

**Financial Statements for the Quarter and
Nine Months Period Ended 30 September 2016 (Un-audited)**



Bank Alfalah
The Way Forward

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Company Information

Board of Directors

HH Sheikh Hamdan Bin Mubarak Al Nahayan
Chairman

Abdulla Nasser Hawaileel Al-Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Khalid Qurashi
Director

Kamran Y. Mirza
Director

Atif Bajwa
Chief Executive Officer

Board Audit Committee

Kamran Y. Mirza
Chairman

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Tahir Khurshid
Secretary

Board Strategy and Finance Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Khalid Qurashi
Director

Atif Bajwa
Chief Executive Officer

M. Iftikhar Shabbir
Secretary

Board Risk Management Committee

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Director

Khalid Qurashi
Director

Atif Bajwa
Chief Executive Officer

Farhan Ali
Secretary

Board Compensation Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Kamran Y. Mirza
Director

Mian Ejaz Ahmad
Secretary

Central Management Committee

Atif Bajwa
Chairman

Suhail Yaqoob Khan
Member

Mirza Zafar Baig
Member

Faisal Farooq Khan
Member

Khurram Hussain
Member

Mehreen Ahmad
Member

Rizwan Ata
Member

Saad ur Rahman Khan
Member

Aly Mustansir
Member

Syed Ali Sultan
Member

Aasim Wajid Jawad
Member

Imran Zafar
Member

Khawaja Muhammad Ahmad
Member

Mohib Hasan Khan
Member

Board Human Resources & Nomination Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Director

Kamran Y. Mirza
Director

Atif Bajwa
Chief Executive Officer

Mian Ejaz Ahmad
Secretary

Company Secretary

Mian Ejaz Ahmad

Chief Financial Officer

Mirza Zafar Baig

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Registered/Head Office

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

Share Registrar

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

Directors' Review

On behalf of the Board of Directors, I am pleased to present the unconsolidated condensed interim financial information of the Bank for the quarter and nine months period ended September 30, 2016.

	Nine months period ended September 30, 2016	Nine months period ended September 30, 2015
	(Rupees in '000)	
Profit before provisions and taxation	10,956,055	11,635,746
Provisions against loans and advances - net	267,108	1,260,759
Provision for diminution in the value of investments	67,849	92,342
	334,957	1,353,101
Profit before Taxation	10,621,098	10,282,645
Taxation	4,354,849	4,238,142
Profit after taxation	6,266,249	6,044,503
Earnings per share – basic	Rs. 3.93	Rs. 3.80

Performance Review:

The Bank's Profit before taxation for the nine months period ended September 30, 2016 was recorded at Rs. 10.621 Billion, as against Rs. 10.283 Billion for the corresponding period last year, improving by 3 percent.

During the quarter under review, the banking industry witnessed maturities of investments in high yielding Government bonds which had to be replaced with avenues offering relatively lower yields in line with prevalent market rates.

Our year-on-year net interest income levels reflected an improvement of 2 percent during the current period, as reduction in mark up expenses outweighed the reduction in top line revenues due to reduction in yields on Government bonds. Non fund income improved marginally against the level achieved in the prior corresponding period.

Despite lower interest rates directly impacting core revenues, growth in overall bottom line profitability was facilitated by improved recoveries and lower gross provisioning charge. The Bank's gross recoveries against the prior period improved by 52 percent, while gross provisioning charge lower by 14 percent. As at the period end, the Bank's coverage ratio continues to remain adequate at 83 percent, while the infection ratio stands at 5.4 percent, one of the lowest amongst top tier banks.

Total operating expenses registered an increase of 7 percent, mainly attributable to the Bank's investment in improving its technological infrastructure, strategic positioning initiatives, and marketing and brand related spending. The Bank remains committed to further strengthen its services infrastructure and expand its financial footprint in order to provide world class banking and financial services to its ever expanding customer base.

Earnings per share for the period were reported at Rs. 3.93 as against Rs. 3.80 for the previous corresponding period, improving by 3 percent.

As at the period end, the Bank's total assets were reported at Rs. 870.405 Billion, with net Investments and net Advances representing 47 percent and 38 percent of the total asset base. Deposits at the period end were reported at Rs. 641.441 Billion, remaining at a similar level as that of December 2015, while Borrowings declined to Rs. 128.032 Billion as against Rs. 172.393 Billion at December end. The Bank's ADR continues to remain at a sound level of 54 percent, one of the best in the industry.

Economic Outlook:

Pakistan's macroeconomic environment outlook continues to remain positive. The record-high foreign exchange reserves have led to consistency and stability in the foreign exchange market. However, there remains a risk that the current account deficit may widen further, mainly on account of declining exports and rising imports. The China Pakistan Economic Corridor (CPEC) related projects continue to gather momentum, and this bodes well for the economy in general, which is expected to further expand on the back of improving industrial activity, especially construction and power generation, and rising demand for allied services. What will support this growth phase, are stable macro conditions that have been shored up by low oil prices, which are expected to remain supportive for the next several years.

Low interest rates, low import prices, and improved energy availability are expected to further facilitate the manufacturing sector and improve general business sentiments. The Pakistan Stock Market's reclassification to the MSCI's emerging markets index in June 2016 has been a positive step towards boosting investors' confidence. The consistent improvement to the security and political environment shall remain key factors in sustaining economic growth. The IBA-SBP Consumer Confidence Survey of September 2016, indicates an improvement in current and expected economic conditions, and a significant rise in consumer confidence.

Liquidity conditions in the money market have remained comfortable mainly due to retirement of government borrowing to the scheduled banks. Resultantly, lower volatility has been witnessed in the interbank market, with overnight money market repo rates remaining close to the policy rate. Stability in market interest rates should also help the upcoming credit cycle for working capital and fixed investment.

Year-on-year CPI inflation rose to 3.6 percent in August 2016 from 1.8 percent in August 2015, while the average inflation during the first two months of the current fiscal year was more than double the same period last year. Core inflation during this period was also higher than the corresponding period last year. For the remaining months of the current fiscal year, we expect higher inflation than seen in FY16; however, given projections that oil prices will remain soft, we think average inflation will remain below 5 to 6 percent till FY18.

In view of this, the Central Bank kept the policy rate unchanged during the quarter.

While the global growth outlook for 2016 remains subdued, uncertainty is pervasive. The expected interest rate hike by the US Fed, the economic slowdown in China, the likely changes in the political landscape in Western Europe, and the aftermath of Brexit, will continue to dominate sentiments in global financial and commodity markets.

Against this backdrop, Pakistan's economic growth is set to increase further in FY17. The likely impetus should come from rising investment under PSDP and CPEC; improved energy availability to industry; lagged impact of prudent monetary policy; healthy private sector credit uptake; and improving law and order situation. The GDP growth target for FY17 stands at 5.7 percent, which is higher than the growth of 4.7 percent achieved for FY16.

Having said this, banking sector margins shall remain under pressure, given the low interest rate regime. The Bank remains focused on managing its lending and investment strategy cautiously, with an objective of maximizing shareholder returns.

Credit Rating

The Bank's credit rating was maintained at 'AA' (double A) Entity Rating for the Long Term and A1+ (A one plus) for the Short Term, by PACRA at June 30, 2016. 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. The Bank's outlook has also been maintained as positive. The unsecured subordinated debt (Term Finance Certificates) of the Bank carries a credit rating of AA- (double A minus).

Acknowledgments:

On behalf of the Board, I would once again like to thank the State Bank of Pakistan, the Ministry of Finance and other regulatory authorities for their continuous guidance and support, our shareholders and our valued customers for their counsel and patronage.

I value the dependable and dedicated contribution of our staff, both locally and overseas. With this continued level of promise, motivation and diligent work, I am sure that the Bank shall be able to achieve new levels of progress in the days to come.

ATIF BAJWA

Director & Chief Executive Officer

Date: October 26, 2016

Place: Abu Dhabi

ڈائریکٹرز کا جائزہ

میں بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2016 کو ختم ہونے والی سہ ماہی اور 9 ماہ کے غیر مدغم شدہ عبوری مالیاتی حسابات پیش کر رہا ہوں۔

30 ستمبر 2015	30 ستمبر 2016
کو ختم ہونے والی 9 ماہ کی مدت	کو ختم ہونے والی 9 ماہ کی مدت
(Rupees in '000)	

11,635,746	10,956,055
1,260,759	267,108
92,342	67,849
1,353,101	334,957
10,282,645	10,621,098
4,238,142	4,354,849
6,044,503	6,266,249
Rs.3.80	Rs.3.93

پراویژن اور ٹیکس کی ادائیگی سے قبل کا منافع
قرضہ جات اور ایڈوانسز کے مقابل پراویژن۔ خالص
سرماہی کاری کی قدر میں کمی کے لیے پراویژن

قبل از ٹیکس منافع

ٹیکس

بعد از ٹیکس منافع

فی حصص آمدن۔ خالص

کارکردگی کا جائزہ:

30 ستمبر 2016 کو ختم ہونے والی 9 ماہ کی مدت میں بینک کے قبل از ٹیکس منافع کی مالیت 10.621 ارب روپے ریکارڈ کی گئی جو گزشتہ سال کی اسی مدت میں حاصل کردہ 10.283 ارب روپے کے قبل از ٹیکس منافع کے مقابلے میں 3 فیصد اضافے کو ظاہر کرتی ہے۔

زیر تیسرہ سہ ماہی کے دوران، حکومتی بانڈز میں کمی جانے والی سرماہی کاری کی پیچور بیٹی کارخانہ رہا، جبکہ نئی سرماہی کاری مارکیٹ میں کم ترین شرح سود کے مطابق نسبتاً کم شرح پر کی گئی۔

اس مدت کے دوران بینک کی خالص مارک اپ آمدنی میں سال بہ سال 2 فیصد اضافہ ریکارڈ کیا گیا۔ مارک اپ آمدنی میں کمی کے مقابلے میں مارک اپ اخراجات میں زیادہ کمی پائی گئی، جس کے سبب سرفہرست آمدن میں کمی کے اثرات زائل ہو گئے۔ بینک کی نان فنڈڈ انکم میں گزشتہ سال کی اسی مدت کے مقابلے میں قدرے بہتری کا رجحان رہا۔

اگرچہ کم شرح سود بینک کی بنیادی آمدن پر براہ راست اثر انداز رہی، تاہم موثر انداز میں کمی جانے والی وصولیوں اور کم گراس پراویژننگ چارج کی وجہ سے مجموعی طور پر منافع میں بہتری کارخانہ رہا۔ بینک کی مجموعی وصولیوں میں گزشتہ سال کی اسی مدت کے مقابلے میں 52 فیصد اضافہ عمل میں آیا جبکہ گراس پراویژننگ چارج بھی گزشتہ سال کے مقابلے میں 14 فیصد کم رہا۔ اس مدت کے اختتام پر بینک کا کورج تناسب بھی 83 فیصد کی سطح پر مستحکم رہا جبکہ انفیکشن کا تناسب 5.4 فیصد رہا جو سرفہرست بینکوں میں انفیکشن کے تناسب کی کم ترین سطح ہے۔

اس عرصے کے دوران بینک کے مجموعی آپریٹنگ اخراجات میں 7 فیصد اضافہ عمل میں آیا جو بینک کے تکنیکی انفراسٹرکچر کی بہتری کے لیے کی جانے والی سرمایہ کاری، بینک کا نمایاں مقام برقرار رکھنے کے لیے کیے گئے اقدامات، مارکیٹنگ اور برانڈ سے متعلقہ اخراجات کا نتیجہ ہے۔ بینک اپنی خدمات سے متعلق انفراسٹرکچر کو مزید مضبوط بنانے اور مسلسل بڑھتی ہوئی صارف اساس کو عالمی معیاری بینکاری و مالیاتی خدمات کی فراہمی کے لیے خدمات کا دائرہ وسیع کرنے کے لیے پختہ عزم پر کاربند ہے۔

زیر تہرہ مدت کے لیے فی حصص آمدن 3.93 روپے رہی جو گزشتہ سال کی اسی مدت کی فی حصص 3.80 روپے آمدن کے مقابلے میں 3 فیصد اضافے کو ظاہر کرتی ہے۔

30 ستمبر کو ختم ہونے والی مدت میں بینک کے مجموعی اثاثوں کی مالیت 870,405 ارب روپے، خالص سرمایہ کاری اور ایڈوانسز کی مالیت مجموعی اثاثہ جات کا بااثر ترتیب 47 اور 38 فیصد رہی۔ بینک کے مجموعی ڈپازٹس کی مالیت 641,441 ارب روپے ریکارڈ کی گئی جو دسمبر 2015 میں ڈپازٹس کی سطح کے برابر ہے تاہم بینک کے حاصل شدہ قرضہ جات کی مالیت کم ہو کر 128,032 ارب روپے کی سطح پر آگئی جو دسمبر 2015 میں 172,393 ارب روپے رہی تھی۔ بینک کے جاری کردہ قرضہ جات اور ڈپازٹس کا تناسب بھی 54 فیصد کی سطح پر مستحکم رہا جو انڈسٹری کے بہترین تناسب میں سے ایک ہے۔

معاشی منظر نامہ:

پاکستان کا معاشی منظر نامہ بدستور مثبت نظر آ رہا ہے۔ زرمبادلہ کی بلند ترین سطح فارن ایکس چینج مارکیٹ میں تسلسل اور استحکام کا سبب بن رہی ہے تاہم برآمدات میں کمی اور درآمدات میں اضافے کی وجہ سے جاری کھاتے کا خسارہ بڑھنے کا خدشہ برقرار ہے۔ پاک چین اقتصادی راہداری منصوبے (سی پی ای سی) سے متعلقہ پراجیکٹس میں پیش رفت ہو رہی ہے جو معیشت کے لیے سود مند ہے ان منصوبوں کی وجہ سے صنعتی سرگرمیاں تیز ہوں گی بالخصوص تعمیراتی صنعت اور توانائی کے شعبوں کو تقویت ملے گی اور ان سے متعلقہ خدمات کی طلب میں اضافہ ہوگا۔ ترقی کے اس ماحول کو قائم رکھنے کے لیے مستحکم معاشی حالات اور مناسب سطح پر موجود تیل کی قیمتوں سے مدد ملے گی۔

