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,756,834	6,134,069
Dividend income	(87,056)	(75,786)
	4,669,778	6,058,283
Adjustments		
Depreciation	937,447	812,494
Amortisation	114,618	121,852
Provisions and write offs - net	1,576,055	446,076
Unrealised loss on revaluation of investments classified as held for trading - net	(169,364)	15,722
Borrowing cost on lease liability	342,224	388,023
Workers' Welfare Fund	110,122	131,022
Gain on sale of operating fixed assets - net	(3,532)	(63,854)
Charge for defined benefit plan	42,620	38,378
	2,950,190	1,889,713
	7,619,968	7,947,996
(Increase) / decrease in operating assets		
Lendings to financial institutions	8,918,849	(110,011,630)
Held for trading securities	(34,425,576)	46,989,902
Advances	9,505,122	36,626,852
Other assets (excluding advance taxation)	1,901,109	3,547,582
	(14,100,496)	(22,847,294)
Increase / (decrease) in operating liabilities		
Bills payable	(2,333,278)	(8,369,067)
Borrowings	43,320,217	(48,074,342)
Deposits	(27,149,423)	(14,980,672)
Other liabilities (excluding current taxation)	(1,949,464)	(261,683)
	11,888,052	(71,685,764)
	5,407,524	(86,585,062)
	(2,192,011)	(863,726)
Income tax paid		
Net cash generated from / (used in) operating activities	3,215,513	(87,448,788)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(40,601,540)	97,128,330
Net investments in held-to-maturity securities	6,162,337	(7,860,056)
Dividends received	48,167	19,488
Investments in operating fixed assets	(865,754)	(868,259)
Proceed from sale proceeds of fixed assets	4,123	185,230
Effect of translation of net investment in foreign branches	1,536,284	184,570
Net cash (used in) / generated from investing activities	(33,716,383)	88,789,303
CASH FLOWS FROM FINANCING ACTIVITIES		
(Redemption) / issuance of sub-ordinated debt	(1,000)	(1,000)
Payment of lease liability	(452,772)	(486,467)
Dividend paid	(3,179)	(3,285)
Net cash generated / used in financing activities	(456,951)	(490,752)
Increase / (decrease) in cash and cash equivalents	(30,957,821)	849,763
Cash and cash equivalents at beginning of the year	138,260,005	100,959,790
Effects of exchange rate changes on cash and cash equivalents	(3,205,273)	(458,394)
	135,054,732	100,501,396
Cash and cash equivalents at end of the period	104,096,911	101,351,159

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter ended March 31, 2020

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and its shares are listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank is operating through 674 branches (December 31, 2019: 674 branches) and 24 sub-branches (December 31, 2019: 24 sub-branches). Out of these, 501 (December 31, 2019: 501) are conventional, 162 (December 31, 2019: 162) are Islamic, 10 (December 31, 2019: 10) are overseas and 1 (December 31, 2019: 1) is an offshore banking unit.

2 BASIS OF PRESENTATION

2.1.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and notified under Companies Act 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their S.R.O 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS).

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

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

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

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

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated condensed interim financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 9 'Financial Instruments'	January 01, 2021
Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.	
Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	January 01, 2014
IFRS 17 – Insurance Contracts	January 01, 2021

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except for certain fixed assets and non banking assets acquired in satisfaction of claims which are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments which are measured at fair value and defined benefit obligations which are carried at present value.

3.2 Functional and Presentation Currency

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

The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2019.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim unconsolidated financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2019.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2019, except for the following additional considerations due to the COVID - 19.

6.1 Risk management in the current economic scenario

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

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 425 basis points to 9 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on loan obligations by one year; and (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

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

6.1.1 Assets quality and credit risk

The Risk department of the Bank is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. The Bank has further strengthened its credit review procedures in the light of COVID 19. Bank has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer CAR buffer currently maintained is sufficient.

6.1.2 Liquidity management

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

6.1.3 Equity investments

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

6.1.4 Foreign Exchange Risk

Due to recent economic slowdown, the PKR has been devalued against USD significantly from December 31, 2019 and the USD / PKR parity stood at Rs 166.7037 as at March 31, 2020. The exchange rate is expected to remain volatile till the uncertainty around COVID 19 resolves. The Bank has reviewed the Net Open Position of the bank and has had no significant impact on P&L.

6.1.5 Operations

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

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

6.1.6 Capital Adequacy Ratio

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

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

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	20,466,925	15,799,677
Foreign currency	2,265,730	2,418,292
	22,732,655	18,217,969
With State Bank of Pakistan in		
Local currency current account	25,625,536	44,854,841
Foreign currency current account	5,054,092	5,551,990
Foreign currency deposit account	12,650,115	14,084,512
	43,329,743	64,491,343
With other central banks in		
Foreign currency current account	10,367,529	8,529,825
Foreign currency deposit account	1,194,949	659,039
	11,562,478	9,188,864
With National Bank of Pakistan in local currency current account	1,084,160	8,469,281
Prize bonds	93,006	364,416
	78,802,042	100,731,873

8 BALANCES WITH OTHER BANKS

In Pakistan in current account	143,562	574,335
Outside Pakistan		
In current account	7,728,394	3,535,371
In deposit account	652,172	600,262
	8,380,566	4,135,633
	8,524,128	4,709,968

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	18,440,694	30,552,042
Repurchase agreement lendings (Reverse Repo)	12,271,276	24,931,724
Bai Muajjal receivable		
with State Bank of Pakistan	-	9,018,518
with other financial institutions	19,699,734	6,942,429
	19,699,734	15,960,947
	50,411,704	71,444,713
Less: expected credit loss - overseas branches	(7,688)	(9,818)
Lending to Financial Institutions - net of provision	50,404,016	71,434,895

10 INVESTMENTS

10.1 Investments by type:

	March 31, 2020 (Un-audited)				December 31, 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
-(Rupees in '000)								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	53,362,110	-	84,130	53,446,240	20,533,478	-	(14,058)	20,519,420
Pakistan Investment Bonds	5,336,962	-	60,153	5,397,115	5,148,051	-	(12,795)	5,135,256
Government of Pakistan Sukuks	1,477,888	-	22,112	1,500,000	-	-	-	-
Shares								
Ordinary shares / units - Listed	-	-	-	-	449,778	-	4,858	454,636
Foreign Securities								
Overseas Bonds - Sovereign	1,275,665	-	2,969	1,278,634	915,694	-	2,043	917,737
	61,452,625	-	169,364	61,621,989	27,047,001	-	(19,952)	27,027,049
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	80,507,897	-	490,099	80,997,996	72,573,764	-	(14,777)	72,558,987
Pakistan Investment Bonds	116,712,054	-	6,211,732	122,923,786	92,232,030	-	3,220,117	95,452,147
Government of Pakistan Sukuks	4,992,074	-	(74,164)	4,917,910	4,212,347	-	86,367	4,298,714
Government of Pakistan Euro Bonds	2,072,772	-	(399,183)	1,673,589	1,925,652	-	40,577	1,966,229
Shares								
Ordinary shares / units - Listed	6,495,648	(1,748,022)	1,423,236	6,170,862	5,605,847	(1,029,285)	2,506,441	7,083,003
Ordinary shares / units - Unlisted	1,151,285	(59,661)	-	1,091,624	1,151,285	(59,661)	-	1,091,624
Preference Shares - Listed	108,835	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities								
Term Finance Certificates	1,553,967	(409,577)	(8,272)	1,136,118	1,753,977	(409,577)	(22,887)	1,321,513
Sukuks	7,013,002	(96,511)	188,762	7,105,253	4,817,886	(96,510)	170,457	4,891,833
Foreign Securities								
Overseas Bonds - Sovereign	11,833,363	-	(426,714)	11,406,649	10,206,335	-	144,151	10,350,486
Overseas Bonds - Others	20,898,142	-	(507,952)	20,390,190	19,409,473	-	330,542	19,740,015
Redeemable Participating Certificates	2,961,229	-	-	2,961,229	2,727,165	-	-	2,727,165
	256,325,268	(2,447,606)	6,897,544	260,775,206	216,749,596	(1,728,868)	6,460,988	221,481,716
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	16,721,457	-	-	16,721,457	25,968,179	-	-	25,968,179
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
Non Government Debt Securities								
Term Finance Certificates	914,266	(524,265)	-	390,001	714,266	(524,266)	-	190,000
Sukuks	1,242,870	(107,937)	-	1,134,933	1,255,831	(120,898)	-	1,134,933
Foreign Securities								
Overseas Bonds - Sovereign	16,739,677	-	-	16,739,677	13,901,861	-	-	13,901,861
Overseas Bonds - Others	831,338	-	-	831,338	771,808	-	-	771,808
	43,665,974	(632,202)	-	43,033,772	49,828,311	(645,164)	-	49,183,147
Associates	1,177,606	-	-	1,177,606	1,177,606	-	-	1,177,606
Subsidiaries	300,000	(42,981)	-	257,019	300,000	(42,981)	-	257,019
General provision and expected credit loss-								
Overseas operations	-	(35,916)	-	(35,916)	-	(28,422)	-	(28,422)
Total Investments	362,921,473	(3,158,705)	7,066,908	366,829,676	295,102,514	(2,445,435)	6,441,036	299,098,115

10.2 Investments given as collateral

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
Market Treasury Bills	-	10,243,269
Pakistan Investment Bonds	46,271,899	10,841,800
Government of Pakistan Sukuks	1,833,741	-
Overseas Bonds	8,136,094	4,630,519
Sukuk Bonds	5,665,161	4,641,103
	<u>61,906,895</u>	<u>30,356,691</u>

Market value of securities given as collateral is Rs.62,573.552 million (December 31, 2019: Rs. 30,746.266 million).

10.3 Provision for diminution in value of investments

10.3.1 Opening balance	2,445,435	1,423,999
Exchange and other adjustments	2,622	3,548
Charge / reversals		
Charge for the period / year	940,317	1,589,125
Reversals for the period / year	(12,960)	(49,130)
Reversal on disposals	(216,709)	(522,107)
	<u>710,648</u>	<u>1,017,888</u>
Closing Balance	<u>3,158,705</u>	<u>2,445,435</u>

10.3.2 Particulars of provision against debt securities

Category of classification	March 31, 2020 (Un-audited)		December 31, 2019 (Audited)	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	1,138,290	1,138,290	1,151,251	1,151,251
	<u>1,138,290</u>	<u>1,138,290</u>	<u>1,151,251</u>	<u>1,151,251</u>
Overseas	-	-	-	-
Total	<u>1,138,290</u>	<u>1,138,290</u>	<u>1,151,251</u>	<u>1,151,251</u>

10.3.3 The market value of securities classified as held-to-maturity as at March 31, 2020 amounted to Rs. 44,272.727 million (December 31, 2019 : Rs. 49,648.885 million).

11 ADVANCES

Note	Performing		Non Performing		Total	
	March 31, 2020 (Un-audited)	December 31, 2019 (Audited)	March 31, 2020 (Un-audited)	December 31, 2019 (Audited)	March 31, 2020 (Un-audited)	December 31, 2019 (Audited)
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	391,554,444	403,040,273	21,796,976	20,686,613	413,351,420	423,726,886
Islamic financing and related assets	91,416,545	87,309,952	1,519,908	1,532,279	92,936,453	88,842,231
Bills discounted and purchased	13,962,934	17,203,494	185,523	198,336	14,148,457	17,401,830
Advances - gross	496,933,923	507,553,719	23,502,407	22,417,228	520,436,330	529,970,947
Provision against advances						
- Specific	-	-	(18,636,034)	(17,740,415)	(18,636,034)	(17,740,415)
- General	(935,660)	(994,583)	-	-	(935,660)	(994,583)
	(935,660)	(994,583)	(18,636,034)	(17,740,415)	(19,571,694)	(18,734,998)
Advances - net of provision	495,998,263	506,559,136	4,866,373	4,676,813	500,864,636	511,235,949

- 11.1** Advances include an amount of Rs. 144.771 million (December 31, 2019: Rs. 147.568 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OS&D departments. These loans carry markup at the rates ranging from 14.15% to 24.42% (December 31, 2019: 9.46% to 24.46%) with maturities up to December 2039 (December 31, 2019: December 2039).

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----		
11.2 Particulars of advances (Gross)		
In local currency	474,527,439	490,264,805
In foreign currencies	45,908,891	39,706,142
	520,436,330	529,970,947

- 11.3** Advances include Rs. 23,502.407 million (December 31, 2019: Rs. 22,417.228 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Non- Performing Loans	Provision	Non- Performing Loans	Provision
------(Rupees in '000)-----				
Domestic				
Other Assets Especially Mentioned	1,618,186	7,759	1,712,714	8,347
Substandard	2,938,667	417,595	2,382,226	579,152
Doubtful	1,055,779	501,572	1,918,480	947,661
Loss	17,315,741	17,250,731	15,868,239	15,777,510
	22,928,373	18,177,657	21,881,659	17,312,670
Overseas				
Not past due but impaired				
> 365 days	574,034	458,377	535,569	427,745
	574,034	458,377	535,569	427,745
Total	23,502,407	18,636,034	22,417,228	17,740,415

11.4 Particulars of provision against advances

	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	17,740,415	994,583	18,734,998	15,883,399	873,314	16,756,713
Exchange and other adjustments	32,157	15,205	47,362	36,327	26,819	63,146
Charge for the period / year	1,187,839	-	1,187,839	4,262,029	94,450	4,356,479
Reversals for the period / year	(247,520)	(74,128)	(321,648)	(2,222,967)	-	(2,222,967)
	940,319	(74,128)	866,191	2,039,062	94,450	2,133,512
Amounts written off	(48,283)	-	(48,283)	(201,332)	-	(201,332)
Amounts charged off - agriculture financing	(28,574)	-	(28,574)	(17,041)	-	(17,041)
	(76,857)	-	(76,857)	(218,373)	-	(218,373)
Closing balance	18,636,034	935,660	19,571,694	17,740,415	994,583	18,734,998

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

11.4.2 General provision includes provision against consumer loans being maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio. Provision against SE portfolio is being maintained at an amount equal to 1% against unsecured performing SE portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

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

11.4.4 The State Bank of Pakistan, vide BPRD circular letter 13 of 2020 dated March 26, 2020, has relaxed certain classification criteria of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets) to soften the impact of COVID-19 on the banks and to give relief to the bank's borrowers. Accordingly, certain exposures as at March 31, 2020 relating to facilities of customers have not been classified as non-performing.

