

MOVING FORWARD WITH

PRIDE

Quarterly Report - September 30, 2020
(Un-audited)



Best Bank 2019



Best Customer Franchise 2019



Bank Alfalah
The Way Forward

Contents

Company Information	2
Directors' Review - English	6
Directors' Review - Urdu	12
Unconsolidated Condensed Interim Financial Statements	13
Unconsolidated Condensed Interim Statement of Financial Position	14
Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)	15
Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)	16
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)	17
Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)	18
Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Un-audited)	19
Consolidated Condensed Interim Financial Statements	52
Consolidated Condensed Interim Statement of Financial Position	53
Consolidated Condensed Interim Profit and Loss Account (Un-audited)	54
Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)	55
Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)	56
Consolidated Condensed Interim Cash Flow Statement (Un-audited)	57
Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Un-audited)	58

Company Information

Board of Directors

HH Sheikh Nahayan Mabarak 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

Khalid Qurashi
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)

Khalid Qurashi
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Dr. Ayesha Khan
Member

Board Strategy and Finance Committee (BS&FC)

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Khalid Qurashi
Member

Atif Aslam Bajwa
Member

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

Dr. Ayesha Khan
Chairperson

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Dr. Gyorgy Tamas Ladics
Member

Khalid Qurashi
Member

Board Risk Management Committee (BRMC)

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Member

Efstratios Georgios Arapoglou
Member

Khalid Qurashi
Member

Atif Aslam Bajwa
Member

Board Committees

Board Compensation Committee (BCC)

Dr. Ayesha Khan
Chairperson

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
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

Board Coronavirus Crisis Management Committee (BCCMC)

Efstratios Georgios Arapoglou
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Khalid Qurashi
Member

Dr. Ayesha Khan
Member

Dr. Gyorgy Tamas Ladics
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 period ended September 30, 2020.

Economic Review

2020 has so far been a year of distinct phases for Pakistan and its economy. While 1Q 2020 could be termed as pre-COVID and continuation of the government's stabilisation programme; 2Q 2020 saw the impact of COVID unfold on all fronts. The proactive approach of the government and the regulators led to 3Q 2020 showing signs of recovery from the COVID shock, cushioning the impact on 9M 2020 numbers.

In terms of key data points, the improvement on the external account continued as the Current Account Deficit for 8MCY20 was only USD 129mn compared to a deficit of USD 6.3bn during the same period last year. The primary reasons behind the improvement remained an 18% YoY decline in total imports to USD 32bn; along with a 15% YoY rise in remittances to USD 16.6bn. However, total exports also declined by 17% YoY to USD 16.9bn.

FDI in Pakistan clocked in at USD 1.4bn during 8MCY20, compared to USD 1.0bn recorded in the same period last year, marking an increase of 40%. Power and communication sectors remain the largest recipients, while China was the largest source of FDI during the period.

The positive readings of key data points combined with the initiative of Roshan Digital Account, aim to facilitate investments by overseas Pakistanis, and this was reflected in currency markets as well. Pak Rupee appreciated by 1.4% during 3Q20 to PKR 165.7/USD, capping the decline for 9M 2020 to 7%.

On the growth front, the government reported that GDP growth for the fiscal year ended June 2020 had clocked in marginally negative due to COVID. While still early days for ongoing fiscal year, the initial readings provide some optimism as Large Scale Manufacturing (LSM) output witnessed an increase of 5.0% YoY during Jul '20. On MoM basis, it went up by 9.5%, as government's supportive monetary policy (625bp YTD easing, subsidised credit lines and other relaxations) started to bear fruit. Inflationary pressures, as measured by the CPI have receded significantly from about 15% in 1Q 2020, stood at 9.04% in September 2020.

Equity markets have also depicted the gradual improvement in the economy. The markets have rebounded more than 50% of its lows during the pandemic and the benchmark KSE-100 index closed September 2020 almost at par with the beginning of the year.

Looking ahead, the biggest threat remains a second wave of COVID infections, which could jeopardise the nascent recovery. In addition, the global pandemic also carries implications for Pakistan as the rebound in the global economy will influence the import bill (due to oil prices) and trajectory of exports. The same will also influence foreign inflows into Pakistan via capital markets or bilateral and multilateral sources. The headlines are likely to be focused on a smooth revival of the IMF Programme, which will be key to domestic and international sentiments.

Pakistan has achieved notable success in containing the dual health and economic challenges posed by COVID-19. As the infection curve flattens and business activity resumes, the economy is showing signs of recovery. Pakistan's growth is forecast to recover to 2.1% in fiscal year 2020-21 as economic sentiments improve with the containment of COVID-19 and the resumption of structural reform. Supported by improved growth in agriculture and industry, coupled with an expected improvement in domestic demand overall, services should also contribute to growth in the current fiscal year. How different variables pan out will offer a glimpse into the shape and pace of economic recovery from the COVID lows.

Our Response to COVID-19 Pandemic

From the outset, our priority has been to continue to provide uninterrupted service to our customers, while supporting and providing a safe work environment for our employees and helping those communities hit hard by the pandemic.

To help our customers during the pandemic, we made access to SBP debt relief programme convenient. So far, we have provided assistance to over 6,387 customers through deferment/rescheduling of loans. Furthermore, fresh loans backed by SBP refinance scheme (wage and salaries) were given to over 300 customers.

We are partnering with renowned non-profit organisation in the country to help some of the hardest hit communities get through the pandemic. So far, cash donations, groceries and household need items worth of Rs. 27.3 million were distributed to support vulnerable communities. This amount includes Bank employees' contribution of Rs. 12.2 million.

The Bank will continue to play its due role and take concrete steps to support the employees, customers and communities while balancing medium to long-term positioning.

The Bank is in process of issuing Medium Term Note (MTN) in the form of Rated, Secured, Listed, Redeemable Fixed Rate Term Finance Certificates (TFCs) of up to PKR 50 billion in multiple tranches having individual instrument maturity of 3 year or more. The first tranche is of Rs. 10 billion with a green shoe option of Rs. 2 billion. The instrument will be secured against Government Securities. The issue has been assigned a rating of 'AAA' (Triple-A) by PACRA. The primary purpose for this TFC issuance is to hedge the Bank's fixed rate assets.'

At the close of this period, the Bank remains adequately capitalised with CAR at 18.35%.

We are at the forefront of launch of Bank Alfalah Roshan Digital Account. Roshan Digital Account is a major initiative of State Bank of Pakistan, in collaboration with commercial banks operating in Pakistan. These accounts will provide innovative banking solutions for millions of Non-Resident Pakistanis (NRPs) seeking to undertake banking, payment and investment activities in Pakistan. Bank Alfalah also supports Government of Pakistan's and State Bank of Pakistan's initiatives and policy reforms for affordable housing in Pakistan. We are on verge of launch of Alfalah Ghar Asaan product, a low cost housing finance product under Mera Pakistan Mera Ghar initiative. Alfalah Ghar Asaan product will provide housing finance facility to low income segment including informal sector for purchase and construction of new houses at subsidised markup rates.

Dividend

The Board of Directors has declared an interim cash dividend of 20% i.e. Rs. 2.0 per share (YTD September 30, 2019: Rs. 2.0 per share).

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'. During the period, the unsecured subordinated debt (Term Finance Certificates – TFC V) of the Bank was redeemed by exercising call option; as at the previous reporting period, it was assigned a credit rating of 'AA' (Double A), with Outlook assigned as 'Stable'.

Furthermore, VIS Credit Rating Company Limited (formerly 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. Being an essential service provider, Bank Alfalah continues to play a lead role in the economic growth and providing financial services to the masses. 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 & Chief Executive Officer
October 21, 2020
Karachi

Khalid Qurashi
Director

کے ساتھ ساتھ ہم کم لاگت کے ڈھانڈے بیس، کیپیٹل آن رسک ایسیٹ، 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، سیکورٹیز اینڈ 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 شیئربولڈرز، صارفین، کاروباری شریک اور بینک کے عملے کا بھی تہ دل سے شکر گزار ہیں۔ ہم بینک کی انتظامیہ اور ملازمین کی کارکردگی سے خوش اور مطمئن ہیں جو ہمارے کلائنٹس، کمیونٹیز اور شیئربولڈرز کو اپنی بھرپور خدمات پیش کرتے ہیں۔

خالد قریشی

ڈائریکٹر

عاطف اسلم باجوہ

صدر اور چیف ایگزیکٹو آفیسر

21 اکتوبر، 2020

کراچی

رہا ہے تاکہ COVID-19 کے پھیلاؤ کے نتیجے میں زیادہ خطرے سے متاثر ہونے والے اکاؤنٹس کی شناخت کی جاسکے۔ میکرو اکنامک ماحول پر مبنی، اس اضافی پرویزن کا جائزہ سہ ماہی بنیاد پر لیا جائے گا۔

اس مدت کے دوران سیکیورٹیز پر نمایاں سرمایہ جاتی منافع وصول ہونے کے باوجود 30 ستمبر 2020 کے اختتام پر سیل انویسٹمنٹس کے لیے دستیاب غیر وصول شدہ گل منافع 7,463 بلین روپے پر قائم ہوا، جبکہ 31 دسمبر 2019 کو یہ 6,461.4 بلین روپے تھا۔ یہ منافع زیادہ تر فیڈرل گورنمنٹ سیکیورٹیز اور لسٹڈ شیئرز پر حاصل ہوا۔

بینک کی توجہ اپنی ڈپازٹ بیس کے دوبارہ فائلنگ کرنے پر رہی۔ گل ڈپازٹس 820,066 بلین روپے ریکارڈ کیے گئے۔ کرنٹ اکاؤنٹس 376,991 بلین روپے پر قائم ہونے جو کہ دسمبر 2019 کے مقابلے میں 10.9% کا اضافہ ہے۔ ہمارے کرنٹ اکاؤنٹ سیونگ اکاؤنٹ کا تناسب 82.3% بڑھا جو انڈسٹری میں بینک کی لیڈنگ پوزیشن ظاہر کرتا ہے۔ بینک کے مجموعی ایڈوانسز 520,475 بلین روپے پر قائم ہونے اور ڈپازٹس پر ہمارے مجموعی ایڈوانسز کا تناسب 63.5% پر قائم ہوا۔

بینک، میڈیم ٹرم نوٹ کے اجراء کے پروسس میں مصروف ہے جو کہ ریڈ، سیکیورڈ، لسٹڈ، ریڈیم کیے جانے کے قابل فکسڈ ریٹ ٹرم فنانش سرٹیفیکٹس ("ٹی ایف سیز") کی شکل میں 50 بلین روپے تک کی ملٹی پل مالیت کے بولنگے جن میں انفرادی انسٹرومنٹ کی میچورٹی 3 سال یا زائد مدت کی ہوگی۔ 10 بلین روپے کی پہلی مالیت 2 بلین روپے کے گرین شو آپشن کے ساتھ ہے۔ انسٹرومنٹ کو حکومتی سیکیورٹیز سے تحفظ حاصل ہوگا۔ PACRA کی جانب سے اس اجراء کو AAA (ٹریپل اے) کی ریٹنگ دی گئی ہے۔ ٹی ایف سیز کے اجراء کا بنیادی مقصد بینک کے مقرر شرح کے اثاثوں کو مالیاتی نقصان سے بچانا ہے۔

اس مدت کے اختتام پر، بینک 18.35% کپیٹل کے موزوں تناسب کے ساتھ مناسب طور پر کپیٹلائزڈ رہا۔

ہم حال ہی میں بینک الفلاح روشن ڈیجیٹل اکاؤنٹ کا آغاز کر رہے ہیں۔ روشن ڈیجیٹل اکاؤنٹ، اسٹیٹ بینک آف پاکستان کا ایک بڑا قدم ہے جو پاکستان کے کمرشل بینکوں کے ساتھ اشتراک کے ذریعے متعارف کروایا گیا ہے۔ یہ اکاؤنٹس ان لاکھوں غیر رہائشی پاکستانیوں کو جدید بینکنگ کی سہولیات فراہم کریں گے جو پاکستان میں بینکاری، ادائیگی اور سرمایہ کاری کرنے کی سہولت حاصل کرنا چاہتے ہیں۔ پاکستان میں قابل استطاعت ہاؤسنگ کے لیے حکومت پاکستان اور اسٹیٹ بینک آف پاکستان کی طرف سے اٹھائے جانے والے اقدامات اور پالیسی کی اصلاحات میں بینک الفلاح بھرپور تعاون بھی کرتا ہے۔ ہم نے الفلاح گھر آسان پروڈکٹ کا آغاز کیا ہے جو کہ میرا پاکستان میرا گھر کے تحت ایک کم لاگتی ہاؤسنگ فنانشن پروڈکٹ ہے۔ الفلاح گھر آسان پروڈکٹ کے ذریعے کم آمدنی والے طبقہ بشمول انٹارمل سیکٹر، رعایتی مارک آب ریٹس پر نئے گھروں کی خرید اور تعمیر کے لیے ہاؤسنگ فنانش فیسیلیٹی حاصل کرے گا۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 20% یعنی 2 روپے فی شیئر کے انٹرم کیش ڈیویڈنڈ کا اعلان کیا ہے (30.0 YTD ستمبر 2019، 2 روپے فی شیئر)۔

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے بینک کی ایبیلیٹی ریٹنگ طویل مدت کے لیے 'AAA' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A1+' (اے ون پلس) تفویض کی گئی۔ بینک کا آؤٹ لک 'مثبت' قرار دیا گیا ہے۔ اس مدت کے دوران، بینک کے اس سیکورڈ سب آرڈینمنٹ ڈیٹ (ٹرم فنانش سرٹیفیکٹ) کو کال آپشن کے استعمال سے ریڈیم کیا گیا، کیونکہ پچھلی مدت میں اس کی کریڈٹ ریٹنگ AA (ڈبل اے) تفویض کی گئی تھی اور اس کا آؤٹ لک مثبت قرار دیا گیا۔

مزید یہ کہ، VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے بھی بینک الفلاح کو طویل مدت کے لیے 'AAA' (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 اس سیکورڈ Tier 1 کپیٹل (ٹرم فنانش سرٹیفیکٹ) کی ریٹنگ AA- (ڈبل اے منانس) 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 کپیٹل، 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۔ ایک اہم سروس پرووائڈر کی حیثیت سے بینک الفلاح معاشی ترقی میں ایک بہترین کردار ادا کر رہا ہے اور عوام کو مالی خدمات فراہم کر رہا ہے۔ 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

بہم ملک کے معروف غیر منافع بخش ادارے کے ساتھ شراکت داری کر رہے ہیں تاکہ وبائی مرض کی وجہ سے سب سے زیادہ نقصان اٹھانے والی کمیونٹیز کی مدد کی جائے۔ اب تک ، 27.3 ملین روپے مالیت کے تنذ عطیات ، گھانے پینے کی اشیاء اور گھریلو ضروریات کا سامان متاثرہ کمیونٹیز میں تقسیم کیا جا چکا ہے۔ اس رقم میں بینک کے ملازمین نے بھی اپنا حصہ ڈالا جس کی مالیت 12.2 ملین روپے ہے۔

بینک ، اپنے ملازمین ، صارفین اور کمیونٹیز کے ساتھ تعاون کے لیے اپنا بھر پور کردار ادا کرے گا اور مستحکم اقدامات اٹھانے گا تاکہ طویل مدت تک توازن کی صورت حال برقرار رہے۔

بینک کی کارکردگی کا جائزہ

30 ستمبر 2020 کو ختم ہونے والی مدت کے لیے بینک کے مالیاتی نتائج کی جھلکیاں مندرجہ ذیل ہیں :

31 دسمبر، 2019	30 ستمبر، 2020	روپے ملین میں	مالیاتی پوزیشن
88,028	93,733		شیر ہولڈرز کی ایکونٹی
1,065,311	1,243,782		انٹرنل کی مجموعی مالیت
782,284	820,066		جمع شدہ رقم (ڈپازٹس)
511,236	495,888		ایڈوانسز - خالص
299,098	539,707		سرمایہ کاربان - خالص

30 ستمبر، 2019 کو ختم ہونے والی مدت	30 ستمبر، 2020 کو ختم ہونے والی مدت	روپے ملین میں	مالیاتی کارکردگی
40,417	44,491		خالص سود آمدنی اور نان مارک آف آمدنی
21,908	23,877		نان مارک اپ اخراجات
2,012	6,279		پروویژن اور رائلٹ آف (خالص)
16,496	14,335		قبل از ٹیکس منافع
9,242	8,331		بعد از ٹیکس منافع
5.20	4.69		بنیادی آمدنی فی شیئر - روپے
5.20	4.69		ڈائیلیوڈ آمدنی فی شیئر - روپے

30 ستمبر 2020 کو ختم ہونے والی مدت کے لیے بینک نے 20,614 بلین روپے آپریٹنگ منافع کا اظہار کیا ، جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 11.4% زیادہ ہے۔ بعد از ٹیکس منافع 8,331 بلین روپے پر قائم ہوا جبکہ پچھلے سال اسی مدت کے لیے 9,242 بلین روپے تھا ، اس طرح فی شیئر آمدنی 4.69 روپے رہی (ستمبر 2019: 5.20 روپے)۔ وبائی بیماری کے باعث معیشت پر پڑنے والے اثر کے حوالے سے ، بینک نے ایڈوانسز کے لیے بننے والے پروویژن پر مزید احتیاط اختیار کی ہے جو اس کمی کا باعث بنی۔ اسٹیٹ بینک آف پاکستان کی طرف سے ملنے والی رعایت سے فائدہ اٹھانے کے بجائے نقصان کے مزید پروویژن بھی پیشگی بک کیے گئے۔