کم ترین شرح سود، کم درآمدی لاگت اور توانائی کی دستیابی میں بہتری سے میڈیونیکچرنگ سیکٹر اور عمومی کاروباری حالات کو تقویت ملنے کی توقع ہے۔ پاکستان کی اسٹاک مارکیٹ کی جون 2016 میں MSCI کی ابھرتی ہوئی منڈیوں کے انڈیکس میں شمولیت سرمایہ کاروں کا اعتماد بڑھانے میں معاون ثابت ہوگی۔ معاشی ترقی کی شرح نمو کو پائیدار بنانے کے لیے سیکورٹی اور سیاسی صورتحال میں مسلسل بہتری اہم ترین عوامل ہیں۔ آئی بی اے اور اسٹیٹ بینک آف پاکستان کے ستمبر 2016 میں جاری ہونے والے اکنومک پرفیکٹس سروے بھی موجودہ اور متوقع معاشی حالات اور صارفین کے اعتماد میں اضافے کو ظاہر کرتا ہے۔

منی مارکیٹ میں سرمایہ کی صورتحال اطمینان بخش ہے۔ اس صورتحال کو بہتر رکھنے میں حکومتی قرضوں کی شیڈول بینکوں کو ادائیگی کا بڑا کردار ہے۔ اس صورتحال کے نتیجے میں انٹرنیشنل مارکیٹ میں بھی استحکام پایا گیا۔ اس کے ساتھ ہی اور نائٹ منی مارکیٹ ریسپورٹس بھی پالیسی ریٹ کے قریب رہے۔ مارکیٹ انٹرسٹ ریٹ میں استحکام آنے والے دنوں میں ورکنگ کپینٹل اور گلسڈ انویسٹمنٹس سائیکل کو پورا کرنے میں معاون ثابت ہوگا۔

اگست 2016 میں سال ہر سال افراط زر 3.6 فیصد رہا جبکہ اگست 2015 میں افراط زر کی شرح 1.8 فیصد ریکارڈ کی گئی تھی۔ رواں مالی سال کے پہلے دو ماہ جولائی اور اگست کے مہینوں کے دوران افراط زر کی اوسط شرح گزشتہ مالی سال کے اسی عرصے کے مقابلے میں دوگنا اضافہ ہوا۔ اس عرصے کے دوران بنیادی افراط زر بھی گزشتہ مالی سال کے اسی عرصے سے زائد رہا۔ رواں مالی سال کے آنے والے مہینوں کے دوران افراط زر کی شرح زائد رہنے کی توقع ہے تاہم خام تیل کی قیمت مناسب سطح پر رہنے کی توقعات کے ساتھ ہمیں امید ہے کہ مالی سال 2018 تک افراط زر کی شرح 5 سے 6 فیصد رہے گی۔

مذکورہ صورتحال کے پیش نظر مرکزی بینک نے اس سہ ماہی کے لیے پالیسی ریٹ کو برقرار رکھا ہے۔

سال 2016 کے دوران عالمی سطح پر معاشی ترقی کے بارے میں بے یقینی پائی جاتی ہے۔ امریکی فیڈرل ریزرو کی جانب سے شرح سود میں اضافہ اور چین کی معاشی ترقی کی رفتار میں کمی، مغربی یورپ کی سیاسی صورتحال میں تبدیلی اور برطانیہ کی یورپی یونین سے علیحدگی کے باعث پیدا ہونے والی صورتحال عالمی فنانشل اور سکاڈینی مارکیٹ پر غالب رہے گی۔

اس پس منظر میں مالی سال 2017 کے دوران پاکستان کی معاشی ترقی کی رفتار میں مزید اضافہ متوقع ہے۔ پبلک سیکٹرز ڈیولپمنٹ پروگرام اور پاک چین اقتصادی راہداری منصوبوں میں کمی جانے والی سرمایہ کاری، صنعتوں کو توانائی کی دستیابی میں اضافہ، موثر مانیٹری پالیسی کے اثرات، نجی شعبے کی قرض گیری میں نمایاں اضافہ اور امن و امان کی بہتر صورتحال ملک میں معاشی سرگرمیوں کو فروغ دینے میں اہم کردار ادا کرے گی۔ مالی سال 2017 کے لیے مجموعی قومی پیداوار میں افزائش کا ہدف 5.7 فیصد مقرر کیا گیا ہے جو گزشتہ مالی سال کی شرح نمو 4.7 فیصد سے زائد ہے۔

اس صورتحال کے مقابلہ میں ترقی شرح سود کی وجہ سے پاکستان کے بینکنگ سیکٹر پر دباؤ قائم رہے گا۔ بینک کی توجہ اپنی قرضہ جات اور سرمایہ کاری سے متعلق حکمت عملی پر مرکوز ہے جس کا مقصد شہر ہولڈرز کے منافع میں اضافہ کرنا ہے۔

کریڈٹ ریٹنگ:

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے 30 جون 2016 کو بینک کو طویل مدت کے لیے ڈبل اے (AA) جبکہ قلیل مدت کے لیے اے ون پلس (A1+) کریڈٹ ریٹنگ تفویض کی گئی۔ 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۔ بینک کا آؤٹ لک مثبت قرار دیا گیا ہے۔ بینک کے ٹرم فنانشل سٹیبلٹی ڈبل اے مائنس (AA-) ریٹنگ تفویض کی گئی ہے۔

اظہار تشکر:

میں بورڈ آف ڈائریکٹرز کی جانب سے اسٹیٹ بینک آف پاکستان، وفاقی وزارت خزانہ اور دیگر ریگولیٹری اتھارٹی کی مسلسل رہنمائی اور تعاون کی فراہمی کا شکریہ ادا کرتا ہوں۔ میں مشاورت اور سرپرستی کرنے والے اپنے معزز شیئر ہولڈرز اور صارفین کا بھی تہہ دل سے شکریہ ادا کرتا ہوں۔

میں بینک کی بہتری کے لیے ملازمین کی کاوشوں کو بھی خراج تحسین پیش کرتا ہوں۔ میں بڑی امید ہوں کہ ہم اس محنت، جذبے اور لگن کے ساتھ بینک کو ترقی کی راہ پر گامزن رکھیں گے۔

عاطف باجوہ

ڈائریکٹر اینڈ چیف ایگزیکٹو آفیسر

26 اکتوبر 2016

مقام: ابوظہبی

Unconsolidated Condensed Interim Statement of Financial Position

As at 30 September 2016

	Note	30 September 2016 (Un-audited)	31 December 2015 (Audited) (Restated)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		63,640,399	62,368,790
Balances with other banks		8,785,347	16,552,207
Lendings to financial institutions	7	26,331,504	27,626,350
Investments - net	8	409,547,135	423,099,734
Advances - net	9	327,718,113	334,158,739
Operating fixed assets	10	17,977,997	17,241,968
Deferred tax assets		-	-
Other assets		16,404,941	21,559,733
		870,405,436	902,607,521
LIABILITIES			
Bills payable		11,419,727	9,733,929
Borrowings	11	128,031,511	172,393,198
Deposits and other accounts	12	641,441,239	640,188,735
Sub-ordinated loans		9,980,000	9,983,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		2,645,561	1,824,054
Other liabilities		17,901,309	15,131,430
		811,419,347	849,254,346
NET ASSETS		58,986,089	53,353,175
REPRESENTED BY			
Share capital		15,952,076	15,898,062
Reserves		15,549,382	14,164,120
Unappropriated profit		15,810,117	12,362,596
		47,311,575	42,424,778
Surplus on revaluation of assets - net of tax		11,674,514	10,928,397
		58,986,089	53,353,175

CONTINGENCIES AND COMMITMENTS

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

Chief Executive Officer

Director

Director

Chairman

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

for the Quarter and Nine Months Period Ended 30 September 2016

	Note	Quarter ended 30 September 2016	Nine months period ended 30 September 2016	Quarter ended 30 September 2015	Nine months period ended 30 September 2015
(Rupees in '000)-					
Mark-up / return / interest earned		13,735,289	43,447,882	14,972,888	46,216,123
Mark-up / return / interest expensed		6,702,127	21,761,153	7,639,912	24,975,902
Net mark-up / interest income		7,033,162	21,686,729	7,332,976	21,240,221
(Reversal) / provision against non-performing loans and advances - net		(76,467)	267,108	124,356	1,260,745
Provision for diminution in value of investments - net		2,962	67,849	18,621	92,342
Bad debts written-off directly		-	-	14	14
		(73,505)	334,957	142,991	1,353,101
Net mark-up / interest income after provisions		7,106,667	21,351,772	7,189,985	19,887,120
Non mark-up / interest income					
Fee, commission and brokerage income		992,825	3,366,369	1,084,809	3,299,089
Dividend income		147,910	450,901	78,483	418,283
Income from dealing in foreign currencies		274,856	888,133	436,704	1,165,061
Gain on sale of securities - net		369,364	1,699,179	222,083	1,293,179
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(40,643)	(16,632)	133,150	231,651
Other income		178,052	538,973	131,483	481,240
Total non mark-up / interest income		1,922,364	6,926,923	2,086,712	6,888,503
		9,029,031	28,278,695	9,276,697	26,775,623
Non mark-up / interest expenses					
Administrative expenses		5,927,709	17,458,956	5,477,002	15,914,711
(Reversal) / provision against off-balance sheet obligations		(5,446)	9,643	(3,689)	(5,629)
Provision / (reversal) against other assets		3,599	(41,024)	35,800	307,774
Other charges		74,046	230,022	62,002	276,122
Total non mark-up / interest expenses		5,999,908	17,657,597	5,571,115	16,492,978
		3,029,123	10,621,098	3,705,582	10,282,645
Extra ordinary / unusual items		-	-	-	-
Profit before taxation		3,029,123	10,621,098	3,705,582	10,282,645
Taxation	16				
- Current		1,309,358	4,018,458	1,329,476	4,029,819
- Deferred		(192,952)	(226,609)	36,222	(359,490)
- Prior years		-	563,000	-	567,813
		1,116,406	4,354,849	1,365,698	4,238,142
Profit after taxation		1,912,717	6,266,249	2,339,884	6,044,503
(Rupees)					
Basic earnings per share	14	<u>1.20</u>	<u>3.93</u>	<u>1.47</u>	<u>3.80</u>
Diiluted earnings per share	14	<u>1.19</u>	<u>3.91</u>	<u>1.47</u>	<u>3.80</u>

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

Chief Executive Officer

Director

Director

Chairman

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited) for the Quarter and Nine Months Period Ended 30 September 2016

	Quarter ended 30 September 2016	Nine months period ended 30 September 2016	Quarter ended 30 September 2015	Nine months period ended 30 September 2015
	------(Rupees in '000)-----			
Profit after taxation	1,912,717	6,266,249	2,339,884	6,044,503
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss account				
Exchange differences on translation of net investment in foreign branches	<u>6,486</u>	<u>13,783</u>	<u>8,774</u>	<u>48,869</u>
Comprehensive income - transferred to unconsolidated condensed interim statement of changes in equity	<u>1,919,203</u>	<u>6,280,032</u>	<u>2,348,658</u>	<u>6,093,372</u>
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available-for-sale securities - net of tax	<u>(611,353)</u>	<u>808,471</u>	<u>475,398</u>	<u>2,962,293</u>

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

Chief Executive Officer

Director

Director

Chairman

Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)

for the Nine Months Period Ended 30 September 2016

Note	Nine months period ended	
	30 September 2016	30 September 2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	10,621,098	10,282,645
Less: Dividend income	(450,901)	(418,283)
	10,170,197	9,864,362
Adjustments for:		
Depreciation	1,258,394	1,338,029
Amortisation	255,553	197,549
Provision against non-performing loans and advances - net	267,108	1,260,745
Provision for diminution in the value of investments - net	67,849	92,342
Provision / (reversal) against off-balance sheet obligations	9,643	(5,629)
(Reversal) / provision against other assets	(41,024)	307,774
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	16,632	(231,651)
Bad debts written-off directly	-	14
Gain on sale of operating fixed assets - net	(19,272)	(6,324)
Charge for defined benefit plan	211,678	223,326
	2,026,561	3,176,175
	12,196,758	13,040,537
(Increase) / decrease in operating assets		
Lendings to financial institutions	(5,419,174)	(11,714,876)
Held-for-trading securities	(2,471,794)	(383,927)
Advances	6,173,518	(12,776,202)
Other assets (excluding tax recoverable and dividend receivable)	5,182,607	8,213,312
	3,465,157	(16,661,693)
Increase / (decrease) in operating liabilities		
Bills payable	1,685,798	613,335
Borrowings	(44,307,879)	57,789,426
Deposits and other accounts	1,252,504	(19,965,838)
Other liabilities (excluding current taxation)	1,337,027	(805,486)
	(40,032,550)	37,631,437
	(24,370,635)	34,010,281
Income tax paid	(2,807,427)	(1,075,851)
Net cash (used in) / generated from operating activities	(27,178,062)	32,934,430
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(15,404,241)	(35,847,964)
Net investments in held-to-maturity securities	32,484,527	(186,224)
Disposal / (investment) in subsidiaries and associates	95,790	(4,827)
Dividend income received	402,172	360,480
Investments in operating fixed assets	(2,094,115)	(1,491,355)
Proceeds from sale of operating fixed assets	28,073	22,007
Net cash generated / (used in) investing activities	15,512,206	(37,147,883)
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of sub-ordinated loans	(3,000)	(3,000)
Proceeds from issue of shares	84,895	41,836
Dividend paid	(1,585,285)	(3,176,177)
Net cash used in from financing activities	(1,503,390)	(3,137,341)
Exchange difference on translation of the net investments in foreign branches	13,783	48,869
Decrease in cash and cash equivalents	(13,155,463)	(7,301,925)
Cash and cash equivalents at the beginning of the period	93,459,547	65,536,606
Effect of exchange rate changes on cash and cash equivalents	136,174	343,958
	93,595,721	65,880,564
Cash and cash equivalents at the end of the period	80,440,258	58,578,639