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
		------(Rupees in '000)-----	
12 FIXED ASSETS			
Capital work-in-progress	12.1	726,399	643,413
Property and equipment		19,435,228	19,256,348
Right-of-use assets		9,060,906	9,187,267
		<u>29,222,533</u>	<u>29,087,028</u>
12.1 Capital work-in-progress			
Civil works		308,773	328,506
Equipment		402,255	295,383
Others		15,371	19,524
		<u>726,399</u>	<u>643,413</u>

12.2 Additions to fixed assets

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

(Un-audited)	
March 31, 2020	March 31, 2019
----- (Rupees in '000) -----	
Capital work-in-progress - net	82,986 209,310
Property and equipment	
Building on Freehold land	16,913 3,708
Building on Leasehold land	12,082 9,193
Lease hold improvement	97,817 9,032
Furniture and fixture	22,643 4,616
Office equipment	471,552 384,929
	621,007 411,478
Total additions to fixed assets	703,993 620,788

12.3 Disposal of fixed assets

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

Leasehold land	- 120,000
Furniture and fixture	- 30
Office equipment	591 1,346
Total disposal of fixed assets	591 121,376

13 INTANGIBLE ASSETS

(Un-audited) (Audited)	
March 31, 2020	December 31, 2019
----- (Rupees in '000) -----	
Capital work-in-progress / Advance payment to suppliers	348,405 253,483
Software	956,279 1,003,878
	1,304,684 1,257,361

13.1 Additions to intangible assets

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

(Un-audited)	
March 31, 2020	March 31, 2019
----- (Rupees in '000) -----	
Capital work-in-progress - net	94,922 113,660
Directly purchased	66,839 133,811
Total additions to intangible assets	161,761 247,471

13.2 There were no disposals during the period ended March 31, 2020 and March 31, 2019.

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
		----- (Rupees in '000) -----	
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		18,738,960	21,292,325
Income/ Mark-up accrued in foreign currency - net of provision		1,294,143	1,092,865
Advances, deposits, advance rent and other prepayments		2,129,765	1,842,797
Advance against subscription of share		82,312	82,312
Non-banking assets acquired in satisfaction of claims		762,210	763,935
Dividend receivable		39,959	1,070
Mark to market gain on forward foreign exchange contracts		6,823,369	2,436,300
Mark to market gain on derivatives		-	20,977
Stationery and stamps on hand		18,886	23,164
Defined benefit plan		1,019,177	1,019,177
Branch adjustment account		24,078	-
Due from card issuing banks		355,917	886,234
Accounts receivable		1,353,877	829,639
Receivable against fraud and forgeries		94,221	117,010
Acceptances		10,620,166	16,645,791
Others		2,495,526	689,837
		<u>45,852,566</u>	<u>47,743,433</u>
Less: Provision held against other assets	14.2	(243,514)	(230,236)
Other Assets (Net of Provision)		<u>45,609,052</u>	<u>47,513,197</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		<u>242,124</u>	<u>242,759</u>
		<u>45,851,176</u>	<u>47,755,956</u>
14.1 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		232,909	219,631
Non banking assets acquired in satisfaction of claims		10,605	10,605
		<u>243,514</u>	<u>230,236</u>
14.2 Movement in provision held against other assets			
Opening balance		230,236	389,766
Charge for the period / year		12,631	72,108
Reversals		(760)	(54,540)
		<u>11,871</u>	<u>17,568</u>
Amount Written off		-	(167,949)
Exchange and other adjustments		1,407	(9,149)
Closing balance		<u>243,514</u>	<u>230,236</u>

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
15	BILLS PAYABLE	
In Pakistan	14,594,136	16,950,808
Outside Pakistan	241,645	218,251
	14,835,781	17,169,059

16 BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Under export refinance scheme

Long-Term Finance Facility

Financing Facility for Storage of Agriculture Produce (FFSAP)

Repurchase agreement borrowings

38,414,091	31,680,935
19,681,617	17,892,935
318,402	325,330
40,000,000	5,000,000
98,414,110	54,899,200

Repurchase agreement borrowings

Bai Muajjal

14,045,382	16,064,786
12,988,656	19,192,374

Total secured

125,448,148	90,156,360
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Unsecured

Call borrowings

Overdrawn nostro accounts

Others

- Pakistan Mortgage Refinance Company

- Karandaaz Risk Participation

- Other financial institutions

14,947,129	10,126,463
1,669,953	939,151
493,461	494,646
705,504	502,375
3,629,154	623,335

Total unsecured

21,445,201	12,685,970
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146,893,349	102,842,330
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17 DEPOSITS AND OTHER ACCOUNTS

March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
----- (Rupees in '000) -----					

Customers

Current deposits

Savings deposits

Term deposits

Others

258,765,959	72,418,544	331,184,503	270,727,709	66,720,895	337,448,604
220,724,842	32,651,429	253,376,271	191,870,815	33,470,756	225,341,571
96,524,285	44,434,964	140,959,249	106,891,979	52,368,120	159,260,099
10,225,411	1,855,689	12,081,100	9,393,064	2,215,457	11,608,521
586,240,497	151,360,626	737,601,123	578,883,567	154,775,228	733,658,795

Financial Institutions

Current deposits

Savings deposits

Term deposits

Others

2,480,711	394,910	2,875,621	1,885,877	468,616	2,354,493
11,336,744	47,641	11,384,385	28,412,020	56,425	28,468,445
2,699,066	427,524	3,126,590	17,579,094	78,196	17,657,290
126,324	20,730	147,054	144,086	1,087	145,173
16,642,845	890,805	17,533,650	48,021,077	604,324	48,625,401
602,883,342	152,251,431	755,134,773	626,904,644	155,379,552	782,284,196

		(Un-audited) March 31, 2020	(Audited) December 31, 2019
		----- (Rupees in '000) -----	
18	SUBORDINATED DEBT		
18.1	Term Finance Certificates V - Quoted, Unsecured	4,986,000	4,987,000
Issue amount	Rs. 5,000,000,000		
Issue date	February 2013		
Maturity date	February 2021		
Rating	"AA" (Double A) by Pakistan Credit Rating Company Limited ("PACRA").		
Security	Unsecured.		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.		
Mark-up	Base Rate + 1.25 percent. Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Call option	There is no call option available to the Bank.		
18.2	Term Finance Certificates - Additional Tier-I - Quoted, Unsecured		
Issue amount	Rs. 7,000,000,000	7,000,000	7,000,000
Issue date	March 2018		
Maturity date	Perpetual.		
Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.		
Security	Unsecured.		
Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.		
Profit payment frequency	Payable semi-annually in arrears.		
Redemption	Perpetual.		
Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date.		
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.		
Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the point of non-viability Trigger Event ; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.		
Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.		
		<u>11,986,000</u>	<u>11,987,000</u>

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

19 DEFERRED TAX LIABILITIES

Deductible Temporary Differences on

- Provision against investments
- Provision against advances
- Provision against other assets
- Provision against lending to financial institutions
- Unrealised loss on revaluation of HFT investments

(965,635)	(682,296)
(470,870)	(566,205)
(348,617)	(341,904)
(1,013)	(1,997)
59,277	(6,983)
(1,726,858)	(1,599,385)

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets and non banking assets
- Surplus on revaluation of investments
- Accelerated tax depreciation

1,293,719	1,299,030
2,414,140	2,261,346
1,461,406	1,490,002
5,169,265	5,050,378

3,442,407	3,450,993
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20 OTHER LIABILITIES

- Mark-up/ Return/ Interest payable in local currency
- Mark-up/ Return/ Interest payable in foreign currency
- Unearned commission and income on bills discounted and guarantees
- Accrued expenses
- Current taxation
- Acceptances
- Dividends payable
- Mark to market loss on forward foreign exchange contracts
- Mark to market loss on derivatives
- Branch adjustment account
- ADC settlement accounts
- Provision for Compensated absences
- Payable against redemption of customer loyalty / reward points
- Charity payable
- Provision against off-balance sheet obligations
- Security deposits against leases, lockers and others
- Worker's Welfare Fund
- Payable to vendors and suppliers
- Indirect Taxes Payable
- Lease Liability
- Others

20.1

4,256,874	3,539,887
947,813	710,032
227,107	295,257
5,522,237	5,433,669
6,284,613	6,379,668
10,620,166	16,645,791
3,644,191	93,040
4,472,324	3,658,322
1,092,863	35,385
-	233,567
999,052	405,493
576,000	540,000
400,013	372,334
394	1,155
117,595	129,249
7,537,716	7,121,497
1,588,710	1,478,588
519,984	637,962
620,105	754,542
9,598,598	9,367,014
2,395,345	1,717,539
61,421,700	59,549,991

20.1 Provision against off-balance sheet obligations

- Opening balance
- Exchange and other adjustments

129,249	78,450
7,595	11,113

- Charge for the period / year
- Reversals

-	39,686
(19,249)	-
(19,249)	39,686

Closing balance

117,595	129,249
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Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	------(Rupees in '000)-----	

21 SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims

10.1	6,897,544	6,460,988
	8,363,778	8,378,317
	242,124	242,759
	15,503,446	15,082,064

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims

2,414,140	2,261,346
1,257,981	1,263,070
35,737	35,960
3,707,858	3,560,376

Derivatives

(1,180,552)	(154,684)
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10,615,036	11,367,004
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22 CONTINGENCIES AND COMMITMENTS

- Guarantees
- Commitments
- Other contingent liabilities

22.1	63,197,409	63,456,341
22.2	464,177,891	496,023,657
22.3.1	10,777,592	10,150,887
	538,152,892	569,630,885

22.1 Guarantees:

- Financial guarantees
- Performance guarantees
- Other guarantees

619,688	639,642
32,811,513	34,663,032
29,766,208	28,153,667
63,197,409	63,456,341

22.2 Commitments:

Documentary credits and short-term trade-related transactions

- Letters of credit

84,556,465	93,696,623
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Commitments in respect of:

- forward foreign exchange contracts
- forward government securities transactions
- derivatives
- forward lending

22.2.1	272,447,600	305,449,119
22.2.2	53,202,643	39,382,735
22.2.3	21,604,800	17,745,535
22.2.4	30,679,384	38,052,512

Commitments for acquisition of:

- operating fixed assets
- intangible assets

1,385,387	1,283,925
301,612	413,208
464,177,891	496,023,657

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

22.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	160,034,635	185,084,250
Sale	112,412,965	120,364,869
	<u>272,447,600</u>	<u>305,449,119</u>

22.2.2 Commitments in respect of forward government securities transactions

Purchase	40,923,630	11,353,334
Sale	12,279,013	28,029,401
	<u>53,202,643</u>	<u>39,382,735</u>

22.2.3 Commitments in respect of derivatives (Interest Rate Swaps)

Purchase	21,604,800	17,745,535
Sale	-	-
	<u>21,604,800</u>	<u>17,745,535</u>

22.2.4 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.4.1	25,264,794	32,688,405
Commitments in respect of investments		5,414,590	5,364,107
		<u>30,679,384</u>	<u>38,052,512</u>

22.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

22.3 Other contingent liabilities

22.3.1 Claims against the Bank not acknowledged as debts	<u>10,777,592</u>	<u>10,150,887</u>
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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.

22.4 Contingency for tax payable

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

23 DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of futures, swaps and options.

23.1	Product Analysis	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Counterparties	Interest Rate Swaps			Interest Rate Swaps		
		No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
		(Rupees in '000)					
	With Banks for Hedging	34	21,604,800	(1,092,863)	30	17,745,535	(14,408)
		34	21,604,800	(1,092,863)	30	17,745,535	(14,408)

	Note	(Un-audited)	
		Quarter ended	
		March 31, 2020	March 31, 2019
		----- (Rupees in '000) -----	
24 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		15,752,603	13,749,458
b) Investments		7,884,090	3,221,540
c) Lendings to financial institutions		1,373,447	1,063,030
d) Balances with banks		25,293	791
e) On securities purchased under resale agreements / Bai Muajjal		870,236	2,725,871
		<u>25,905,669</u>	<u>20,760,690</u>
25 MARK-UP/RETURN/INTEREST EXPENSED			
On:			
a) Deposits		10,643,702	7,571,886
b) Borrowings		915,780	416,404
c) Securities sold under repurchase agreements		262,416	396,204
d) Subordinated debt		455,492	304,297
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		1,482,674	487,000
f) Borrowing cost on leased properties		342,224	388,023
g) Reward points		22,574	31,679
		<u>14,124,862</u>	<u>9,595,493</u>
26 FEE & COMMISSION INCOME			
Branch banking customer fees		294,914	353,966
Consumer finance related fees		66,976	59,974
Card related fees (debit and credit cards)		203,841	235,728
Credit related fees		19,968	35,770
Investment banking fees		78,581	57,373
Commission on trade		362,523	343,400
Commission on guarantees		73,499	65,425
Commission on cash management		12,355	7,668
Commission on remittances including home remittances		88,721	68,095
Commission on bancassurance		144,497	86,574
Card acquiring business		67,209	64,649
Wealth Management Fee		20,776	10,841
Commission on Employees' Old-Age Benefit Institution (EOBI)		28,364	27,342
Commission on Benazir Income Support Programme (BISP)		50,564	86,541
Alternate Delivery Channel (ADC)		122,666	121,552
Others		16,390	54,959
		<u>1,651,844</u>	<u>1,679,857</u>
27 (LOSS) / GAIN ON SECURITIES			
Realised	27.1	(215,355)	(10,769)
Unrealised - held for trading	10.1	169,364	(15,722)
		<u>(45,991)</u>	<u>(26,491)</u>
27.1 Realised (loss) / gain on:			
Federal Government Securities		182,953	(22,208)
Shares		(399,447)	36,242
Non Government Debt Securities		-	(18,147)
Foreign Securities		1,139	(6,656)
		<u>(215,355)</u>	<u>(10,769)</u>
28 OTHER INCOME			
Rent on property		5,861	5,106
Gain on sale of fixed assets-net		3,532	63,854
Profit on termination of leased contracts (Ijarah)		12,415	10,315
Others		246	-
		<u>22,054</u>	<u>79,275</u>

Note

(Un-audited)	
Quarter ended	
March 31, 2020	March 31, 2019
----- (Rupees in '000) -----	

29 OPERATING EXPENSES**Total compensation expense**

29.1 3,799,150 3,100,581

Property expense

Rent and taxes	66,781	52,097
Utilities cost	212,218	153,805
Security (including guards)	197,295	154,662
Repair and maintenance (including janitorial charges)	155,275	120,644
Depreciation on right-of-use assets	468,493	429,085
Depreciation on non-banking assets acquired in satisfaction of claims	1,725	2,189
Depreciation on owned assets	142,553	105,313
	1,244,340	1,017,795