ریونیو کی سطح پر اصل مارک اپ آمدنی اور نان مارک اپ آمدنی کو ملا کر 10.1% کی ترقی دیکھنے میں آئی۔ اصل سودی آمدنی 3.4% تھی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں زیادہ رہی اور 34,467 بلین روپے پر بند ہوئی۔ باوجود اس کے کہ ہالیسی کی شرح میں 625 بنیادی پوائنٹس کی تیزی سے کمی ہوئی اور کورونا کے وجہ سے پڑنے والے اثر بشمول ایس ایم ایچ / انفرادی افراد کے قرضہ جات کی وقت سے پہلے دوبارہ قیمت لگانی گئی اور شرح سود ہالیسی کی شرح کے متوازن رہی ، اصل سودی آمدنی میں اس اضافے کی وجہ بلند اوسط آمدنی سے اٹھانے اور مؤثر بیلنس شیٹ مینجمنٹ ہیں۔ پچھلے سال کی مارک اپ آمدنی میں پرانے نان پرفارمنگ لونز کی وصولیاں بھی شامل ہیں۔ نان مارک اپ آمدنی 10,024 بلین روپے پر قائم ہونے میں جس میں 41.7% کا اضافہ ہے جو کہ حکومتی سیکورٹیز پر حاصل کردہ 2,185 بلین روپے کے کیپیٹل گین کی مستحکم حصہ داری شامل ہے۔ ملک میں لاک ڈاؤن اور ریگولیشنری چھوٹ جیسے انٹر بینک فنڈز ٹرانسفر فیس ، ایس ایم ایس الرٹس فیس ، وغیرہ کے باعث ٹرانزیکشن کی تعداد کم ہونے کی وجہ سے فیس اور کمیشن کی آمدنی بھی کم رہی۔

پچھلے سال اسی مدت کے مقابلے میں نان مارک اپ اخراجات 9.0% پر قائم ہوئے ، یہ اضافہ بڑی حد تک عملے پر آنے والی لاگت ، آئی ٹی کی معاونت اور مینیجمنٹ فیس ، پچھلے سال کھولسی گئی نئی برانچوں کے باعث پورے سال پر پڑنے والے اثرات بمعہ سنگائی اور روپے کی مالیت میں کمی سے ہونے والے تمام تر اثر کے باعث ممکن ہوا۔ بینک کی آمدنی کے تناسب کی لاگت 52.6% ہے جو کہ پچھلے سال اسی مدت کے مقابلے میں تھوڑی بہتر ہے۔

اس مدت کے دوران ، بینک نے کلانٹس کے کریڈٹ میں کمی کے عوض سبجیکٹ پروویژنگ میں اضافے کے ساتھ 3.5 بلین روپے کا جنرل پروویژن حاصل کیا۔ غیر یقینی معاشی ماحول میں ، بینک توقع رکھتا ہے کہ وہاں کے باعث کئی قرضدار متاثر ہوں گے۔ ان میں سے بہت سے قرضداروں نے اسٹیٹ بینک آف پاکستان کا ڈیفارمنٹ / ری اسٹرکچرنگ / ری شیڈولنگ رہلیف حاصل کر لیا ہے اور کیونکہ معاشی دباؤ کے مکمل متوقع اثر کی پیش گوئی کرنا مشکل ہے ، اس لیے بینک نے یہ جنرل پروویژن قائم کیا ہے۔ بینک ، پورٹفولیو کا مسلسل جائزہ لے

ڈائریکٹر کا جائزہ

ہم بورڈ آف ڈائریکٹرز کی جانب سے بینک الفلاح لمیٹڈ کے لیے 30 ستمبر 2020 کو ختم ہونے والی مدت کی غیر انضمام شدہ کنڈیشنڈ انٹرم مالیاتی گوشوارے پیش کرنے میں خوشی محسوس کرتے ہیں۔

معاشی جائزہ

سال 2020، پاکستان اور اس کی معیشت کے لیے اب تک ایک ایسا سال رہا جس میں مختلف مراحل دیکھنے میں آئے۔ اس طرح 2020 کی پہلی سہ ماہی کو پوری کوویڈ کہا جاسکتا ہے جس میں حکومت کی طرف سے استحکامی پروگرام جاری رہے، 2020 کی دوسری سہ ماہی میں کوویڈ کے اثرات ہر سطح پر نظر آئے۔ حکومت اور ضابطہ کاروں کی پیش قدمی کے باعث 2020 کی تیسری سہ ماہی میں کوویڈ سے ہونے والے 9 ماہ کے نقصان میں بحالی نظر آنے لگی۔

اہم ڈیٹا پوائنٹس کے لحاظ سے بیرونی اکاؤنٹ میں ترقی 8MCY20 کے لیے بطور کرینٹ اکاؤنٹ ڈیفینسٹ جاری رہی جو کہ صرف 129 ملین یو ایس ڈالر تھی جبکہ پچھلے سال اسی مدت کے لیے ڈیفینسٹ 6.3 بلین یو ایس ڈالر تھے۔ ترقی کی بنیادی وجوہات میں گل درآمدات میں 18% سال بہ سال کمی ہے جو کہ 32 بلین یو ایس ڈالر ہے، ساتھ ہی ری میٹیننسز میں سال بہ سال 15% ترقی ہے جو کہ 16.6 بلین یو ایس ڈالر ہے۔ تاہم، گل برآمدات بھی سال بہ سال 17% کم ہونے جو کہ 16.9 بلین یو ایس ڈالر ہے۔

8MCY20 کے دوران، پاکستان میں ایف ڈی آئی 1.4 بلین یو ایس ڈالر پر پہنچی، جبکہ پچھلے سال اسی مدت میں 1.0 بلین یو ایس ڈالر تھی رہی، یعنی 40% اضافہ ہوا۔ پاور اور کمیونیکیشن سیکٹرز سب سے بڑے وصول کنندگان رہے، جبکہ اس مدت کے دوران چین ایف ڈی آئی کا سب سے بڑا ذریعہ رہا۔

اہم ڈیٹا پوائنٹس کی مثبت ریڈنگز کو روشن ڈیجیٹل اکاؤنٹ کے اقدام کے ساتھ ملایا گیا، اس کا مقصد بیرون ملک مقیم پاکستانیوں سے سرمایہ کاری کا حصول تھا اور اس کا اثر کرنسی مارکیٹ میں بھی دیکھا گیا۔ 2020 کی تیسری سہ ماہی کے دوران پاکستانی روپے میں 1.4% کی ترقی ہوئی جو کہ 165.7 پاکستانی روپے فی یو ایس ڈالر رہی، 2020 کے 9 ماہ میں 7% کمی ہوئی۔

ترقی کے محاذ پر حکومت نے مطلع کیا کہ جون 2020 کو ختم ہونے والے مالی سال کے لیے جی ڈی پی گروتھ کوویڈ کی وجہ سے منفی رہی، جبکہ رواں مالی سال کے ابتدائی دنوں میں ابتدائی ریڈنگز نے کچھ امید دلائی کیونکہ بڑے پیمانے پر ہونے والی مینو فیکچرنگ کے نتیجے میں جولائی 2020 کے دوران سال بہ سال 5.0% اضافہ دیکھنے میں آیا۔ ماہ بہ ماہ کی بنیاد پر یہ 9.5% تک گیا کیونکہ حکومت کی سپورٹو مانیٹری پالیسی (625bp YTD آسان، سبسائیڈائزڈ کریڈٹ لائزز اور دیگر رعایتیں) نے نفع حاصل کرنا شروع کر دیا تھا۔ مہنگائی کے دباؤ، جیسا کہ سی پی آئی کی طرف سے اس کی پیمائش کی جاتی ہے، 2020 کی پہلی سہ ماہی میں 15% سے نمایاں طور پر کم ہو چکا ہے، ستمبر 2020 میں یہ 9.04% رہا۔

ایکونٹری مارکیٹس نے بھی معیشت میں بتدریج ترقی کی نشاندہی کی۔ مارکیٹس نے وبائی بیماری کے دوران ہونے والے نقصانات کے 50% سے زیادہ کا نفع واپس حاصل کیا اور کے ایس ای 100 انڈیکس ستمبر 2020 میں تقریباً اسی قیمت پر بند ہوا جو کہ سال کے آغاز پر تھی۔

آگے بڑھتے ہوئے، کوویڈ انفیکشنز کی دوسری لہر کی آمد جو کہ سب سے بڑا خطرہ ہے، حال ہی میں ہونے والی بحالی کو خطرے میں ڈال سکتا ہے۔ اس کے علاوہ، عالمی وبائی مرض، پاکستان کے لیے نقصانات بھی لاتا ہے کیونکہ عالمی معیشت میں ری باؤنڈ، درآمدی بل (نیل کی قیمتوں کی وجہ سے) اور برآمدات کی رفتار پر اثر انداز ہوگا۔ بذریعہ کیپیٹل مارکیٹس یا باہمی اور متعدد ذرائع، یہ پاکستان میں بیرونی ان فلوز پر بھی اثر انداز ہوگا۔ خبروں کی توجہ آئی ایم ایف پروگرام کی روان بحالی پر رہے گی جو کہ مقامی اور بین الاقوامی سٹیٹیمینٹس کے لیے اہم ہے۔

پاکستان نے کوویڈ 19 کے باعث درپیش صحت اور معاشی چیلنجز دونوں میں قابل ذکر کامیابی حاصل کی ہے۔ کیونکہ انفیکشن اب کم ہوا ہے اور کاروباری سرگرمیاں معمول پر آگئی ہیں، معیشت میں بحالی کی علامات واضح نظر آ رہی ہیں۔ مالی سال 2020-21 میں پاکستان کی ترقی میں 2.1% گروتھ کی پیش گوئی ہے کیونکہ کوویڈ 19 کی روک تھام اور ساختی اصطلاح کی بحالی کے باعث معیشت میں ترقی آئی ہے۔ زراعت اور صنعت میں بڑھتی ترقی کی معاونت اور مقامی طلب میں متوقع بہتری کے ساتھ موجودہ مالی سال میں سروسز کے معیار میں بھی اضافہ ملے گا۔ کس طرح کے مختلف تغیرات سامنے آئیں گے جن سے کوویڈ سے ہونے والے نقصانات میں کمی اور معاشی بحالی کی مثبت ساخت اور رفتار ملے گی۔

وبائی مرض کوویڈ 19 کے حوالے سے ہمارے اقدامات

ابتداء سے ہی، ہماری بہ ترجیح رہی ہے کہ اپنے ملازمین کے لیے کام کا محفوظ ماحول فراہم کرنے اور وبائی مرض سے متاثر ہونے والی کمیونٹی کی مدد کرنے کے ساتھ ساتھ ہم اپنے صارفین کو خدمات بھی تسلسل کے ساتھ فراہم کرتے رہیں۔

وبائی مرض کے دوران اپنے صارفین کی مدد کرنے کے لیے ہم نے اسٹیٹ بینک آف پاکستان کے قرض ریلیف پروگرام کو باسبولٹ بنایا۔ اب تک، ہم نے قرضوں کے القواء / ری شیڈولنگ کے ذریعے 6,387 سے زائد صارفین کو رہنمائی فراہم کی۔ مزید یہ کہ، اسٹیٹ بینک آف پاکستان کی ری فنانس اسکیم (اجرت اور تنخواہوں) کے تحت 300 سے زائد صارفین کو نئے قرضے دینے گئے۔

Bank Alfalah Limited

**Unconsolidated Condensed Interim
Financial Statements**

Nine months period ended September 30, 2020

Unconsolidated Condensed Interim Statement of Financial Position

As at September 30, 2020

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	7	79,502,047	100,731,873
Balances with other banks	8	3,192,441	4,709,968
Lendings to financial institutions	9	53,161,086	71,434,895
Investments	10	539,706,654	299,098,115
Advances	11	495,887,663	511,235,949
Fixed assets	12	30,912,228	29,087,028
Intangible assets	13	1,358,708	1,257,361
Deferred tax assets		-	-
Other assets	14	40,060,703	47,755,956
		1,243,781,530	1,065,311,145
LIABILITIES			
Bills payable	15	22,391,152	17,169,059
Borrowings	16	234,175,080	102,842,330
Deposits and other accounts	17	820,065,829	782,284,196
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,000,000	11,987,000
Deferred tax liabilities	19	1,941,139	3,450,993
Other liabilities	20	64,475,058	59,549,991
		1,150,048,258	977,283,569
NET ASSETS		93,733,272	88,027,576
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		28,192,648	26,046,019
Surplus on revaluation of assets	21	10,952,174	11,367,004
Unappropriated profit		36,816,799	32,842,902
		93,733,272	88,027,576
CONTINGENCIES AND COMMITMENTS	22		

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the nine months period ended September 30, 2020

Note	Quarter ended September 30, 2020	Quarter ended September 30, 2019	Nine months period ended September 30, 2020	Nine months period ended September 30, 2019	
----- (Rupees in '000) -----					
Mark-up/Return/Interest Earned	24	21,787,098	24,818,777	71,735,552	66,464,962
Mark-up/Return/Interest Expensed	25	10,681,394	13,146,174	37,268,752	33,123,609
Net Mark-up/Interest Income		11,105,704	11,672,603	34,466,800	33,341,353
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	26	1,831,792	1,726,110	4,791,401	5,221,003
Dividend Income		57,290	80,868	253,943	250,645
Foreign Exchange Income		753,743	691,488	2,762,357	1,955,256
Gain / (loss) from derivatives		1,592	(49,413)	(59,636)	(62,305)
Gain / (loss) on securities	27	452,294	(373,823)	2,184,953	(438,021)
Other income	28	45,548	21,909	91,092	149,118
Total non-mark-up / interest income		3,142,259	2,097,139	10,024,110	7,075,696
Total income		14,247,963	13,769,742	44,490,910	40,417,049
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29	7,843,806	7,468,763	23,382,886	21,356,649
Workers' Welfare Fund	30	130,349	124,463	406,124	379,847
Other charges	31	45,164	62,352	87,667	171,644
Total non-mark-up / interest expenses		8,019,319	7,655,578	23,876,677	21,908,140
Profit before provisions		6,228,644	6,114,164	20,614,233	18,508,909
Provisions and write offs - net	32	1,490,364	1,032,607	6,278,815	2,012,435
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		4,738,280	5,081,557	14,335,418	16,496,474
Taxation	33	1,991,040	2,048,079	6,003,958	7,254,037
PROFIT AFTER TAXATION		2,747,240	3,033,478	8,331,460	9,242,437
----- Rupees -----					
Basic earnings per share	34	1.55	1.71	4.69	5.20
Diluted earnings per share	35	1.55	1.71	4.69	5.20

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the nine months period ended September 30, 2020

	Quarter ended September 30, 2020	Quarter ended September 30, 2019	Nine months period ended September 30, 2020	Nine months period ended September 30, 2019
	------(Rupees in '000)-----			
Profit after taxation for the period	2,747,240	3,033,478	8,331,460	9,242,437
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	(303,685)	(359,180)	1,313,483	2,081,548
Movement in surplus / (deficit) on revaluation of investments - net of tax	(1,213,688)	1,338,503	(384,917)	1,878,516
	(1,517,373)	979,323	928,566	3,960,064
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	(48,929)	(8,239)	(29,907)	(57,611)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(836)	(502)	(6)	(1,109)
	(49,765)	(8,741)	(29,913)	(58,720)
Total comprehensive income	1,180,102	4,004,060	9,230,113	13,143,781

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the nine months period ended September 30, 2020

	Capital Reserves			Statutory reserve	Revenue Reserves	Surplus/(Deficit) on revaluation		Unappropriated profit	Total
	Share capital	Share premium	Exchange translation reserve		Employee share option compensation reserve	Investments	Fixed and Non Banking Assets		
------(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 nine months period ended September 30, 2019									
Profit after taxation	-	-	-	-	-	-	-	9,242,437	9,242,437
Other comprehensive income - net of tax	-	-	2,081,548	-	-	1,878,516	648	-	3,960,712
Transfer to statutory reserve	-	-	-	924,244	-	-	-	(924,244)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(59,368)	59,368	-
Reversal of deferred employee compensation expense	-	-	-	-	(5,201)	-	-	-	(5,201)
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,389	-	-	(25,389)	-	-	-	-
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)
interim cash dividend for the half year ended June 30, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)
Shares issued under stock option scheme during the period	28,022	10,060	-	-	-	-	-	-	38,082
Balance as at September 30, 2019	17,771,651	4,731,049	7,132,997	14,197,359	-	1,922,246	7,280,500	29,631,229	82,667,031
Changes in equity for three months ended December 31, 2019									
Profit after taxation	-	-	-	-	-	-	-	3,453,080	3,453,080
Other comprehensive income - net of tax	-	-	(360,694)	-	-	2,122,712	83,343	62,104	1,907,465
Transfer to statutory reserve	-	-	-	345,308	-	-	-	(345,308)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(41,797)	41,797	-
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 nine months period ended September 30, 2020									
Profit after taxation	-	-	-	-	-	-	-	8,331,460	8,331,460
Other comprehensive income - net of tax	-	-	1,313,483	-	-	(84,917)	-	-	928,566
Transfer to statutory reserve	-	-	-	833,146	-	-	-	(833,146)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(29,913)	29,913	-
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 September 30, 2020	17,771,651	4,731,049	8,085,786	15,375,813	-	3,660,041	7,292,133	36,816,799	93,733,272

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2020

	Note		Nine month period ended	
	September 30, 2020	September 30, 2019	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	14,335,418	16,496,474		
Dividend income	(253,943)	(250,645)		
	14,081,475	16,245,829		
Adjustments				
Depreciation	2,790,166	2,443,372		
Amortisation	331,720	360,757		
Provisions and write offs - net	6,278,815	2,012,435	32	
Unrealised (gain) / loss on revaluation of investments classified as held for trading-net	5,022	27,797		
Gain on sale of operating fixed assets - net	(33,215)	(98,008)		
Borrowing cost on lease liability	1,043,818	1,034,746		
Workers' Welfare Fund	406,124	379,847		
Charge for defined benefit plan	128,062	90,000		
Charge for staff compensated absences	72,000	90,000		
	11,022,512	6,340,946		
	25,103,987	22,586,775		
Decrease / (increase) in operating assets				
Lendings to financial institutions	20,129,156	(4,832,673)		
Held for trading securities	(35,675,493)	(17,190,141)		
Advances	9,180,299	29,677,435		
Other assets (excluding advance taxation)	7,275,730	(8,341,574)		
	909,692	(686,953)		
Increase / (decrease) in operating liabilities				
Bills payable	5,222,093	(20,435,779)		
Borrowings	129,964,139	49,479,316		
Deposits	37,781,633	8,366,267		
Other liabilities (excluding current taxation)	(877,003)	3,939,928		
	172,090,862	41,349,732		
	198,104,541	63,249,554		
	(3,935,996)	(2,910,362)		
Income tax paid				
Net cash generated from operating activities	194,168,545	60,339,192		
CASH FLOWS FROM INVESTING ACTIVITIES				
Net investments in available-for-sale securities	(210,294,892)	(46,078,462)		
Net investments in held-to-maturity securities	5,250,660	(6,982,571)		
Dividends received	239,336	212,712		
Investments in operating fixed assets	(2,691,149)	(2,381,775)		
Proceeds from sale of fixed assets	82,287	303,685		
Effect of translation of net investment in foreign branches	1,313,483	2,081,548		
Net cash used in investing activities	(206,100,275)	(52,844,863)		
CASH FLOWS FROM FINANCING ACTIVITIES				
(Payment) / receipts of subordinated debt	(4,987,000)	(2,000)		
Payment of leased obligations	(1,815,784)	(2,203,370)		
Issuance of share capital	-	38,082		
Dividend paid	(3,526,103)	(2,494,760)		
Net cash used in financing activities	(10,328,887)	(4,662,048)		
(Decrease) / Increase in cash and cash equivalents	(22,260,617)	2,832,281		
Cash and cash equivalents at beginning of the year	138,093,859	104,599,163		
Effects of exchange rate changes on cash and cash equivalents	(3,039,127)	(4,097,767)		
	135,054,732	100,501,396		
Cash and cash equivalents at end of the period	112,794,115	103,333,677		

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the nine months period ended September 30, 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 686 branches (December 31, 2019: 674 branches) and 24 sub-branches (December 31, 2019: 24 sub-branches). Out of these, 505 (December 31, 2019: 501) are conventional, 170 (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) as notified under Companies Act 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; 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 has directed 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.