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

Chief Executive Officer

Director

Director

Chairman

Unconsolidated Condensed Interim Statement of Changes In Equity (Un-Audited) for the Nine Months Period Ended 30 September 2016

	Capital Reserves			Revenue Reserves		Total	
	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve		Unappropriated profit
	(Rupees in '000)						
Balance as at 1 January 2015	15,872,427	4,285,556	6,636,342	1,362,465	53,663	9,613,374	37,823,827
Changes in equity for the nine months period ended 30 September 2015							
Total comprehensive income for the period							
Profit after taxation for the nine months period ended 30 September 2015	-	-	-	-	-	6,044,503	6,044,503
Other comprehensive income for the nine months period ended 30 September 2015							
Exchange differences on translation of net investment in foreign branches	-	-	-	48,869	-	-	48,869
Transfer to statutory reserve	-	-	1,208,901	48,869	-	6,044,503	6,093,372
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(1,208,901)	-
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended 31 December 2014 @ 20%	-	-	-	-	-	(3,174,485)	(3,174,485)
Shares issued during the period	25,635	16,201	-	-	-	-	41,836
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	125,625	-	125,625
Unamortised portion of deferred employee compensation expense	-	-	-	-	(53,249)	-	(53,249)
Balance as at 30 September 2015	15,898,062	4,301,757	7,845,243	1,411,334	126,039	11,300,579	40,883,014
Changes in equity for the quarter ended 31 December 2015							
Total comprehensive income for the period							
Profit after taxation for the quarter ended 31 December 2015	-	-	-	-	-	1,478,307	1,478,307
Other comprehensive income for the quarter ended 31 December 2015							
Exchange differences on translation of net investment in foreign branches	-	-	-	161,632	-	-	161,632
Remeasurement of defined benefit plans	-	-	-	-	-	(198,962)	(198,962)
Related tax charge	-	-	-	-	-	69,637	69,637
Transfer to statutory reserve	-	-	295,661	161,632	-	1,348,982	1,510,614
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(295,661)	-
Transactions with owners, recorded directly in equity							
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	(6,375)	-	(6,375)
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	28,829	-	28,829
Transfer of Share Premium on issuance of shares under Stock Option Scheme	-	27,891	-	-	(27,891)	-	-
Balance as at 31 December 2015	15,898,062	4,329,648	8,140,904	1,572,966	120,602	12,362,596	42,424,778
Changes in equity for the nine months period ended 30 September 2016							
Total comprehensive income for the period							
Profit after taxation for the nine months period ended 30 September 2016	-	-	-	-	-	6,266,249	6,266,249
Other comprehensive income for the nine months period ended 30 September 2016							
Exchange differences on translation of net investment in foreign branches	-	-	-	13,783	-	-	13,783
Transfer to statutory reserve	-	-	1,253,250	13,783	-	6,266,249	6,280,032
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(1,253,250)	-
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended 31 December 2015 @ 10%	-	-	-	-	-	(1,589,806)	(1,589,806)
Shares issued during the period	54,014	30,881	-	-	-	-	84,895
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	126,102	-	126,102
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	(38,754)	-	(38,754)
Transfer of Share Premium on issuance of shares under Stock Option Scheme	-	56,597	-	-	(56,597)	-	-
Balance as at 30 September 2016	15,952,076	4,417,126	9,394,154	1,586,749	151,353	15,810,117	47,311,575

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

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

Chief Executive Officer

Director

Director

Chairman

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Information (Un-Audited) for the Nine Months Period Ended 30 September 2016

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange (formerly Karachi, Lahore and Islamabad Stock Exchanges). The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 486 conventional banking branches including 13 sub branches (2015: 484 branches including 12 sub branches), 10 overseas branches (2015: 10 branches), 158 Islamic banking branches (2015: 158 branches) and 1 offshore banking unit (2015: 1 unit).

PACRA has assigned a long term credit rating of AA [Double A] and a short term credit rating of A1+ (A one plus) to the Bank as at June 2016.

2 BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in the unconsolidated condensed interim financial information as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.2 Key financial figures of the Islamic Banking branches are disclosed in Annexure I to this unconsolidated condensed interim financial information.
- 2.3 The disclosures made in this unconsolidated condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this unconsolidated condensed interim financial information should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2015.

3 STATEMENT OF COMPLIANCE

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The principal accounting policies and the methods of computation adopted in the preparation of this unconsolidated condensed interim financial information are same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2015 except for the following:

Non-banking assets acquired in satisfaction of claims

On January 1, 2016, the State Bank of Pakistan (SBP) vide BPRD circular No. 1 of 2016 issued 'Regulations for Debt Property Swaps'. These regulations require banks to measure non-banking assets acquired in satisfaction of claims at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is to be conducted regularly, by professionally qualified evaluators appearing on the approved panel of the 'Pakistan Banks Association', so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the 'surplus on revaluation of fixed assets' account, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to banks is accounted as an expense in the profit and loss account. Furthermore, under these regulations, revaluation surplus on such assets shall not be admissible for calculating bank's Capital Adequacy Ratio (CAR) and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

In line with these regulations, the Bank, effective January 1, 2016 has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims to incorporate the aforementioned requirements. Prior to this change in accounting policy, Non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, Non-banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs. 37.46 million, surplus on revaluation of assets and deferred tax liabilities would have been lower by Rs. 24.47 million and Rs. 12.99 million respectively, and profit after tax would have been higher by Rs. 1.006 million.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and methods used for critical accounting estimates and judgements adopted in this unconsolidated condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2015.

6 FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2015.

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	30 September 2016 (Un-audited)	31 December 2015 (Audited) (Restated)
(Rupees in '000)			
Call money lendings	7.1	8,014,512	15,265,899
Bai Muajjal	7.2	10,098,580	12,360,451
Repurchase agreement lendings	7.3	8,218,412	-
		26,331,504	27,626,350

- 7.1** This represents lending to financial institutions at interest rate range from 0.25% to 9.00% per annum (December 2015: 0.40% to 12.00% per annum) with maturities upto February 2017 (December 2015: November 2016).
- 7.2** This represents Bai Muajjal agreements entered into with State Bank of Pakistan (SBP), whereby the Bank sold Sukuks having carrying value of Rs. 9,875 million on deferred payment basis. The rates of return range from 5.69% to 5.97% per annum (December 2015: 5.99% to 8.26%), and these are due to mature by March 2017 (December 2015: March 2016).
- 7.3** This represents short term lending to financial institutions against investment securities. These carry markup rates upto 5.80% per annum (December 2015: NIL) with maturities upto October 2016 (December 31, 2015: November 2016).

8 INVESTMENTS - NET

8.1 Investments by types

	Note	30 September 2016 (Un-audited)			31 December 2015 (Audited) (Restated)		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
------(Rupees in '000)-----							
Held-for-trading securities							
Market Treasury Bills		17,257,194	-	17,257,194	13,480,197	-	13,480,197
Pakistan Investment Bonds		3,354,311	-	3,354,311	2,423,862	-	2,423,862
Overseas Bonds		555,321	-	555,321	2,990,933	-	2,990,933
Fully paid up ordinary shares / units - Listed		627,021	-	627,021	197,998	-	197,998
		21,793,847	-	21,793,847	19,092,990	-	19,092,990
Available-for-sale securities							
Market Treasury Bills		41,847,138	3,569,549	45,416,687	78,391,879	494,563	78,886,442
Pakistan Investment Bonds		107,769,397	86,238,957	194,008,354	28,914,704	128,577,363	157,492,067
Fully paid up ordinary shares / units - Listed		5,388,689	-	5,388,689	5,000,753	-	5,000,753
Fully paid up ordinary shares - Unlisted		82,055	-	82,055	4,426,617	-	4,426,617
Term Finance Certificates		518,056	-	518,056	829,594	-	829,594
Preference Shares - Listed		108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted		25,000	-	25,000	325,000	-	325,000
Redeemable Participating Certificates		486,270	-	486,270	-	-	-
Pakistan Euro Bonds		1,382,310	-	1,382,310	2,409,043	-	2,409,043
Overseas Bonds		10,518,171	2,804,839	13,323,010	4,804,159	-	4,804,159
Sukuk Bonds		37,853,494	-	37,853,494	33,280,442	-	33,280,442
		205,979,415	92,613,345	298,592,760	158,491,026	129,071,926	287,562,952
Held-to-maturity securities							
Market Treasury Bills		2,544,128	-	2,544,128	-	-	-
Pakistan Investment Bonds		31,885,188	-	31,885,188	66,180,991	-	66,180,991
Other Federal Government Securities - Bai Muajjal	8.2	26,002,520	-	26,002,520	26,002,520	-	26,002,520
Term Finance Certificates		524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds		706,433	-	706,433	3,347,785	-	3,347,785
Overseas Bonds		10,160,983	-	10,160,983	7,920,557	-	7,920,557
Sukuk Bonds		3,898,890	-	3,898,890	4,230,816	-	4,230,816
		75,722,408	-	75,722,408	108,206,935	-	108,206,935
Subsidiaries							
Alfalsh Securities (Private) Limited		1,126,000	-	1,126,000	1,126,000	-	1,126,000
Alfalsh GHP Investment Management Limited		130,493	-	130,493	130,493	-	130,493
Alfalsh GHP Value Fund		-	-	-	100,000	-	100,000
Alfalsh GHP Cash Fund		525,474	-	525,474	525,474	-	525,474
		1,781,967	-	1,781,967	1,881,967	-	1,881,967
Associates							
Alfalsh Insurance Limited		68,990	-	68,990	68,990	-	68,990
Sapphire Wind Power Company Limited		978,123	-	978,123	978,123	-	978,123
Alfalsh GHP Money Market Fund		50,882	-	50,882	46,672	-	46,672
Alfalsh GHP Income Multiplier Fund		250,000	-	250,000	250,000	-	250,000
Alfalsh GHP Sovereign Fund		200,000	-	200,000	200,000	-	200,000
Alfalsh GHP Islamic Stock Fund		250,000	-	250,000	250,000	-	250,000
Appollo Pharma Limited		790,400	-	790,400	790,400	-	790,400
		2,588,395	-	2,588,395	2,584,185	-	2,584,185
Investments at cost		307,866,032	92,613,345	400,479,377	290,257,103	129,071,926	419,329,029
Provision for diminution in value of investments	8.3	(2,046,864)	-	(2,046,864)	(6,345,811)	-	(6,345,811)
Investments (net of provisions)		305,819,168	92,613,345	398,432,513	283,911,292	129,071,926	412,983,218
Surplus on revaluation of held for trading securities - net		(16,632)	-	(16,632)	229,063	-	229,063
Surplus on revaluation of available for sale securities-net		10,972,239	159,015	11,131,254	9,365,358	522,095	9,887,453
Total investments		<u>316,774,775</u>	<u>92,772,360</u>	<u>409,547,135</u>	<u>293,505,713</u>	<u>129,594,021</u>	<u>423,099,734</u>

- 8.2 This represents Bai Muajjal agreements entered into with Ministry of Finance (MoF), whereby the Bank sold Sukuks having carrying value of Rs. 25,475 million on deferred payment basis. The rate of return on these transactions is 5.99% per annum (December 2015: 5.99%). They are due to mature by November 2016 (December 2015: November 2016).

	Note	30 September 2016 (Un-audited) (Rupees in '000)	31 December 2015 (Audited)
8.3 Movement in provision for diminution in value of investments			
Opening balance		6,345,811	6,216,757
Charge for the period / year		67,849	136,691
Provision adjusted / written off during the period / year		(4,366,796)	(7,637)
Closing balance		<u>2,046,864</u>	<u>6,345,811</u>
8.4 Particulars of provision for diminution in value of investments by type and segment			
Available for sale securities			
Listed companies / mutual funds			
- Fully paid up ordinary shares / units			
- First Dawood Investment Bank Limited		15,000	15,000
- Preference shares			
- Agritech Limited		108,835	108,835
Unlisted companies			
- Fully paid up ordinary shares of Rs. 10 each			
- Pakistan Export Finance Guarantee Agency Limited		5,725	5,725
- Al-Hamra Avenue (Private) Limited		50,000	50,000
- Warid Telecom (Private) Limited (Related party)	8.5	-	4,366,796
- Pakistan Mobile Communications Limited (Related party)		3,936	-
Unlisted securities			
- Term finance certificates / sukus			
- Azgard Nine Limited		76,220	76,220
- Security Leasing Corporation Limited I		6,418	6,418
- Security Leasing Corporation Limited II		23,105	23,105
- New Allied Electronics		2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited		127,516	102,069
- Quetta Textile Mills Limited		72,619	37,242
- Preference shares			
- Trust Investment Bank Limited		25,000	25,000
Held to maturity securities			
Unlisted securities			
- Term finance certificates / sukuk bonds			
- Agritech Limited		499,586	499,586
- BRR Guardian Modaraba		37,151	34,062
- Security Leasing Corporation Limited		29,245	29,245
- Sitara Peroxide (Private) Limited		113,643	113,643
- Zulekha Textile Mills		24,680	24,680
Investment in subsidiaries			
Unlisted company			
- Fully paid up ordinary shares of Rs. 10 each			
- Alfalah Securities (Private) Limited		826,000	826,000
		<u>2,046,864</u>	<u>6,345,811</u>

- 8.5 During the current period, the existing shareholders of Warid Telecom (Private) Limited including the Bank transferred their holding in Warid Telecom (Private) Limited to Pakistan Mobile Communications Limited (PMCL), in lieu of acquiring an overall stake of 15 percent in PMCL. This development was in furtherance of the Acquisition Agreement dated November 26, 2015, as referred to in note 9.11.1 to the Bank's annual financial statements for the year ended December 31, 2015.