Information technology expenses

Software maintenance	367,000	258,346
Hardware maintenance	148,059	60,422
Depreciation	98,802	82,712
Amortisation	114,618	121,852
Network charges	101,325	83,173
	829,804	606,505

Other operating expenses

Directors' fees and allowances	74,679	71,107
Fees and allowances to Shariah Board	2,340	1,950
Legal and professional charges	76,162	41,626
Outsourced services costs	248,240	268,273
Travelling and conveyance	131,899	121,060
Clearing and custodian charges	23,524	19,245
Depreciation	227,599	195,384
Training and development	24,466	25,913
Postage and courier charges	65,868	65,197
Communication	86,920	55,445
Stationery and printing	171,234	122,310
Marketing, advertisement and publicity	266,762	339,597
Donations	-	1,580
Auditors Remuneration	13,646	13,605
Brokerage and Commission	45,192	57,391
Entertainment	61,995	53,936
Repairs and maintenance	102,058	102,698
Insurance	237,953	231,286
Cash Handling Charges	153,194	103,405
CNIC Verification	22,459	23,260
Others	145,011	103,254
	2,181,201	2,017,522
	8,054,495	6,742,403

29.1 Total compensation expense**Managerial Remuneration**

i) Fixed	2,707,731	2,349,876
ii) Variable:		
a) Cash Bonus / Awards etc.	494,492	354,028
b) Bonus and Awards in Shares etc.	-	2,822
Charge for defined benefit plan	42,620	30,000
Contribution to defined contribution Plan	118,811	99,066
Medical	136,433	103,430
Conveyance	64,886	56,391
Staff compensated absences	36,000	30,000
Others	24,404	25,670
Sub-total	3,625,377	3,051,283
Sign-on Bonus	7,650	49,298
Severance Allowance	166,123	-
Grand Total	3,799,150	3,100,581

30 WORKERS WELFARE FUND

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

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

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

	Note	(Un-audited) Quarter ended	
		March 31, 2020	March 31, 2019
		----- (Rupees in '000) -----	
31 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		40,824	1,427
Penalties imposed by other regulatory bodies		266	-
		41,090	1,427
32 PROVISIONS & WRITE OFFS - NET			
Reversal of provision against lending to financial institutions		(2,812)	-
Provisions for diminution in value of investments	10.3.1	710,648	163,713
Provisions against loans & advances	11.4	866,191	355,112
Provision against other assets	14.2	11,871	-
Reversal of provision against off-balance sheet obligations	20.1	(19,249)	(7,643)
Other provisions / write off - net		9,406	(12,297)
Recovery of written off / charged off bad debts		(48,461)	(52,809)
		1,527,594	446,076
33 TAXATION			
Current		2,143,728	2,512,272
Prior years	33.1	(46,772)	603,000
Deferred		(161,380)	(103,664)
		1,935,576	3,011,608

- 33.1 a)** The income tax assessments of the Bank have been finalized upto and including tax year 2019. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2014, 2017 and 2019, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs.667.746 million (December 31, 2019: Rs.857.729 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 116.351 million but appeal effect of which is pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) In respect of monitoring of withholding taxes, the Bank has received order from tax authorities. The Bank has not made provision amounting to Rs.24.920 million against tax demand for tax year 2019 as management is of the view that the matter will be settled in Bank's favour in appeals.
- c) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2019 : Rs.77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.
- d) The Bank has received an order from a provincial tax authority wherein tax authority has demanded sales tax on banking services and penalty amounting to Rs.410.619 million (excluding default surcharge) allegedly for short payment of sales tax for the year 2012. Bank has filed an appeal before Commissioner Appeals after consultation with tax advisor. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

34 BASIC EARNINGS PER SHARE

	(Un-audited)	
	March 31, 2020	March 31, 2019
	----- (Rupees in '000) -----	
Profit for the period	<u>2,821,258</u>	<u>3,122,461</u>
	----- (Number of shares in '000) -----	
Weighted average number of ordinary shares	<u>1,777,165</u>	<u>1,774,363</u>
	----- (Rupees) -----	
Basic earnings per share	<u>1.59</u>	<u>1.76</u>

35 DILUTED EARNINGS PER SHARE

	----- (Rupees in '000) -----	
Profit for the period	<u>2,821,258</u>	<u>3,122,461</u>
	----- (Number of shares in '000) -----	
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>1,777,165</u>	<u>1,776,417</u>
	----- (Rupees) -----	
Diluted earnings per share	<u>1.59</u>	<u>1.76</u>

36 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

36.1 Fair value of financial instruments

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

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

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

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

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

March 31, 2020 (Un-audited)				
	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	270,856,636	-	270,856,636
Shares	6,170,862	-	-	6,170,862
Non-Government Debt Securities	-	8,241,371	-	8,241,371
Foreign Securities	-	36,036,702	-	36,036,702
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	6,823,369	-	6,823,369
Forward sale of foreign exchange	-	(4,472,324)	-	(4,472,324)
Derivatives purchases	-	(1,092,863)	-	(1,092,863)
December 31, 2019 (Audited)				
	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	199,930,753	-	199,930,753
Shares	7,537,639	-	-	7,537,639
Non-Government Debt Securities	-	6,213,346	-	6,213,346
Foreign Securities	-	33,735,403	-	33,735,403
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,436,300	-	2,436,300
Forward sale of foreign exchange	-	(3,658,322)	-	(3,658,322)
Derivatives purchases	-	(14,408)	-	(14,408)

36.2 Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

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

36.4 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps is determined using prices and curves through Bloomberg.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates. Floating rate PIBs are revalued using PKFRV rates.
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuks, debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Ordinary shares - listed	The fair value of investments in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Fixed assets and non banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

37.1 Segment details with respect to Business Activities

[illegible]

For the quarter ended March 31, 2019 (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Profit & Loss								
Net mark-up/return/profit	(883,939)	5,434,265	1,979,692	4,362,526	(1,040)	606,546	(332,853)	11,165,197
Inter segment revenue - net	6,952,915	(3,063,264)	(159,625)	(4,058,927)	97,869	95,617	135,415	-
Non mark-up / return / Interest income	962,088	265,790	245,711	351,055	118,649	143,963	202,544	2,289,800
Total Income	7,031,064	2,636,791	2,065,778	654,654	215,478	846,126	5,106	13,454,997
Segment direct expenses	2,892,173	223,509	839,812	116,135	318,881	358,142	2,126,200	6,874,852
Inter segment expense allocation	1,415,699	189,630	341,774	64,203	61,529	46,721	(2,119,556)	-
Total expenses	4,307,872	413,139	1,181,586	180,338	380,410	404,863	6,644	6,874,852
Provisions / (Reversals)	(54,740)	349,324	(27,489)	168,772	-	11,747	(1,538)	446,076
Profit before tax	2,777,932	1,874,328	911,681	305,544	(164,932)	429,516	-	6,134,069

As at December 31, 2019 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Balance Sheet								
Cash & Bank balances	51,080,368	11,905,006	13,687,542	16,301,602	324,045	121,143,278	-	105,441,841
Investments	1,372,585	914,973	13,738,131	227,999,155	-	53,548,116	1,525,155	299,098,115
Net inter segment lending	304,115,617	-	-	-	6,760,322	-	85,510,486	396,386,425
Lendings to financial institutions	-	-	37,791,008	24,931,724	-	8,712,163	-	71,434,895
Advances - performing	146,947,933	240,367,593	87,226,466	-	5,030	24,183,451	7,828,663	506,559,136
Advances - non-performing	1,406,411	2,796,345	285,911	-	-	107,824	80,322	4,676,813
Others	27,365,192	9,325,333	13,838,916	5,633,291	942,522	1,529,100	19,465,991	78,100,345
Total Assets	532,288,106	265,309,250	166,567,974	274,865,772	8,031,919	100,223,932	114,410,617	1,461,697,570
Borrowings	12,437,067	31,182,760	6,973,823	30,360,377	-	21,888,303	-	102,842,330
Subordinated debt	-	-	-	-	-	-	-	-
Deposits & other accounts	492,107,112	103,018,182	122,023,365	-	7,827,966	57,300,323	11,987,000	1,198,000
Net inter segment borrowing	-	123,412,730	14,836,417	238,756,902	-	19,380,376	7,248	782,284,196
Others	26,832,583	7,695,578	20,835,736	2,406,630	203,953	1,599,871	20,595,692	396,386,425
Total liabilities	531,376,762	265,309,250	164,669,341	271,523,909	8,031,919	100,168,873	32,589,940	1,373,669,994
Net Assets	911,344	-	1,898,633	3,341,863	-	55,059	81,827,677	88,027,576
Equity								
Contingencies & Commitments	60,523,866	98,407,250	46,150,780	319,880,787	5,142	44,060,060	603,000	569,630,885

RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, employee benefit plans and its directors and Key Management Personnel.

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

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

	(Rupees in '000)					(Rupees in '000)				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
	As at March 31, 2020 (Un-audited)					As at December 31, 2019 (Audited)				
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	27,228,609	-	-	-	-	21,936,072
Repaid during the year	-	-	-	-	(27,228,609)	-	-	-	-	(21,936,072)
Closing balance	-	-	-	-	-	-	-	-	-	-
Investments										
Opening balance	-	-	300,000	1,177,606	1,191,425	-	-	430,493	1,816,343	992,661
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	(10)	-	-	-	-	(570,466)
Transfer in / (out) - net	-	-	-	-	-	-	-	(130,493)	(638,737)	769,230
Closing balance	-	-	300,000	1,177,606	1,191,415	-	-	300,000	1,177,606	1,191,425
Provision for diminution in value of investments	-	-	42,981	-	3,936	-	-	42,981	-	3,936
Advances										
Opening balance	91,129	661,838	-	-	4,200,405	-	449,323	-	-	3,354,510
Addition during the year	5	79,450	-	-	200,430	105,650	394,810	-	-	2,783,243
Repaid during the year	(3,689)	(100,761)	-	-	(287,344)	(14,521)	(169,822)	-	-	(1,937,348)
Transfer in / (out) - net	205	52,745	-	-	-	-	(12,473)	-	-	-
Closing balance	87,550	689,272	-	-	4,113,491	91,129	661,838	-	-	4,200,405
Provision held against advances	-	-	-	-	-	-	-	-	-	-
Other Assets										
Interest / mark-up accrued	1,081	76,163	-	-	126,403	10,939	69,192	-	-	98,163
Receivable from staff retirement fund	-	-	-	-	976,558	-	-	-	-	1,019,178
Prepayment / rent receivable	-	-	-	-	6,263	-	-	-	-	8,517
Advance against shares	-	-	-	-	82,312	-	-	-	-	82,312

	As at March 31, 2019 (Un-audited)					As at December 31, 2019 (Audited)				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)										
Borrowings										
Opening balance	-	-	-	-	494,646	-	-	-	-	200,000
Borrowings during the year	-	-	-	-	1,994,924	-	-	-	-	1,868,678
Settled during the year	-	-	-	-	(1,996,109)	-	-	-	-	(974,032)
Closing balance	-	-	-	-	493,461	-	-	-	-	494,646
Deposits and other accounts										
Opening balance	12,076	257,121	9,335	588,149	4,594,695	7,438	193,954	48,155	1,056,941	3,193,911
Received during the year	49,135	578,419	298,201	7,099,851	4,548,385	599,337	3,114,936	2,374,943	25,280,433	32,495,316
Withdrawn during the year	(12,338)	(457,397)	(241,079)	(6,758,608)	(4,698,211)	(594,695)	(2,912,486)	(2,382,998)	(25,779,990)	(31,104,316)
Transfer in / (out) - net	(13,187)	4,360	-	-	(383,111)	(4)	(139,283)	(30,765)	30,765	(216)
Closing balance	30,686	382,403	6,457	929,391	4,050,758	12,076	257,121	9,335	588,149	4,584,595
Other Liabilities										
Interest / mark-up payable	135	1,450	-	-	11,761	-	156	-	-	7,007
Unearned rent	-	-	-	780	-	-	-	-	1,560	-
Others	-	-	352	-	3,962	-	-	283	-	3,962
Contingencies and Commitments										
Other contingencies	-	-	-	218,173	-	-	-	-	202,657	-
(Rupees in '000)										
For the quarter ended March 31, 2019 (Un-audited)										
Income										
Mark-up / return / interest earned	3,654	8,974	-	-	206,505	1,414	5,584	-	-	166,206
Fee and commission income	-	-	-	18,829	-	-	-	10,535	-	-
Dividend income	-	-	-	-	-	-	-	-	-	3,018
Other income	-	-	-	780	-	-	-	-	681	-
Expenses										
Mark-up / return / interest paid	224	3,748	54	45,466	70,543	7	2,433	96	14,319	48,786
Other operating expenses	-	-	-	-	-	-	-	-	-	-
Rent paid in respect of Premises	-	-	-	-	2,757	-	-	-	-	1,841
Repairs and maintenance	-	-	-	-	-	-	-	-	-	30,451
Travelling and accommodation	-	-	-	-	2,336	-	-	-	-	2,328
Communication cost	-	-	-	-	14,805	-	-	-	-	8,702
Brokerage and commission	-	-	762	-	-	-	-	201	-	-
Charge for defined benefit plan	-	-	-	-	42,620	-	-	-	-	30,000
Contribution to defined contribution plan	-	-	-	-	118,811	-	-	-	-	99,066
Managerial remuneration (including fee and allowances)	254,878	584,530	-	-	-	177,301	536,753	-	-	105
Others	-	-	-	-	-	-	-	-	-	-
Insurance premium paid	-	-	-	152,689	-	-	-	-	475,958	-
Insurance claims settled	-	-	-	86,645	-	-	-	-	66,201	-

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

Minimum Capital Requirement (MCR):

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

Eligible Common Equity Tier 1 (CET 1) Capital	65,614,057	66,649,897
Eligible Additional Tier 1 (ADT 1) Capital	7,000,000	7,000,000
Total Eligible Tier 1 Capital	72,614,057	73,649,897
Eligible Tier 2 Capital	19,753,465	20,026,784
Total Eligible Capital (Tier 1 + Tier 2)	92,367,522	93,676,681

Risk Weighted Assets (RWAs):

Credit Risk	466,539,296	483,571,672
Market Risk	5,132,688	7,377,863
Operational Risk	63,886,413	63,886,413
Total	535,558,397	554,835,948

Common Equity Tier 1 Capital Adequacy ratio

	12.25%	12.01%
Tier 1 Capital Adequacy Ratio	13.56%	13.27%
Total Capital Adequacy Ratio	17.25%	16.88%

In line with Basel III Capital Adequacy guidelines, following capital requirements are applicable to the Bank:

Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	11.50%	12.50%

For Capital adequacy calculation, Bank has adopted Standardized Approach for Credit & Market Risk related exposures and Alternate Standardized Approach (ASA) for operational risk.