2.1.4 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim unconsolidated financial statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2019.

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

There are certain interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are either 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
Covid-19-Related Rent Concessions - Amendment to IFRS 16	June 01, 2020
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized
Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.	
Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	January 01, 2014
IFRS 17 – Insurance Contracts	January 01, 2023

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except for certain fixed assets and non banking assets acquired in satisfaction of claims which are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments which are measured at fair value 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 unconsolidated condensed interim financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2019, except for the calculation of general provision as stated in note 6.1.1.

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 625 basis points to 7 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 for retail asset classification by 44 percent to Rs.180 million, thus resulting in reduced risk weighted assets; (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 include 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. Major aspects of COVID 19 on the Bank are discussed below:

6.1.1 Assets quality and credit risk

The Credit & Risk Management Group of the Bank is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. Since many of such covid affected borrowers have availed the SBP enabled deferment / restructuring & rescheduling relief, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. The Bank anticipates that it is appropriate to maintain a general loan loss reserve given the uncertainty that may prevail until the pandemic is over. Accordingly, the management of the Bank has estimated a general provision of Rs. 3,500 million which approximates to 2.3% of the restructured customers as at September 30, 2020. Had this change of estimate not been made, advances and the profit after tax for the nine months period ended would have been higher by Rs. 3,500 million and Rs. 2,275 million respectively.

The Bank has further strengthened its credit review procedures in the light of COVID 19. The Bank has also conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained is sufficient.

6.1.2 Liquidity management

The 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 165.70 as at September 30, 2020. The exchange rate is expected to remain volatile till the uncertainty around COVID 19 resolves. The ALCO continuously monitors Net Open Positions and believes that it has no significant impact on profit and loss account.

6.1.5 Operations

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of 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 been increased by SBP to Rs.180 million, which will now result in reduced Risk Weighted Assets for some of its loans in this asset class. In addition to the measures by SBP, the Senior management of the Bank is continuously monitoring the impacts of various decisions on the Bank's 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.

6.1.7 Impacts of Covid 19 on statement of financial position & profit and loss account

Impacts of Covid 19 on statement of financial position & profit and loss account is disclosed in note 6.1.1.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- (Rupees in 000) -----	
7 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	16,495,689	15,799,677
Foreign currency	2,920,186	2,418,292
	19,415,875	18,217,969
With State Bank of Pakistan in		
Local currency current account	37,269,153	44,854,841
Foreign currency current account	5,611,143	5,551,990
Foreign currency deposit account	7,872,039	14,084,512
	50,752,335	64,491,343
With other central banks in		
Foreign currency current account	7,203,987	8,529,825
Foreign currency deposit account	702,137	659,039
	7,906,124	9,188,864
With National Bank of Pakistan in local currency current account	1,416,444	8,469,281
Prize bonds	11,269	364,416
	79,502,047	100,731,873
8 BALANCES WITH OTHER BANKS		
In Pakistan in current account	17,286	574,335
Outside Pakistan		
In current account	3,151,086	3,535,371
In deposit account	24,069	600,262
	3,175,155	4,135,633
	3,192,441	4,709,968
9 LENDINGS TO FINANCIAL INSTITUTIONS		
Call / clean money lendings	32,407,389	30,552,042
Repurchase agreement lendings (Reverse Repo)	12,341,251	24,931,724
Bai Muajjal receivable		
with State Bank of Pakistan	-	9,018,518
with other financial institutions	8,414,374	6,942,429
	8,414,374	15,960,947
	53,163,014	71,444,713
Less: expected credit loss - overseas branches	(1,928)	(9,818)
Lending to Financial Institutions - net of provision	53,161,086	71,434,895

10 INVESTMENTS

Note

10.1 Investments by type:

	September 30, 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	52,926,529	-	(12,295)	52,914,234	20,533,478	-	(14,058)	20,519,420
Pakistan Investment Bonds	3,981,236	-	3,526	3,984,762	5,148,051	-	(12,795)	5,135,256
Government of Pakistan Sukuks	490,413	-	(8,763)	481,650	-	-	-	-
Shares								
Ordinary shares / units - Listed	494,353	-	(1,595)	492,758	449,778	-	4,858	454,636
Foreign Securities								
Overseas Bonds - Sovereign	4,147,203	-	19,494	4,166,697	-	-	-	-
Overseas Bonds - Others	662,808	-	(5,389)	657,419	915,694	-	2,043	917,737
	62,702,542	-	(5,022)	62,697,520	27,047,001	-	(19,952)	27,027,049
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	189,267,215	-	476,805	189,744,020	72,573,764	-	(14,777)	72,558,987
Pakistan Investment Bonds	144,134,246	-	3,142,262	147,276,508	92,232,030	-	3,220,117	95,452,147
Government of Pakistan Sukuks	25,205,713	-	(9,740)	25,195,973	4,212,347	-	86,367	4,298,714
Government of Pakistan Euro Bonds	2,038,645	-	(22,837)	2,015,808	1,925,652	-	40,577	1,966,229
Shares								
Ordinary shares - Listed	5,641,431	(1,095,704)	2,838,277	7,384,004	5,605,847	(1,029,285)	2,506,441	7,083,003
Ordinary shares - 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	1,576,029	(431,649)	(12,897)	1,131,483	1,753,977	(409,577)	(22,887)	1,321,513
Sukuks	18,628,602	(96,511)	(128,355)	18,403,736	4,817,886	(96,510)	170,457	4,891,833
Foreign Securities								
Overseas Bonds - Sovereign	16,449,626	-	589,869	17,039,495	10,206,335	-	144,151	10,350,486
Overseas Bonds - Others	18,787,788	-	590,198	19,377,986	19,409,473	-	330,542	19,740,015
Redeemable Participating Certificates	2,993,470	-	-	2,993,470	2,727,165	-	-	2,727,165
	426,007,885	(1,817,360)	7,463,582	431,654,107	216,749,596	(1,728,868)	6,460,988	221,481,716
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	16,262,446	-	-	16,262,446	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	(524,266)	-	390,000	714,266	(524,266)	-	190,000
Sukuks	1,211,066	(98,002)	-	1,113,064	1,255,831	(120,898)	-	1,134,933
Foreign Securities								
Overseas Bonds - Sovereign	18,146,299	-	-	18,146,299	13,901,861	-	-	13,901,861
Overseas Bonds - Others	827,208	-	-	827,208	771,808	-	-	771,808
	44,577,651	(622,268)	-	43,955,383	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	-	(34,981)	-	(34,981)	-	(28,422)	-	(28,422)
Total Investments	534,765,684	(2,517,590)	7,458,560	539,706,654	295,102,514	(2,445,435)	6,441,036	299,098,115

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

10.2 Investments given as collateral	(Un-audited)	(Audited)
	September 30, 2020	December 31, 2019
	------(Rupees in 000)-----	
Market Treasury Bills	67,178,834	10,243,269
Pakistan Investment Bonds	59,964,500	10,841,800
Overseas Bonds	-	4,630,519
Sukuks	1,489,597	4,641,103
	128,632,931	30,356,691

Market value of securities given as collateral is Rs. 129,063.272 million (December 31, 2019: Rs. 30,746.266 million).

10.3 Provision for diminution in value of investments	(Un-audited)	(Audited)
	September 30, 2020	December 31, 2019
	------(Rupees in 000)-----	
10.3.1 Opening balance	2,445,435	1,423,999
Exchange and other adjustments	2,274	3,548
Charge / reversals		
Charge for the period / year	985,029	1,589,125
Reversals for the period / year	(22,896)	(49,130)
Reversal on disposals	(892,252)	(522,107)
	69,881	1,017,888
Closing balance	2,517,590	2,445,435

10.3.2 Particulars of provision against debt securities

Category of classification	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	NPI	Provision	NPI	Provision
	------(Rupees in '000)-----			
Domestic				
Loss	1,150,428	1,150,428	1,151,251	1,151,251
Overseas	-	-	-	-
Total	1,150,428	1,150,428	1,151,251	1,151,251

10.3.3 The market value of securities classified as held-to-maturity as at September 30, 2020 amounted to Rs. 45,470.072 million (December 31, 2019: Rs. 49,648.885 million).

11 ADVANCES

Note	Performing		Non Performing		Total	
	September 30, 2020 (Un-audited)	December 31, 2019 (Audited)	September 30, 2020 (Un-audited)	December 31, 2019 (Audited)	September 30, 2020 (Un-audited)	December 31, 2019 (Audited)
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	402,903,907	403,040,273	23,007,196	20,686,613	425,911,103	423,726,886
Islamic financing and related assets	77,972,486	87,309,952	1,644,255	1,532,279	79,616,741	88,842,231
Bills discounted and purchased	14,422,631	17,203,494	524,957	198,336	14,947,588	17,401,830
Advances - gross	495,299,024	507,553,719	25,176,408	22,417,228	520,475,432	529,970,947
Provision against advances						
- Specific	-	-	(20,138,602)	(17,740,415)	(20,138,602)	(17,740,415)
- General	(4,449,167)	(994,583)	-	-	(4,449,167)	(994,583)
	(4,449,167)	(994,583)	(20,138,602)	(17,740,415)	(24,587,769)	(18,734,998)
Advances - net of provision	490,849,857	506,559,136	5,037,806	4,676,813	495,887,663	511,235,949

11.1 Advances include an amount of Rs. 131.420 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 mark-up at the rates ranging from 9.46% to 24.42% (December 31, 2019: 9.46% to 24.46%) with maturities up to December 2039 (December 31, 2019: December 2039).

11.2 Particulars of advances (Gross)	(Un-audited)	(Audited)
	September 30, 2020	December 31, 2019
	------(Rupees in '000)-----	
In local currency	489,924,872	490,264,805
In foreign currencies	30,550,560	39,706,142
	520,475,432	529,970,947

11.3 Advances include Rs. 25,176.408 million (December 31, 2019: Rs. 22,417.228 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Non- Performing Loans	Provision	Non- Performing Loans	Provision
	------(Rupees in '000)-----			
Domestic				
Other Assets Especially Mentioned	131,813	2,576	1,712,714	8,347
Substandard	1,338,018	325,901	2,382,226	579,152
Doubtful	6,050,477	2,378,014	1,918,480	947,661
Loss	17,084,522	16,975,696	15,868,239	15,777,510
	24,604,830	19,682,187	21,881,659	17,312,670
Overseas				
Not past due but impaired				
> 365 days	571,578	456,415	535,569	427,745
Total	25,176,408	20,138,602	22,417,228	17,740,415

11.4 Particulars of provision against advances

Note	September 30, 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	30,476	13,239	43,715	36,327	26,819	63,146
Charge for the period	4,163,728	3,441,345	7,605,073	4,262,029	94,450	4,356,479
Reversals	(1,329,220)	-	(1,329,220)	(2,222,967)	-	(2,222,967)
	2,834,508	3,441,345	6,275,853	2,039,062	94,450	2,133,512
Amounts written off	(431,746)	-	(431,746)	(201,332)	-	(201,332)
Amounts charged off - agriculture financing	(35,051)	-	(35,051)	(17,041)	-	(17,041)
	(466,797)	-	(466,797)	(218,373)	-	(218,373)
Closing balance	20,138,602	4,449,167	24,587,769	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 September 30, 2020 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 75.089 million (December 31, 2019: Rs. 70.090 million).

11.4.2 During the period, non performing loans and provisions were reduced by Rs. 515,000 million due to a debt property swap transaction.

11.4.3 General provision includes:

(i) Provision held in accordance with SBP's prudential regulations against:

- Conventional consumer loans being maintained at an amount equal to 1% of the secured (auto and house loans) performing portfolio and 4% of the unsecured (personal loans and credit cards) performing portfolio;

- Islamic auto loans being maintained at an amount equal to 1% of the secured performing portfolio and for Islamic house loans, at an amount equal to 0.5% of the secured performing portfolio;

- Small Enterprises (SE) portfolio being maintained at an amount equal to 1% against unsecured performing SE portfolio;

(ii) Provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates; and

(iii) Provision of Rs. 3,500,000 million (December 31, 2019: nil) as explained in note 6.1.1.

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

11.4.5 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 September 30, 2020 relating to facilities of customers have not been classified as non-performing.

Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019	
			(Rupees in '000)
12	FIXED ASSETS		
Capital work-in-progress	12.1	911,386	643,413
Property and equipment	12.2	20,195,134	19,256,348
Right-of-use assets		9,805,708	9,187,267
		<u>30,912,228</u>	<u>29,087,028</u>
12.1	Capital work-in-progress		
Civil works		302,185	328,506
Equipment		591,857	295,383
Others		17,344	19,524
		<u>911,386</u>	<u>643,413</u>

12.2 It includes land and building carried at revalued amount of Rs. 14,230,514 million (December 31, 2019: Rs. 13,927,961 million).

(Un-audited)	
September 30, 2020	September 30, 2019
----- (Rupees in '000) -----	

12.3 Additions to fixed assets

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

Capital work-in-progress - net of transferred out for capitalisation	267,973	536,830
Property and equipment		
Building on freehold land	30,679	12,184
Building on leasehold land	49,253	27,876
Lease hold improvement	188,293	74,578
Furniture and fixture	118,039	54,168
Office equipment	1,513,888	1,238,116
Vehicles	111,738	5,835
	2,011,890	1,412,757
Total additions to fixed assets	2,279,863	1,949,587

12.4 Disposal of fixed assets

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

Leasehold land	-	192,500
Building on leasehold	13,927	2,700
Leasehold improvements	8,552	225
Furniture and fixture	905	241
Office equipment	10,107	1,987
Vehicles	15,581	8,024
Total disposal of fixed assets	49,072	205,677

(Un-audited)	(Audited)
September 30, 2020	December 31, 2019
----- (Rupees in '000) -----	

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	409,221	253,483
Software	949,487	1,003,878
	1,358,708	1,257,361

(Un-audited)	
September 30, 2020	September 30, 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 of transferred out for capitalisation	155,738	141,636
Directly purchased	277,318	290,552
Total additions to intangible assets	433,056	432,188

13.2 There were no disposals during the periods ended September 30, 2020 and September 30, 2019.

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		16,519,323	21,292,325
Income/ Mark-up accrued in foreign currency - net of provision		1,118,033	1,092,865
Advances, deposits, advance rent and other prepayments		1,821,679	1,842,797
Advance against subscription of share		82,312	82,312
Non-banking assets acquired in satisfaction of claims	14.1	1,013,207	763,935
Dividend receivable		15,677	1,070
Mark to market gain on forward foreign exchange contracts		1,816,704	2,436,300
Mark to market gain on derivatives		-	20,977
Stationery and stamps on hand		32,410	23,164
Defined benefit plan		891,116	1,019,177
Due from card issuing banks		749,466	886,234
Accounts receivable		2,490,394	829,639
Receivable against fraud and forgeries		80,229	117,010
Acceptances		12,839,346	16,645,791
Receivable against DSC/SSC and overseas government securities		469,983	259,983
Others		244,139	429,854
		40,184,018	47,743,433
Less: Provision held against other assets	14.2	(265,278)	(230,236)
Other assets (net of provision)		39,918,740	47,513,197
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	14.1	141,963	242,759
		40,060,703	47,755,956

14.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 1,157.199 million (December 31, 2019: Rs. 1,005.256 million). During the period, properties having book value of Rs. 355.735 million were moved to operating fixed assets for the purpose of Bank's internal usage.