The legal merger of the two companies is expected to be completed in the last quarter of 2016 subject to the fulfilment of the required legal processes of amalgamation in Pakistan.

Pursuant to the said transfer, the Bank has received 2,223,452 shares of Rs. 10 each in PMCL in lieu of its holding in Warid Telecom (Private) Limited (pre-acquisition). As a result of this share exchange, the Bank has recorded the shares acquired in PMCL while its investment in Warid and the related provision held thereagainst stands de-recognised.

	Note	30 September 2016 (Un-audited)	31 December 2015 (Audited) (Restated)
(Rupees in '000)			
9 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
- In Pakistan		272,538,228	278,764,277
- Outside Pakistan		11,439,756	11,007,287
		<u>283,977,984</u>	<u>289,771,564</u>
Net investment in finance lease			
- In Pakistan		3,954,807	3,638,627
- Outside Pakistan		-	-
		<u>3,954,807</u>	<u>3,638,627</u>
Islamic financing and related assets (gross)	A-I.1	43,370,543	43,062,240
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		4,556,988	6,186,509
- Payable outside Pakistan		8,245,941	7,692,258
		<u>12,802,929</u>	<u>13,878,767</u>
		344,106,263	350,351,198
Provision against advances	9.2		
- Specific provision against non-performing advances		(15,575,046)	(15,452,555)
- General provision against advances		(813,104)	(739,904)
		<u>(16,388,150)</u>	<u>(16,192,459)</u>
		<u>327,718,113</u>	<u>334,158,739</u>

9.1 Advances include Rs. 18,736 million (2015: Rs. 18,455 million) which have been placed under non-performing status as detailed below:

	30 September 2016 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Category of classification									
Other Assets Especially									
Mentioned (Agri Financing)	155,867	-	155,867	3,729	-	3,729	3,729	-	3,729
Substandard	1,764,338	-	1,764,338	462,026	-	462,026	462,026	-	462,026
Doubtful	3,801,218	-	3,801,218	2,347,154	-	2,347,154	2,347,154	-	2,347,154
Loss	12,668,667	345,435	13,014,102	12,515,992	246,145	12,762,137	12,515,992	246,145	12,762,137
	<u>18,390,090</u>	<u>345,435</u>	<u>18,735,525</u>	<u>15,328,901</u>	<u>246,145</u>	<u>15,575,046</u>	<u>15,328,901</u>	<u>246,145</u>	<u>15,575,046</u>

	31 December 2015 (Audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Category of classification									
Other Assets Especially									
Mentioned (Agri Financing)	115,219	-	115,219	2,547	-	2,547	2,547	-	2,547
Substandard	2,052,587	54,595	2,107,182	524,432	70,795	595,227	524,432	70,795	595,227
Doubtful	2,554,443	5,506	2,559,949	1,502,617	1,587	1,504,204	1,502,617	1,587	1,504,204
Loss	13,110,724	562,325	13,673,049	12,936,185	414,392	13,350,577	12,936,185	414,392	13,350,577
	<u>17,832,973</u>	<u>622,426</u>	<u>18,455,399</u>	<u>14,965,781</u>	<u>486,774</u>	<u>15,452,555</u>	<u>14,965,781</u>	<u>486,774</u>	<u>15,452,555</u>

9.2 Particulars of / movement in provisions against non-performing loans and advances

	Nine months period ended			Year ended			
	30 September 2016 (Un-audited)			31 December 2015 (Audited)			
	Specific	General	Total	Specific	General	Total	
	------(Rupees in '000)-----						
Opening balance		15,452,555	739,904	16,192,459	13,601,307	649,503	14,250,810
Exchange adjustment and other movements during the period / year		883	(108)	775	31,406	3,300	34,706
Charge for the period / year	1,763,659	117,230	1,880,889	3,921,493	146,652	4,068,145	
Reversals / recoveries during the period / year	(1,569,859)	(43,922)	(1,613,781)	(1,858,385)	(59,551)	(1,917,936)	
		193,800	73,308	267,108	2,063,108	87,101	2,150,209
Amounts written off during the period / year		(72,192)	-	(72,192)	(243,266)	-	(243,266)
Closing balance		<u>15,575,046</u>	<u>813,104</u>	<u>16,388,150</u>	<u>15,452,555</u>	<u>739,904</u>	<u>16,192,459</u>

9.2.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at 30 September 2016 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 110.729 million (December 2015: Rs. 110.774 million).

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

	Note	30 September 2016 (Un-audited) (Rupees in '000)	31 December 2015 (Audited) (Rupees in '000)
10 OPERATING FIXED ASSETS			
Capital work-in-progress		912,748	704,981
Property and equipment		15,801,980	15,497,616
Intangible assets		1,263,269	1,039,371
		<u>17,977,997</u>	<u>17,241,968</u>
		Nine months period ended	30 September
		2016	30 September
		(Un-audited)	2015
		(Rupees in '000)	
10.1 Additions to operating fixed assets			
Office premises		666,281	1,060
Leasehold improvements		90,143	479,280
Office equipment		574,014	747,125
Furniture and fixtures		44,010	58,701
Vehicles		36,337	15,236
10.2 Additions to Intangibles			
Computer software		481,003	279,085
10.3 Disposals of operating fixed assets			
Leasehold improvements		141	-
Office equipment		104,266	40,597
Furniture and fixtures		24,279	28,566
Vehicles		25,227	34,709
		30 September	31 December
		2016	2015
		(Un-audited)	(Audited)
		(Rupees in '000)	
11 BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan		16,077,487	17,430,111
Repurchase agreement borrowings	11.1	92,613,345	129,071,926
Borrowings of foreign operations		57,638	-
		<u>108,748,470</u>	<u>146,502,037</u>
Unsecured			
Call borrowings	11.2	19,283,041	17,901,900
Bai Muajjal		-	7,935,453
Overdrawn nostro accounts		-	53,808
		<u>19,283,041</u>	<u>25,891,161</u>
		<u>128,031,511</u>	<u>172,393,198</u>

11.1 This represents repurchase agreement borrowings from SBP and other banks at the rate of 0.90% and 5.88% per annum respectively (December 2015: 6.04% and 6.50% per annum) having maturities upto October 2016 (December 2015: January 2016).

11.2 This represents borrowings from financial institutions at mark-up rates ranging from 0.55% to 5.79% per annum (2015: 0.50% to 6.08% per annum) having maturities upto January 2017 (2015: March 2016).

	30 September 2016 (Un-audited) (Rupees in '000)	31 December 2015 (Audited)
12 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	121,637,376	137,604,333
Savings deposits	228,410,395	210,368,288
Current accounts - non-remunerative	254,608,254	234,795,160
Others	<u>7,537,898</u>	<u>6,849,023</u>
	612,193,923	589,616,804
Financial institutions		
Remunerative deposits	<u>26,707,555</u>	<u>48,877,152</u>
Non-remunerative deposits	<u>2,539,761</u>	<u>1,694,779</u>
	<u>29,247,316</u>	<u>50,571,931</u>
	<u>641,441,239</u>	<u>640,188,735</u>
13 CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
i) Government	2,160,591	743,580
ii) Banking companies and other financial institutions	-	311,835
iii) Others	<u>118,986</u>	<u>2,094,645</u>
	<u>2,279,577</u>	<u>3,150,060</u>
13.2 Transaction - related contingent liabilities		
i) Government	33,253,827	27,412,625
ii) Banking companies and other financial institutions	447,908	163,826
iii) Others	<u>10,433,474</u>	<u>12,719,286</u>
	<u>44,135,209</u>	<u>40,295,737</u>
13.3 Trade - related contingent liabilities		
Letters of credit	<u>60,321,845</u>	<u>52,107,916</u>
Acceptances	<u>11,191,692</u>	<u>15,797,161</u>
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>13,777,344</u>	<u>14,861,738</u>
13.4.1	These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in this unconsolidated condensed interim financial information.	
13.4.2	There is no change in the contingency relating to amount debited in Bank's nostro account in New York, United States of America from that disclosed in unconsolidated annual audited financial statements for the year ended 31 December 2015.	

	30 September 2016 (Un-audited) (Rupees in '000)	31 December 2015 (Audited) (Rupees in '000)
13.5 Commitments in respect of forward lendings		
Commitments to extend credit	22,482,052	5,222,555
13.6 Commitments in respect of forward exchange contracts		
Purchase	60,831,941	98,261,212
Sale	61,024,376	106,520,120
13.7 Commitments for the acquisition of operating fixed assets	358,228	291,237
13.8 Commitments in respect of investments	4,824,644	-
13.9 Commitments in respect of repo transactions		
Repurchase	92,714,550	129,226,010
Resale	8,222,328	-
13.10 Other commitments		
Interest rate swaps	7,643,012	6,962,920
Donations	22,000	22,000
13.11 Contingencies for tax payable (note 16)		
	Nine months period ended	
	30 September 2016 (Un-audited) (Rupees in '000)	30 September 2015 (Audited) (Rupees in '000)
14 EARNINGS PER SHARE		
14.1 BASIC EARNINGS PER SHARE		
Profit after taxation for the period	6,266,249	6,044,503
	(Number of shares in thousands)	
Weighted average number of ordinary shares	1,593,457	1,589,536
	(Rupees)	
Basic earnings per share	3.93	3.80
14.2 DILUTED EARNINGS PER SHARE		
	(Rupees in '000)	
Profit after taxation for the period	6,266,249	6,044,503
	(Number of shares in thousands)	
Weighted average number of ordinary shares	1,601,098	1,589,536
	(Rupees)	
Diluted earnings per share	3.91	3.80
15 CASH AND CASH EQUIVALENTS	30 September 2016 (Un-audited)	31 December 2015 (Audited)
Cash and balances with treasury banks	63,640,399	62,368,790
Balances with other banks	8,785,347	16,552,207
Call money lendings	8,014,512	14,728,532
Overdrawn nostro accounts	-	(53,808)
	<u>80,440,258</u>	<u>93,595,721</u>

16 TAXATION

The income tax assessments of the Bank have been finalized upto and including tax year 2015. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2011, 2012, 2013 and 2015, the tax authorities have raised certain issues including disallowance of expenditure on account of non-deduction of withholding tax, default in payment of WWF, allocation of expenses to dividend and capital gains and dividend income from mutual funds not being taken under income from business, resulting in additional demand of Rs.1,452.536 million. As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.1,023.719 million whereas appeal effect orders are pending. The management's appeals on certain issues are pending before Commissioner Appeals. The management is confident that this matter will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

The Bank has received amended assessment orders for Tax Years from 2010 to 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs.990.423 million. As a result of appeal filed before Commissioner Appeal, relief is provided to the Bank to the extent of principal amount which is part of Ijarah rentals and should not be taxed. Accordingly tax amount is reduced to Rs.96.160 million. The Bank has filed appeal before Appellate Tribunal. The Bank has not made any provision against these orders and the management is of the view that the matter will be settled in Bank's favour through appellate process.

In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs.510.380 million against tax demand (after reduction on rectifications) for tax years 2009 to 2015. The Bank intends to obtain relief through rectification orders. The management is of the view that the matter will be settled in Bank's favour.