Leverage Ratio (LR):

Eligible Tier-1 Capital	72,614,057	73,649,897
Total Exposures	1,335,208,177	1,263,841,607
Leverage Ratio	5.44%	5.83%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	314,048,037	285,456,439
Total Net Cash Outflow	183,545,061	174,614,928
Liquidity Coverage Ratio	171%	163%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	697,645,488	687,962,685
Total Required Stable Funding	511,047,379	499,005,864
Net Stable Funding Ratio	137%	138%

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

STATEMENT OF FINANCIAL POSITION

		(Un-audited) March 31, 2020	(Audited) December 31, 2019
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		12,594,597	12,870,647
Balances with other banks		1,776,660	816,895
Due from financial institutions	40.1	28,699,795	37,791,008
Investments	40.2	17,956,551	13,738,131
Islamic financing and related assets - net	40.3	91,618,255	87,512,377
Fixed assets		5,879,589	5,921,069
Intangible assets		29,063	28,653
Due from Head Office		-	-
Other assets		6,164,103	2,503,492
Total Assets		164,718,613	161,182,272
LIABILITIES			
Bills payable		2,565,856	4,016,519
Due to financial institutions		12,419,462	6,973,823
Deposits and other accounts	40.4	116,465,043	122,023,365
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		202,689	159,203
Other liabilities		17,102,227	12,899,271
		148,755,277	146,072,181
NET ASSETS		15,963,336	15,110,091
REPRESENTED BY			
Islamic Banking Fund		1,800,000	1,800,000
Reserves		-	-
Surplus on revaluation of assets		1,855,939	1,837,884
Unappropriated/ Unremitted profit	40.5	12,307,397	11,472,207
		15,963,336	15,110,091
CONTINGENCIES AND COMMITMENTS	40.6		

The profit and loss account of the Bank's Islamic banking branches for the quarter ended March 31, 2020 is as follows:

PROFIT AND LOSS ACCOUNT

		(Un-audited)	
		Quarter ended	Quarter ended
		March 31,	March 31,
		2020	2019
		----- (Rupees in '000) -----	
Profit / return earned	40.7	4,061,236	3,044,508
Profit / return expensed	40.8	1,583,770	1,064,816
Net Profit / return		2,477,466	1,979,692
Other income			
Fee and Commission Income		205,982	216,142
Foreign Exchange Income		103,865	37,678
Gain / (loss) on securities		9,485	(19,205)
Other Income		12,680	11,097
Total other income		332,012	245,712
Total Income		2,809,478	2,225,404
Other expenses			
Operating expenses		1,424,541	1,199,235
Workers Welfare Fund		27,967	21,533
Other charges		12,580	1,090
Total other expenses		1,465,088	1,221,858
Profit / (loss) before provisions		1,344,390	1,003,546
Provisions and write offs - net		(25,982)	(27,489)
Profit / (loss) before taxation		1,370,372	1,031,035
Taxation		535,406	404,294
Profit / (loss) after taxation		834,966	626,741

40.1 Due from Financial Institutions

Unsecured

Bai Muajjal Receivable

from other Financial Institutions

from State Bank of Pakistan

March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
----- (Rupees in '000) -----					
9,000,061	-	9,000,061	21,830,061	-	21,830,061
19,699,734	-	19,699,734	6,942,429	-	6,942,429
-	-	-	9,018,518	-	9,018,518
28,699,795	-	28,699,795	37,791,008	-	37,791,008

40.2 Investments

By segment:

Federal Government
Securities

Ijarah Sukuks

Others Federal

Government Securities

Non Government

Debt Securities

Listed

Unlisted

Total Investments

March 31, 2020 (Un-audited)				December 31, 2019 (Audited)			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- (Rupees in '000) -----							
2,469,074	-	30,926	2,500,000	496,004	-	(1,004)	495,000
7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
9,685,440	-	30,926	9,716,366	7,712,370	-	(1,004)	7,711,366
-	-	-	-	-	-	-	-
8,159,361	(107,938)	188,762	8,240,185	5,977,205	(120,898)	170,458	6,026,765
8,159,361	(107,938)	188,762	8,240,185	5,977,205	(120,898)	170,458	6,026,765
17,844,801	(107,938)	219,688	17,956,551	13,689,575	(120,898)	169,454	13,738,131

(Un-audited) (Audited)
March 31, December 31,
2020 2019

----- (Rupees in '000) -----

40.3 Islamic financing and related assets

Ijarah

Murabaha

Musharaka

Diminishing Musharaka

Salam

Other Islamic Modes

Advances against Islamic assets

Inventory related to Islamic financing

Gross Islamic financing and related assets

Less: provision against Islamic financings

- Specific

- General

Islamic financing and related assets - net of provision

13,406,417	13,316,958
9,891,289	8,513,403
34,849,921	37,119,860
1,831,479	1,798,472
6,051,646	3,160,589
6,551,306	5,319,660
15,300,990	15,870,982
5,053,405	3,742,307
92,936,453	88,842,231

(1,247,649)	(1,246,416)
(70,549)	(83,438)
(1,318,198)	(1,329,854)
91,618,255	87,512,377

40.4	Deposits	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
		In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
		------(Rupees in '000)-----					
	Customers						
	Current deposits	48,489,008	4,334,918	52,823,926	49,796,551	3,924,311	53,720,862
	Savings deposits	45,193,366	2,549,532	47,742,898	42,140,823	2,579,906	44,720,729
	Term deposits	14,517,335	222,158	14,739,493	14,952,359	245,276	15,197,635
	Other deposits	728,241	137,909	866,150	2,359,360	181,527	2,540,887
		108,927,950	7,244,517	116,172,467	109,249,093	6,931,020	116,180,113
	Financial Institutions						
	Current deposits	17,197	-	17,197	2,827	-	2,827
	Savings deposits	275,379	-	275,379	310,398	-	310,398
	Term deposits	-	-	-	5,530,027	-	5,530,027
		292,576	-	292,576	5,843,252	-	5,843,252
		109,220,526	7,244,517	116,465,043	115,092,345	6,931,020	122,023,365
					(Un-audited) March 31, 2020	(Audited) December 31, 2019	
					------(Rupees in '000)-----		
40.5	Islamic Banking Business Unappropriated Profit						
	Opening Balance				11,472,207	8,586,749	
	Add: Islamic Banking profit before taxation for the period				1,370,372	4,777,753	
	Less: Taxation				(535,406)	(1,892,751)	
	Less: Transfer from surplus on revaluation of assets to unappropriated profit - net				224	456	
	Closing Balance				12,307,397	11,472,207	
40.6	Contingencies and Commitments						
	-Guarantees				3,028,639	6,862,663	
	-Commitments				27,229,903	39,288,117	
					30,258,542	46,150,780	
					(Un-audited) Quarter ended		
					March 31, 2020	March 31, 2019	
					------(Rupees in '000)-----		
40.7	Profit/Return Earned of Financing, Investments and Placement						
	Financing				2,565,573	1,953,852	
	Investments				303,790	313,635	
	Placements				1,191,873	777,021	
					4,061,236	3,044,508	
40.8	Profit on Deposits and other Dues Expensed						
	Deposits and other accounts				1,430,740	915,156	
	Due to Financial Institutions				46,675	30,928	
	Cost of foreign currency swaps against foreign currency deposits / borrowings				6,565	37,000	
	Borrowing cost on lease liability				97,323	78,919	
	Reward points				2,467	2,813	
					1,583,770	1,064,816	

40.9 PIs Pool Management- Islamic Banking Group (IBG)

41.9.1 The pools, their key features and risk and reward characteristics.

The profit and loss sharing between the Rabbul Maal (depositor) and Mudarib (Bank - IBG) is based upon the underlying principles of Mudaraba, where Bank also contributes its equity to general pool of funds, and becomes the capital provider.

Currently IBG is managing following pools:

- 1) General Pool for LCY Depositors
- 2) FCY Pool for Foreign Currency (USD, GBP and EURO) depositors
- 3) Fls Pool for Treasury Purposes
- 4) IERS Pool for Islamic Export Refinance Scheme facilities
- 5) Special pool
- 6) Islamic Banking Afghanistan Operations Pool

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

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

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

41.9.2 Avenues/sectors where Mudaraba based deposits have been deployed.	(Un-audited)	(Audited)
	March 31,	December 31,
	2020	2019
	----- (Rupees in '000) -----	
Agriculture, Forestry, Hunting and Fishing	12,475,555	12,471,430
Automobile and transportation equipment	1,635,353	1,749,256
Cement	6,176,354	4,985,228
Chemical and Pharmaceuticals	3,069,684	2,953,882
Construction	2,706,530	2,385,646
Electronics and electrical appliances	594,765	909,496
Exports / Imports	1,086,244	486,837
Financial	373,462	488,492
Food & Allied Products	4,417,709	5,100,512
Footwear and Leather garments	433,327	563,986
Individuals	15,100,107	14,678,109
Insurance	5,699	6,370
Metal & Allied industries	3,128,392	2,634,532
Mining and Quarrying	1,419	1,745
Oil and Allied	1,831,131	454,678
Power (electricity), Gas, Water, Sanitary	10,112,942	12,379,177
Services	1,130,113	1,468,208
Sugar	3,226,511	1,347,178
Textile	19,104,500	17,915,169
Transport, Storage and Communication	1,075,943	1,284,021
Wholesale and Retail Trade	3,224,187	3,335,626
Others	2,026,526	1,242,653
Total Gross Islamic Financing and Related Assets	92,936,453	88,842,231
Total Gross Investments	17,844,801	13,689,575
Total Islamic Placements	28,699,795	37,791,008
Total Invested Funds	139,481,049	140,322,814

41.9.3 The major components of Profit distribution and charging of the expenses.

Profit is distributed among the Mudaraba deposits on the basis of underlying principles of weightage mechanism which are announced before the beginning of the concerned period. Only direct attributable expenses such as depreciation on ijarah assets, brokerage, CIB Charges, bad debts write off on advances and loss on sale of investments etc are charged to the pool. Expenses of pool(s) do not include general and specific provisioning created against non-performing financings and diminution in the value of investments.

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

Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Mudarib Share / Fee	Rabbul Maal Share	(Rupees in '000)	(Rupees in '000)		

General Pool

PKR Pool	Monthly	12.41%	50.00%	50.00%	1,017,628	7.96%	23.25%	225,629
USD Pool	Monthly	2.57%	85.00%	15.00%	15,984	1.44%	36.07%	5,813
GBP Pool	Monthly	4.46%	85.00%	15.00%	1,775	0.31%	0.00%	-
EUR Pool	Monthly	4.52%	85.00%	15.00%	2,430	0.42%	0.00%	-

Special Pool

Special Pool (Saving)	Monthly	13.76%	16.43%	83.57%	2,376	11.47%	0.00%	-
Special Pool (TDR)	Monthly	17.99%	9.16%	90.84%	15,384	13.08%	0.00%	-

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

Islamic Export Refinance (IERS) Pool	Monthly	9.99%	87.98%	12.02%	269,097	Nil	0.90%	2,411
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41 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on April 26, 2020 by the Board of Directors of the Bank.

42 GENERAL

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

- 42.1** The effect of reclassification, rearrangement, restatement in the comparative information presented in the unconsolidated condensed interim financial statement for the quarter ended March 31, 2020 is as follows:

Description of item	Nature	Rs '000	From	To
Receivable from Visa, Mastercard and other switches	Asset	886,234	Other Assets - Branch adjustment account	Other Assets - Due from card issuing banks
Payable against ATM / ADC settlement accounts	Liability	405,493	Other Assets - Branch adjustment account	Other Liabilities - ADC settlement accounts
Commission on bills discounting	Income	3,372	Fee and commission income - Commission on	Markup income - Loans and advances
Rental income on properties	Income	5,106	Administrative Expenses - Rent and taxes	Other income - Rental income
Borrowing cost on lease liability	Expense	388,023	Markup expensed - Borrowings	Markup expensed - Borrowing cost on leased liabilities
Medical, Group life and Pay continuation insurance	Expense	74,407	Administrative Expenses - Insurance	Administrative Expenses - Compensation expenses
Depreciation on properties acquired under debt asset swap arrangements	Expense	2,189	Administrative Expenses - Depreciation on owned assets	Administrative Expenses - Depreciation on non-banking assets acquired in satisfaction of claims
NIFT clearing charges	Expense	2,108	Administrative Expenses - Communication	Administrative Expenses - Clearing and custodian charges

- 42.2** The State Bank of Pakistan, vide its circular BPRD/BA&CPD/006315/20 dated April 22, 2020, has advised the banks to suspend dividend for the quarter ended March 31, 2020 and quarter ending June 30, 2020. This is a precautionary measure to conserve capital and enhance the lending and loss absorption capacity of the banks caused due to COVID-19 pandemic.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Bank Alfalah Limited

Consolidated Condensed Interim Financial Statements

Quarter Ended March 31, 2020

Consolidated Condensed Interim Statement of Financial Position

As at March 31, 2020

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	7	78,803,288	100,731,903
Balances with other banks	8	8,632,365	4,926,851
Lendings to financial institutions	9	50,404,016	71,434,895
Investments	10	368,656,431	300,905,557
Advances	11	500,868,647	511,237,779
Fixed assets	12	29,240,020	29,107,720
Intangible assets	13	1,307,642	1,260,320
Deferred tax assets		-	-
Other assets	14	46,156,733	48,144,414
		1,084,069,142	1,067,749,439
LIABILITIES			
Bills payable	15	14,835,781	17,169,059
Borrowings	16	147,023,502	103,133,573
Deposits and other accounts	17	755,128,305	782,274,860
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	11,986,000	11,987,000
Deferred tax liabilities	19	4,166,466	4,137,405
Other liabilities	20	61,520,530	59,764,355
		994,660,584	978,466,252
NET ASSETS			
		89,408,558	89,283,187
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		27,864,628	26,046,019
Surplus on revaluation of assets	21	10,619,959	11,376,517
Unappropriated profit		33,062,288	33,996,699
Total equity attributable to the equity holders of the Bank		89,318,526	89,190,886
Non-controlling interest		90,032	92,301
		89,408,558	89,283,187
CONTINGENCIES AND COMMITMENTS			
22			