14.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments	258,463	219,631
Non banking assets acquired in satisfaction of claims	6,815	10,605
	265,278	230,236

14.2.1 Movement in provision held against other assets

Opening balance	230,236	389,766
Exchange and other adjustments	3,756	(9,149)
Charge for the period / year	36,363	72,108
Reversals for the period / year	(5,077)	(54,540)
	31,286	17,568
Amount written off	-	(167,949)
Closing balance	265,278	230,236

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
15	BILLS PAYABLE	
In Pakistan	22,180,642	16,950,808
Outside Pakistan	210,510	218,251
	22,391,152	17,169,059
16	BORROWINGS	
	Secured	
Borrowings from State Bank of Pakistan under:		
Export Refinance Scheme	38,682,157	31,680,935
Long-Term Finance Facility	23,675,598	15,947,561
Financing Facility for Renewable Energy Projects	4,086,731	1,945,374
Financing Facility for Storage of Agriculture Produce (FFSAP)	484,976	325,330
Refinance for Wages & Salaries	19,322,751	-
Others refinance schemes	860,940	-
Repurchase Agreement Borrowings	69,247,405	5,000,000
	156,360,558	54,899,200
Repurchase agreement borrowings	22,462,629	16,064,786
Bai Muajjal	38,462,606	19,192,374
Total secured	217,285,793	90,156,360
	Unsecured	
Call borrowings	9,937,458	10,126,463
Overdrawn nostro accounts	2,307,762	939,151
Others		
- Pakistan Mortgage Refinance Company	190,013	494,646
- Karandaaz Risk Participation	649,260	502,375
- Other financial institutions	3,804,794	623,335
Total unsecured	16,889,287	12,685,970
	234,175,080	102,842,330
17	DEPOSITS AND OTHER ACCOUNTS	

	September 30, 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	302,140,576	72,191,670	374,332,246	270,727,709	66,720,895	337,448,604
Savings deposits	245,736,646	31,234,690	276,971,336	191,870,815	33,470,756	225,341,571
Term deposits	101,494,647	40,231,943	141,726,590	106,891,979	52,368,120	159,260,099
Others	8,120,382	2,469,804	10,590,186	9,393,064	2,215,457	11,608,521
	657,492,251	146,128,107	803,620,358	578,883,567	154,775,228	733,658,795
Financial Institutions						
Current deposits	2,039,926	618,895	2,658,821	1,885,877	468,616	2,354,493
Savings deposits	11,545,976	122,263	11,668,239	28,412,020	56,425	28,468,445
Term deposits	202,666	134,254	336,920	17,579,094	78,196	17,657,290
Others	1,780,188	1,303	1,781,491	144,086	1,087	145,173
	15,568,756	876,715	16,445,471	48,021,077	604,324	48,625,401
	673,061,007	147,004,822	820,065,829	626,904,644	155,379,552	782,284,196

(Un-audited) September 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----	

18 SUBORDINATED DEBT

18.1 Term Finance Certificates V - Quoted, Unsecured	-	4,987,000
---	---	-----------

During the period, the Bank, after obtaining bondholders' approval, inserted a call option in the Term Finance Certificates V and subsequently exercised that call option after completing required regulatory requirements. Accordingly, the said TFC was redeemed on May 18, 2020, being the option exercise date.

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.		

	7,000,000	11,987,000
--	------------------	-------------------

Note	(Un-audited) September 30, 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 held for trading investments

	(981,284)	(682,296)
	(2,075,422)	(566,205)
	(367,669)	(341,904)
	(1,997)	(1,997)
	(1,758)	(6,983)
	(3,428,130)	(1,599,385)

Taxable Temporary Differences on:

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

	1,282,922	1,299,030
	2,612,254	2,261,346
	1,474,093	1,490,002
	5,369,269	5,050,378

	1,941,139	3,450,993
--	------------------	------------------

20 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency	4,357,628	3,539,887
Mark-up/ Return/ Interest payable in foreign currency	883,437	710,032
Unearned fee commission and income on bills discounted and guarantees	751,517	295,257
Accrued expenses	5,384,732	5,433,669
Current taxation	10,308,393	6,379,668
Acceptances	12,839,346	16,645,791
Dividends payable	121,267	93,040
Mark to market loss on forward foreign exchange contracts	2,428,626	3,658,322
Mark to market loss on derivatives	1,132,876	35,385
Branch adjustment account	34,567	233,567
ADC settlement accounts	1,144,448	405,493
Provision for compensated absences	612,000	540,000
Payable against redemption of customer loyalty / reward points	411,357	372,334
Charity payable	8,748	3,278
Provision against off-balance sheet obligations	115,028	129,249
Security deposits against leases, lockers and others	8,664,933	7,121,497
Workers' Welfare Fund	1,884,712	1,478,588
Payable to vendors and suppliers	607,632	637,962
Indirect taxes payable	1,073,571	754,542
Lease Liability	10,620,167	9,367,014
Others	1,090,073	1,715,416
	64,475,058	59,549,991

20.1 Provision against off-balance sheet obligations

Opening balance	129,249	78,450
Exchange and other adjustments	7,193	11,113
Charge for the period	-	39,686
Reversals	(21,414)	-
	(21,414)	39,686
Closing balance	115,028	129,249

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
------(Rupees in 000)-----			
21 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	7,463,582	6,460,988
- Fixed Assets		8,433,092	8,378,317
- Non-banking assets acquired in satisfaction of claims		141,963	242,759
		16,038,637	15,082,064
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		2,612,254	2,261,346
- Fixed Assets		1,246,966	1,263,070
- Non-banking assets acquired in satisfaction of claims		35,956	35,960
		3,895,176	3,560,376
Derivatives		(1,191,287)	(154,684)
		10,952,174	11,367,004
22 CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	66,545,857	63,456,341
-Commitments	22.2	414,460,087	496,023,657
-Other contingent liabilities	22.3	11,664,833	10,150,887
		492,670,777	569,630,885
22.1 Guarantees:			
Financial guarantees		603,630	639,642
Performance guarantees		35,068,116	34,663,032
Other guarantees		30,874,111	28,153,667
		66,545,857	63,456,341
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		104,486,479	93,696,623
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	148,623,342	305,449,119
- forward government securities transactions	22.2.2	102,792,385	39,382,735
- derivatives	22.2.3	18,989,461	17,745,535
- forward lending	22.2.4	38,381,517	38,052,512
Commitments for acquisition of:			
- operating fixed assets		1,053,506	1,283,925
- intangible assets		133,397	413,208
		414,460,087	496,023,657

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
22.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	97,626,566	185,084,250
	Sale	50,996,776	120,364,869
		<u>148,623,342</u>	<u>305,449,119</u>
22.2.2	Commitments in respect of forward government securities transactions		
	Purchase	90,441,953	11,353,334
	Sale	12,350,432	28,029,401
		<u>102,792,385</u>	<u>39,382,735</u>
22.2.3	Commitments in respect of derivatives (Interest Rate Swaps)		
	Purchase	18,989,461	17,745,535
	Sale	-	-
		<u>18,989,461</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	33,023,207	32,688,405
	Commitments in respect of investments	5,358,310	5,364,107
		<u>38,381,517</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>11,664,833</u>	<u>10,150,887</u>

These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of collateral assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

22.4 Contingency for tax payable

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

23 DERIVATIVE INSTRUMENTS

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

23.1 Product Analysis

Counterparties	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	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	31	18,989,461	(1,132,876)	30	17,745,535	(14,408)
	<u>31</u>	<u>18,989,461</u>	<u>(1,132,876)</u>	<u>30</u>	<u>17,745,535</u>	<u>(14,408)</u>

Note	(Un-audited)	
	Nine months period ended	
	September 30, 2020	September 30, 2019

------(Rupees in '000)-----				
24	MARK-UP/RETURN/INTEREST EARNED			
	On:			
a)	Loans and advances	39,278,702	42,555,612	
b)	Investments	28,063,081	14,038,129	
c)	Lendings to financial institutions	2,959,685	4,089,798	
d)	Balances with banks	49,809	31,631	
e)	On securities purchased under resale agreements / Bai Muajjal	1,384,275	5,749,792	
		<u>71,735,552</u>	<u>66,464,962</u>	
25	MARK-UP/RETURN/INTEREST EXPENSED			
	On:			
a)	Deposits	25,094,678	24,505,966	
b)	Borrowings	2,446,389	1,461,528	
c)	Securities sold under repurchase agreements	4,613,577	1,723,310	
d)	Subordinated debt	989,914	1,066,023	
e)	Cost of foreign currency swaps against foreign currency deposits / borrowings	3,010,305	3,230,059	
f)	Borrowing cost on leased properties	1,043,818	1,034,746	
g)	Reward points	70,071	101,977	
		<u>37,268,752</u>	<u>33,123,609</u>	
26	FEE & COMMISSION INCOME			
	Branch banking customer fees	817,048	960,672	
	Consumer finance related fees	200,024	183,736	
	Card related fees (debit and credit cards)	458,497	707,729	
	Credit related fees	62,887	83,662	
	Investment banking fees	234,789	208,746	
	Commission on trade	1,013,432	1,060,355	
	Commission on guarantees	214,885	258,231	
	Commission on cash management	31,746	28,506	
	Commission on remittances including home remittances	395,543	247,352	
	Commission on bancassurance	320,494	345,183	
	Card acquiring business	341,370	187,042	
	Wealth Management Fee	65,631	88,181	
	Commission on Employees' Old-Age Benefit Institution (EOBI)	69,592	82,642	
	Commission on Benazir Income Support Programme (BISP)	275,649	272,487	
	Alternate Delivery Channels (ADC)	223,383	354,999	
	Others	66,431	151,480	
		<u>4,791,401</u>	<u>5,221,003</u>	
27	GAIN / (LOSS) ON SECURITIES			
	Realised	27.1	2,189,975	(410,224)
	Unrealised - held for trading	10.1	(5,022)	(27,797)
			<u>2,184,953</u>	<u>(438,021)</u>
27.1	Realised gain / (loss) on:			
	Federal Government Securities		2,849,822	138,561
	Shares		(631,522)	(590,503)
	Non Government Debt Securities		1,075	-
	Foreign Securities		(29,400)	41,718
			<u>2,189,975</u>	<u>(410,224)</u>
28	OTHER INCOME			
	Rent on property		18,687	18,302
	Gain on sale of fixed assets-net		33,215	98,008
	Profit on termination of leased contracts (Ijarah)		39,190	32,808
			<u>91,092</u>	<u>149,118</u>

29	OPERATING EXPENSES	Note	(Un-audited)	
			Nine months period ended	
			September 30, 2020	September 30, 2019
----- (Rupees in '000) -----				
	Total compensation expense	29.1	10,905,192	9,384,179
	Property expense			
	Rent and taxes		177,961	191,938
	Utilities cost		814,113	740,891
	Security (including guards)		608,225	455,564
	Repair and maintenance (including janitorial charges)		479,763	315,016
	Depreciation on right-of-use assets		1,406,678	1,262,891
	Depreciation on non-banking assets acquired in satisfaction of claims		6,999	6,939
	Depreciation on owned assets		369,908	301,319
			3,863,647	3,274,558
	Information technology expenses			
	Software maintenance		789,637	858,869
	Hardware maintenance		468,727	234,045
	Depreciation		325,490	265,952
	Amortisation		331,720	360,757
	Network charges		301,011	293,640
			2,216,585	2,013,263
	Other operating expenses			
	Directors' fees and allowances		227,874	181,381
	Fees and allowances to Shariah Board		6,135	5,850
	Legal and professional charges		294,703	178,359
	Outsourced services costs		645,943	744,132
	Travelling and conveyance		313,045	414,266
	Clearing and custodian charges		62,083	60,237
	Depreciation		688,090	613,210
	Training and development		61,947	78,530
	Postage and courier charges		224,963	273,584
	Communication		305,557	250,576
	Stationery and printing		463,678	365,952
	Marketing, advertisement and publicity		599,367	1,373,521
	Donations		22,288	7,392
	Auditors' remuneration		43,245	41,825
	Brokerage and commission		137,943	109,578
	Entertainment		143,318	157,389
	Repairs and maintenance		329,557	299,284
	Insurance		772,072	690,472
	Cash handling charges		530,742	385,602
	CNIC verification		74,494	89,700
	Others		450,418	363,809
			6,397,462	6,684,649
			23,382,886	21,356,649
29.1	Total compensation expense			
	Managerial remuneration		8,100,400	7,150,789
	i) Fixed			
	ii) Variable:			
	a) Cash Bonus / Awards etc.		1,339,414	1,126,095
	Charge for defined benefit plan		128,062	90,000
	Contribution to defined contribution plan		342,563	286,469
	Medical		422,013	322,832
	Conveyance		199,081	177,988
	Staff compensated absences		72,000	90,000
	Others		129,491	72,647
	Sub-total		10,733,024	9,316,820
	Sign-on bonus		8,650	53,398
	Severance allowance		163,518	13,961
	Grand Total		10,905,192	9,384,179

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)	
		Nine months period ended	
		September 30, 2020	September 30, 2019
------(Rupees in '000)-----			
31 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		87,395	171,400
Penalties imposed by other regulatory bodies		272	244
		<u>87,667</u>	<u>171,644</u>
32 PROVISIONS & WRITE OFFS - NET			
Reversal of provision against lending to financial institutions		(8,615)	(20,095)
Provisions for diminution in value of investments	10.3.1	69,881	1,127,538
Provisions against loans & advances	11.4	6,275,853	938,474
Provision against other assets	14.2.1	31,286	18,083
(Reversal) / Provisions against off-balance sheet obligations	20.1	(21,414)	37,238
Other provisions / write off - net		39,690	90,374
Recovery of written off / charged off bad debts		(107,866)	(179,177)
		<u>6,278,815</u>	<u>2,012,435</u>
33 TAXATION			
Current		7,911,493	7,320,300
Prior years		(46,772)	603,587
Deferred		(1,860,763)	(669,850)
		<u>6,003,958</u>	<u>7,254,037</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 Honourable 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 appeals filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 184.218 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) 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.
- c) 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 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.

		(Un-audited)	
		September 30, 2020	September 30, 2019
		----- (Rupees in '000) -----	
34	BASIC EARNINGS PER SHARE		
	Profit for the period	<u>8,331,460</u>	<u>9,242,437</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares	<u>1,777,165</u>	<u>1,775,882</u>
		----- (Rupees) -----	
	Basic earnings per share	<u>4.69</u>	<u>5.20</u>
35	DILUTED EARNINGS PER SHARE		
	Profit for the period	<u>8,331,460</u>	<u>9,242,437</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>1,775,882</u>
		----- (Rupees) -----	
	Diluted earnings per share	<u>4.69</u>	<u>5.20</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 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:

	September 30, 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	-	421,612,955	-	421,612,955
Shares	7,876,762	-	-	7,876,762
Non-Government Debt Securities	-	19,535,219	-	19,535,219
Foreign Securities	-	44,235,067	-	44,235,067
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,816,704	-	1,816,704
Forward sale of foreign exchange	-	(2,428,626)	-	(2,428,626)
Derivatives purchases	-	(1,132,876)	-	(1,132,876)

	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 as disclosed in notes 12 and 14. The valuations are conducted by the valuation experts appointed by the Bank who are 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 State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps and futures is determined using prices and curves through Bloomberg.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates. Floating rate PIBs are revalued using PKFRV rates.
Overseas 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.
Operating fixed assets and non banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

37 SEGMENT INFORMATION

37.1 Segment details with respect to Business Activities

	For the period ended September 30, 2020 (Un-audited)							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	Total
(Rupees in '000)								
Profit and loss								
Net mark-up/return/profit	(5,472,164)	14,480,683	6,813,372	17,434,292	(5,716)	2,135,109	(918,776)	34,466,800
Inter segment revenue - net	25,020,716	(9,628,676)	(782,120)	(16,102,887)	436,572	96,914	959,481	-
Non mark-up / return / interest income	2,567,728	1,318,207	891,567	4,571,862	362,316	353,135	(40,705)	10,024,110
Total Income	22,116,280	6,170,214	6,922,819	5,903,267	793,172	2,585,158	-	44,490,910
Segment direct expenses	10,058,288	717,378	2,923,490	342,173	1,123,382	1,384,666	7,327,297	23,876,677
Inter segment expense allocation	4,781,673	696,289	1,076,820	233,107	342,044	197,364	(7,327,297)	-
Total expenses	14,839,961	1,413,667	4,000,310	575,280	1,465,426	1,582,033	-	23,876,677
Provisions / (reversals)	473,932	2,184,322	106,020	66,348	1,718	(53,525)	3,500,000	6,278,915
Profit before tax	6,802,387	2,572,225	2,816,489	5,261,639	(673,972)	1,056,650	(3,500,000)	14,335,418
As at September 30, 2020 (Un-audited)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	Total
(Rupees in '000)								
Balance Sheet								
Cash and bank balances	44,140,116	8,631,181	11,232,559	8,000,820	425,395	10,264,417	-	82,694,488
Investments	1,587,924	1,084,426	48,394,847	420,022,261	-	67,889,858	727,338	539,706,654
Net inter segment lending	355,803,696	-	-	-	7,362,745	-	93,486,491	456,652,932
Lendings to financial institutions	-	31,414,435	-	12,409,267	-	9,337,384	-	53,161,086
Advances - performing	131,258,001	253,299,431	77,478,363	-	10,445	23,088,760	5,714,857	490,849,857
Advances - non-performing	968,037	2,784,080	678,287	-	154	571,578	35,670	5,037,806
Others	15,671,780	11,673,908	13,288,261	5,907,883	1,073,274	6,432,359	18,284,174	72,331,639
Total assets	549,429,554	277,473,026	182,486,752	446,340,231	8,872,013	117,584,356	118,246,530	1,700,434,462
Borrowings	14,509,095	59,651,460	13,157,248	121,307,552	-	25,549,725	-	234,175,080
Subordinated debt	-	-	-	-	-	-	-	7,000,000
Deposits and other accounts	517,778,788	97,386,750	131,517,910	-	8,614,086	64,761,374	7,000,000	820,065,829
Net inter segment borrowing	-	102,491,125	15,461,100	315,936,566	-	22,764,141	6,921	456,652,932
Others	16,090,357	18,400,107	20,740,034	5,964,756	257,927	4,927,111	22,427,057	88,807,349
Total liabilities	548,378,240	277,929,442	180,876,292	443,208,874	8,872,013	118,002,351	29,433,978	1,606,701,190
Net assets	1,051,314	(456,416)	1,610,460	3,131,357	-	(417,995)	88,814,552	93,733,272
Equity								
Contingencies and commitments	52,063,952	114,755,616	51,696,940	220,853,533	64,134	52,014,227	1,222,375	492,670,777

* Others include head office related activities.