The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.97.560 million (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

17 RELATED PARTY TRANSACTIONS

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

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

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

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

	30 September 2016 (Un-audited)				
	Directors	Key Management Personnel	Group / Associated Companies / Others	Subsidiaries / Associates	Total
	------(Rupees in '000)-----				
Deposits					
Balance at beginning of the period	14,825	120,281	6,095,049	402,093	6,632,248
Placements during the period	95,919	872,356	72,521,077	34,531,519	108,020,871
Withdrawals / adjustments during the period	(89,732)	(845,719)	(72,337,931)	(33,828,489)	(107,101,871)
Balance at end of the period	21,012	146,918	6,278,195	1,105,123	7,551,248
Advances					
Balance at beginning of the period	-	328,280	6,339,450	-	6,667,730
Disbursements / adjustments during the period	-	179,896	14,994,709	-	15,174,605
Repayments / adjustments during the period	-	(212,092)	(13,757,691)	-	(13,969,783)
Balance at end of the period	-	296,084	7,576,468	-	7,872,552
Provision held against advances	-	-	864,845	-	864,845
Investments					
Balance at beginning of the period	-	-	4,716,796	4,466,152	9,182,948
Investments during the period	-	-	-	1,976,445	1,976,445
Redemption / adjustments during the period	-	-	(4,666,796)	(350,000)	(5,016,796)
Balance at end of the period	-	-	50,000	6,092,597	6,142,597
Provision held against investments	-	-	50,000	826,000	876,000
Call borrowings / Repo					
Balance at beginning of the period	-	-	-	-	-
Borrowings during the period	-	-	1,200,000	-	1,200,000
Repayments during the period	-	-	(1,200,000)	-	(1,200,000)
Balance at end of the period	-	-	-	-	-
Call lendings / Reverse repo					
Balance at beginning of the period	-	-	-	-	-
Placements during the period	-	-	5,000,000	-	5,000,000
Withdrawals during the period	-	-	(5,000,000)	-	(5,000,000)
Balance at end of the period	-	-	-	-	-

	31 December 2015 (Audited)				Total
	Directors	Key Management Personnel	Group / Associated Companies / Others	Subsidiaries / Associates	
----- (Rupees in '000) -----					
Deposits					
Balance at beginning of the year	38,398	71,170	5,054,223	486,239	5,650,030
Placements during the year	168,409	1,271,256	81,788,021	31,744,672	114,972,358
Withdrawals / adjustments during the year	(191,982)	(1,222,145)	(80,747,195)	(31,828,818)	(113,990,140)
Balance at end of the year	14,825	120,281	6,095,049	402,093	6,632,248
Advances					
Balance at beginning of the year	-	280,630	3,828,522	30,000	4,139,152
Disbursements during the year	-	324,922	22,147,792	22,000	22,494,714
Repayments / adjustments during the year	-	(277,272)	(19,636,864)	(52,000)	(19,966,136)
Balance at end of the year	-	328,280	6,339,450	-	6,667,730
Provision held against advances					
	-	-	185,627	-	185,627
Investments					
Balance at beginning of the year	-	-	4,416,796	3,670,925	8,087,721
Investments during the year	-	-	-	1,723,471	1,723,471
Redemptions / adjustments during the year	-	-	300,000	(928,244)	(628,244)
Balance at end of the year	-	-	4,716,796	4,466,152	9,182,948
Provision held against investments					
	-	-	4,416,796	826,000	5,242,796
Call borrowings / Repo					
Balance at beginning of the year	-	-	-	-	-
Borrowings during the year	-	-	1,300,000	-	1,300,000
Repayments during the year	-	-	(1,300,000)	-	(1,300,000)
Balance at end of the year	-	-	-	-	-
Call lendings / Reverse Repo					
Balance at beginning of the year	-	-	-	-	-
Placements during the year	-	-	17,825,000	-	17,825,000
Withdrawals during the year	-	-	(17,825,000)	-	(17,825,000)
Balance at end of the year	-	-	-	-	-
			30 September 2016	31 December 2015	
			(Un-audited)	(Audited)	
			(Rupees in '000)		
17.2 Advances					
Running finance			1,047,288	760,958	
Long term loans			6,825,264	5,906,772	
17.3 Contingencies and commitments					
Letter of credit, acceptance & Guarantees outstanding			1,722,845	3,134,931	
17.4 Customer Accounts					
PLS accounts			2,991,948	3,304,579	
Current accounts			1,048,407	1,059,518	
Fixed deposit accounts			3,510,893	2,268,151	

Nine months period ended	
30 September	30 September
2016	2015
(Un-audited)	
(Rupees in '000)	

17.5 Transactions with Subsidiaries / Associates and Others

Subsidiaries / Associates

Mark-up expense on deposits	29,913	45,537
Mark-up income on advances	-	35,353
Mark-up paid to Alfalah GHP Income Multiplier Fund on TFCs Issued	488	648
Mark-up paid to Alfalah GHP Income fund on TFCs issued	5,509	8,900
Brokerage Expense pertaining to Alfalah Securities (Private) Limited	644	575
Rent Income from Alfalah Insurance Limited	1,747	1,497
Rent Income from Alfalah Securities (Private) Limited	115	1,022
Insurance premium paid to Alfalah Insurance Limited	537,588	529,001
Dividend paid to Alfalah Insurance Limited	500	1,000
Dividend income from Alfalah GHP Money Market Fund	4,210	-
Dividend income from Alfalah GHP Sovereign Fund	9,253	26,944
Dividend income from Alfalah GHP Islamic Stock Fund	45,320	40,867
Dividend income from Alfalah GHP Cash Fund	32,926	47,082
Dividend income from Alfalah GHP Income Multiplier Fund	10,270	23,284
Dividend income from Alfalah GHP Income Value Fund	-	22,434
Revenue from Alfalah GHP Investment Management Limited against sale of units	47,962	21,119
Capital Gain on sale of units of Alfalah GHP Money Market Fund	-	46,672
Capital Gain on sale of units of Alfalah GHP Value Fund	104,800	-
Capital Gain on sale of units of Alfalah GHP Cash Fund	-	25,085
Reversal of provision against rent receivable from Alfalah Securities (Private) Limited	-	9,147

Others

Mark-up income	253,309	293,979
Mark-up expense on deposits	110,478	217,692
Rent income from Wateen Telecom (Private) Limited	-	1,766
Rent income from Warid Telecom (Private) Limited	12,339	12,915
Rent expense paid pertaining to Wateen Telecom (Private) Limited	4,264	8,550
Interest received on placements with Silk Bank	856	4,307
Mark-up paid to Taavun (Private) Limited on TFCs Issued	37,410	37,425
Mark-up paid to Key Management Personnel on TFCs Issued	14,518	12,110
Amount received on Redemptption of Silk Bank Preference Shares	439,200	-
Interest paid on Borrowings from Silk Bank	195	128
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	2,512	303
Payment to Wateen Telecom (Private) Limited and Wateen Solutions (Private) Limited for purchase of equipment and maintenance charges	100,555	100,611
Payment to Monet (Private) Limited for Branchless banking services	144,821	142,309
Payment to Al-Qudees & Co	10,263	25,006
Payment to Locker Smiths (Private) Limited	10,675	-
Payment to Sundar Interiors & Architects	4,525	49,884
Payment to Timber Links	2,484	8,768
Payment to Expressive Safety & Security Solutions	8,971	4,293
Payment to Olive International (Private) Limited	1,525	5,571
Payment to Computer Marketing Co. (Private) Limited.	15,258	6,922
Payment to K-Tabs	16,112	16,205
Payment to MEC Engineer	9,324	2,661
Payment to Tahiri Printers	5,946	-
Payment to Bawany Traders	4,102	-
Contribution to employees provident fund	244,490	223,749
Charge in respect of gratuity	211,678	223,326
Provision against advances on Wateen Telecom (Private) Limited	679,385	-
Provision against advances on Wateen Wimax (Private) Limited	185,460	-
Commission received from Warid Telecom (Private) Limited	1,828	6,643

	30 September 2016 (Un-audited)	31 December 2015 (Audited)
(Rupees in '000)		
17.6 Balances with Subsidiaries / Associates and Others		
Subsidiaries / Associates		
Advance Rent from Alfalah Insurance Limited	208	1,955
Advance against issuance of Shares - Sapphire Wind Power Limited	112,350	112,350
Rent receivable from Alfalah Securities (Private) Limited	-	577
Brokerage payable to Alfalah Securities (Private) Limited	96	46
TFCs held by Alfalah GHP Income Multiplier Fund	6,116	6,119
TFCs held by Alfalah GHP Income Fund	72,887	87,899
Others		
Mark-up suspended on advances to Warid Telecom (Private) Limited	61,270	42,582
Mark-up suspended on advances to Wateen Telecom (Private) Limited	766,553	644,122
Mark-up suspended on advances to Wateen Wimax (Private) Limited	13,943	5,587
Advance Rent from Warid Telecom (Private) Limited	12,632	8,206
Rent receivable from Warid Telecom (Private) Limited	195	-
Rent payable to Wateen Telecom (Private) Limited	-	750
Commission receivable from Warid Telecom (Private) Limited	7,949	-
TFCs held by Taavun (Private) Limited	498,700	498,800
TFCs held by Key Management Personnel	193,535	186,591
	Nine months period ended	
	30 September 2016	30 September 2015
	(Un-audited)	
	(Rupees in '000)	
17.7 Key management personnel		
Salaries and Allowances	1,060,289	932,711
Fair value charge against employee stock option scheme	87,348	37,075

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

18 GENERAL

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

- 18.1** During the current period, the State Bank of Pakistan (SBP), vide BPRD Circular Letter No. 05 of 2016 dated February 29, 2016 has issued instructions on revised forms of annual financial statements, which further supplements the requirements laid down earlier, vide SBP's BSD Circular No. 4 of 2006 and BSD Circular Letter No. 03 of 2013 on the matter.

In order to standardize the financial statements and to bring comparability, banks having IBBs have been advised to show Islamic Financing and Related Assets under the head of "Advances" in their financial statements. In addition, banks have also been advised to show Bai Muajjal of Government of Pakistan Ijara Sukuk with State Bank of Pakistan and other Financial Institutions under the head "Lendings to Financial Institutions", whereas Bai Muajjal transactions with Government of Pakistan are required to be reported under investment category as other Federal Government securities.

The effect of re-classification on comparative information presented for the year ended December 31, 2015 as part of the Statement of Financial Position is as follows:

	As at 31 December 2015		
	(Rupees in '000)		
	As previously reported	Effect of Re-classification	As restated
Lending to Financial Institutions	53,628,870	(26,002,520)	27,626,350
Investments - net	397,097,214	26,002,520	423,099,734
Advances - net	327,297,821	6,860,918	334,158,739
Other assets	28,420,651	(6,860,918)	21,559,733

18.2 In addition to the aforementioned, no significant reclassification has been made except as follows:

Description	Reclassified		
	Rupees in '000	From	To
Insurance expenses on Ijarah assets	(216,423)	Other Income	Mark-up / return / interest earned
Registration expenses on Ijarah assets	(49,699)	Other Income	Mark-up / return / interest earned
Rental income on Ijarah assets	250,917	Other Income	Mark-up / return / interest earned

19 DATE OF AUTHORISATION

The unconsolidated condensed interim financial information was authorised for issue on 26 October 2016 by the Board of Directors of the Bank.

Chief Executive Officer

Director

Director

Chairman

Annexure-I

Islamic Banking Business

The bank is operating through 158 Islamic banking branches as at 30 September 2016 (31 December 2015: 158 branches).

	Note	30 September 2016	31 December 2015
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		10,290,384	9,516,305
Balances with and due from financial institutions		2,311,864	2,938,812
Lendings to financial institutions		18,620,630	12,610,451
Investments - net		63,078,273	59,424,549
Islamic financing and related assets	A-1	42,319,339	42,056,149
Operating fixed assets		2,180,040	2,285,906
Other assets		3,818,654	2,664,563
		142,619,184	131,496,735
LIABILITIES			
Bills payable		1,995,695	1,428,720
Due to financial institutions		12,236,595	9,984,637
Deposits and other accounts			
- Current accounts		38,676,447	37,357,094
- Saving accounts		52,594,439	51,824,143
- Term deposits		18,285,886	14,714,498
- Others		1,748,764	1,269,209
Deposits from financial institutions - remunerative deposits		915,393	240,392
Deposits from financial institutions - non-remunerative deposits		4,633	1,946
Other liabilities		5,493,491	5,303,877
		131,951,343	122,124,516
NET ASSETS		10,667,841	9,372,219
REPRESENTED BY			
Islamic banking fund		1,800,000	1,800,000
Exchange translation reserve		1,582	(56)
Unappropriated / unremitted profit		7,523,814	6,463,950
		9,325,396	8,263,894
Surplus on revaluation of assets - net of tax		1,342,445	1,108,325
		10,667,841	9,372,219
Remuneration to Shariah Advisor / Board		5,040	4,605
CHARITY FUND			
Opening Balance		176,557	131,543
Additions during the period			
Received from customers on delayed payments & Others		44,240	80,933
Non-shariah compliant income		-	1,295
Profit on charity saving account		5,428	8,527
		49,668	90,755
Distribution of Charity			
Welfare Works		-	(16,397)
Health		(32,902)	(24,163)
Education		(20,882)	(5,181)
		(53,784)	(45,741)
Closing Balance		172,441	176,557

Annexure-I

Islamic Banking Business

	Quarter ended 30 September 2016	Nine months period ended 30 September 2016	Quarter ended 30 September 2015	Nine months period ended 30 September 2015
	------(Rupees in '000)-----			
Income / return earned	1,814,323	5,464,248	1,925,683	6,193,233
Income / return expensed	915,666	2,576,834	854,121	2,833,200
Net income / return earned	898,657	2,887,414	1,071,562	3,360,033
Provisions against loans and advances - net	(1,905)	45,113	59,505	168,996
Provision for diminution in value of investments - net	(975)	3,088	-	13,828
Bad debts written off directly	-	-	14	14
	(2,880)	48,201	59,519	182,838
Net income / return earned after provisions	901,537	2,839,213	1,012,043	3,177,195
Other income				
Fee, commission and brokerage income	76,706	224,567	68,680	216,802
Dividend income	-	45,320	-	40,867
Income from dealing in foreign currencies	38,377	123,487	38,238	93,918
Gain on sale of securities - net	1,966	2,991	-	84,386
Unrealised loss on revaluation of investment classified as held for trading	-	-	269	(364)
Other income	27,679	70,073	20,050	66,471
Total other income	144,728	466,438	127,237	502,080
	1,046,265	3,305,651	1,139,280	3,679,275
Other expenses				
Administrative expenses	738,177	2,245,112	706,209	2,095,843
Provision against off-balance sheet obligations	-	-	-	-
Other charges	331	675	402	778
Total other expenses	738,508	2,245,787	706,611	2,096,621
Profit before taxation	307,757	1,059,864	432,669	1,582,654