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter ended March 31, 2020

	Note	Quarter ended March 31, 2020	Quarter ended March 31, 2019 (Restated)
		----- (Rupees in '000) -----	
Mark-up/Return/Interest Earned	24	25,907,916	20,760,594
Mark-up/Return/Interest Expended	25	14,127,997	9,597,169
Net Mark-up/ Interest Income		11,779,919	11,163,425
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	26	1,697,809	1,708,242
Dividend Income		87,056	75,786
Foreign Exchange Income		1,055,601	477,970
(Loss) / gain from derivatives		(61,236)	3,403
Loss on securities	27	(47,484)	(25,384)
Share of profit from associates		107,710	43,933
Other Income	28	22,066	82,160
Total non-markup/interest Income		2,861,522	2,366,110
Total Income		14,641,441	13,529,535
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	29	8,094,266	6,759,316
Workers Welfare Fund	30	110,122	131,022
Other charges	31	41,090	1,427
Total non-markup/interest expenses		8,245,478	6,891,765
Profit Before Provisions		6,395,963	6,637,770
Provisions and write offs - net	32	1,527,594	446,076
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		4,868,369	6,191,694
Taxation	33	1,975,606	3,027,502
PROFIT AFTER TAXATION		2,892,763	3,164,192
Profit / (loss) attributable to:			
Equity holders of the Bank		2,892,183	3,168,259
Non-controlling interest		580	(4,067)
		2,892,763	3,164,192
Rupees			
Basic Earnings per share - Restated	34	1.63	1.79
Diluted Earnings per share - Restated	35	1.63	1.78

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter ended March 31, 2020

	Quarter ended March 31, 2020	Quarter ended March 31, 2019 (Restated)
	----- (Rupees in '000) -----	
Profit after taxation	2,892,763	3,164,192
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	1,536,483	184,570
Movement in (deficit) / surplus on revaluation of investments - net of tax	(749,448)	657,162
Movement in share of (deficit) / surplus on revaluation of investment of associate - net of tax	(97)	957
	786,938	842,689
Items that will not be reclassified to profit and loss account in subsequent periods:		
Movement in Surplus / (deficit) on revaluation of operating fixed assets - net of tax	(9,450)	(6,789)
Movement in Surplus / (deficit) on revaluation of non-banking assets - net of tax	(412)	(302)
	(9,862)	(7,091)
Total comprehensive income	3,669,839	3,999,790
Profit / (loss) attributable to:		
Equity holders of the Bank	3,672,108	4,001,760
Non-controlling interest	(2,269)	(1,970)
	3,669,839	3,999,790

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter ended March 31, 2020

	Capital Reserves			Statutory reserve	Revenue Reserves		Surplus/(Deficit) on revaluation		Sub -total	Non Controlling Interest	Total
	Share capital	Share premium	Exchange translation reserve		Employee share option compensation reserve	Investments	Fixed / Non Banking Assets	Unappropriated profit			
Balance as at January 1, 2019	17,743,629	4,695,600	5,051,449	13,273,115	30,590	49,907	7,339,220	28,323,585	76,507,095	914,757	77,021,852
Changes in equity for the quarter ended March 31, 2019											
Profit after taxation	-	-	-	-	-	-	-	3,168,259	3,168,259	(4,067)	3,164,192
Other comprehensive income - net of tax	-	-	184,570	-	-	656,022	1,272	-	841,864	2,097	843,961
Transfer to statutory reserve	-	-	-	312,246	-	-	-	(312,246)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(8,363)	8,363	-	-	-
Amortisation of deferred employee compensation expense	-	-	-	-	2,822	-	-	-	2,822	-	2,822
Cost of issuance of shares by the subsidiary company	-	-	-	-	-	-	-	(15,299)	(15,299)	(9,701)	(25,000)
Movement in reserves due to capital injection by non-controlling interest	-	-	-	-	-	-	-	47,035	47,035	(47,035)	-
Reclassification of subsidiary and associate - net of tax	-	-	-	-	-	-	-	(91,033)	(91,033)	(512,475)	(603,508)
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2018 at 15%	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)	-	(2,661,544)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	157,500	157,500
Balance as at March 31, 2019	17,743,629	4,695,600	5,236,019	13,585,361	33,412	705,929	7,332,129	28,467,120	77,799,199	101,076	77,900,275
Changes in equity for nine months period ended December 31, 2019											
Profit after taxation	-	-	-	-	-	-	-	9,878,541	9,878,541	(10,926)	9,867,615
Other comprehensive income - net of tax	-	-	1,536,284	-	-	3,348,542	82,719	69,872	5,037,417	2,151	5,039,568
Transfer to statutory reserve	-	-	-	957,306	-	-	-	(957,306)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(92,802)	92,802	-	-	-
Reversal of deferred employee compensation expense	-	-	-	-	(8,023)	-	-	-	(8,023)	-	(8,023)
Transfer to Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,389	-	-	(25,389)	-	-	-	-	-	-
Transactions with owners, recorded directly in equity											
Interim cash dividend for the half year ended June 30, 2019 @20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Shares issued during the year	28,022	10,060	-	-	-	-	-	-	38,082	-	38,082
Balance as at December 31, 2019	17,771,651	4,731,049	6,772,303	14,542,667	-	4,054,471	7,322,046	33,996,699	89,190,886	92,301	89,283,187
Changes in equity for the quarter ended March 31, 2020											
Profit after taxation	-	-	-	-	-	-	-	2,892,183	2,892,183	580	2,892,763
Other comprehensive income - net of tax	-	-	1,536,483	-	-	(746,696)	-	-	789,787	(2,849)	786,938
Transfer to statutory reserve	-	-	-	282,126	-	-	-	(282,126)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(9,862)	9,862	-	-	-
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Balance as at March 31, 2020	17,771,651	4,731,049	8,308,786	14,824,793	-	3,307,775	7,312,184	33,062,288	89,318,526	90,032	89,408,558

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the quarter ended March 31, 2020

	Quarter ended March 31, 2020	Quarter ended March 31, 2019
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,868,369	6,191,694
Dividend income	(87,056)	(75,786)
Share of profit from associates	(107,710)	(43,933)
	4,673,603	6,071,975
Adjustments		
Depreciation	941,011	813,700
Amortisation	114,679	122,052
Provisions and write offs - net	1,576,055	498,885
Unrealised (gain) / loss on revaluation of investments classified as held for trading - net	(167,871)	15,722
Borrowing cost on lease liability	342,298	388,023
Workers' Welfare Fund	110,122	131,022
Gain on sale of operating fixed assets - net	(3,544)	(66,739)
Charge for defined benefit plan	42,620	30,000
	2,955,370	1,932,665
	7,628,973	8,004,640
(Increase) / Decrease in operating assets		
Lendings to financial institutions	8,918,849	(110,011,630)
Held for trading securities	(34,344,671)	46,997,650
Advances	9,502,941	36,629,352
Other assets (excluding advance taxation)	1,982,323	3,756,367
	(13,940,558)	(22,628,261)
Increase / (decrease) in operating liabilities		
Bills payable	(2,333,278)	(8,369,067)
Borrowings	43,159,127	(48,275,602)
Deposits	(27,146,555)	(14,966,264)
Other liabilities (excluding current taxation)	(2,059,775)	(174,477)
	11,619,519	(71,785,410)
	5,307,934	(86,409,031)
Income tax paid	(2,193,517)	(876,916)
Net cash generated from / (used in) operating activities	3,114,417	(87,285,947)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(40,601,543)	97,128,330
Net investments in held-to-maturity securities	6,162,337	(7,860,056)
Investment in associated companies	-	(36,364)
Dividends received	48,167	19,488
Investments in operating fixed assets	(866,174)	(868,933)
Proceed from sale proceeds of fixed assets	4,135	188,242
Effect of translation of net investment in foreign branches	1,536,483	184,570
Net cash (used in) / generated from investing activities	(33,716,595)	88,755,277
CASH FLOWS FROM FINANCING ACTIVITIES		
(Redemption) / issuance of sub-ordinated debt	(1,000)	(1,000)
Payment of leased obligations	(458,894)	(486,467)
Dividend paid	(3,179)	(3,285)
Net cash (used in) / generated from financing activities	(463,073)	(490,752)
(Decrease) / Increase in cash and cash equivalents	(31,065,251)	978,578
Cash and cash equivalents at beginning of the year	138,476,918	100,996,425
Effects of exchange rate changes on cash and cash equivalents	(3,205,273)	(458,394)
	135,271,645	100,538,031
Cash and cash equivalents at end of the period	104,206,394	101,516,609

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter ended March 31, 2020

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company
Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Holding Company / the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Holding Company's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and its shares are listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank is operating through 674 branches (December 31, 2019: 674 branches) and 24 sub-branches (December 31, 2019: 24 sub-branches). Out of these, 501 (December 31, 2019: 501) are conventional, 162 (December 31, 2019: 162) are Islamic, 10 (December 31, 2019: 10) are overseas and 1 (December 31, 2019: 1) is an offshore banking unit.

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

1.2 In addition the Group maintains investments in the following:

	Percentage of Holding	
	March 2020	December 2019
Associates		
Alfalah Insurance Company Limited	30%	30%
Sapphire Wind Power Company Limited	30%	30%
Alfalah GHP Investment Management Limited, Pakistan	40.22%	40.22%

1.2.1 Alfalah GHP Investment Management Limited was declassified as subsidiary and classified as an associate effective January 1, 2019 based on management's reassessment of control over the entity. Consequently, the profit and loss statement for the quarter end March 31, 2019 of the group has been restated. Instead of line by line consolidation of the P&L items of Alfalah GHP Investment Management Limited, share of profit of this entity has been reported.

1.2.2 TriconBoston Consulting (Private) Limited was classified from associate to available for sale investment effective January 1, 2019 based on management's reassessment of significant influence over the investee. Consequently, the profit and loss statement for the quarter ended March 31, 2019 of the group has been restated and excludes share of profit of TriconBoston Consulting (Private) Limited.

2 BASIS OF PRESENTATION

2.1 These consolidated condensed interim financial statements represent financial statements of holding company - Bank Alfalah Limited and its subsidiary. The assets and liabilities of subsidiary have been consolidated on a line-by-line basis and the investment held by the holding company is eliminated against the corresponding share capital of subsidiary in these consolidated condensed interim financial statements.

2.2 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under Companies Act 2017.
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP)

Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS).

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

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

2.2.1 Basis of consolidation

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

These consolidated financial statements incorporate the financial statements of subsidiary 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.

Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated condensed interim financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 9 'Financial Instruments'	January 01, 2021
Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.	
Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	January 01, 2014
IFRS 17 – Insurance Contracts	January 01, 2021

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets and non banking assets acquired in satisfaction of claims which are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments which are measured at fair value and defined benefit obligation which are carried at present value.

3.2 Functional and Presentation Currency

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

The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the financial statements of the Group for the year ended December 31, 2019.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim consolidated financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2019.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2019, except for the following additional considerations due to the COVID - 19.

6.1 Risk management in the current economic scenario

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

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 425 basis points to 9 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on loan obligations by one year; and (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

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

6.1.1 Assets quality and credit risk

The Risk department of the Bank is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. The Bank has further strengthened its credit review procedures in the light of COVID 19. Bank has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer CAR buffer currently maintained is sufficient.

6.1.2 Liquidity management

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

6.1.3 Equity investments

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

6.1.4 Foreign Exchange Risk

Due to recent economic slowdown, the PKR has been devalued against USD significantly from December 31, 2019 and the USD / PKR parity stood at Rs 166.7037 as at March 31, 2020. The exchange rate is expected to remain volatile till the uncertainty around COVID 19 resolves. The Bank has reviewed the Net Open Position of the bank and has had no significant impact on P&L.

6.1.5 Operations

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

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

6.1.6 Capital Adequacy Ratio

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

	(Un-audited) March 31, 2019	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
7 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	20,466,951	15,799,707
Foreign currency	2,265,730	2,418,292
	22,732,681	18,217,999
With State Bank of Pakistan in		
Local currency current account	25,625,536	44,854,841
Foreign currency current account	5,054,092	5,551,990
Foreign currency deposit account	12,650,115	14,084,512
	43,329,743	64,491,343
With other central banks in		
Foreign currency current account	10,367,529	8,529,825
Foreign currency deposit account	1,194,949	659,039
	11,562,478	9,188,864
With National Bank of Pakistan in local currency current account	1,085,380	8,469,281
Prize bonds	93,006	364,416
	78,803,288	100,731,903
8 BALANCES WITH OTHER BANKS		
In Pakistan		
In current account	245,945	726,795
In deposit account	5,854	64,423
	251,799	791,218
Outside Pakistan		
In current account	7,728,394	3,535,371
In deposit account	652,172	600,262
	8,380,566	4,135,633
	8,632,365	4,926,851
9 LENDINGS TO FINANCIAL INSTITUTIONS		
Call / clean money lendings	18,440,694	30,552,042
Repurchase agreement lendings (Reverse Repo)	12,271,276	24,931,724
Bai Muajjal receivable		
with State Bank of Pakistan	-	9,018,518
with other financial institutions	19,699,734	6,942,429
	19,699,734	15,960,947
	50,411,704	71,444,713
Less: expected credit loss - overseas branches	(7,688)	(9,818)
Lending to Financial Institutions - net of provision	50,404,016	71,434,895

10 INVESTMENTS

10.1 Investments by type:

Held-for-trading securities

Federal Government Securities

	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)
Market Treasury Bills	53,362,110	-	84,130	53,446,240	20,533,478	-	(14,058)
Pakistan Investment Bonds	5,336,962	-	60,153	5,397,115	5,148,051	-	(12,795)
Government of Pakistan Sukuks	1,477,888	-	22,112	1,500,000	-	-	-
Shares							
Ordinary shares / units - Listed	3,863	-	(1,493)	2,370	537,793	-	118
Foreign Securities							
Overseas Bonds - Sovereign	1,275,665	-	2,969	1,278,634	915,694	-	2,043
	61,456,488	-	167,871	61,624,359	27,135,016	-	(24,692)

Available-for-sale securities

Federal Government Securities

	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)
Market Treasury Bills	80,507,897	-	490,099	80,997,996	72,573,764	-	(14,777)
Pakistan Investment Bonds	116,712,054	-	6,211,732	122,923,786	92,232,030	-	3,220,117
Government of Pakistan Sukuks	4,992,074	-	(74,164)	4,917,910	4,212,347	-	86,367
Government of Pakistan Euro Bonds	2,072,772	-	(399,183)	1,673,589	1,925,652	-	40,577
Shares							
Ordinary shares - Listed	6,506,690	(1,748,022)	1,424,857	6,183,525	5,616,886	(1,029,285)	2,515,407
Ordinary shares - Unlisted	1,151,285	(59,661)	-	1,091,624	1,151,285	(59,661)	-
Preference Shares - Listed	108,835	(108,835)	-	-	108,835	(108,835)	-
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-
Non Government Debt Securities							
Term Finance Certificates	1,553,967	(409,577)	(8,272)	1,136,118	1,753,977	(409,577)	(22,887)
Sukuks	7,013,002	(96,511)	188,762	7,105,253	4,817,886	(96,510)	170,457
Foreign Securities							
Overseas Bonds - Sovereign	11,833,363	-	(426,714)	11,406,649	10,206,335	-	144,151
Overseas Bonds - Others	20,898,142	-	(507,952)	20,390,190	19,409,473	-	330,542
Redeemable Participating Certificates	2,961,229	-	-	2,961,229	2,727,165	-	-
	256,336,310	(2,447,606)	6,899,165	260,787,869	216,760,635	(1,728,868)	6,469,954