For the period ended September 30, 2019 (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	Total
Profit and loss								
Net mark-up/return/profit	(3,284,899)	16,816,132	6,276,877	12,701,757	(3,270)	1,957,577	(1,122,821)	33,341,353
Inter segment revenue - net	22,313,568	(11,028,310)	(5,40,140)	(12,301,938)	388,144	381,196	787,480	7,075,696
Non mark-up / return / interest income	2,845,760	840,971	802,659	1,423,410	357,577	469,978	335,341	7,075,696
Total income	21,874,429	6,628,793	6,539,396	1,823,229	742,451	2,808,751	-	40,417,049
Segment direct expenses	9,187,120	761,434	2,649,716	338,532	1,328,802	1,170,083	6,472,453	21,908,140
Inter segment expense allocation	4,081,361	554,620	1,045,418	186,038	453,371	151,645	(6,472,453)	-
Total expenses	13,268,481	1,316,054	3,695,134	524,570	1,782,173	1,321,728	-	21,908,140
Provisions / (reversals)	355,086	534,659	(23,114)	1,156,019	-	(10,215)	-	2,012,435
Profit before tax	8,250,862	4,778,080	2,867,376	1,42,640	(1,039,722)	1,497,238	-	16,496,474

As at December 31, 2019 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others *	Total
Balance sheet								
Cash and bank balances	51,080,368	11,905,006	13,687,542	16,301,602	324,045	12,143,278	-	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	146,947,933	240,367,593	37,791,008	24,931,724	-	8,712,163	-	71,434,895
Advances - performing	1,406,411	2,796,345	87,226,466	-	5,030	24,183,451	7,828,663	506,559,136
Advances - non-performing	27,365,192	9,325,333	12,267,215	5,633,291	-	107,824	80,322	4,676,813
Others	532,288,106	265,309,250	164,996,273	274,865,772	8,031,919	152,910	21,037,692	78,100,345
Total assets	12,437,067	31,182,760	6,973,823	30,360,377	-	21,888,303	-	102,842,330
Borrowings	492,107,112	103,018,182	122,023,365	-	7,827,966	57,300,323	11,987,000	782,284,196
Subordinated debt	-	-	-	-	-	-	7,248	-
Deposits and other accounts	-	123,412,730	14,836,417	238,756,902	-	19,380,376	-	396,386,425
Net inter segment borrowing	26,832,583	7,695,578	20,888,994	2,406,630	-	203,953	20,542,434	80,170,043
Others	531,376,762	265,309,250	164,722,599	271,523,909	8,031,919	100,168,873	32,536,682	1,373,669,994
Total liabilities	911,344	-	273,674	3,341,863	-	55,059	83,445,636	88,027,576
Equity								
Contingencies and commitments	60,523,866	98,407,250	46,150,780	319,880,787	5,142	44,060,060	603,000	569,630,885

* Others include head office related activities.

The Bank has related party transactions with its parent, subsidiaries, associates, joint ventures, 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:

	Key management personnel As at September 30, 2020 (Un-audited)		Subsidiaries		Associates		Other related parties		Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Subsidiaries	Associates	Subsidiaries	Associates					
	(Rupees in '000)												
	As at September 30, 2020 (Un-audited)						As at December 31, 2019 (Audited)						
Lendings to financial institutions													
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the period / year	-	-	-	-	108,827,974	-	-	-	-	-	-	-	21,936,072
Repaid during the period / year	-	-	-	-	(106,946,665)	-	-	-	-	-	-	-	(21,936,072)
Closing balance	-	-	-	-	1,881,309	-	-	-	-	-	-	-	-
Investments													
Opening balance	-	-	300,000	1,177,606	1,191,425	-	-	430,493	1,816,343	992,661	-	-	-
Investment made during the period / year	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period / year	-	-	-	-	(20)	-	-	-	-	-	-	-	(570,466)
Transfer in / (out) - net	-	-	-	-	-	-	(30,463)	-	(638,737)	769,230	-	-	-
Closing balance	-	-	300,000	1,177,606	1,191,405	-	-	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	661,888	-	-	4,200,405	-	-	449,323	105,650	449,323	-	-	3,354,510
Addition during the period / year	87,850	179,862	-	-	1,809,156	-	-	394,810	-	394,810	-	-	2,783,243
Repaid during the period / year	(80,436)	(138,148)	-	-	(3,820,996)	-	-	(169,822)	(14,521)	(169,822)	-	-	(1,937,348)
Transfer in / (out) - net	(17,308)	23,964	-	-	-	-	-	(12,473)	-	(12,473)	-	-	-
Closing balance	81,235	727,516	-	-	2,388,565	-	-	661,838	91,129	661,838	-	-	4,200,405
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets													
Interest / mark-up accrued	1,813	91,275	-	-	37,080	-	-	69,192	10,939	69,192	-	-	96,163
Receivable from staff retirement fund	-	-	-	-	891,116	-	-	-	-	-	-	-	1,019,178
Prepayment / rent receivable	-	-	-	780	-	-	-	-	-	-	-	-	35,759
Advance against shares	-	-	-	-	50,000	-	-	-	-	-	-	-	82,312

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) (Audited)
September 30, December 31,
2020 2019
------(Rupees in '000)-----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,771,651	17,771,651
---------------------------------	------------	------------

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	71,538,328	66,649,897
Eligible Additional Tier 1 (ADT 1) Capital	7,000,000	7,000,000
Total Eligible Tier 1 Capital	78,538,328	73,649,897
Eligible Tier 2 Capital	23,482,220	20,026,784
Total Eligible Capital (Tier 1 + Tier 2)	102,020,548	93,676,681

Risk Weighted Assets (RWAs):

Credit risk	481,188,673	483,571,672
Market risk	10,763,988	7,377,863
Operational risk	63,886,413	63,886,413
Total	555,839,074	554,835,948

Common Equity Tier 1 Capital Adequacy ratio	12.87%	12.01%
Tier 1 Capital Adequacy Ratio	14.13%	13.27%
Total Capital Adequacy Ratio	18.35%	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	78,538,328	73,649,897
Total exposures	1,582,522,598	1,263,841,607
Leverage ratio	4.96%	5.83%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	399,615,491	285,456,439
Total Net Cash Outflow	204,416,573	174,614,928
Liquidity coverage ratio	195%	163%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	804,812,883	687,962,685
Total Required Stable Funding	557,179,730	499,005,864
Net Stable Funding Ratio	144%	138%

40 ISLAMIC BANKING BUSINESS

The Bank is operating 170 Islamic banking branches (December 31, 2019: 162 branches), 1 sub branch (December 31, 2019: 1 sub branch) and nil Islamic banking windows (December 31, 2019: 121 Islamic banking windows) as at September 30, 2020.

STATEMENT OF FINANCIAL POSITION

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		10,080,984	12,870,647
Balances with other banks		1,151,575	816,895
Due from financial institutions	40.1	31,414,435	37,791,008
Investments	40.2	48,394,847	13,738,131
Islamic financing and related assets - net	40.3	78,156,650	87,512,377
Fixed assets		5,782,029	5,921,069
Intangible assets		23,629	28,653
Other assets		7,482,603	6,317,493
Total Assets		182,486,752	164,996,273
LIABILITIES			
Bills payable		3,790,743	4,016,519
Due to financial institutions		13,157,248	6,973,823
Deposits and other accounts	40.4	131,517,910	122,023,365
Deferred tax liabilities		18,830	159,203
Other liabilities		16,930,461	16,713,272
		165,415,192	149,886,182
NET ASSETS		17,071,560	15,110,091
REPRESENTED BY			
Islamic Banking Fund		1,800,000	1,800,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		1,611,890	1,837,884
Unappropriated/ Unremitted profit	40.5	13,659,670	11,472,207
		17,071,560	15,110,091
CONTINGENCIES AND COMMITMENTS	40.6		

PROFIT AND LOSS ACCOUNT

		(Un-audited)	
		Nine months period ended	
		September 30, 2020	September 30, 2019
		----- (Rupees in '000) -----	
Profit / return earned	40.7	10,480,846	9,864,364
Profit / return expensed	40.8	3,667,474	3,587,487
Net Profit / return		6,813,372	6,276,877
Fee and Commission Income		585,430	629,491
Foreign Exchange Income		229,128	166,288
Gain / (loss) on securities		35,033	(26,945)
Other Income		41,976	33,825
Total other income		891,567	802,659
Total Income		7,704,939	7,079,536
Other expenses			
Operating expenses		3,909,582	3,583,226
Workers Welfare Fund		74,876	70,845
Other charges		15,852	41,063
Total other expenses		4,000,310	3,695,134
Profit before provisions		3,704,629	3,384,402
Provisions and write offs - net		106,020	(23,114)
Profit before taxation		3,598,609	3,407,516
Taxation		1,411,825	1,355,186
Profit after taxation		2,186,784	2,052,330

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
40.1 Due from Financial Institutions	------(Rupees in '000)-----					
Unsecured	23,000,061	-	23,000,061	21,830,061	-	21,830,061
Bai Muajjal Receivable						
from other Financial Institutions	8,414,374	-	8,414,374	6,942,429	-	6,942,429
from State Bank of Pakistan	-	-	-	9,018,518	-	9,018,518
	31,414,435	-	31,414,435	37,791,008	-	37,791,008

40.2 Investments

	September 30, 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)-----							
By segment:								
Federal Government Securities								
Ijarah Sukuks	21,719,275	-	(57,595)	21,661,680	496,004	-	(1,004)	495,000
Other Federal	7,216,366	-	-	7,216,366	7,216,366	-	-	7,216,366
	28,935,641	-	(57,595)	28,878,046	7,712,370	-	(1,004)	7,711,366
Non Government Debt Securities								
Unlisted	19,743,158	(98,002)	(128,355)	19,516,801	5,977,205	(120,898)	170,458	6,026,765
Total Investments	48,678,799	(98,002)	(185,950)	48,394,847	13,689,575	(120,898)	169,454	13,738,131

40.3 Islamic financing and related assets

	(Un-audited)	(Audited)
	September 30, 2020	December 31, 2019
	------(Rupees in '000)-----	
Ijarah	13,635,291	13,316,958
Murabaha	3,146,431	8,513,403
Musharaka	27,773,318	37,064,167
Diminishing Musharaka	1,946,121	1,798,472
Salam	3,922,213	3,160,589
Other Islamic Modes	8,898,159	5,319,660
Advances against Islamic assets	13,285,294	15,870,982
Inventory related to Islamic financing	3,311,415	3,742,307
Islamic Long Term Finance Facility Plant & Machinery	236,471	55,693
SBP Refinance Scheme For Wages & Salaries	3,461,110	-
Islamic Refinance Renewable Energy	918	-
Gross Islamic financing and related assets	79,616,741	88,842,231
Less: provision against Islamic financings		
- Specific	(1,391,853)	(1,246,416)
- General	(68,238)	(83,438)
	(1,460,091)	(1,329,854)
Islamic financing and related assets - net of provision	78,156,650	87,512,377

40.4 Deposits

	September 30, 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	58,653,336	4,928,089	63,581,425	49,796,551	3,924,311	53,720,862
Savings deposits	49,506,429	2,322,129	51,828,558	42,140,823	2,579,906	44,720,729
Term deposits	14,341,158	410,094	14,751,252	14,952,359	245,276	15,197,635
Other deposits	860,625	149,392	1,010,017	2,359,360	181,527	2,540,887
	123,361,548	7,809,704	131,171,252	109,249,093	6,931,020	116,180,113
Financial Institutions						
Current deposits	74,907	-	74,907	2,827	-	2,827
Savings deposits	269,251	-	269,251	310,398	-	310,398
Term deposits	2,500	-	2,500	5,530,027	-	5,530,027
	346,658	-	346,658	5,843,252	-	5,843,252
	123,708,206	7,809,704	131,517,910	115,092,345	6,931,020	122,023,365

40.5 Islamic Banking Business Unappropriated Profit

	(Un-audited)	(Audited)
	September 30, 2020	December 31, 2019
	------(Rupees in '000)-----	
Opening Balance	11,472,207	8,586,749
Add: Islamic Banking profit before taxation for the period	3,598,609	4,777,753
Less: Taxation	(1,411,825)	(1,892,751)
Less: Transfer from surplus on revaluation of assets to unappropriated profit - net	679	456
Closing Balance	13,659,670	11,472,207

40.6 Contingencies and Commitments

-Guarantees	3,429,310	3,044,844
-Commitments	48,267,630	43,105,936
	51,696,940	46,150,780

40.7 Profit/Return Earned of Financing, Investments and Placement

	(Un-audited)	
	September 30, 2020	September 30, 2019
	------(Rupees in '000)-----	
Financing	6,422,480	5,773,116
Investments	1,599,995	756,903
Placements	2,458,371	3,334,345
	10,480,846	9,864,364

40.8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	3,181,145	3,010,026
Due to Financial Institutions	150,725	82,849
Cost of foreign currency swaps against foreign currency deposits / borrowings	53,782	237,507
Borrowing cost on lease liability	275,108	249,045
Reward points	6,714	8,060
	3,667,474	3,587,487

40.9 Pls Pool Management- Islamic Banking Group (IBG)

40.9.1 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

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.

40.9.2 Avenues/sectors where Mudaraba based deposits have been deployed.	(Un-audited)	(Audited)
	September 30, 2020	December 31, 2019
	------(Rupees in '000)-----	
Agriculture, forestry, hunting and fishing	472,962	12,471,430
Automobile and transportation equipment	2,070,637	1,749,256
Cement	4,570,652	4,985,228
Chemical and pharmaceuticals	3,457,649	2,953,882
Construction	2,860,723	2,385,646
Electronics and electrical appliances	900,064	914,608
Exports / imports	13,696	486,837
Financial	324,575	488,492
Food and allied products	4,206,725	5,107,360
Footwear and leather garments	679,521	563,986
Individuals	16,813,551	14,678,109
Insurance	3,981	6,370
Metal and allied industries	1,840,632	2,638,609
Mining and quarrying	772	1,745
Oil and allied	3,048,075	454,678
Power (electricity), gas, water, sanitary	12,385,464	12,795,756
Services	1,430,099	1,468,208
Sugar	758,960	1,347,178
Textile	17,580,708	17,915,169
Transport, storage and communication	710,625	1,284,021
Wholesale and retail trade	3,018,685	3,335,626
Glass & Ceramics	111,264	100,532
Paper & Board	942,577	395,403
Technology & Communication	14,268	14,027
Others	1,399,876	300,075
Total Gross Islamic Financing and Related Assets	79,616,741	88,842,231
Total gross investments (at cost)	48,678,799	13,689,575
Total Islamic placements	31,414,435	37,791,008
Total Invested Funds	159,709,975	140,322,814

40.9.3 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.

40.9.4 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	10.21%	50.00%	50.00%	2,537,879	5.91%	10.38%	288,617	
USD Pool	Monthly	0.97%	85.00%	15.00%	48,732	0.67%	17.91%	8,223	
GBP Pool	Monthly	4.34%	85.00%	15.00%	8,264	0.82%	0.00%	-	
EUR Pool	Monthly	4.39%	85.00%	15.00%	11,031	0.90%	0.00%	-	
Specific Pool									
Special Pool (Saving)	Monthly	12.51%	31.18%	68.82%	12,874	8.61%	0.00%	-	
Special Pool (TDR)	Monthly	12.71%	22.58%	77.42%	30,288	12.46%	8.17%	19,233	

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	9.19%	87.51%	12.49%	832,677	Nil	0.84%	6,974	

41 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 21, 2020 has declared an interim cash dividend of 20%, i.e. Rs. 2.0 per share (September 30, 2019: nil). Last year, the Board of Directors had declared an interim cash dividend of 20% (Rs. 2.0 per share). These unconsolidated condensed interim financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

42 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on October 21, 2020 by the Board of Directors of the Bank.