Annexure-I

Islamic Banking Business

	Note	30 September 2016	31 December 2015
(Rupees in '000)			
A-1.1 Islamic Financing and Related Assets			
Murabaha	A-1.1.1	6,076,991	10,173,925
Ijarah	A-1.1.2	7,694,375	7,220,136
Diminishing Musharakah	A-1.1.3	614,557	506,584
Musharakah	A-1.1.4	10,329,407	9,902,071
Running Musharakah	A-1.1.5	6,761,336	3,153,938
Salam	A-1.1.6	5,833,730	5,016,961
Istisna	A-1.1.7	1,281,216	1,833,420
SBP Islamic Export Refinance Scheme	A-1.1.8	2,680,720	3,410,839
Others	A-1.1.9	1,047,007	838,275
		<u>42,319,339</u>	<u>42,056,149</u>
A-1.1.1 Murabaha			
Financing / Investments / Receivables		6,159,714	7,091,427
Advances		457,729	3,652,705
Others (Provisions)		(540,452)	(570,207)
		<u>6,076,991</u>	<u>10,173,925</u>
A-1.1.2 Ijarah			
Financing / Investments / Receivables		145,615	176,280
Advances		689,492	408,452
Assets / Inventories		7,097,754	6,875,617
Others (Provisions)		(238,486)	(240,213)
		<u>7,694,375</u>	<u>7,220,136</u>
A-1.1.3 Diminishing Musharakah			
Financing / Investments / Receivables		700,907	614,441
Advances		101,417	45,053
Others (Provisions)		(187,767)	(152,910)
		<u>614,557</u>	<u>506,584</u>
A-1.1.4 Musharakah			
Financing / Investments / Receivables		9,130,229	8,258,035
Advances		1,208,231	1,653,089
Others (Provisions)		(9,053)	(9,053)
		<u>10,329,407</u>	<u>9,902,071</u>
A-1.1.5 Running Musharakah			
Financing / Investments / Receivables		6,761,336	3,153,938
Advances		-	-
Others (Provisions)		-	-
		<u>6,761,336</u>	<u>3,153,938</u>
A-1.1.6 Salam			
Financing / Investments / Receivables		5,835,830	4,989,061
Advances		-	30,000
Others (Provisions)		(2,100)	(2,100)
		<u>5,833,730</u>	<u>5,016,961</u>
A-1.1.7 Istisna			
Financing / Investments / Receivables		573,775	810,830
Advances		752,441	1,022,590
Others (Provisions)		(45,000)	-
		<u>1,281,216</u>	<u>1,833,420</u>
A-1.1.8 SBP Islamic Export Refinance Scheme			
Financing / Investments / Receivables		2,680,720	3,410,839
Advances		-	-
Others (Provisions)		-	-
		<u>2,680,720</u>	<u>3,410,839</u>
A-1.1.9 Others			
Staff Loans		923,670	808,402
Advance Against Musharakah Staff		47,797	46,320
Advance Against Ijarah Staff		1,467	2,709
Advance Against Murabaha Staff		617	-
Falah Tijarah Inventory		100,000	-
Overdue Acceptances and FBP		1,802	12,452
Others (Provisions)		(28,346)	(31,608)
		<u>1,047,007</u>	<u>838,275</u>

Consolidated Condensed Interim Statement of Financial Position

As at 30 September 2016

	Note	30 September 2016 (Un-audited)	31 December 2015 (Audited) (Restated)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		63,640,414	62,368,827
Balances with other banks		8,871,217	16,583,138
Lendings to financial institutions	7	26,331,504	27,626,350
Investments - net	8	410,127,543	423,518,968
Advances - net	9	327,721,537	334,160,478
Operating fixed assets	10	18,057,008	17,317,691
Deferred tax assets		-	-
Other assets		16,816,387	21,840,305
		871,565,610	903,415,757
LIABILITIES			
Bills payable		11,419,727	9,733,929
Borrowings	11	128,031,511	172,393,198
Deposits and other accounts	12	641,345,402	640,137,161
Sub-ordinated loans		9,980,000	9,983,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		2,649,614	1,826,270
Other liabilities		18,247,897	15,249,463
		811,674,151	849,323,021
NET ASSETS		59,891,459	54,092,736
REPRESENTED BY			
Share capital		15,952,076	15,898,062
Reserves		15,549,382	14,164,120
Unappropriated profit		16,393,355	12,813,488
Total equity attributable to the equity holders of the Bank		47,894,813	42,875,670
Non-controlling interest		308,132	274,134
Surplus on revaluation of assets - net of tax		11,688,514	10,942,932
		59,891,459	54,092,736

CONTINGENCIES AND COMMITMENTS

13

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

Chief Executive Officer

Director

Director

Chairman

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

for the Quarter and Nine Months Period Ended 30 September 2016

Note	Quarter ended 30 September 2016	Nine months period ended 30 September 2016	Quarter ended 30 September 2015	Nine months period ended 30 September 2015	
	------(Rupees in '000)-----				
Mark-up / return / interest earned	13,736,027	43,451,065	14,902,524	46,146,435	
Mark-up / return / interest expensed	6,701,947	21,760,539	7,605,611	24,940,801	
Net mark-up / interest income	7,034,080	21,690,526	7,296,913	21,205,634	
(Reversal) / provision against non-performing loans and advances - net	(76,467)	267,108	124,356	1,260,745	
Provision for diminution in value of investments - net	2,962	67,849	18,620	92,342	
Bad debts written-off directly	-	-	14	14	
	(73,505)	334,957	142,990	1,353,101	
Net mark-up / interest income after provisions	7,107,585	21,355,569	7,153,923	19,852,533	
Non mark-up / interest income					
Fee, commission and brokerage income	921,633	3,460,662	1,092,004	3,320,648	
Dividend income	148,120	349,626	68,900	248,691	
Income from dealing in foreign currencies	274,856	888,133	436,704	1,165,061	
Gain on sale of securities - net	369,360	1,594,408	135,539	1,222,423	
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	(40,643)	(16,632)	134,503	231,651	
Share of profit from associates	166,556	371,566	51,996	206,486	
Other income	358,668	696,400	181,604	643,403	
Total non mark-up / interest income	2,198,550	7,344,163	2,101,250	7,038,363	
	9,306,135	28,699,732	9,255,173	26,890,896	
Non mark-up / interest expenses					
Administrative expenses	6,013,037	17,686,842	5,534,385	16,079,311	
(Reversal) / provision against off-balance sheet obligations	(5,446)	9,643	(3,689)	(5,629)	
Provision / (reversal) against other assets	3,599	(41,143)	48,102	319,400	
Other charges	75,809	231,785	63,111	277,231	
Total non mark-up / interest expenses	6,086,999	17,887,127	5,641,909	16,670,313	
	3,219,136	10,812,605	3,613,264	10,220,583	
Extra ordinary / unusual items	-	-	-	-	
Profit before taxation	3,219,136	10,812,605	3,613,264	10,220,583	
Taxation					
- Current	1,306,686	4,045,332	1,323,176	4,042,922	
- Deferred	(194,667)	(228,320)	36,222	(359,490)	
- Prior years	-	563,000	-	567,813	
	1,112,019	4,380,012	1,359,398	4,251,245	
Profit after taxation	2,107,117	6,432,593	2,253,866	5,969,338	
Profit attributable to:					
Equity holders of the Bank	2,093,296	6,398,595	2,242,750	5,944,918	
Non-controlling interest	13,821	33,998	11,116	24,420	
	2,107,117	6,432,593	2,253,866	5,969,338	
	(Rupees)				
Basic earnings per share	14	1.31	4.02	1.41	3.74
Diluted earnings per share	14	1.31	4.00	1.41	3.74

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

Chief Executive Officer

Director

Director

Chairman

Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited) for the Quarter and Nine Months Period Ended 30 September 2016

	Quarter ended 30 September 2016	Nine months period ended 30 September 2016	Quarter ended 30 September 2015	Nine months period ended 30 September 2015
	----- (Rupees in '000) -----			
Profit after taxation	2,107,117	6,432,593	2,253,866	5,969,338
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss account				
Exchange differences on translation of net investment in foreign branches	6,486	13,783	8,774	48,869
Comprehensive income - transferred to consolidated condensed interim statement of changes in equity	<u>2,113,603</u>	<u>6,446,376</u>	<u>2,262,640</u>	<u>6,018,207</u>
Attributable to:				
Equity holders of the Bank	2,099,782	6,412,378	2,251,524	5,993,787
Non-controlling interest	13,821	33,998	11,116	24,420
Comprehensive income - transferred to consolidated condensed interim statement of changes in equity	<u>2,113,603</u>	<u>6,446,376</u>	<u>2,262,640</u>	<u>6,018,207</u>
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available-for-sale securities - net of tax	<u>(611,353)</u>	<u>808,471</u>	<u>483,502</u>	<u>2,970,397</u>
Share of (deficit) / surplus on revaluation of associates' available for sale securities	<u>-</u>	<u>(536)</u>	<u>(836)</u>	<u>(836)</u>

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

Chief Executive Officer

Director

Director

Chairman

Consolidated Condensed Interim Cash Flow Statement (Un-Audited)

for the Nine Months Period Ended 30 September 2016

	Note	Nine months period ended	
		30 September 2016	30 September 2015
CASH FLOW FROM OPERATING ACTIVITIES			
		(Rupees in '000)	
Profit before taxation		10,812,605	10,220,583
Dividend income		(349,626)	(248,691)
Share of profit from associates		(371,566)	(206,486)
		10,091,413	9,765,406
Adjustments for:			
Depreciation		1,265,919	1,342,722
Amortisation		258,701	199,920
Provision against non-performing loans and advances - net		267,108	1,260,745
Provision for diminution in the value of investments - net		67,849	92,342
(Reversal) / provision against off-balance sheet obligations		9,643	(5,629)
(Reversal) / provision against other assets		(41,143)	319,400
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net		16,632	(231,651)
Bad debts written-off directly		-	14
Gain on sale of operating fixed assets - net		(23,786)	(1,395)
Charge for defined benefit plan		211,678	223,326
		2,032,601	3,199,794
		12,124,014	12,965,200
(Increase) / decrease in operating assets			
Lendings to financial institutions		(5,419,174)	(11,714,876)
Held-for-trading securities		(2,471,794)	(383,927)
Advances		6,171,833	(12,807,119)
Other assets (excluding tax recoverable and dividend receivable)		5,151,236	8,158,367
		3,432,101	(16,747,555)
Increase / (decrease) in operating liabilities			
Bills payable		1,685,798	613,335
Borrowings		(44,307,879)	57,789,426
Deposits and other accounts		1,208,241	(20,191,704)
Other liabilities (excluding current taxation)		1,571,947	(730,929)
		(39,841,893)	37,480,128
		(24,285,778)	33,697,773
		(2,840,769)	(1,050,635)
Income tax paid		(27,126,547)	32,647,138
Net cash (used in) / generated from operating activities			
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(15,404,241)	(35,847,964)
Net investments in held-to-maturity securities		32,484,527	(186,224)
Net investment in associated companies		95,790	295,173
Dividend income received		300,697	190,888
Dividend income received from associates		114,324	169,592
Investments in operating fixed assets		(2,108,076)	(1,501,679)
Proceeds from sale of operating fixed assets		32,587	17,078
Net cash generated / (used in) investing activities		15,515,608	(36,863,136)
CASH FLOW FROM FINANCING ACTIVITIES			
Redemption of sub-ordinated loans		(3,000)	(3,000)
Issuance of shares capital		84,895	41,836
Dividend paid		(1,585,285)	(3,176,177)
Net cash used in from financing activities		(1,503,390)	(3,137,341)
Exchange difference on translation of the net investments in foreign branches		13,783	48,869
Decrease in cash and cash equivalents		(13,100,546)	(7,304,470)
Cash and cash equivalents at the beginning of the period		93,490,515	65,539,265
Effect of exchange rate changes on cash and cash equivalents		136,174	343,958
		93,626,689	65,883,223
Cash and cash equivalents at the end of the period	15	<u>80,526,143</u>	<u>58,578,753</u>

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

Chief Executive Officer

Director

Director

Chairman

Consolidated Condensed Interim Statement of Changes in Equity (Un-Audited) for the Nine Months Period Ended 30 September 2016

	Capital Reserve				Revenue Reserve		Sub-total	Non Controlling Interest	Total
	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropriated profit			
	(Rupees in '000)								
Balance as at 1 January 2015	15,872,427	4,285,556	6,636,342	1,362,465	53,663	10,091,872	38,302,325	255,999	38,558,324
Changes in equity for the nine months period ended 30 September 2015									
Total comprehensive income for the period									
Profit after taxation for the nine months period ended 30 September 2015	-	-	-	-	-	5,944,918	5,944,918	24,420	5,969,338
Effect of change in minority interest	-	-	-	-	-	(6,466)	(6,466)	6,466	-
Other comprehensive income for the nine months period ended 30 September 2015									
Exchange differences on translation of net investment in foreign branches	-	-	-	48,869	-	-	48,869	-	48,869
Transfer to statutory reserve	-	-	1,208,901	48,869	-	5,938,452	5,987,321	30,886	6,018,207
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(1,208,901)	-	-	-
Transactions with owners, recorded directly in equity									
Cash dividend for the year ended 31 December 2014 @ 20%	-	-	-	-	-	(3,174,485)	(3,174,485)	-	(3,174,485)
Share capital issued during the period	25,635	16,201	-	-	-	-	-	41,836	41,836
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	125,625	-	125,625	-	125,625
Unamortised portion of deferred employee compensation expense	-	-	-	-	(53,249)	-	(53,249)	-	(53,249)
Balance as at 30 September 2015	15,898,062	4,301,757	7,845,243	1,411,334	126,039	11,673,026	41,255,461	286,885	41,542,346
Changes in equity for the quarter ended 31 December 2015									
Total comprehensive income for the period									
Profit after taxation for the quarter ended 31 December 2015	-	-	-	-	-	1,557,742	1,557,742	(12,751)	1,544,991
Other comprehensive income for the quarter ended 31 December 2015									
Exchange differences on translation of net investment in foreign branches	-	-	-	161,632	-	-	161,632	-	161,632
Remeasurement of defined benefit plans	-	-	-	-	-	(199,200)	(199,200)	-	(199,200)
Related tax charge	-	-	-	-	-	69,637	69,637	-	69,637
Share of remeasurement of defined benefit plans of associates	-	-	-	-	-	(752)	(752)	-	(752)
Transfer to statutory reserve	-	-	295,661	161,632	-	1,427,427	1,589,059	(12,751)	1,576,308
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(295,661)	-	-	-
Transactions with owners, recorded directly in equity									
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	(6,375)	-	(6,375)	-	(6,375)
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	28,829	-	28,829	-	28,829
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	27,891	-	-	(27,891)	-	-	-	-
Balance as at 31 December 2015	15,898,062	4,329,648	8,140,904	1,572,966	120,602	12,813,488	42,875,670	274,134	43,149,804
Changes in equity for the nine months period ended 30 September 2016									
Total comprehensive income for the period									
Profit after taxation for the nine months period ended 30 September 2016	-	-	-	-	-	6,398,595	6,398,595	33,998	6,432,593
Other comprehensive income for the nine months period ended 30 September 2016									
Exchange differences on translation of net investment in foreign branches	-	-	-	13,783	-	-	13,783	-	13,783
Transfer to statutory reserve	-	-	1,253,250	-	-	(1,253,250)	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,328	24,328	-	24,328
Transactions with owners, recorded directly in equity									
Cash dividend for the year ended 31 December 2015 @ 10%	-	-	-	-	-	(1,589,806)	(1,589,806)	-	(1,589,806)
Shares issued during the period	54,014	30,881	-	-	-	-	84,895	-	84,895
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	126,102	-	126,102	-	126,102
Adjustment to unamortised portion of deferred employee compensation expense	-	-	-	-	(38,754)	-	(38,754)	-	(38,754)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	56,597	-	-	(56,597)	-	-	-	-
Balance as at 30 September 2016	15,952,076	4,417,126	9,394,154	1,586,749	151,353	16,393,355	47,894,813	308,132	48,202,945

* This represents reserve created under section 2(i) (a) of the Banking Companies Ordinance, 1962.