Held-to-maturity securities

Federal Government Securities

	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)
Pakistan Investment Bonds	16,721,457	-	-	16,721,457	25,968,179	-	-
Other Federal Government Securities	7,216,366	-	-	7,216,366	7,216,366	-	-
Non Government Debt Securities							
Term Finance Certificates	914,266	(524,265)	-	390,001	714,266	(524,266)	-
Sukuks	1,242,870	(107,937)	-	1,134,933	1,255,831	(120,898)	-
Foreign Securities							
Overseas Bonds - Sovereign	16,739,677	-	-	16,739,677	13,901,861	-	-
Overseas Bonds - Others	831,338	-	-	831,338	771,808	-	-
	43,665,974	(632,202)	-	43,033,772	49,828,311	(645,164)	-

Associates (valued at equity method)

	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)
Alfalah Insurance Limited	405,036	-	-	405,036	396,575	-	-
Sapphire Wind Power Company Limited	2,424,716	-	-	2,424,716	2,341,597	-	-
Alfalah GHP Investment Management Limited	416,595	-	-	416,595	400,615	-	-
	3,246,347	-	-	3,246,347	3,138,787	-	-

General provision and expected credit loss-

	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)
Overseas operations	-	(35,916)	-	(35,916)	-	(28,422)	-

Total Investments

	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)
	364,705,119	(3,115,724)	7,067,036	368,656,431	296,862,749	(2,402,454)	6,445,262

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
10.2 Investments given as collateral		
Market Treasury Bills	-	10,243,269
Pakistan Investment Bonds	46,271,899	10,841,800
Government of Pakistan Sukuks	1,833,741	-
Overseas Bonds	8,136,094	4,630,519
Sukuk Bonds	5,665,161	4,641,103
	61,906,895	30,356,691

The market value of securities given as collateral is Rs. 62,573.552 million (December 31, 2019: Rs. 30,746.266 million).

10.3 Provision for diminution in value of investments

10.3.1 Opening balance	2,402,454	1,381,018
Exchange and other adjustments	2,622	3,548
Charge / reversals		
Charge for the year	940,317	1,589,125
Reversals for the year	(12,960)	(49,130)
Reversal on disposals	(216,709)	(522,107)
	710,648	1,017,888
Closing Balance	3,115,724	2,402,454

10.3.2 Particulars of provision against debt securities

Category of classification

	March 31, 2020 (Un-audited)		December 31, 2019 (Audited)	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	1,138,290	1,138,290	1,151,251	1,151,251
Overseas	-	-	-	-
Total	1,138,290	1,138,290	1,151,251	1,151,251

10.3.3 The market value of securities classified as held-to-maturity as at March 31, 2020 amounted to Rs. 44,272.727 million (December 31, 2019 : Rs. 49,648.885 million).

11 ADVANCES

Note	Performing		Non Performing		Total	
	March 31, 2020 (Un-audited)	December 31, 2019 (Audited)	March 31, 2020 (Un-audited)	December 31, 2019 (Audited)	March 31, 2020 (Un-audited)	December 31, 2019 (Audited)
----- (Rupees in '000) -----						
Loans, cash credits, running finances, etc.	391,558,455	403,042,104	21,798,246	20,687,883	413,356,701	423,729,987
Islamic financing and related assets	91,416,545	87,309,952	1,519,908	1,532,279	92,936,453	88,842,231
Bills discounted and purchased	13,962,934	17,203,494	185,523	198,336	14,148,457	17,401,830
Advances - gross	496,937,934	507,555,550	23,503,677	22,418,498	520,441,611	529,974,048
Provision against advances						
- Specific	11.4	-	(18,637,304)	(17,741,685)	(18,637,304)	(17,741,685)
- General	11.4	(935,660)	(994,584)	-	(935,660)	(994,584)
		(935,660)	(994,584)	(18,637,304)	(17,741,685)	(19,572,964)
Advances - net of provision		496,002,274	506,560,966	4,866,373	4,676,813	500,868,647
					511,237,779	

- 11.1** Advances include an amount of Rs. 144.771 million (December 31, 2019: Rs. 147.568 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OSED departments. These loans carry markup at the rates ranging from 14.15% to 24.42% (December 31, 2019: 9.46% to 24.46%) with maturities up to December 2039 (December 31, 2019: December 2039).

	(Un-audited)	(Audited)
	March 31, 2020	December 31, 2019
11.2 Particulars of advances (Gross)	----- (Rupees in '000) -----	
In local currency	474,532,720	490,267,906
In foreign currencies	45,908,891	39,706,142
	520,441,611	529,974,048

11.3 Advances include Rs.23,503.677 million (2019: Rs. 22,418.498 million) which have been placed under non-performing status as detailed below:

Category of Classification

	March 31, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	----- (Rupees in '000) -----			
Domestic				
Other Assets Especially Mentioned	1,618,186	7,759	1,712,714	8,347
Substandard	2,938,667	417,595	2,382,226	579,152
Doubtful	1,055,779	501,572	1,918,480	947,661
Loss	17,317,011	17,252,001	15,869,509	15,778,780
	22,929,643	18,178,927	21,882,929	17,313,940
Overseas				
Not past due but impaired				
Overdue by:				
> 365 days	574,034	458,377	535,569	427,745
	574,034	458,377	535,569	427,745
Total	23,503,677	18,637,304	22,418,498	17,741,685

11.4 Particulars of provision against advances

Note	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	17,741,685	994,584	18,736,269	15,884,669	873,315	16,757,984
Exchange and other adjustments	32,157	15,204	47,361	36,327	26,819	63,146
Charge for the year	1,187,839	-	1,187,839	4,262,029	94,450	4,356,479
Reversals	(247,520)	(74,128)	(321,648)	(2,222,967)	-	(2,222,967)
	940,319	(74,128)	866,191	2,039,062	94,450	2,133,512
Amounts written off	(48,283)	-	(48,283)	(201,332)	-	(201,332)
Amounts charged off - agriculture financing	(28,574)	-	(28,574)	(17,041)	-	(17,041)
	(76,857)	-	(76,857)	(218,373)	-	(218,373)
Closing balance	18,637,304	935,660	19,572,964	17,741,685	994,584	18,736,269

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

11.4.2 General provision includes provision against consumer loans being maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio. Provision against SE portfolio is being maintained at an amount equal to 1% against unsecured performing SE portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

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

11.4.4 The State Bank of Pakistan, vide BPRD circular letter 13 of 2020 dated March 26, 2020, has relaxed certain classification criteria of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets) to soften the impact of COVID-19 on the banks and to give relief to the bank's borrowers. Accordingly, certain exposures as at March 31, 2020 relating to facilities of customers have not been classified as non-performing.

	Note	(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019
		----- (Rupees in '000) -----	
12 FIXED ASSETS			
Capital work-in-progress	12.1	726,399	643,413
Property and equipment		19,447,124	19,268,783
Right-of-use assets		9,066,497	9,195,524
		<u>29,240,020</u>	<u>29,107,720</u>
12.1 Capital work-in-progress			
Civil works		308,773	328,506
Equipment		402,255	295,383
Others		15,371	19,524
		<u>726,399</u>	<u>643,413</u>
		(Un-audited)	
		March 31, 2020	March 31, 2019
		----- (Rupees in '000) -----	
12.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress - net		82,986	209,310
Property and equipment			
Building on Freehold land		16,913	3,708
Building on Leasehold land		12,082	9,193
Lease hold improvement		97,817	9,032
Furniture and fixture		22,643	4,616
Office equipment		471,914	385,281
		<u>621,369</u>	<u>411,830</u>
Total additions to fixed assets		<u>704,355</u>	<u>621,140</u>
12.3 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Leasehold land		-	120,000
Furniture and fixture		-	30
Office equipment		-	1,346
Total disposal of fixed assets		<u>591</u>	<u>121,376</u>
		(Un-audited)	
		March 31, 2020	December 31, 2019
		----- (Rupees in '000) -----	
13 INTANGIBLE ASSETS			
Capital work-in-progress / Advance payment to suppliers		348,405	253,483
Software		959,237	1,006,837
		<u>1,307,642</u>	<u>1,260,320</u>
		(Un-audited)	
		March 31, 2020	March 31, 2019
		----- (Rupees in '000) -----	
13.1 Additions to intangible assets			
The following additions have been made to intangible assets during the period:			
Capital work-in-progress - net		94,922	113,660
Directly purchased		66,897	134,133
Total additions to intangible assets		<u>161,819</u>	<u>247,793</u>
13.2	There were no disposals during the period ended March 31, 2020 and March 31, 2019.		

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
		----- (Rupees in '000) -----	
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		18,738,960	21,292,859
Income/ Mark-up accrued in foreign currency - net of provision		1,294,143	1,092,865
Advances, deposits, advance rent and other prepayments		2,197,929	2,040,310
Advance against subscription of share		82,312	82,312
Non-banking assets acquired in satisfaction of claims		762,210	763,935
Dividend receivable		39,959	1,070
Mark to market gain on forward foreign exchange contracts		6,823,369	2,436,300
Mark to market gain on derivatives		-	20,977
Stationery and stamps on hand		18,886	23,164
Defined benefit plan		1,019,177	1,019,177
Branch adjustment account		24,078	-
Due from card issuing banks		355,917	886,234
Account receivable		2,133,021	1,559,672
Receivable against fraud and forgeries		94,221	117,010
Acceptances		10,620,166	16,645,791
Others		2,492,894	689,334
		<u>46,697,242</u>	<u>48,671,010</u>
Less: Provision held against other assets	14.2	<u>(782,633)</u>	<u>(769,355)</u>
Other Assets (Net of Provision)		45,914,609	47,901,655
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		242,124	242,759
		<u>46,156,733</u>	<u>48,144,414</u>
14.1 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		772,028	758,750
Non banking assets acquired in satisfaction of claims		10,605	10,605
		<u>782,633</u>	<u>769,355</u>
14.2 Movement in provision held against other assets			
Opening balance		769,355	928,885
Charge for the period / year		12,631	72,108
Reversals		(760)	(54,540)
		11,871	17,568
Amount Written off		-	(167,949)
Exchange and other adjustments		1,407	(9,149)
Closing balance		<u>782,633</u>	<u>769,355</u>
15 BILLS PAYABLE			
In Pakistan		14,594,136	16,950,808
Outside Pakistan		241,645	218,251
		<u>14,835,781</u>	<u>17,169,059</u>

16 BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Under export refinance scheme

Long-Term Finance Facility

Financing Facility for Storage of Agriculture Produce (FFSAP)

Repurchase agreement borrowings

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

Repurchase agreement borrowings

Bai Muajjal

Others

Total secured

Unsecured

Call borrowings

Overdrawn nostro accounts

Others

- Pakistan Mortgage Refinance Company

- Karandaaz Risk Participation

- Other financial institutions

Total unsecured

38,414,091	31,680,935
19,681,617	17,892,935
318,402	325,330
40,000,000	5,000,000
98,414,110	54,899,200
14,045,382	16,064,786
12,988,656	19,192,374
130,153	291,243
125,578,301	90,447,603
14,947,129	10,126,463
1,669,953	939,151
493,461	494,646
705,504	502,375
3,629,154	623,335
21,445,201	12,685,970
147,023,502	103,133,573

17 DEPOSITS AND OTHER ACCOUNTS

March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
------(Rupees in '000)-----					

Customers

Current deposits

Savings deposits

Term deposits

Others

258,759,491	72,418,544	331,178,035	270,727,749	66,720,895	337,448,644
220,724,842	32,651,429	253,376,271	191,870,775	33,470,756	225,341,531
96,524,285	44,434,964	140,959,249	106,891,979	52,368,120	159,260,099
10,225,411	1,855,689	12,081,100	9,393,064	2,215,457	11,608,521
586,234,029	151,360,626	737,594,655	578,883,567	154,775,228	733,658,795

Financial Institutions

Current deposits

Savings deposits

Term deposits

Others

2,480,711	394,910	2,875,621	1,877,599	468,616	2,346,215
11,336,744	47,641	11,384,385	28,410,962	56,425	28,467,387
2,699,066	427,524	3,126,590	17,579,094	78,196	17,657,290
126,324	20,730	147,054	144,086	1,087	145,173
16,642,845	890,805	17,533,650	48,011,741	604,324	48,616,065
602,876,874	152,251,431	755,128,305	626,895,308	155,379,552	782,274,860

		(Un-audited) March 31, 2020	(Audited) December 31, 2019
		----- (Rupees in '000) -----	
18	SUBORDINATED DEBT		
18.1	Term Finance Certificates V - Quoted, Unsecured	4,986,000	4,987,000
	Issue amount	Rs. 5,000,000,000	
	Issue date	February 2013	
	Maturity date	February 2021	
	Rating	"AA" (Double A) by Pakistan Credit Rating Company Limited ("PACRA").	
	Security	Unsecured	
	Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.	
	Profit payment frequency	Payable semi-annually in arrears.	
	Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.	
	Mark-up	Base Rate + 1.25 percent Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.	
	Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.	
	Call option	There is no call option available to the Bank.	
18.2	Term Finance Certificates - Additional Tier-I (ADT-1) - Quoted, Unsecured	7,000,000	7,000,000
	Issue amount	Rs. 7,000,000,000	
	Issue date	March 2018	
	Maturity date	Perpetual	
	Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company	
	Security	Unsecured	
	Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.	
	Profit payment frequency	Payable semi-annually in arrears.	
	Redemption	Perpetual	
	Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit	
	Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.	
	Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the point of non-viability Trigger Event ; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.	
	Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.	
		11,986,000	11,987,000

19 DEFERRED TAX LIABILITIES

Note

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

Deductible Temporary Differences on

- Provision against investments
- Provision against advances
- Provision against other assets
- Provision against lending to financial institutions
- Unrealised loss on revaluation of HFT investments

(965,635)	(682,296)
(470,870)	(566,205)
(348,617)	(343,011)
(1,013)	(1,997)
59,277	(7,438)
(1,726,858)	(1,600,947)