43 GENERAL

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

The effect of reclassification, rearrangement, restatement in the comparative information presented in the unconsolidated condensed interim financial statement for the nine months period ended September 30, 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
Receivable against DSC/SSC and overseas government securities	Asset	259,983	Other Assets - Others	Other Assets - Receivable against DSC/SSC and overseas government securities
Payable against ATM / ADC settlement accounts	Liability	405,493	Other Assets - Branch adjustment account	Other Liabilities - ADC settlement accounts
Commission on bills discounting	Income	29,842	Fee and commission income - Commission on trade	Markup income - Loans and advances
Borrowing cost on lease liability	Expense	1,034,746	Markup expensed - Borrowings	Markup expensed - Borrowing cost on leased liabilities
Depreciation on right-of-use assets	Expense	1,262,891	Administrative Expenses - Depreciation on owned assets	Administrative Expenses - Depreciation on right-of-use assets
Depreciation on properties acquired under debt asset swap arrangements	Expense	6,939	Administrative Expenses - Depreciation on owned assets	Administrative Expenses - Depreciation on non -banking assets acquired in satisfaction of claims

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Bank Alfalah Limited

**Consolidated Condensed Interim
Financial Statements**

Nine months period ended September 30, 2020

Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2020

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	7	79,502,220	100,731,903
Balances with other banks	8	3,337,104	4,926,851
Lendings to financial institutions	9	53,161,086	71,434,895
Investments	10	541,934,603	300,905,557
Advances	11	495,889,977	511,237,779
Fixed assets	12	30,934,438	29,107,720
Intangible assets	13	1,361,975	1,260,320
Deferred tax assets		-	-
Other assets	14	40,540,121	48,144,414
		1,246,661,524	1,067,749,439
LIABILITIES			
Bills payable	15	22,391,152	17,169,059
Borrowings	16	234,406,192	103,133,573
Deposits and other accounts	17	820,060,384	782,274,860
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,000,000	11,987,000
Deferred tax liabilities	19	2,799,888	4,137,405
Other liabilities	20	64,670,652	59,764,355
		1,151,328,268	978,466,252
NET ASSETS		95,333,256	89,283,187
REPRESENTED BY			
Share capital		17,771,651	17,771,651
Reserves		28,192,648	26,046,019
Surplus / (deficit) on revaluation of assets	21	10,972,329	11,376,517
Unappropriated profit		38,294,887	33,996,699
Total equity attributable to the equity holders of the Bank		95,231,515	89,190,886
Non-controlling interest		101,741	92,301
		95,333,256	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 nine months period ended September 30, 2020

	Note	Quarter ended September 30, 2020	Quarter ended September 30, 2019 (Restated)	Nine months period ended September 30, 2020	Nine months period ended September 30, 2019 (Restated)
------(Rupees in '000)-----					
Mark-up/Return/Interest Earned	24	21,788,645	24,818,702	71,741,314	66,464,738
Mark-up/Return/Interest Expensed	25	10,685,012	13,149,126	37,280,646	33,129,999
Net Mark-up/ Interest Income		11,103,633	11,669,576	34,460,668	33,334,739
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	26	1,906,024	1,742,481	4,948,377	5,291,578
Dividend Income		57,290	80,868	209,193	250,645
Foreign Exchange Income		753,743	691,488	2,762,357	1,955,256
Gain / (loss) from derivatives		1,592	(49,413)	(59,636)	(62,305)
Gain / (loss) on securities	27	452,788	(373,571)	2,185,561	(436,665)
Share of profit from associates		183,426	232,887	527,075	391,955
Other Income	28	45,572	24,145	91,128	157,426
Total non-markup/interest income		3,400,435	2,348,885	10,664,055	7,547,890
Total Income		14,504,068	14,018,461	45,124,723	40,882,629
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	29	7,895,027	7,504,298	23,509,281	21,444,894
Workers Welfare Fund	30	130,349	124,463	406,124	379,847
Other charges	31	45,164	62,352	87,667	171,644
Total non-markup/interest expenses		8,070,540	7,691,113	24,003,072	21,996,385
Profit before provisions		6,433,528	6,327,348	21,121,651	18,886,244
Provisions and write offs - net	32	1,490,364	1,032,607	6,278,815	2,012,435
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		4,943,164	5,294,741	14,842,836	16,873,809
Taxation	33	2,058,761	2,129,929	6,180,146	7,392,594
PROFIT AFTER TAXATION		2,884,403	3,164,812	8,662,690	9,481,215
Profit / (loss) attributable to:					
Equity holders of the Bank		2,877,443	3,172,589	8,655,751	9,496,600
Non-controlling interest		6,960	(7,777)	6,939	(15,385)
		2,884,403	3,164,812	8,662,690	9,481,215
------(Rupees)-----					
Basic earnings per share - Restated	34	1.62	1.79	4.87	5.35
Diluted earnings per share - Restated	35	1.62	1.79	4.87	5.35

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

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

For the nine months period ended September 30, 2020

	Quarter ended September 30, 2020	Quarter ended September 30, 2019 (Restated)	Nine months period ended September 30, 2020	Nine months period ended September 30, 2019 (Restated)
	------(Rupees in '000)-----			
Profit after taxation for the period	2,884,403	3,164,812	8,662,690	9,481,215
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	(303,685)	(359,184)	1,313,483	2,081,548
Movement in surplus / (deficit) on revaluation of investments - net of tax	(1,203,109)	1,329,807	(378,477)	1,868,735
Movement in share of surplus / (deficit) on revaluation of investments of associate - net of tax	1,538	-	6,703	-
	(1,506,794)	970,623	941,709	3,950,283
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	(10,885)	(8,239)	(29,907)	(57,611)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	824	(502)	(6)	(1,109)
	(10,061)	(8,741)	(29,913)	(58,720)
Total comprehensive income	1,367,548	4,126,694	9,574,486	13,372,778
Total comprehensive income / (loss) attributable to:				
Equity holders of the Bank	1,358,020	4,137,845	9,565,046	13,391,958
Non-controlling interest	11,066	(11,151)	9,440	(19,180)
	1,367,548	4,126,694	9,574,486	13,372,778

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 nine months period ended September 30, 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 and Non Banking Assets	Unappropriated profit			
(Rupees in '000)											
Balance as at January 01, 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	514,757	77,021,852
Changes in equity for the nine months period ended September 30, 2019											
Profit after taxation	-	-	-	-	-	-	-	9,496,600	9,496,600	(15,385)	9,481,215
Other comprehensive income - net of tax	-	-	2,081,548	-	-	1,872,530	648	-	3,954,726	(3,795)	3,950,931
Transfer to statutory reserve	-	-	-	924,244	-	-	-	(924,244)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(59,368)	59,368	-	-	-
Reversal of deferred employee compensation expense	-	-	-	-	(5,201)	-	-	-	(5,201)	-	(5,201)
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	25,389	-	-	(25,389)	-	-	-	-	-	-
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)
Interim cash dividend for the half year ended June 30, 2019 at 20%	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	157,500	157,500
Shares issued under stock stock option scheme by the Bank during the period	28,022	10,060	-	-	-	-	-	-	-	38,082	38,082
Balance as at September 30, 2019	17,771,651	4,731,049	7,132,997	14,197,959	-	1,922,437	7,280,500	30,680,138	83,716,131	83,866	83,799,997
Changes in equity for three months ended December 31, 2019											
Profit after taxation	-	-	-	-	-	-	-	3,550,200	3,550,200	392	3,550,592
Other comprehensive income - net of tax	-	-	(360,694)	-	-	2,132,034	83,343	69,872	1,924,555	8,043	1,932,598
Transfer to statutory reserve	-	-	-	345,308	-	-	-	(345,308)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(41,757)	41,757	-	-	-
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	92,901	89,283,187
Changes in equity for the nine months period ended September 30, 2020											
Profit after taxation	-	-	-	-	-	-	-	8,655,751	8,655,751	6,939	8,662,690
Other comprehensive income - net of tax	-	-	1,311,483	-	-	(174,275.00)	-	-	939,208	2,501	941,709
Transfer to statutory reserve	-	-	-	833,146	-	-	-	(833,146)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(29,913)	29,913	-	-	-
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 September 30, 2020	17,771,651	4,731,049	8,085,786	15,375,813	-	3,680,196	7,292,133	38,294,887	95,291,515	101,741	95,393,256

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

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2020

	Note	Nine months period ended	
		September 30, 2020	September 30, 2019 (Restated)
------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		14,842,836	16,873,809
Dividend income		(209,193)	(250,645)
Share of profit from associates		(527,075)	(391,955)
		<u>14,106,568</u>	<u>16,231,209</u>
Adjustments			
Depreciation		2,801,013	2,446,980
Amortisation		331,933	361,358
Provisions and write offs - net		6,278,815	2,012,435
Unrealised (gain) / loss on revaluation of investments classified as held for trading - net	32	3,816	27,797
Gain on sale of operating fixed assets - net		(33,251)	(106,316)
Borrowing cost on lease liability		1,044,026	1,034,746
Workers' Welfare Fund		406,124	379,847
Charge for defined benefit plan		128,062	90,000
Charge for Staff compensated absences		72,000	90,000
		<u>11,032,538</u>	<u>6,336,847</u>
		<u>25,139,106</u>	<u>22,568,056</u>
Decrease / (Increase) in operating assets			
Lendings to financial institutions		20,129,156	(4,832,673)
Held for trading securities		(35,595,962)	(17,182,393)
Advances		9,179,815	29,680,710
Other assets (excluding advance taxation)		7,184,773	(7,765,517)
		<u>897,782</u>	<u>(99,873)</u>
Increase / (decrease) in operating liabilities			
Bills payable		5,222,093	(20,435,779)
Borrowings		129,904,008	49,201,849
Deposits		37,785,524	8,412,212
Other liabilities (excluding current taxation)		(898,731)	3,710,216
		<u>172,012,894</u>	<u>40,888,498</u>
		<u>198,049,782</u>	<u>63,356,681</u>
		<u>(3,940,141)</u>	<u>(2,916,819)</u>
Income tax paid			
Net cash generated from operating activities		<u>194,109,641</u>	<u>60,439,862</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(210,294,896)	(46,078,462)
Net investments in held-to-maturity securities		5,250,660	(6,982,571)
Dividends received		239,586	212,712
Investments in operating fixed assets		(2,714,291)	(2,381,815)
Proceed from sale proceeds of fixed assets		82,331	311,993
Effect of translation of net investment in foreign branches		1,313,483	2,081,548
Net cash used in investing activities		<u>(206,123,127)</u>	<u>(52,836,595)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of sub-ordinated debt		(4,987,000)	(2,000)
Payment of leased obligations		(1,806,105)	(2,277,184)
Issuance of share capital		-	38,082
Dividend paid		(3,526,103)	(2,494,760)
Net cash used in financing activities		<u>(10,319,208)</u>	<u>(4,735,862)</u>
		<u>(22,332,694)</u>	<u>2,867,405</u>
(Decrease) / Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		138,310,772	104,635,798
Effects of exchange rate changes on cash and cash equivalents		(3,039,127)	(4,097,767)
		<u>135,271,645</u>	<u>100,538,031</u>
Cash and cash equivalents at end of the period		<u>112,938,951</u>	<u>103,405,436</u>

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 nine months period ended September 30, 2020

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company : Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. 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 686 branches (December 31, 2019: 674 branches) and 24 sub-branches (December 31, 2019: 24 sub-branches). Out of these, 505 (December 31, 2019: 501) are conventional, 170 (December 31, 2019: 162) are Islamic, 10 (December 31, 2019: 10) are overseas and 1 (December 31, 2019: 1) is an offshore banking unit.

Subsidiary

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

1.2 In addition the Group maintains investments in the following:

Associates

Alfalah Insurance Company Limited	30.00%	30.00%
Sapphire Wind Power Company Limited	30.00%	30.00%
Alfalah GHP Investment Management Limited, Pakistan	40.22%	40.22%

1.2.1 During 2019, 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 of the group for the nine months period ended September 30, 2019 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 During 2019, 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 of the group for the nine months period ended September 30, 2019 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 subsidiaries in these consolidated condensed interim financial statements.

2.2 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) 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. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. 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 (IFS).

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

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

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates as well as investment in mutual funds established under trust structure (not consolidated as subsidiaries) are accounted for using the equity method.

Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries 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 note 40 to the unconsolidated condensed interim financial statements.

2.3 The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim consolidated financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

2.4 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 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.

2.5 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
Covid-19-Related Rent Concessions - Amendment	June 01, 2020
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalised
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, 2023

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These consolidated condensed interim financial statements have been prepared under the historical cost convention except for certain fixed assets and non banking assets acquired in satisfaction of claims which are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments which are measured at fair value and defined benefit obligations 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 except for the calculation of general provision stated in note 6.1.1.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group 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 625 basis points to 7 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. Major aspects of COVID 19 on the Bank is discussed below:

6.1.1 Assets quality and credit risk

The Credit & Risk Management Group of the Bank is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. Since many of such covid affected borrowers have availed the SBP enabled deferment / restructuring & rescheduling relief, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. The Bank anticipates that it is appropriate to maintain a general loan loss reserve given the uncertainty that may prevail until the pandemic is over. Accordingly, the management of the Bank has estimated a general provision of Rs. 3,500 million which approximates to 2.3% of the restructured customers as at September 30, 2020. Had this change of estimate not been made, advances and the profit after tax for the nine months period ended would have been higher by Rs. 3,500 million and Rs. 2,275 million respectively.

The Bank has further strengthened its credit review procedures in the light of COVID 19. The Bank has also conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained is sufficient.

6.1.2 Liquidity management

The 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 165.70 as at September 30, 2020. The exchange rate is expected to remain volatile till the uncertainty around COVID 19 resolves. The ALCO continuously monitors Net Open Positions and believes that it has no significant impact on profit and loss account.

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 been increased by SBP to Rs.180 million, which will now result in reduced Risk Weighted Assets for some of its loans in this asset class. In addition to the measures by SBP, the Senior management of the Bank is continuously monitoring the impacts of various decisions on the Bank's 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.

6.1.7 Impacts of Covid 19 on statement of financial position & profit and loss account

Impacts of Covid 19 on statement of financial position & profit and loss account is disclosed in note 6.1.1.

(Un-audited) (Audited)
September 30, **December 31,**
2020 **2019**
 -----(Rupees in '000)-----

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	16,495,739	15,799,707
Foreign currency	2,920,186	2,418,292
	19,415,925	18,217,999
With State Bank of Pakistan in		
Local currency current account	37,269,153	44,854,841
Foreign currency current account	5,611,143	5,551,990
Foreign currency deposit account	7,872,039	14,084,512
	50,752,335	64,491,343
With other central banks in		
Foreign currency current account	7,203,987	8,529,825
Foreign currency deposit account	702,137	659,039
	7,906,124	9,188,864
With National Bank of Pakistan in local currency current account	1,416,567	8,469,281
Prize bonds	11,269	364,416
	79,502,220	100,731,903

8 BALANCES WITH OTHER BANKS

In Pakistan		
In current account	101,669	726,795
In deposit account	60,280	64,423
	161,949	791,218
Outside Pakistan		
In current account	3,151,086	3,535,371
In deposit account	24,069	600,262
	3,175,155	4,135,633
	3,337,104	4,926,851

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	32,407,389	30,552,042
Repurchase agreement lendings (Reverse Repo)	12,341,251	24,931,724
Bai Muajjal receivable		
with State Bank of Pakistan	-	9,018,518
with other financial institutions	8,414,374	6,942,429
	8,414,374	15,960,947
	53,163,014	71,444,713
Less: expected credit loss - overseas branches	(1,928)	(9,818)
Lending to Financial Institutions - net of provision	53,161,086	71,434,895

10 INVESTMENTS

Note

10.1 Investments by type:

	September 30, 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	52,926,529	-	(12,295)	52,914,234	20,533,478	-	(14,058)	20,519,420
Pakistan Investment Bonds	3,981,236	-	3,526	3,984,762	5,148,051	-	(12,795)	5,135,256
Government of Pakistan Sukuks	490,413	-	(8,763)	481,650	-	-	-	-
Shares								
Ordinary shares / units - Listed	498,097	-	(389)	497,708	537,793	-	118	537,911
Foreign Securities								
Overseas Bonds - Sovereign	4,147,203	-	19,494	4,166,697	-	-	-	-
Overseas Bonds - Others	662,808	-	(5,389)	657,419	915,694	-	2,043	917,737
	62,706,286	-	(3,816)	62,702,470	27,135,016	-	(24,692)	27,110,324
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	189,267,215	-	476,805	189,744,020	72,573,764	-	(14,777)	72,558,987
Pakistan Investment Bonds	144,134,246	-	3,142,262	147,276,508	92,232,030	-	3,220,117	95,452,147
Government of Pakistan Sukuks	25,205,713	-	(9,740)	25,195,973	4,212,347	-	86,367	4,298,714
Government of Pakistan Euro Bonds	2,038,645	-	(22,837)	2,015,808	1,925,652	-	40,577	1,966,229
Shares								
Ordinary shares - Listed	5,652,474	(1,095,704)	2,853,683	7,410,453	5,616,886	(1,029,285)	2,515,407	7,103,008
Ordinary shares - 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	1,576,029	(431,649)	(12,897)	1,131,483	1,753,977	(409,577)	(22,887)	1,321,513
Sukuks	18,628,602	(96,511)	(128,355)	18,403,736	4,817,886	(96,510)	170,457	4,891,833
Foreign Securities								
Overseas Bonds - Sovereign	16,449,626	-	589,869	17,039,495	10,206,335	-	144,151	10,350,486
Overseas Bonds - Others	18,787,788	-	590,198	19,377,986	19,409,473	-	330,542	19,740,015
Redeemable Participating Certificates	2,993,470	-	-	2,993,470	2,727,165	-	-	2,727,165
	426,018,928	(1,817,360)	7,478,988	431,680,556	216,760,635	(1,728,868)	6,469,954	221,501,721
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	16,262,446	-	-	16,262,446	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	(524,266)	-	390,000	714,266	(524,266)	-	190,000
Sukuks	1,211,066	(98,002)	-	1,113,064	1,255,831	(120,898)	-	1,134,933
Foreign Securities								
Overseas Bonds - Sovereign	18,146,299	-	-	18,146,299	13,901,861	-	-	13,901,861
Overseas Bonds - Others	827,208	-	-	827,208	771,808	-	-	771,808
	44,577,651	(622,268)	-	43,955,383	49,828,311	(645,164)	-	49,183,147
Associates (valued at equity method)								
Alfalsh Insurance Company Limited	472,575	-	-	472,575	396,575	-	-	396,575
Sapphire Wind Power Company Limited	2,706,418	-	-	2,706,418	2,341,597	-	-	2,341,597
Alfalsh GHP Investment Management Limited	452,182	-	-	452,182	400,615	-	-	400,615
	3,631,175	-	-	3,631,175	3,138,787	-	-	3,138,787
General provision and expected credit loss- Overseas operations	-	(34,981)	-	(34,981)	-	(28,422)	-	(28,422)
Total Investments	536,934,040	(2,474,609)	7,475,172	541,934,603	296,862,749	(2,402,454)	6,445,262	300,905,557

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

10.2 Investments given as collateral	(Un-audited)	(Audited)
	September 30, 2020	December 31, 2019
	------(Rupees in 000)-----	
Market Treasury Bills	67,178,834	10,243,269
Pakistan Investment Bonds	59,964,500	10,841,800
Overseas Bonds	-	4,630,519
Sukuk Bonds	1,489,597	4,641,103
	<u>128,632,931</u>	<u>30,356,691</u>

Market value of securities given as collateral is Rs. 129,063.272 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	2,274	3,548
Charge / reversals		
Charge for the year	985,029	1,589,125
Reversals for the year	(22,896)	(49,130)
Reversal on disposals	(892,252)	(522,107)
	69,881	1,017,888
Closing Balance	<u>2,474,609</u>	<u>2,402,454</u>

10.3.2 Particulars of provision against debt securities

Category of classification	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	NPI	Provision	NPI	Provision
	------(Rupees in '000)-----			
Domestic				
Loss	1,150,428	1,150,428	1,151,251	1,151,251
Overseas	-	-	-	-
Total	<u>1,150,428</u>	<u>1,150,428</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 September 30, 2020 amounted to Rs. 45,470.072 million (December 31, 2019: Rs. 49,648.885 million).