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

Chief Executive Officer

Director

Director

Chairman

Notes to and Forming Part of the Consolidated Condensed Interim Financial Information (Un-Audited) for the Nine Months Period Ended 30 September 2016

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company

Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange (formerly Karachi, Lahore and Islamabad Stock Exchanges). The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 486 conventional banking branches including 13 sub branches (2015: 484 branches including 12 sub branches), 10 overseas branches (2015: 10 branches), 158 Islamic banking branches (2015: 158 branches) and 1 offshore banking unit (2015: 1 unit).

PACRA has assigned a long term credit rating of AA [Double A] and a short term credit rating of A1+ (A one plus) to the Bank as at June 2016.

	Percentage of Holding	
	30 September 2016	31 December 2015
Subsidiaries		
Alfalah Securities (Private) Limited, Pakistan	97.91 percent	97.91 percent
Alfalah GHP Investment Management Limited, Pakistan	40.22 percent	40.22 percent

- 1.2 In addition, the Group maintains investments in associates, as well as in certain mutual funds established under trust structure not consolidated as subsidiaries, based on directives issued by the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 56(I)/2016, dated January 28, 2016 (refer note 8.1), as detailed in note 1.2 and note 2.5 to the annual consolidated financial statements for the year ended 31 December 2015.

2 BASIS OF PRESENTATION

- 2.1 This consolidated condensed interim financial information represents financial information of the holding company - Bank Alfalah Limited and its subsidiaries. The assets and liabilities of subsidiaries have been consolidated on a line-by-line basis and the investment held by the Bank is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in this consolidated condensed interim financial information as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.3 Key financial figures of the Islamic Banking branches of the Bank are disclosed in Annexure I to the unconsolidated condensed interim financial information of the Bank.
- 2.4 The disclosures made in this consolidated condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this consolidated condensed interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2015.

2.5 Basis of consolidation

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

This consolidated condensed interim financial information incorporates the financial statements of subsidiaries from the date that control commences until the date that control ceases.

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

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

3 STATEMENT OF COMPLIANCE

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The principal accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are same as those applied in the preparation of the financial statements of the Group for the year ended December 31, 2015 except for the following:

Non-banking assets acquired in satisfaction of claims

On January 1, 2016, the State Bank of Pakistan (SBP) vide BPRD circular No. 1 of 2016 issued 'Regulations for Debt Property Swaps'. These regulations require banks to measure non-banking assets acquired in satisfaction of claims at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is to be conducted regularly, by professionally qualified evaluators appearing on the approved panel of the 'Pakistan Banks Association', so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the 'surplus on revaluation of fixed assets' account, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to banks is accounted as an expense in the profit and loss account. Furthermore, under these regulations, revaluation surplus on such assets shall not be admissible for calculating bank's Capital Adequacy Ratio (CAR) and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

In line with these regulations, The Group, effective January 1, 2016 has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims to incorporate the aforementioned requirements. Prior to this change in accounting policy, Non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, Non-banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs. 37.46 million, surplus on revaluation of assets and deferred tax liabilities would have been lower by Rs. 24.47 million and Rs. 12.99 million respectively, and profit after tax would have been higher by Rs. 1.006 million.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and methods used for critical accounting estimates and judgments adopted in this consolidated condensed interim financial information are same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2015.

6 FINANCIAL RISK MANAGEMENT

The Group's Financial Risk Management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended December 31, 2015.

7 LENDINGS TO FINANCIAL INSTITUTIONS	Note	30 September 2016 (Un-audited)	31 December 2015 (Audited) (Restated)
		(Rupees in '000)	
Call money lendings	7.1	8,014,512	15,265,899
Bai Muajjal	7.2	10,098,580	12,360,451
Repurchase agreement lendings (Reverse Repo)	7.3	8,218,412	-
		26,331,504	27,626,350

- 7.1** This represents lending to financial institutions at interest rate range from 0.25% to 9.00% per annum (December 2015: 0.40% to 12.00% per annum) with maturities upto February 2017 (December 2015: November 2016).
- 7.2** This represents Bai Muajjal agreements entered into with State Bank of Pakistan (SBP), whereby the Bank sold Sukuks having carrying value of Rs. 9,875 million on deferred payment basis. The rates of return range from 5.69% to 5.97% per annum (December 2015: 5.99% to 8.26%). They are due to mature by March 2017 (December 2015: March 2016).
- 7.3** These represent short term lending to financial institutions against investment securities. These carry markup rates upto 5.80% per annum (December 2015: Nil) with maturities upto October 2016 (December 31, 2015: Nil).

8 INVESTMENTS - NET

8.1 Investments by types

	Note	30 September 2016 (Un-audited)			31 December 2015 (Audited) (Restated)		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
------(Rupees in '000)-----							
Held-for-trading securities							
Market Treasury Bills		17,257,194	-	17,257,194	13,480,197	-	13,480,197
Pakistan Investment Bonds		3,354,311	-	3,354,311	2,423,862	-	2,423,862
Overseas Bonds		555,321	-	555,321	2,990,933	-	2,990,933
Fully paid up ordinary shares / units - Listed		627,021	-	627,021	197,998	-	197,998
		21,793,847	-	21,793,847	19,092,990	-	19,092,990
Available-for-sale securities							
Market Treasury Bills		41,847,138	3,569,549	45,416,687	78,391,879	494,563	78,886,442
Pakistan Investment Bonds		107,769,397	86,238,957	194,008,354	28,914,704	128,577,363	157,492,067
Fully paid up ordinary shares / units - Listed		5,388,689	-	5,388,689	5,000,753	-	5,000,753
Fully paid up ordinary shares - Unlisted		109,661	-	109,661	4,454,223	-	4,454,223
Term Finance Certificates		518,056	-	518,056	829,594	-	829,594
Preference Shares - Listed		108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted		25,000	-	25,000	325,000	-	325,000
Redeemable Participating Certificates		486,270	-	486,270	-	-	-
Pakistan Euro Bonds		1,382,310	-	1,382,310	2,409,043	-	2,409,043
Overseas Bonds		10,518,171	2,804,839	13,323,010	4,804,159	-	4,804,159
Sukuk Bonds		37,853,494	-	37,853,494	33,280,442	-	33,280,442
		206,007,021	92,613,345	298,620,366	158,518,632	129,071,926	287,590,558
Held-to-maturity securities							
Market Treasury Bills		2,544,128	-	2,544,128	-	-	-
Pakistan Investment Bonds		31,885,188	-	31,885,188	66,180,991	-	66,180,991
Other Federal Government Securities - Bai Muajjal	8.2	26,002,520	-	26,002,520	26,002,520	-	26,002,520
Term Finance Certificates		524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds		706,433	-	706,433	3,347,785	-	3,347,785
Overseas Bonds		10,160,983	-	10,160,983	7,920,557	-	7,920,557
Sukuk Bonds		3,898,890	-	3,898,890	4,230,816	-	4,230,816
		75,722,408	-	75,722,408	108,206,935	-	108,206,935
Investments in Associates and Mutual Funds established under Trust Structure not considered for consolidation							
Alfalah Insurance Limited		267,782	-	267,782	241,560	-	241,560
Sapphire Wind Power Company Limited		1,174,559	-	1,174,559	1,006,054	-	1,006,054
Alfalah GHP Money Market Fund		56,562	-	56,562	54,415	-	54,415
Alfalah GHP Income Multiplier Fund		294,390	-	294,390	283,699	-	283,699
Alfalah GHP Sovereign Fund		432,706	-	432,706	423,475	-	423,475
Alfalah GHP Islamic Stock Fund		367,394	-	367,394	359,958	-	359,958
Appollo Pharma Limited		839,450	-	839,450	802,130	-	802,130
Alfalah GHP Income Fund		117,485	-	117,485	113,036	-	113,036
Alfalah GHP Islamic Income Fund		6,585	-	6,585	6,384	-	6,384
Alfalah GHP Value Fund		-	-	-	187,684	-	187,684
Alfalah GHP Cash Fund		527,784	-	527,784	540,918	-	540,918
		4,084,697	-	4,084,697	4,019,313	-	4,019,313
		307,607,973	92,613,345	400,221,318	289,837,870	129,071,926	418,909,796
Investments at cost							
Provision for diminution in value of investments including associates							
	8.3	(1,220,864)	-	(1,220,864)	(5,519,811)	-	(5,519,811)
Investments (net of provisions)							
Surplus on revaluation of held for trading securities - net		(16,632)	-	(16,632)	229,063	-	229,063
Surplus on revaluation of available for sale securities-net		10,984,706	159,015	11,143,721	9,377,825	522,095	9,899,920
Total investments		317,355,183	92,772,360	410,127,543	293,924,947	129,594,021	423,518,968

- 8.2 This represents Bai Muajjal agreements entered into with Ministry of Finance (MoF), whereby the Bank sold Sukuks having carrying value of Rs. 25,475 million on deferred payment basis. The rate of return on these transactions is 5.99% per annum (December 2015: 5.99%). They are due to mature by November 2016 (December 2015: November 2016).

	30 September 2016 (Un-audited) (Rupees in '000)	31 December 2015 (Audited) (Rupees in '000)
8.3 Movement in provision held against diminution in value of investments		
Opening balance	5,519,811	5,390,757
Charge for the period / year	67,849	136,691
Provision adjusted / written off during the period / year	<u>(4,366,796)</u>	<u>(7,637)</u>
Closing balance	<u>1,220,864</u>	<u>5,519,811</u>

	Note	30 September 2016 (Un-audited) (Rupees in '000)	31 December 2015 (Audited) (Rupees in '000)
8.4 Particulars of provision for diminution in value of investments by type and segment			

Available for sale securities

Listed companies / mutual funds

- Fully paid up ordinary shares / units

- First Dawood Investment Bank Limited	15,000	15,000
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- Preference shares

- Agritech Limited	108,835	108,835
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Unlisted companies

- Fully paid up ordinary shares of Rs. 10 each

- Pakistan Export Finance Guarantee Agency Limited	5,725	5,725
- Al-Hamra Avenue (Private) Limited	50,000	50,000
- Warid Telecom (Private) Limited (Related party)	8.5	4,366,796
- Pakistan Mobile Communications Limited (Related party)	3,936	-

Unlisted securities

- Term finance certificates / sukuks

- Azgard Nine Limited	76,220	76,220
- Security Leasing Corporation Limited I	6,418	6,418
- Security Leasing Corporation Limited II	23,105	23,105
- New Allied Electronics	2,185	2,185
- Fauji Akbar Portia Marine Terminals Limited	127,516	102,069
- Quetta Textile Mills Limited	72,619	37,242

- Preference shares

- Trust Investment Bank Limited	25,000	25,000
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Held to maturity securities

Unlisted securities

- Term finance certificates / sukuks

- Agritech Limited	499,586	499,586
- BRR Guardian Modaraba	37,151	34,062
- Security Leasing Corporation Limited	29,245	29,245
- Sitara Peroxide (Private) Limited	113,643	113,643
- Zulekha Textile Mills	24,680	24,680
	<u>1,220,864</u>	<u>5,519,811</u>

- 8.5 During the current period, the existing shareholders of Warid Telecom (Private) Limited including the Bank transferred their holding in Warid Telecom (Private) Limited to Pakistan Mobile Communications Limited (PMCL), in lieu of acquiring an overall stake of 15 percent in PMCL. This development was in furtherance of the Acquisition Agreement dated November 26, 2015, as referred to in note 9.11.1 to the Group's annual consolidated financial statements for the year ended December 31, 2015.

The legal merger of the two companies is expected to be completed in the last quarter of 2016 subject to the fulfilment of the required legal processes of amalgamation in Pakistan.