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets and non banking assets
- Surplus on revaluation of investments
- Share of profit from associates
- Accelerated tax depreciation

1,293,719	1,299,030
2,414,140	2,262,421
724,059	686,413
1,461,406	1,490,488
5,893,324	5,738,352

4,166,466	4,137,405
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20 OTHER LIABILITIES

- Mark-up/ Return/ Interest payable in local currency
- Mark-up/ Return/ Interest payable in foreign currency
- Unearned commission and income on bills discounted and guarantees
- Accrued expenses
- Current taxation
- Acceptances
- Dividends payable
- Mark to market loss on forward foreign exchange contracts
- Mark to market loss on derivatives
- Branch adjustment account
- ADC settlement accounts
- Provision for Compensated absences
- Payable against redemption of customer loyalty / reward points
- Charity payable
- Provision against off-balance sheet obligations
- Security deposits against leases, lockers and others
- Worker's Welfare Fund
- Payable to vendors and suppliers
- Indirect Taxes Payable
- Lease Liabilities
- Others

20.1

4,256,874	3,541,232
947,813	710,032
227,107	295,257
5,538,276	5,439,895
6,240,228	6,334,458
10,620,166	16,645,791
3,644,191	93,040
4,472,324	3,658,322
1,092,863	35,385
-	233,567
999,052	405,493
576,000	540,000
400,013	372,334
394	1,155
117,595	129,249
7,537,716	7,121,497
1,588,710	1,478,588
623,929	638,208
620,105	754,542
9,599,775	9,374,239
2,417,399	1,962,071
61,520,530	59,764,355

20.1 Provision against off-balance sheet obligations

- Opening balance
- Exchange and other adjustments

129,249	78,450
7,595	11,113

- Charge for the year
- Reversals

-	39,686
(19,249)	-
(19,249)	39,686

Closing balance

117,595	129,249
---------	---------

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

21 SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of

- Available for sale securities
- Available for sale securities of associate
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims

10.1	6,899,165	6,469,954
	(150)	-
	8,363,778	8,378,317
	242,124	242,759

15,504,917 15,091,030

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities
- Available for sale securities of associate
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims

2,414,140	2,261,346
(53)	
1,257,981	1,263,070
35,737	35,960
3,707,805	3,560,376

Derivatives

(1,180,552) (154,684)

Surplus on revaluation of available for sale securities attributable to non-controlling interest

3,399 547

10,619,959 11,376,517

22 CONTINGENCIES AND COMMITMENTS

- Guarantees
- Commitments
- Other contingent liabilities

22.1	63,197,409	63,456,341
22.2	464,177,891	496,023,657
22.3.1	10,777,592	10,150,887
	538,152,892	569,630,885

22.1 Guarantees:

- Financial guarantees
- Performance guarantees
- Other guarantees

619,688	639,642
32,811,513	34,663,032
29,766,208	28,153,667
63,197,409	63,456,341

22.2 Commitments:

- Documentary credits and short-term trade-related transactions
- Letters of credit

84,556,465	93,696,623
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Commitments in respect of:

- forward foreign exchange contracts
- forward government securities transactions
- derivatives

22.2.1	272,447,600	305,449,119
22.2.2	53,202,643	39,382,735
22.2.3	21,604,800	17,745,535

- forward lending

22.2.4 30,679,384 38,052,512

Commitments for acquisition of:

- operating fixed assets
- intangible assets

1,385,387	1,283,925
301,612	413,208
464,177,891	496,023,657

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
		------(Rupees in '000)-----	
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		160,034,635	185,084,250
Sale		112,412,965	120,364,869
		272,447,600	305,449,119
22.2.2 Commitments in respect of forward government securities transactions			
Purchase		40,923,630	11,353,334
Sale		12,279,013	28,029,401
		53,202,643	39,382,735
22.2.3 Commitments in respect of derivatives (Interest Rate Swaps)			
Purchase		21,604,800	17,745,535
Sale		-	-
		21,604,800	17,745,535
22.2.4 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.4.1	25,264,794	32,688,405
Commitments in respect of investments		5,414,590	5,364,107
		30,679,384	38,052,512
22.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
22.3 Other contingent liabilities			
22.3.1 Claims against the Bank not acknowledged as debts		10,777,592	10,150,887
These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.			
22.4 Contingency for tax payable			
22.4.1 There were no tax related contingencies other than as disclosed in note 33.1.			

23 DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of futures, swaps and options.

Counterparties	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Interest Rate Swaps			Interest Rate Swaps		
	No. of	Notional	Mark to	No. of	Notional	Mark to
	contracts	Principal	market gain / (loss)	contracts	Principal	market gain / (loss)
	------(Rupees in '000)-----			------(Rupees in '000)-----		
With Banks for						
Hedging	34	21,604,800	(1,092,863)	30	17,745,535	(14,408)
	34	21,604,800	(1,092,863)	30	17,745,535	(14,408)

24	MARK-UP/RETURN/INTEREST EARNED	Note	(Un-audited)	
			Quarter ended	
			March 31,	March 31,
			2020	2019
				(Restated)
			----- (Rupees in '000) -----	
On:				
a) Loans and advances			15,752,628	13,749,362
b) Investments			7,884,090	3,221,540
c) Lendings to financial institutions			1,373,447	1,063,030
d) Balances with banks / Financial Institutions			27,515	791
e) On securities purchased under resale agreements / Bai Muajjal			870,236	2,725,871
			<u>25,907,916</u>	<u>20,760,594</u>
25	MARK-UP/RETURN/INTEREST EXPENSED			
On:				
a) Deposits			10,646,763	7,573,562
b) Borrowings			915,780	416,404
c) Securities sold under repurchase agreements			262,416	396,204
d) Subordinated debt			455,492	304,297
e) Cost of foreign currency swaps against foreign currency deposits / borrowings			1,482,674	487,000
f) Borrowing cost on lease properties			342,298	388,023
g) Reward points			22,574	31,679
			<u>14,127,997</u>	<u>9,597,169</u>
26	FEE & COMMISSION INCOME			
Branch banking customer fees			294,914	353,766
Consumer finance related fees			66,976	59,974
Card related fees (debit and credit cards)			203,841	235,728
Credit related fees			19,968	35,770
Investment banking fees			78,581	57,373
Commission on trade			362,523	343,400
Commission on guarantees			73,499	65,425
Commission on cash management			12,355	7,668
Commission on remittances including home remittances			88,721	68,095
Commission on bancassurance			144,497	86,574
Card acquiring business			67,209	64,649
Wealth Management Fee			21,903	10,841
Commission on Employees' Old-Age Benefits Institution (EOBI)			28,364	27,342
Commission on Benazir Income Support Programme (BISP)			50,564	86,541
Alternate Delivery Channel (ADC)			122,666	121,552
Brokerage/Commission income			44,838	28,585
Others			16,390	54,959
			<u>1,697,809</u>	<u>1,708,242</u>
27	(LOSS) / GAIN ON SECURITIES			
Realised	27.1		(215,355)	(9,662)
Unrealised - held for trading	10.1		167,871	(15,722)
			<u>(47,484)</u>	<u>(25,384)</u>
27.1	Realised (loss) / gain on:			
Federal Government Securities			182,953	(22,208)
Shares			(399,447)	37,349
Non Government Debt Securities			-	(18,147)
Foreign Securities			1,139	(6,656)
			<u>(215,355)</u>	<u>(9,662)</u>

28	OTHER INCOME	Note	(Un-audited) Quarter ended	
			March 31, 2020	March 31, 2019 (Restated)
			----- (Rupees in '000) -----	
	Rent on property		5,861	5,106
	Gain on sale of fixed assets-net		3,544	66,739
	Profit on termination of leased contracts (Ijarah)		12,415	10,315
	Others		246	-
			<u>22,066</u>	<u>82,160</u>
29	OPERATING EXPENSES			
	Total compensation expense	29.1	3,823,285	3,124,532
	Property expense			
	Rent and taxes		66,781	54,749
	Utilities cost		212,652	154,209
	Security (including guards)		197,295	154,662
	Repair and maintenance (including janitorial charges)		155,275	120,644
	Depreciation on right-of-use assets		471,159	429,085
	Depreciation on non-banking assets acquired in satisfaction of claims		1,725	2,189
	Depreciation on owned assets		143,451	106,519
			<u>1,248,338</u>	<u>1,022,057</u>
	Information technology expenses			
	Software maintenance		367,670	259,186
	Hardware maintenance		148,059	60,426
	Depreciation		98,802	82,712
	Amortisation		114,679	122,052
	Network charges		102,045	83,888
			<u>831,255</u>	<u>608,264</u>
	Other operating expenses			
	Directors' fees and allowances		74,679	71,107
	Fees and allowances to Shariah Board		2,340	1,950
	Legal and professional charges		76,426	42,110
	Outsourced services costs		248,240	268,273
	Travelling and conveyance		132,709	123,910
	Clearing and custodian charges		28,384	23,225
	Depreciation		227,599	195,384
	Training and development		24,487	25,913
	Postage and courier charges		65,887	65,214
	Communication		89,389	58,510
	Stationery and printing		171,469	122,549
	Marketing, advertisement and publicity		266,812	339,597
	Donations		-	1,580
	Auditors Remuneration		14,008	14,006
	Brokerage and Commission		45,374	57,391
	Entertainment		62,214	54,092
	Repairs and maintenance		102,243	102,861
	Insurance		238,438	231,842
	Cash Handling Charges		153,194	103,405
	CNIC Verification		22,459	23,260
	Others		145,037	78,284
			<u>2,191,388</u>	<u>2,004,463</u>
			<u>8,094,266</u>	<u>6,759,316</u>

Note

(Un-audited)
Quarter endedMarch 31,
2020 March 31,
2019

(Restated)

----- (Rupees in '000) -----

29.1 Total compensation expense

Managerial Remuneration

i) Fixed

ii) Variable

a) Cash Bonus / Awards etc.

b) Bonus and Awards in Shares etc.

Charge for defined benefit plan

Contribution to defined contribution plan

Medical

Conveyance

Staff compensated absences

Others

Sub-total

Sign-on Bonus

Severance Allowance

Grand Total

2,725,462	2,371,197
497,347	354,028
-	2,822
42,620	30,000
118,811	99,066
136,433	103,510
64,886	56,391
36,000	30,000
27,953	28,220
3,649,512	3,075,234
7,650	49,298
166,123	-
3,823,285	3,124,532

30 WORKERS WELFARE FUND

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

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

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

Note

(Un-audited)
Quarter endedMarch 31,
2020 March 31,
2019

(Restated)

----- (Rupees in '000) -----

31 OTHER CHARGES

Penalties imposed by State Bank of Pakistan

Penalties imposed by other regulatory bodies

40,824	1,427
266	-
41,090	1,427

32 PROVISIONS & WRITE OFFS - NET

Reversal of provision against lending to financial institutions

Provisions for diminution in value of investments

Provisions against loans & advances

Provisions / (Reversal) against other assets

(Reversal) against off-balance sheet obligations

Other provision / write off - net

Recovery of written off / charged off bad debts

10.3.1

11.4

14.2

20.1

(2,812)	-
710,648	163,713
866,191	355,112
11,871	(7,643)
(19,249)	(12,297)
9,406	-
(48,461)	(52,809)
1,527,594	446,076

33	TAXATION	Note	(Un-audited)	
			Quarter ended	
			March 31, 2020	March 31, 2019 (Restated)
			----- (Rupees in '000) -----	
	Current		2,146,059	2,512,789
	Prior years		(46,772)	603,000
	Deferred		(123,681)	(88,287)
			<u>1,975,606</u>	<u>3,027,502</u>

- 33.1 a) The income tax assessments of the Bank have been finalized upto and including tax year 2019. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2014, 2017 and 2019, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs.667.746 million (December 31, 2019: Rs.857.729 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 116.351 million but appeal effect of which is pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) In respect of monitoring of withholding taxes, the Bank has received order from tax authorities. The Bank has not made provision amounting to Rs.24.920 million against tax demand for tax year 2019 as management is of the view that the matter will be settled in Bank's favour in appeals.
- c) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2019 : Rs.77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.
- d) The Bank has received an order from a provincial tax authority wherein tax authority has demanded sales tax on banking services and penalty amounting to Rs.410.619 million (excluding default surcharge) allegedly for short payment of sales tax for the year 2012. Bank has filed an appeal before Commissioner Appeals after consultation with tax advisor. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

34	BASIC EARNINGS PER SHARE		(Un-audited)	
			March 31, 2020	March 31, 2019 (Restated)
			----- (Rupees in '000) -----	
	Profit attributable to equity holders of the bank		<u>2,892,183</u>	<u>3,168,259</u>
			----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares		<u>1,777,165</u>	<u>1,774,363</u>
			Rupees	
	Basic earnings per share - Restated		<u>1.63</u>	<u>1.79</u>

35	DILUTED EARNINGS PER SHARE		(Un-audited)	
			March 31, 2020	March 31, 2019 (Restated)
			----- (Rupees in '000) -----	
	Profit attributable to equity holders of the bank		<u>2,892,183</u>	<u>3,168,259</u>
			----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)		<u>1,777,165</u>	<u>1,776,417</u>
			Rupees	
	Diluted earnings per share- Restated		<u>1.63</u>	<u>1.78</u>

37 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

37.1 Fair value of financial assets

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

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

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

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

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

March 31, 2020 (Un-audited)				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	270,856,636	-	270,856,636
Shares	6,183,525	-	-	6,183,525
Non-Government Debt Securities	-	8,241,371	-	8,241,371
Foreign Securities	-	34,758,068	-	34,758,068
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	6,823,369	-	6,823,369
Forward sale of foreign exchange	-	(4,472,324)	-	(4,472,324)
Derivatives purchases	-	1,092,863	-	1,092,863
December 31, 2019 (Audited)				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
- Investments				
Federal Government Securities	-	199,930,753	-	199,930,753
Shares	7,640,919	-	-	7,640,919
Non-Government Debt Securities	-	6,213,346	-	6,213,346
Foreign Securities	-	33,735,403	-	33,735,403
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	2,436,300	-	2,436,300
Forward sale of foreign exchange	-	(3,658,322)	-	(3,658,322)
Derivatives purchases	-	(14,408)	-	(14,408)

37.2 Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 10 and 12. The valuations are conducted by the valuation experts appointed by the Holding Company which are also on the panel of State Bank of Pakistan.