11 ADVANCES

Note	Performing		Non Performing		Total	
	September 30, 2020 (Un-audited)	December 31, 2019 (Audited)	September 30, 2020 (Un-audited)	December 31, 2019 (Audited)	September 30, 2020 (Un-audited)	December 31, 2019 (Audited)
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	402,906,222	403,042,104	23,007,196	20,687,883	425,913,418	423,729,987
Islamic financing and related assets	77,972,486	87,309,952	1,644,255	1,532,279	79,616,741	88,842,231
Bills discounted and purchased	14,422,631	17,203,494	526,227	198,336	14,948,858	17,401,830
Advances - gross	495,301,339	507,555,550	25,177,678	22,418,498	520,479,017	529,974,048
Provision against advances						
- Specific	11.4	-	(20,139,872)	(17,741,685)	(20,139,872)	(17,741,685)
- General	11.4	(4,449,168)	(994,584)	-	(4,449,168)	(994,584)
		(4,449,168)	(994,584)	(20,139,872)	(17,741,685)	(18,736,269)
Advances - net of provision	490,852,171	506,560,966	5,037,806	4,676,813	495,889,977	511,237,779

11.1 Advances include an amount of Rs. 131.420 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 mark-up at the rates ranging from 9.46% to 24.42% (December 31, 2019: 9.46% to 24.46%) with maturities up to December 2039 (December 31, 2019: December 2039).

11.2 Particulars of advances (Gross)	(Un-audited)	(Audited)
	September 30, 2020	December 31, 2019
------(Rupees in '000)-----		
In local currency	489,928,457	490,267,906
In foreign currencies	30,550,560	39,706,142
	520,479,017	529,974,048

11.3 Advances include Rs. 25,177.678 million (December 31, 2019: Rs. 22,418.498 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Non- Performing Loans	Provision	Non- Performing Loans	Provision
------(Rupees in '000)-----				
Domestic				
Other Assets Especially Mentioned	131,813	2,576	1,712,714	8,347
Substandard	1,338,018	325,901	2,382,226	579,152
Doubtful	6,050,477	2,378,014	1,918,480	947,661
Loss	17,085,792	16,976,966	15,869,509	15,778,780
	24,606,100	19,683,457	21,882,929	17,313,940
Overseas				
Not past due but impaired > 365 days	571,578	456,415	535,569	427,745
Total	25,177,678	20,139,872	22,418,498	17,741,685

11.4 Particulars of provision against advances

Note	September 30, 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	30,476	13,239	43,715	36,327	26,819	63,146
Charge for the period / year	4,163,728	3,441,345	7,605,073	4,262,029	94,450	4,356,479
Reversals for the period / year	(1,329,220)	-	(1,329,220)	(2,222,967)	-	(2,222,967)
	2,834,508	3,441,345	6,275,853	2,039,062	94,450	2,133,512
Amounts written off	(431,746)	-	(431,746)	(201,332)	-	(201,332)
Amounts charged off - agriculture financing	(35,051)	-	(35,051)	(17,041)	-	(17,041)
	(466,797)	-	(466,797)	(218,373)	-	(218,373)
Closing balance	20,139,872	4,449,168	24,589,040	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 September 30, 2020 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 75.089 million (December 31, 2019: Rs. 70.090 million).

11.4.2 During the period, non performing loans and provisions were reduced by Rs. 515.000 million due to a debt property swap transaction.

11.4.3 General provision includes:

- (i) Provision held in accordance with SBP's prudential regulations against:
 - Conventional consumer loans being maintained at an amount equal to 1% of the secured (auto and house loans) performing portfolio and 4% of the unsecured (personal loans and credit cards) performing portfolio;
 - Islamic auto loans being maintained at an amount equal to 1% of the secured performing portfolio and for Islamic house loans, at an amount equal to 0.5% of the secured performing portfolio;
 - Small Enterprises (SE) portfolio being maintained at an amount equal to 1% against unsecured performing SE portfolio;
- (ii) Provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates; and
- (iii) Provision of Rs. 3,500.000 million (December 31, 2019: nil) as explained in note 6.1.1.

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

11.4.5 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 September 30, 2020 relating to facilities of customers have not been classified as non-performing.

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
12	FIXED ASSETS		
	Capital work-in-progress	12.1	911,387
	Property and equipment	12.2	20,205,678
	Right-of-use assets		9,817,373
			30,934,438
12.1	Capital work-in-progress		
	Civil works		302,185
	Equipment		591,857
	Others		17,345
			911,387

12.2 It includes land and building carried at revalued amount of Rs. 14,230.514 million (December 31, 2019: Rs. 13,927.961 million).

(Un-audited)	
September 30, 2020	September 30, 2019
----- (Rupees in 000) -----	

12.3 Additions to fixed assets

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

Capital work-in-progress - net of transferred out for capitalisation	267,974	536,830
Property and equipment		
Building on Freehold land	30,679	12,184
Building on Leasehold land	49,253	27,876
Lease hold improvement	188,293	74,578
Furniture and fixture	118,078	54,168
Office equipment	1,514,700	1,238,156
Vehicles	111,738	5,835
	2,012,741	1,412,797
Total additions to fixed assets	2,280,715	1,949,627

12.4 Disposal of fixed assets

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

Leasehold land	-	192,500
Building on leasehold	13,927	2,700
Leasehold improvements	8,552	225
Furniture and fixture	905	241
Office equipment	10,107	1,987
Vehicles	15,589	8,024
Total disposal of fixed assets	49,080	205,677

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	409,221	253,483
Software / membership card	952,754	1,006,837
	1,361,975	1,260,320

13.1 Additions to intangible assets

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

Capital work-in-progress - net of transferred out for capitalisation	155,738	141,636
Directly purchased	277,838	290,552
Total additions to intangible assets	433,576	432,188

13.2 There were no disposals during the periods ended September 30, 2020 and September 30, 2019.

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----			
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		16,519,323	21,292,859
Income/ Mark-up accrued in foreign currency - net of provision		1,118,033	1,092,865
Advances, deposits, advance rent and other prepayments		1,912,867	2,040,310
Advance against subscription of share		82,312	82,312
Non-banking assets acquired in satisfaction of claims	14.1	1,013,207	763,935
Dividend receivable		15,677	1,070
Mark to market gain on forward foreign exchange contracts		1,816,704	2,436,300
Mark to market gain on derivatives		-	20,977
Stationery and stamps on hand		32,410	23,164
Defined benefit plan		891,116	1,019,177
Due from card issuing banks		749,466	886,234
Accounts receivable		2,490,394	829,639
Receivable against tradeable market securities		928,350	730,033
Receivable against fraud and forgeries		80,229	117,010
Acceptances		12,839,346	16,645,791
Receivable against DSC/SSC and overseas government securities		469,983	259,983
Others		243,138	429,351
		<u>41,202,555</u>	<u>48,671,010</u>
Less: Provision held against other assets	14.2	<u>(804,397)</u>	<u>(769,355)</u>
Other assets (net of provision)		40,398,158	47,901,655
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	14.1	<u>141,963</u>	<u>242,759</u>
		<u>40,540,121</u>	<u>48,144,414</u>

14.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 1,157.199 million (December 31, 2019: Rs. 1,005.256 million). During the period, properties having book value of Rs. 355.735 million were moved to operating fixed assets for the purpose of Bank's internal usage.

14.2 Provision held against other assets

Advances, deposits, advance rent & other prepayments	797,582	758,750
Non banking assets acquired in satisfaction of claims	6,815	10,605
	<u>804,397</u>	<u>769,355</u>

14.3 Movement in provision held against other assets

Opening balance	769,355	928,885
Exchange and other adjustments	3,756	(9,149)
Charge for the period / year	36,363	72,108
Reversals for the period / year	(5,077)	(54,540)
	31,286	17,568
Amount Written off	-	(167,949)
Closing balance	<u>804,397</u>	<u>769,355</u>

(Un-audited) (Audited)
September 30, December 31,
2020 2019
------(Rupees in '000)-----

15 BILLS PAYABLE

In Pakistan	22,180,642	16,950,808
Outside Pakistan	210,510	218,251
	22,391,152	17,169,059

16 BORROWINGS

Secured

Borrowings from State Bank of Pakistan under:

Export Refinance Scheme	38,682,157	31,680,935
Long-Term Finance Facility	23,675,598	15,947,561
Financing Facility for Renewable Energy Projects	4,086,731	1,945,374
Financing Facility for Storage of Agriculture Produce (FFSAP)	484,976	325,330
Refinance For Wages & Salaries	19,322,751	-
Others refinance schemes	860,940	-
Repurchase Agreement Borrowings	69,247,405	5,000,000
	156,360,558	54,899,200

Repurchase agreement borrowings

Bai Muajjal	22,462,629	16,064,786
Others	38,462,606	19,192,374
	231,112	291,243

Total secured

217,516,905

Unsecured

Call borrowings	9,937,458	10,126,463
Overdrawn nostro accounts	2,307,762	939,151
Others		
- Pakistan Mortgage Refinance Company	190,013	494,646
- Karandaaz Risk Participation	649,260	502,375
- Other financial institutions	3,804,794	623,335
	16,889,287	12,685,970

Total unsecured

234,406,192

103,133,573

17 DEPOSITS AND OTHER ACCOUNTS

September 30, 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	302,140,576	72,191,670	374,332,246	270,727,709	66,720,895	337,448,604
Savings deposits	245,736,646	31,234,690	276,971,336	191,870,815	33,470,756	225,341,571
Term deposits	101,494,647	40,231,943	141,726,590	106,891,979	52,368,120	159,260,099
Others	8,120,382	2,469,804	10,590,186	9,393,064	2,215,457	11,608,521
	657,492,251	146,128,107	803,620,358	578,883,567	154,775,228	733,658,795

Financial Institutions

Current deposits	2,038,003	618,895	2,656,898	1,877,599	468,616	2,346,215
Savings deposits	11,542,454	122,263	11,664,717	28,410,962	56,425	28,467,387
Term deposits	202,666	134,254	336,920	17,579,094	78,196	17,657,290
Others	1,780,188	1,303	1,781,491	144,086	1,087	145,173
	15,563,311	876,715	16,440,026	48,011,741	604,324	48,616,065
	673,055,562	147,004,822	820,060,384	626,895,308	155,379,552	782,274,860

(Un-audited) (Audited)
September 30, December 31,
2020 2019
------(Rupees in '000)-----

18 SUBORDINATED DEBT

18.1 Term Finance Certificates V - Quoted, Unsecured

- 4,987,000

During the period, the Bank, after obtaining bondholders' approval, inserted a call option in the Term Finance Certificates V and subsequently exercised that call option after completing required regulatory requirements. Accordingly, the said TFC was redeemed on May 18, 2020, being the option exercise date.

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.		

7,000,000 11,987,000

19 DEFERRED TAX LIABILITIES

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
------(Rupees in '000)-----			
Deductible Temporary Differences on:			
- Provision against investments		(981,284)	(682,296)
- Provision against advances		(2,075,422)	(566,205)
- Provision against other assets		(367,669)	(343,011)
- Provision against lending to financial institutions		(1,997)	(1,997)
- Unrealised loss on revaluation of held for trading investments		(1,758)	(7,438)
		(3,428,130)	(1,600,947)
Taxable Temporary Differences on:			
- Surplus on revaluation of fixed assets and non banking assets		1,282,922	1,299,030
- Surplus on revaluation of available for sale investments		2,612,254	2,262,421
- Share of profit and other comprehensive income from associates		858,749	686,413
- Accelerated tax depreciation		1,474,093	1,490,488
		6,228,018	5,738,352
		2,799,888	4,137,405

20 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency		4,357,628	3,541,232
Mark-up/ Return/ Interest payable in foreign currency		883,437	710,032
Unearned fee commission and income on bills discounted and guarantees		751,517	295,257
Accrued expenses		5,413,114	5,439,895
Current taxation		10,266,500	6,334,458
Acceptances		12,839,346	16,645,791
Dividends payable		121,267	93,040
Mark to market loss on forward foreign exchange contracts		2,428,626	3,658,322
Mark to market loss on derivatives		1,132,876	35,385
Branch adjustment account		34,567	233,567
ADC settlement accounts		1,144,448	405,493
Provision for Compensated absences		612,000	540,000
Payable against redemption of customer loyalty / reward points		411,357	372,334
Charity payable		8,748	1,155
Provision against off-balance sheet obligations	20.1	115,028	129,249
Security deposits against leases, lockers and others		8,664,933	7,121,497
Worker's Welfare Fund		1,884,712	1,478,588
Payable to vendors and suppliers		607,632	637,962
Payable against tradeable market securities		176,189	230,572
Indirect Taxes Payable		1,073,571	754,542
Lease Liabilities		10,627,033	9,374,239
Others		1,116,123	1,731,745
		64,670,652	59,764,355

20.1 Provision against off-balance sheet obligations

Opening balance		129,249	78,450
Exchange and other adjustments		7,193	11,113
Charge for the period / year		-	39,686
Reversals for the period / year		(21,414)	-
		(21,414)	39,686
Closing balance		115,028	129,249

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
21	SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS		
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	7,478,988	6,469,954
- Available for sale securities of associates		10,313	-
- Fixed Assets		8,433,092	8,378,317
- Non-banking assets acquired in satisfaction of claims		141,963	242,759
		16,064,356	15,091,030
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		2,612,254	2,261,346
- Available for sale securities of associates		3,610	-
- Fixed Assets		1,246,966	1,263,070
- Non-banking assets acquired in satisfaction of claims		35,956	35,960
		3,898,786	3,560,376
Derivatives		(1,191,287)	(154,684)
Surplus on revaluation of available for sale securities attributable to non controlling interest		(1,954)	547
		10,972,329	11,376,517
22	CONTINGENCIES AND COMMITMENTS		
-Guarantees	22.1	66,545,857	63,456,341
-Commitments	22.2	414,460,087	496,023,657
-Other contingent liabilities	22.3	12,114,833	10,600,887
		493,120,777	570,080,885
22.1 Guarantees:			
Financial guarantees		603,630	639,642
Performance guarantees		35,068,116	34,663,032
Other guarantees		30,874,111	28,153,667
		66,545,857	63,456,341
22.2 Commitments:			
Documentary credits and short-term trade-related transactions		104,486,479	93,696,623
- Letters of credit			
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	148,623,342	305,449,119
- forward government securities transactions	22.2.2	102,792,385	39,382,735
- derivatives	22.2.3	18,989,461	17,745,535
- forward lending	22.2.4	38,381,517	38,052,512
Commitments for acquisition of:			
- operating fixed assets		1,053,506	1,283,925
- intangible assets		133,397	413,208
		414,460,087	496,023,657

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
22.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	97,626,566	185,084,250
	Sale	50,996,776	120,364,869
		<u>148,623,342</u>	<u>305,449,119</u>
22.2.2	Commitments in respect of forward government securities transactions		
	Purchase	90,441,953	11,353,334
	Sale	12,350,432	28,029,401
		<u>102,792,385</u>	<u>39,382,735</u>
22.2.3	Commitments in respect of derivatives (Interest Rate Swaps)		
	Purchase	18,989,461	17,745,535
	Sale	-	-
		<u>18,989,461</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 33,023,207	32,688,405
	Commitments in respect of investments	5,358,310	5,364,107
		<u>38,381,517</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	<u>12,114,833</u>	<u>10,600,887</u>
22.3.1	Claims against the Bank not acknowledged as debts	<u>11,664,833</u>	<u>10,150,887</u>

These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of collateral assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

22.3.2 A commercial bank on behalf of Alfalah CLSA Securities (Private) Limited, Pakistan has given a guarantee of Rs. 450 million (December 31, 2019: 450 million) to National Clearing Company of Pakistan Limited (NCCPL) in respect of margin eligible securities The guarantee facility is for one year and is secured by 1st Pari Passu charge on current assets of the subsidiary.

22.4 Contingency for tax payable

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

23 DERIVATIVE INSTRUMENTS

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

23.1 Product Analysis

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	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	31	18,989,461	(1,132,876)	30	17,745,535	(14,408)
	<u>31</u>	<u>18,989,461</u>	<u>(1,132,876)</u>	<u>30</u>	<u>17,745,535</u>	<u>(14,408)</u>

	Note	(Un-audited)	
		Nine months period ended	
		September 30, 2020	September 30, 2019 (Restated)
		------(Rupees in '000)-----	
24 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		39,278,903	42,555,612
b) Investments		28,063,081	14,038,129
c) Lendings to financial institutions		2,959,685	4,089,798
d) Balances with banks / financial institutions		55,370	31,407
e) Securities purchased under resale agreements / Bai Muajjal		1,384,275	5,749,792
		<u>71,741,314</u>	<u>66,464,738</u>
25 MARK-UP/RETURN/INTEREST EXPENSED			
On:			
a) Deposits		25,094,547	24,505,742
b) Borrowings		2,458,206	1,468,142
c) Securities sold under repurchase agreements		4,613,577	1,723,310
d) Subordinated debt and ADT-1 instrument		989,914	1,066,023
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		3,010,305	3,230,059
f) Borrowing cost on leased properties		1,044,026	1,034,746
g) Reward points		70,071	101,977
		<u>37,280,646</u>	<u>33,129,999</u>
26 FEE & COMMISSION INCOME			
Branch banking customer fees		817,048	960,672
Consumer finance related fees		200,024	183,736
Card related fees (debit and credit cards)		458,497	707,729
Credit related fees		62,887	83,662
Investment banking fees		237,724	208,746
Commission on trade		1,013,432	1,060,355
Commission on guarantees		214,885	258,231
Commission on cash management		31,746	28,506
Commission on remittances including home remittances		395,543	247,352
Commission on bancassurance		320,494	345,183
Card acquiring business		341,370	187,042
Wealth Management Fee		65,631	88,181
Commission on Employees' Old-Age Benefit Institution (EOBI)		69,592	82,642
Commission on Benazir Income Support Programme (BISP)		275,649	272,487
Alternate Delivery Channel (ADC)		223,383	354,999
Brokerage/Commission income		155,776	71,124
Others		64,696	150,931
		<u>4,948,377</u>	<u>5,291,578</u>
27 GAIN / (LOSS) ON SECURITIES			
Realised	27.1	2,189,377	(408,868)
Unrealised - held for trading	10.1	(3,816)	(27,797)
		<u>2,185,561</u>	<u>(436,665)</u>
27.1 Realised gain/(loss) on:			
Federal Government Securities		2,849,822	138,561
Shares		(632,120)	(589,147)
Non Government Debt Securities		1,075	-
Foreign Securities		(29,400)	41,718
		<u>2,189,377</u>	<u>(408,868)</u>
28 OTHER INCOME			
Rent on property		18,687	18,302
Gain on sale of fixed assets-net		33,251	106,316
Profit on termination of leased contracts (Ijarah)		39,190	32,808
		<u>91,128</u>	<u>157,426</u>

Note	(Un-audited)	
	Nine months period ended	
	September 30, 2020	September 30, 2019 (Restated)
	------(Rupees in '000)-----	

29 OPERATING EXPENSES

Total compensation expense

29.1 10,983,659 9,448,668

Property expense

Rent and taxes	177,961	199,978
Utilities cost	815,615	742,224
Security (including guards)	608,225	455,564
Repair and maintenance (including janitorial charges)	479,763	315,016
Depreciation on right-of-use assets	1,393,024	1,262,891
Depreciation on non-banking assets acquired in satisfaction of claims	6,999	6,939
Depreciation on owned assets	394,409	304,927
	3,875,996	3,287,538

Information technology expenses

Software maintenance	791,896	861,740
Hardware maintenance	469,057	234,070
Depreciation	325,490	265,952
Amortisation	331,933	361,358
Network charges	303,211	295,745
	2,221,587	2,018,865

Other operating expenses

Directors' fees and allowances	227,874	181,381
Fees and allowances to Shariah Board	6,135	5,850
Legal and professional charges	296,321	179,569
Outsourced services costs	645,943	744,132
Travelling and conveyance	313,882	417,783
Clearing and custodian charges	77,001	70,477
Depreciation	688,090	613,210
Training and development	61,968	78,569
Postage and courier charges	225,012	273,669
Communication	313,038	259,843
Stationery and printing	464,245	366,544
Marketing, advertisement and publicity	599,417	1,373,521
Donations	22,288	7,392
Auditors Remuneration	44,164	43,020
Brokerage and Commission	137,943	109,578
Entertainment	143,765	157,803
Repairs and maintenance	330,321	299,819
Insurance	773,542	692,053
Cash Handling Charges	530,742	385,602
CNIC Verification	74,494	89,700
Others	451,854	340,307
	6,428,039	6,689,823
	23,509,281	21,444,894

29.1 Total compensation expense

Managerial Remuneration		
i) Fixed	8,154,482	7,207,297
ii) Variable:		
a) Cash Bonus / Awards etc.	1,353,859	1,126,095
Charge for defined benefit plan	128,062	90,000
Contribution to defined contribution Plan	342,563	286,469
Medical	422,154	322,912
Conveyance	199,081	177,988
Staff compensated absences	72,000	90,000
Others	139,290	80,547
Sub-total	10,811,491	9,381,309
Sign-on Bonus	8,650	53,398
Severance Allowance	163,518	13,961
Grand Total	10,983,659	9,448,668

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)	
		Nine months period ended	
		September 30, 2020	September 30, 2019 (Restated)
		----- (Rupees in '000) -----	
31 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		87,395	171,400
Penalties imposed by other regulatory bodies		272	244
		<u>87,667</u>	<u>171,644</u>
32 PROVISIONS & WRITE OFFS - NET			
Provisions / (reversal) against lending to financial institutions		(8,615)	(20,095)
Provisions for diminution in value of investments	10.3.1	69,881	1,127,538
Provisions against loans & advances	11.4	6,275,853	938,474
Provision against other assets	14.3	31,286	18,083
(Reversal) / provision against off-balance sheet obligations	20.1	(21,414)	37,238
Other provisions / write off - net		39,690	90,374
Recovery of written off / charged off bad debts		(107,866)	(179,177)
		<u>6,278,815</u>	<u>2,012,435</u>
33 TAXATION			
Current		7,918,955	7,321,673
Prior years		(46,772)	603,587
Deferred		(1,692,037)	(532,666)
		<u>6,180,146</u>	<u>7,392,594</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 Honourable 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 appeals filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 184.218 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) 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.
- c) 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 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.

		(Un-audited)	
		September 30, 2020	September 30, 2019 (Restated)
		------(Rupees in '000)-----	
34	BASIC EARNINGS PER SHARE		
	Profit for the period attributable to equity holders of the Bank	<u>8,655,751</u>	<u>9,496,600</u>
		------(Number of shares in '000)-----	
	Weighted average number of ordinary shares	<u>1,777,165</u>	<u>1,775,882</u>
		------(Rupees)-----	
	Basic earnings per share	<u>4.87</u>	<u>5.35</u>
35	DILUTED EARNINGS PER SHARE		
		------(Rupees in '000)-----	
	Profit for the period attributable to equity holders of the Bank	<u>8,655,751</u>	<u>9,496,600</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>1,775,882</u>
		------(Rupees)-----	
	Diluted earnings per share	<u>4.87</u>	<u>5.35</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 financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

36.1 Fair value of financial instruments

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

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

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

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

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

	September 30, 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	-	421,612,955	-	421,612,955
Shares	7,908,161	-	-	7,908,161
Non-Government Debt Securities	-	19,535,219	-	19,535,219
Foreign Securities	-	44,235,067	-	44,235,067
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,816,704	-	1,816,704
Forward sale of foreign exchange	-	(2,428,626)	-	(2,428,626)
Derivatives purchases	-	(1,132,876)	-	(1,132,876)
	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)

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 as disclosed in notes 12 and 14. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

36.3 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.

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 State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps and futures is determined using prices and curves through Bloomberg.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates. Floating rate PIBs are revalued using PKFRV rates.
Overseas 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.
Operating fixed assets and non banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these condensed interim consolidated financial statements.

37 SEGMENT INFORMATION
37.1 Segment details with respect to Business Activities

For the nine months period ended September 30, 2020 (Un-audited)

	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
Profit & Loss									
Net mark-up/return/profit	(5,472,164)	14,480,683	6,813,372	17,434,292	(5,716)	2,135,109	(6,132)	(918,776)	34,460,668
Inter segment revenue - net	25,020,716	(9,628,676)	(782,120)	(16,102,887)	436,572	96,914	-	959,481	-
Non mark-up/return/interest income	2,567,728	1,318,207	891,567	4,571,862	362,316	353,195	159,605	439,635	10,664,055
Total Income	22,116,280	6,170,214	6,922,819	5,903,267	793,172	2,585,158	153,473	480,340	45,124,723
Segment direct expenses	10,058,288	717,378	2,923,490	342,173	1,123,382	1,384,669	128,130	7,325,562	24,003,072
Inter segment expense allocation	4,781,673	696,289	1,076,820	233,107	342,044	197,364	-	(7,327,297)	-
Total expenses	14,839,961	1,413,667	4,000,310	575,280	1,465,426	1,582,033	128,130	(1,735)	24,003,072
Provisions / (Reversals)	473,932	2,184,322	106,020	66,348	1,718	(53,525)	-	3,500,000	6,278,815
Profit / (loss) before tax	6,802,387	2,572,225	2,816,489	5,261,639	(673,972)	1,056,650	25,343	(3,017,925)	14,842,836
	As at September 30, 2020 (Un-audited)								
	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
Balance Sheet									
Cash & Bank balances	44,135,095	8,631,181	11,232,559	8,000,820	425,395	10,264,417	149,857	-	82,839,324
Investments	1,587,924	1,084,426	48,394,847	420,022,261	-	67,889,858	31,399	2,923,888	541,934,603
Net inter segment lending	355,803,696	-	-	-	7,362,745	-	-	93,486,491	456,652,932
Lendings to financial institutions	-	-	31,414,435	12,409,267	-	9,337,384	-	-	53,161,086
Advances - performing	131,258,001	253,299,431	77,478,363	-	10,445	23,088,760	2,316	5,714,855	490,852,171
Advances - non-performing	968,037	2,784,080	678,287	-	154	571,578	-	35,670	5,037,806
Others	15,671,780	11,673,908	13,288,261	5,907,883	1,073,274	6,432,359	505,896	18,283,173	72,836,534
Total Assets	549,424,533	277,473,026	182,486,752	446,340,231	8,872,013	117,584,356	689,468	120,444,077	1,703,314,456
Borrowings	14,509,095	59,651,460	13,157,248	121,307,552	-	25,549,725	231,112	-	234,406,192
Subordinated debt	-	-	-	-	-	-	-	7,000,000	7,000,000
Deposits & other accounts	517,778,788	97,386,750	131,517,910	-	8,614,086	64,761,374	-	1,476	820,060,384
Net inter segment borrowing	-	102,491,125	15,461,100	315,936,566	-	22,764,141	-	-	456,652,932
Others	16,090,357	18,400,107	20,740,034	5,964,756	257,927	4,927,111	-	23,285,229	89,861,692
Total Liabilities	548,378,240	277,929,442	180,876,292	443,208,874	8,872,013	118,002,351	427,283	30,286,705	1,607,981,200
Net Assets	1,046,293	(456,416)	1,610,460	3,131,357	-	(417,995)	262,185	90,157,372	95,333,256
Equity									
Contingencies & Commitments	52,063,952	114,755,616	51,696,940	220,853,533	64,134	52,014,227	450,000	1,222,375	493,120,777

* Others include head office related activities.

For the nine months period ended September 30, 2019 (Un-audited)

	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
Profit & Loss									
Net mark-up/return/profit	(3,284,899)	16,816,132	6,276,877	12,701,757	(3,270)	1,957,577	(6,614)	(1,122,821)	33,334,739
Inter segment revenue - net	22,313,568	(11,028,310)	(540,140)	(12,301,938)	3881,444	361,196	-	787,480	-
Non mark-up/return/interest income	2,845,760	840,971	802,659	1,423,410	357,577	469,978	55,788	751,747	7,547,890
Total Income	21,874,429	6,628,793	6,539,396	1,823,229	742,451	2,808,751	49,174	416,406	40,882,629
Segment direct expenses	9,187,120	761,434	2,649,716	338,532	1,328,802	1,170,083	88,794	6,471,904	21,996,385
Inter segment expense allocation	4,081,361	554,620	1,045,418	186,038	453,371	151,645	-	(6,472,453)	-
Total expenses	13,268,481	1,316,054	3,695,134	524,570	1,782,173	1,321,728	88,794	(5,49)	21,996,385
Provisions / (Reversals)	355,086	534,659	(23,114)	1,156,019	-	(10,215)	-	-	2,012,435
Profit / (loss) before tax	8,250,862	4,778,080	2,867,376	142,640	(1,039,722)	1,497,238	(39,620)	416,955	16,873,809

As at December 31, 2019 (Audited)

	(Rupees in '000)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Others*	Total
Balance Sheet									
Cash & Bank balances	51,071,179	11,905,006	13,687,542	16,301,602	324,045	12,143,278	226,102	-	105,658,754
Investments	1,372,585	914,973	13,738,131	227,999,155	-	53,548,116	103,280	3,229,317	300,905,557
Net inter segment lending	304,115,617	-	-	24,931,724	6,760,322	-	-	85,510,486	396,386,425
Lendings to financial institutions	146,947,933	240,367,593	87,226,466	-	5,030	8,712,163	1,830	7,828,663	506,560,966
Advances - performing	1,406,411	2,796,345	285,911	-	107,824	107,824	-	80,322	4,676,813
Advances - non-performing	27,365,192	9,325,333	12,267,215	5,633,291	942,522	1,529,100	412,609	21,037,192	78,512,454
Others	532,278,917	265,309,250	164,996,273	274,865,772	8,031,919	100,223,932	743,821	117,685,980	1,464,135,864
Total Assets									
Borrowings	12,437,067	31,182,760	6,973,823	30,360,377	-	21,888,303	291,243	-	103,133,573
Subordinated debt	-	-	-	-	-	-	-	11,987,000	11,987,000
Deposits & other accounts	492,097,776	103,018,182	122,023,365	-	7,827,966	57,300,323	-	7,248	782,274,860
Net inter segment borrowing	-	123,412,730	14,836,417	238,756,902	-	19,380,376	-	-	396,386,425
Others	26,832,583	7,695,578	20,888,994	2,406,630	203,953	1,599,871	214,717	21,228,493	81,070,819
Total Liabilities	531,367,426	265,309,250	164,722,599	271,523,909	8,031,919	100,168,873	505,960	33,222,741	1,374,852,677
Net Assets	911,491	-	2,735,674	3,341,863	-	55,059	237,861	84,463,239	89,283,187
Equity									
Contingencies & Commitments	60,523,866	98,407,250	46,150,780	319,880,787	5,142	44,060,060	450,000	603,000	570,080,885

* Others include head office related activities.

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) (Audited)
September 30, December 31,
2020 2019
------(Rupees in '000)-----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,771,651	17,771,651
---------------------------------	------------	------------

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	73,088,545	67,625,018
Eligible Additional Tier 1 (ADT 1) Capital	7,013,305	7,011,045
Total Eligible Tier 1 Capital	80,101,850	74,636,063
Eligible Tier 2 Capital	23,515,404	20,039,768
Total Eligible Capital (Tier 1 + Tier 2)	103,617,254	94,675,831

Risk Weighted Assets (RWAs):

Credit Risk	495,306,780	494,671,653
Market Risk	10,773,888	7,089,963
Operational Risk	65,601,200	65,601,200
Total	571,681,868	567,362,816

Common Equity Tier 1 Capital Adequacy ratio	12.78%	11.92%
Tier 1 Capital Adequacy Ratio	14.01%	13.15%
Total Capital Adequacy Ratio	18.12%	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	80,101,850	74,636,063
Total Exposures	1,613,010,790	1,315,453,231
Leverage Ratio	4.97%	5.67%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	399,615,491	285,456,439
Total Net Cash Outflow	204,416,573	174,614,928
Liquidity Coverage Ratio	195%	163%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	804,812,883	687,962,685
Total Required Stable Funding	557,179,730	499,005,864
Net Stable Funding Ratio	144%	138%

40 NON-ADJUSTING EVENT

- 40.1 The Board of Directors of the Bank in its meeting held on October 21, 2020 has declared an interim cash dividend of 20%, i.e. Rs. 2.0 per share (September 30, 2019: nil). Last year, the Board of Directors of the Bank had declared an interim cash dividend of 20% (Rs. 2.0 per share). These consolidated condensed interim financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

41 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on October 21, 2020 by the Board of Directors of the Bank.

42 GENERAL

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

The effect of reclassification, rearrangement, restatement in the comparative information presented in the consolidated condensed interim financial statement for the nine months period ended September 30, 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
Receivable against DSC/SSC and overseas government securities	Asset	259,983	Other Assets - Others	Other Assets - Receivable against DSC/SSC and overseas government securities
Trade receivable against purchase of shares	Asset	730,033	Other Asset - Account receivable	Other Assets - Receivable against tradeable market securities
Trade payable against sale of shares	Liability	230,572	Other Liabilities - Others	Other Liabilities - Payable against tradeable market securities
Payable against ATM / ADC settlement accounts	Liability	405,493	Other Assets - Branch adjustment account	Other Liabilities - ADC settlement accounts
Commission on bills discounting	Income	29,842	Fee and commission income - Commission on trade	Markup income - Loans and advances
Borrowing cost on lease liability	Expense	1,034,746	Markup expensed - Borrowings	Markup expensed - Borrowing cost on leased liabilities
Depreciation on right-of-use assets	Expense	1,262,891	Administrative Expenses - Depreciation on owned assets	Administrative Expenses - Depreciation on right-of-use assets
Depreciation on properties acquired under debt asset swap arrangements	Expense	6,939	Administrative Expenses - Depreciation on owned assets	Administrative Expenses - Depreciation on non -banking assets acquired in satisfaction of claims

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



Bank Alfalah

Bank Alfalah Limited

B. A. Building, I. I. Chundrigar Road

Karachi, Pakistan.

111 777 786

bankalfalah.com

You Tube /BankAlfalah



/BankAlfalahOfficial



/bank_alfalah



/@BankAlfalahPAK