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

37.4 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by the State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps is determined using prices and curves through Bloomberg.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates. Floating rate PIBs are revalued using PKFRV rates
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuks, debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Ordinary shares - listed	The fair value of investments in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Fixed assets and non banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

38.1 Segment Details with respect to Business Activities

	For the quarter ended March 31, 2020 (Un-audited)								
	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
Profit & Loss									
Net mark-up/return/profit	(2,470,423)	5,805,162	2,477,466	5,646,815	(2,052)	737,858	(888)	(414,019)	11,779,919
Inter segment revenue - net	9,266,723	(4,144,350)	(101,604)	(5,770,260)	167,869	219,425	-	362,197	-
Non mark-up / return / interest income	907,260	383,668	332,012	873,052	82,239	79,275	44,810	159,206	2,861,522
Total Income	7,703,560	2,044,480	2,707,874	749,607	248,056	1,036,558	43,922	107,384	14,641,441
Segment direct expenses	3,375,852	243,354	1,046,684	120,716	343,305	453,459	40,097	2,622,011	8,245,478
Inter segment expense allocation	1,787,602	203,545	418,404	60,363	96,394	56,029	-	(2,622,337)	-
Total expenses	5,163,454	446,899	1,465,088	181,079	439,699	509,488	40,097	(326)	8,245,478
Provisions / (Reversals)	442,427	442,738	(25,982)	719,501	2	(51,092)	-	-	1,527,594
Profit before tax	2,097,679	1,154,843	1,268,768	(150,973)	(191,645)	578,162	3,825	107,710	4,868,369
As at March 31, 2020 (Un-audited)									
	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
Balance Sheet									
Cash & Bank balances	42,968,824	7,999,581	14,371,257	3,336,966	322,642	18,321,723	114,660	-	87,435,653
Investments	1,269,059	1,084,426	17,956,551	285,579,933	-	60,656,309	15,033	2,095,120	368,656,431
Net inter segment lending	322,279,335	-	-	-	7,581,140	-	-	86,759,302	416,619,777
Lendings to financial institutions	-	-	28,699,795	12,271,276	-	9,432,945	-	-	50,404,016
Advances - performing	122,788,885	248,706,618	91,345,948	-	7,984	24,947,472	4,011	8,201,356	496,002,274
Advances - non-performing	909,493	3,537,428	272,307	-	-	115,658	-	31,487	4,866,373
Others	22,000,070	9,219,322	12,072,755	5,927,305	1,218,178	454,432	327,760	25,484,573	76,704,395
Total Assets	512,215,666	270,547,375	164,718,613	307,115,480	9,129,944	113,928,539	461,464	122,571,838	1,500,688,919
Borrowings	14,026,089	36,167,047	12,419,462	54,640,496	-	29,640,255	130,153	-	147,023,502
Subordinated debt	-	-	-	-	-	-	-	11,986,000	11,986,000
Deposits and other accounts	472,394,500	93,586,890	116,465,043	-	8,901,406	63,779,586	-	880	755,128,305
Net inter segment borrowing	-	135,964,749	14,107,396	246,893,617	-	19,654,015	-	-	416,619,777
Others	24,956,202	4,828,689	19,870,772	2,386,470	228,538	2,093,436	99,296	26,059,374	80,522,777
Total liabilities	511,376,791	270,547,375	162,862,673	303,920,583	9,129,944	115,167,292	229,449	38,046,254	1,411,280,361
Net Assets	838,875	-	1,855,940	3,194,897	-	(1,238,753)	232,015	84,525,584	89,408,558
Equity									89,408,558
Contingencies and Commitments	48,819,304	100,495,938	48,526,795	290,208,431	15,527	49,161,544	-	925,353	538,152,892

For the quarter ended March 31, 2019 (Un-audited)

	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
Net mark-up/return/profit	(883,939)	5,434,265	1,979,692	4,362,526	(1,040)	606,546	(1,772)	(332,853)	11,163,425
Inter segment revenue - net	6,952,915	(3,063,264)	(159,625)	(4,058,927)	97,869	95,617	-	135,415	-
Non mark-up / return / interest income	962,088	265,790	245,711	351,055	118,649	143,963	32,577	246,277	2,366,110
Total income	7,031,064	2,636,791	2,065,778	654,654	215,478	846,126	30,805	48,839	13,529,535
Segment direct expenses	2,892,173	223,509	839,812	116,135	318,881	358,142	17,113	2,126,000	6,891,765
Inter segment expense allocation	1,415,699	189,630	341,774	64,203	61,529	46,721	-	(2,119,556)	-
Total expenses	4,307,872	413,139	1,181,586	180,338	380,410	404,863	17,113	6,444	6,891,765
Provisions / (Reversals)	(54,740)	349,324	(27,489)	168,772	-	11,747	-	(1,538)	446,076
Profit before tax	2,777,932	1,874,328	911,681	305,544	(164,932)	429,516	13,692	43,933	6,191,694

As at December 31, 2019 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others	Total
(Rupees in '000)									
	51,080,368	11,905,006	13,687,542	16,301,602	324,045	12,143,278	216,913	-	105,658,754
	1,372,585	914,973	13,738,131	227,999,155	-	53,546,116	103,280	3,229,317	300,905,557
	304,115,617	-	-	-	6,760,322	-	-	85,510,486	396,386,425
	-	-	37,791,008	24,931,724	-	8,712,163	-	-	71,434,895
	146,947,933	240,367,593	87,226,466	-	5,030	24,183,451	1,830	7,828,663	506,560,966
	1,406,411	2,796,345	285,911	-	-	107,824	-	80,322	4,676,813
	27,365,192	9,325,333	13,838,916	5,633,291	942,522	1,529,100	412,109	19,465,991	78,512,454
	532,288,106	265,309,250	166,567,974	274,865,772	8,031,919	100,223,932	734,132	116,114,779	1,464,135,864
	12,437,067	31,182,760	6,973,823	30,360,377	-	21,888,303	291,243	-	103,133,573
	492,097,776	103,018,182	122,023,365	-	7,827,966	57,300,323	-	11,987,000	782,274,860
	-	123,412,730	14,836,417	238,756,902	-	19,380,376	-	7,248	396,386,425
	26,832,583	7,695,578	20,835,736	2,406,630	203,953	1,599,871	214,363	21,282,105	81,070,819
	531,367,426	265,309,250	164,669,341	271,523,909	8,031,919	100,168,873	505,606	33,276,353	1,374,852,677
	920,680	-	1,898,633	3,341,863	-	55,059	228,526	82,838,426	89,283,187
	60,523,866	98,407,250	46,150,780	319,880,787	5,142	44,060,060	-	603,000	569,630,885

39 RELATED PARTY TRANSACTIONS

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

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

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

	As at March 31, 2020 (Un-audited)				As at December 31, 2019 (Audited)			
	Directors/ CEO	Key manage- ment personnel	Associates	Other related parties	Directors/ CEO	Key manage- ment personnel	Associates	Other related parties
	(Rupees in '000)				(Rupees in '000)			
Lendings to financial institutions								
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	27,228,609	-	-	-	21,936,072
Repaid during the year	-	-	-	(27,228,609)	-	-	-	(21,936,072)
Closing balance	-	-	-	-	-	-	-	-
Investments								
Opening balance	-	-	3,138,787	1,191,425	-	-	3,761,612	992,661
Investment made during the year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	(10)	-	-	-	(570,466)
Equity method adjustment	-	-	107,560	-	-	-	547,198	-
Transfer in / (out) - net	-	-	-	-	-	-	(1,170,023)	769,230
Closing balance	-	-	3,246,347	1,191,415	-	-	3,138,787	1,191,425
Provision for diminution in value of Investments								
	-	-	-	3,936	-	-	-	3,936
Advances								
Opening balance	91,129	661,838	-	4,200,404	105,650	451,375	-	3,354,510
Addition during the year	5	79,450	-	200,430	-	394,025	-	2,783,243
Repaid during the year	(3,684)	(100,997)	-	(287,344)	(14,521)	(170,463)	-	(1,937,349)
Transfer in / (out) - net	205	52,745	-	-	-	(12,473)	-	-
Closing balance	87,655	693,036	-	4,113,490	91,129	662,464	-	4,200,404
Provision held against advances								
	-	-	-	-	-	-	-	-
Other Assets								
Interest / mark-up accrued	1,081	76,163	-	126,403	10,939	69,192	-	98,163
Receivable from staff retirement fund	-	-	-	976,558	-	-	-	1,019,178
Prepayment / rent receivable	-	-	-	6,263	-	-	-	8,517
Advance against shares	-	-	-	82,312	-	-	-	82,312
Others	-	-	-	-	-	8,494	-	-
Borrowings								
Opening balance	-	-	-	494,646	-	-	-	200,000
Borrowings during the year	-	-	-	1,994,924	-	-	-	1,268,678
Settled during the year	-	-	-	(1,996,109)	-	-	-	(974,032)
Closing balance	-	-	-	493,461	-	-	-	494,646

As at March 31, 2020 (Un-audited)				As at December 31, 2019 (Audited)			
Directors/ CEO	Key manage- ment personnel	Associates	Other related parties	Directors/ CEO	Key manage- ment personnel	Associates	Other related parties
(Rupees in '000)				(Rupees in '000)			

Deposits and other accounts

Opening balance	12,076	257,120	587,745	4,584,694	7,438	194,191	1,056,739	3,194,114
Received during the year	49,135	581,366	7,099,851	4,548,385	599,337	3,179,089	25,280,433	32,495,316
Withdrawn during the year	(17,338)	(460,341)	(6,758,609)	(4,699,211)	(594,695)	(2,976,405)	(25,780,192)	(31,104,520)
Transfer in / (out) - net	(13,187)	4,260	-	(383,111)	(4)	(139,755)	30,765	(216)
Closing balance	30,686	382,405	928,987	4,050,757	12,076	257,120	587,745	4,584,694

Other Liabilities

Interest / mark-up payable	135	1,450	-	11,761	-	156	-	7,007
Unearned rent	-	-	780	-	-	-	1,560	-
Others	-	-	11	3,962	-	-	3,428	3,962

Contingencies and Commitments

Other contingencies		218,173	-	-	202,657	-
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For the quarter ended March 31, 2020 (Un-audited)				For the quarter ended March 31, 2019 (Un-audited)			
Directors/ CEO	Key manage- ment personnel	Associates	Other related parties	Directors/ CEO	Key manage- ment personnel	Associates	Other related parties
(Rupees in '000)				(Rupees in '000)			

Income

Mark-up / return / interest earned	3,654	8,974	-	206,505	1,414	5,584	-	156,206
Fee and commission income	-	-	18,829	-	-	-	-	-
Dividend income	-	-	-	-	-	-	-	3,018
Other income	-	-	780	-	-	5,174	681	-

Expense

Mark-up / return / interest paid	224	3,748	45,466	70,543	7	2,433	13,301	48,786
Rent paid in respect of Premises	-	-	-	2,757	-	-	-	1,841
Repairs and maintenance	-	-	-	-	-	-	-	30,451
Travelling and accommodation	-	-	-	2,336	-	-	-	2,328
Communication cost	-	-	-	14,805	-	-	-	8,702
Brokerage and commission	-	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	42,620	-	-	-	30,000
Contribution to defined contribution plan	-	-	-	118,811	-	-	-	99,066
Managerial remuneration (including fee and allowances)	254,878	586,433	-	-	177,301	538,823	-	-
Others	-	-	-	-	-	-	-	105
Insurance premium paid	-	-	152,689	-	-	-	475,958	-
Insurance claims settled	-	-	86,645	-	-	-	66,201	-

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

Minimum Capital Requirement (MCR):

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

Eligible Common Equity Tier 1 (CET 1) Capital	66,904,548	67,625,018
Eligible Additional Tier 1 (ADT 1) Capital	7,012,128	7,011,045
Total Eligible Tier 1 Capital	73,916,676	74,636,063
Eligible Tier 2 Capital	19,767,552	20,039,768
Total Eligible Capital (Tier 1 + Tier 2)	93,684,228	94,675,831

Risk Weighted Assets (RWAs):

Credit Risk	478,183,772	494,671,653
Market Risk	5,137,425	7,089,963
Operational Risk	65,601,200	65,601,200
Total	548,922,397	567,362,816

Common Equity Tier 1 Capital Adequacy ratio	12.19%	11.92%
Tier 1 Capital Adequacy Ratio	13.47%	13.15%
Total Capital Adequacy Ratio	17.07%	16.69%

In line with Basel III Capital Adequacy guidelines, following capital requirements are applicable to the Bank:

Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	11.50%	12.50%

For Capital adequacy calculation, Bank has adopted Standardized Approach for Credit & Market Risk related exposures and Alternate Standardized Approach (ASA) for operational risk.

Leverage Ratio (LR):

Eligible Tier-1 Capital	73,916,676	74,636,063
Total Exposures	1,376,348,564	1,315,453,231
Leverage Ratio	5.37%	5.67%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	314,048,037	285,456,439
Total Net Cash Outflow	183,545,061	174,614,928
Liquidity Coverage Ratio	171%	163%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	697,645,488	687,962,685
Total Required Stable Funding	511,047,379	499,005,864
Net Stable Funding Ratio	137%	138%

41 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on April 26, 2020 by the Board of Directors of the holding company.

42 GENERAL

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

42.1 The effect of reclassification, rearrangement, restatement in the comparative information presented in the consolidated condensed interim financial statement for the quarter ended March 31, 2020 is as follows:

Description of item	Nature	Rs '000	From	To
Receivable from Visa, Mastercard and other switches	Asset	886,234	Other Assets - Branch adjustment account	Other Assets - Due from card issuing banks
Payable against ATM / ADC settlement accounts	Liability	405,493	Other Assets - Branch adjustment account	Other Liabilities - ADC settlement accounts
Commission on bills discounting	Income	3,372	Fee and commission income - Commission on trade	Markup income - Loans and advances
Rental income on properties	Income	5,106	Administrative Expenses - Rent and taxes	Other income - Rental income
Borrowing cost on lease liability	Expense	388,023	Markup expensed - Borrowings	Markup expensed - Borrowing cost on leased liabilities
Medical, Group life and Pay continuation insurance	Expense	74,407	Administrative Expenses - Insurance	Administrative Expenses - Compensation expenses
Depreciation on properties acquired under debt asset swap arrangements	Expense	2,189	Administrative Expenses - Depreciation on owned assets	Administrative Expenses - Depreciation on non -banking assets acquired in satisfaction of claims
NIFT clearing charges	Expense	2,108	Administrative Expenses - Communication	Administrative Expenses - Clearing and custodian charges

42.2 The State Bank of Pakistan, vide its circular BPRD/BA&CPD/006315/20 dated April 22, 2020, has advised the banks to suspend dividend for the quarter ended March 31, 2020 and quarter ending June 30, 2020. This is a precautionary measure to conserve capital and enhance the lending and loss absorption capacity of the banks caused due to COVID-19 pandemic.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



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