Pursuant to the said transfer, the Bank has received 2,223,452 shares of Rs. 10 each in PMCL in lieu of its holding in Warid Telecom (Private) Limited (pre-acquisition). As a result of this share exchange, the Bank has recorded the shares acquired in PMCL while its investment in Warid and the related provision held thereagainst stands de-recognised.

	Note	30 September 2016 (Un-audited)	31 December 2015 (Audited) (Restated)
(Rupees in '000)			
9 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
- In Pakistan		272,542,012	278,766,376
- Outside Pakistan		11,439,756	11,007,287
		283,981,768	289,773,663
Net investment in finance lease			
- In Pakistan		3,954,807	3,638,627
- Outside Pakistan		-	-
		3,954,807	3,638,627
Islamic financing and related assets (gross)		43,370,543	43,062,240
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		4,556,988	6,186,509
- Payable outside Pakistan		8,245,941	7,692,258
		12,802,929	13,878,767
		344,110,047	350,353,297
Provision against advances	9.2		
- Specific provision against non-performing advances		(15,575,406)	(15,452,915)
- General provision against advances		(813,104)	(739,904)
		(16,388,510)	(16,192,819)
		327,721,537	334,160,478

9.1 Advances include Rs. 18,736 million (2015: Rs. 18,456 million) which have been placed under non-performing status as detailed below:

	30 September 2016 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Category of classification									
Other Assets Especially									
Mentioned (Agri Financing)	155,867	-	155,867	3,729	-	3,729	3,729	-	3,729
Substandard	1,764,338	-	1,764,338	462,026	-	462,026	462,026	-	462,026
Doubtful	3,801,218	-	3,801,218	2,347,154	-	2,347,154	2,347,154	-	2,347,154
Loss	12,669,027	345,435	13,014,462	12,516,352	246,145	12,762,497	12,516,352	246,145	12,762,497
	18,390,450	345,435	18,735,885	15,329,261	246,145	15,575,406	15,329,261	246,145	15,575,406

	31 December 2015 (Audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Category of classification									
Other Assets Especially									
Mentioned (Agri Financing)	115,219	-	115,219	2,547	-	2,547	2,547	-	2,547
Substandard	2,052,587	54,595	2,107,182	524,432	70,795	595,227	524,432	70,795	595,227
Doubtful	2,554,443	5,506	2,559,949	1,502,617	1,587	1,504,204	1,502,617	1,587	1,504,204
Loss	13,111,084	562,325	13,673,409	12,936,545	414,392	13,350,937	12,936,545	414,392	13,350,937
	17,833,333	622,426	18,455,759	14,966,141	486,774	15,452,915	14,966,141	486,774	15,452,915

9.2 Particulars of provisions against non-performing loans and advances

	Nine months period ended 30 September 2016 (Un-audited)			Year ended 31 December 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance			15,452,915	739,904	16,192,819	13,601,667
Exchange adjustment and other movements during the period / year			883	(108)	775	31,406
Charge for the period / year	1,763,659	117,230	1,880,889	3,921,493	146,652	4,068,145
Reversals / recoveries during the period / year	(1,569,859)	(43,922)	(1,613,781)	(1,858,385)	(59,551)	(1,917,936)
	193,800	73,308	267,108	2,063,108	87,101	2,150,209
Amounts written off during the period / year			(72,192)	-	(72,192)	(243,266)
Closing balance			15,575,406	813,104	16,388,510	15,452,915

- 9.2.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at 30 September 2016 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 110.729 million (December 2015: Rs. 110.774 million).
- 9.2.2 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General reserve of at least equivalent to 1% of the secured and performing SE portfolio and 2% of the unsecured and performing SE portfolio is also maintained as required under Prudential Regulations for Small and Medium Enterprise Financing.

	30 September 2016 (Un-audited)	31 December 2015 (Audited)
	(Rupees in '000)	
10 OPERATING FIXED ASSETS		
Capital work-in-progress	912,748	704,981
Tangible fixed assets	15,842,331	15,532,465
Intangible assets	1,301,929	1,080,245
	18,057,008	17,317,691
	Nine months period ended	
	30 September 2016	30 September 2015
	(Un-audited)	
	(Rupees in '000)	
10.1 Additions to operating fixed assets		
Office premises	666,281	1,060
Leasehold improvements	90,143	479,280
Office equipments	586,971	750,187
Furniture and fixtures	44,097	58,701
Vehicles	36,337	15,236
10.2 Additions to Intangibles		
Computer software	481,358	279,085
10.3 Disposals of operating fixed assets		
Leasehold improvements	141	-
Office equipments	105,598	49,851
Furniture and fixtures	24,279	28,566
Vehicles	26,773	37,352
	Note	
	30 September 2016	31 December 2015
	(Un-audited)	
	(Rupees in '000)	
11 BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		17,430,111
Repurchase agreement borrowings	11.1	129,071,926
Borrowings of foreign operations		-
		146,502,037
Unsecured		
Call borrowings	11.2	17,901,900
Bai Muajjal		7,935,453
Overdrawn nostro accounts		53,808
		25,891,161
		128,031,511
		172,393,198

- 11.1 This represents repurchase agreement borrowing from SBP and other banks at the rate of 0.90% and 5.88% per annum respectively (2015: 6.04% and 6.50% per annum) having maturities upto October 2016 (2015: January 2016).
- 11.2 This represents borrowings from financial institutions at mark-up rates ranging from 0.55% to 5.79% per annum (2015: 0.50% to 6.08% per annum) having maturities upto January 2017 (2015: March 2016).

12 DEPOSITS AND OTHER ACCOUNTS	30 September 2016 (Un-audited)	31 December 2015 (Audited)
	(Rupees in '000)	
Customers		
Fixed deposits	121,637,376	137,604,333
Savings deposits	228,399,145	210,368,288
Current accounts - non-remunerative	254,603,399	234,743,586
Others	7,537,898	6,849,023
	<u>612,177,818</u>	<u>589,565,230</u>
Financial institutions		
Remunerative deposits	26,627,842	48,877,152
Non-remunerative deposits	2,539,742	1,694,779
	<u>29,167,584</u>	<u>50,571,931</u>
	<u>641,345,402</u>	<u>640,137,161</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes

i) Government	2,160,591	743,580
ii) Banking companies and other financial institutions	-	311,835
iii) Others	118,986	2,094,645
	<u>2,279,577</u>	<u>3,150,060</u>

13.2 Transaction - related contingent liabilities

i) Government	33,253,827	27,412,625
ii) Banking companies and other financial institutions	447,908	163,826
iii) Others	10,433,474	12,719,286
	<u>44,135,209</u>	<u>40,295,737</u>

13.3 Trade - related contingent liabilities

Letters of credit	60,321,845	52,107,916
Acceptances	11,191,692	15,797,161
	<u>71,513,537</u>	<u>67,905,077</u>

13.4 Other contingencies

Claims against the Bank not acknowledged as debts	13,777,344	14,861,738
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- 13.4.1 These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in this consolidated condensed interim financial information.
- 13.4.2 There is no change in the contingency relating to amount debited in Bank's nostro account in New York, United States of America from that disclosed in the consolidated annual audited financial statements for the year ended 31 December 2015.

	30 September 2016 (Un-audited) (Rupees in '000)	31 December 2015 (Audited) (Rupees in '000)
13.5 Commitments in respect of forward lendings		
Commitments to extend credit	22,482,052	5,222,555
13.6 Commitments in respect of forward exchange contracts		
Purchase	60,831,941	98,261,212
Sale	61,024,376	106,520,120
13.7 Commitments for the acquisition of operating fixed assets	358,228	291,237
13.8 Commitments in respect of investments	4,824,644	-
13.9 Commitments in respect of repo transactions		
Repurchase	92,714,550	129,226,010
Resale	8,222,328	-
13.10 Other commitments		
Interest rate swaps	7,643,012	6,962,920
Donations	22,000	22,000
13.11 Contingencies for tax payable (note 16)		
	Nine months period ended	
	30 September 2016 (Un-audited) (Rupees in '000)	30 September 2015 (Audited) (Rupees in '000)
14 EARNINGS PER SHARE		
14.1 BASIC EARNINGS PER SHARE		
Profit for the period attributable to equity holders of the Bank	6,398,595	5,944,918
	(Number of shares in thousands)	
Weighted average number of ordinary shares	1,593,457	1,589,536
	(Rupees)	
Basic earnings per share	4.02	3.74
14.2 DILUTED EARNINGS PER SHARE		
	(Rupees in '000)	
Profit for the period attributable to equity holders of the Bank	6,398,595	5,944,918
	(Number of shares in thousands)	
Weighted average number of ordinary shares	1,601,098	1,589,536
	(Rupees)	
Diluted earnings per share	4.00	3.74
15 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	63,640,414	62,368,827
Balances with other banks	8,871,217	16,583,138
Call money lendings	8,014,512	14,728,532
Overdrawn nostro accounts	-	(53,808)
	30 September 2016 (Un-audited) (Rupees in '000)	31 December 2015 (Audited) (Rupees in '000)
	80,526,143	93,626,689

16 TAXATION

The income tax assessments of the Bank have been finalized upto and including tax year 2015. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2011, 2012, 2013 and 2015, the tax authorities have raised certain issues including disallowance of expenditure on account of non-deduction of withholding tax, default in payment of WWF, allocation of expenses to dividend and capital gains and dividend income from mutual funds not being taken under income from business, resulting in additional demand of Rs.1,452.536 million. As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.1,023.719 million whereas appeal effect orders are pending. The management's appeals on certain issues are pending before Commissioner Appeals. The management is confident that this matter will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

The Bank has received amended assessment orders for Tax Years from 2010 to 2013 wherein Tax Authorities have disallowed depreciation on Ijara Assets considering it Finance Lease and raised a tax demand of Rs.990.423 million. As a result of appeal filed before Commissioner Appeal, relief is provided to the Bank to the extent of principal amount which is part of Ijarah rentals and should not be taxed. Accordingly tax amount is reduced to Rs.96.160 million. The Bank has filed appeal before Appellate Tribunal. The Bank has not made any provision against these orders and the management is of the view that the matter will be settled in Bank's favour through appellate process.

In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs.510.380 million against tax demand (after reduction on rectifications) for tax years 2009 to 2015. The Bank intends to obtain relief through rectification orders. The management is of the view that the matter will be settled in Bank's favour.

The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.97.560 million (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

17 RELATED PARTY TRANSACTIONS

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

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

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

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

	30 September 2016 (Un-audited)				
	Directors	Key Management Personnel	Group / Associated Companies / Others	Associates	Total
	------(Rupees in '000)-----				
Deposits					
Balance at beginning of the period	14,825	120,281	6,095,252	350,316	6,580,674
Placements during the period	95,919	872,356	72,521,077	33,087,927	106,577,279
Withdrawals / adjustments during the period	(89,732)	(845,719)	(72,337,931)	(32,429,160)	(105,702,542)
Balance at end of the period	21,012	146,918	6,278,398	1,009,083	7,455,411
Advances					
Balance at beginning of the period	-	328,280	6,339,450	-	6,667,730
Disbursements / adjustments during the period	-	179,896	14,994,709	-	15,174,605
Repayments / adjustments during the period	-	(212,092)	(13,757,691)	-	(13,969,783)
Balance at end of the period	-	296,084	7,576,468	-	7,872,552
Provision held against advances	-	-	864,845	-	864,845
Investments					
Balance at beginning of the period	-	-	4,716,796	4,019,313	8,736,109
Investments during the period	-	-	1,722,235	-	1,722,235
Redemption / adjustments during the period	-	-	(4,666,796)	65,384	(4,601,412)
Balance at end of the period	-	-	1,772,235	4,084,697	5,856,932
Provision held against investments	-	-	50,000	-	50,000
Call borrowings / Repo					
Balance at beginning of the period	-	-	-	-	-
Borrowings during the period	-	-	1,200,000	-	1,200,000
Repayments during the period	-	-	(1,200,000)	-	(1,200,000)
Balance at end of the period	-	-	-	-	-
Call lendings / Reverse repo					
Balance at beginning of the period	-	-	-	-	-
Placements during the period	-	-	5,000,000	-	5,000,000
Withdrawals during the period	-	-	(5,000,000)	-	(5,000,000)
Balance at end of the period	-	-	-	-	-

31 December 2015 (Audited)					
Directors	Key Management Personnel	Group / Associated Companies / Others	Associates	Total	
----- (Rupees in '000) -----					
Deposits					
Balance at beginning of the year	38,398	71,170	5,054,223	453,398	5,617,189
Placements during the year	168,409	1,271,256	81,661,921	29,668,778	112,770,364
Withdrawals / adjustments during the year	(191,982)	(1,222,145)	(80,620,892)	(29,771,860)	(111,806,879)
Balance at end of the year	14,825	120,281	6,095,252	350,316	6,580,674
Advances					
Balance at beginning of the year	-	280,630	3,828,522	-	4,109,152
Disbursements during the year	-	324,922	22,147,792	-	22,472,714
Repayments / adjustments during the year	-	(277,272)	(19,636,864)	-	(19,914,136)
Balance at end of the year	-	328,280	6,339,450	-	6,667,730
Provision held against advances					
	-	-	185,627	-	185,627
Investments					
Balance at beginning of the year	-	-	4,416,796	3,446,271	7,863,067
Investments during the year	-	-	-	1,867,710	1,867,710
Redemptions / adjustments during the year	-	-	300,000	(1,294,668)	(994,668)
Balance at end of the year	-	-	4,716,796	4,019,313	8,736,109
Provision held against investments					
	-	-	4,416,796	-	4,416,796
Call borrowings / Repo					
Balance at beginning of the year	-	-	-	-	-
Borrowings during the year	-	-	1,300,000	-	1,300,000
Repayments during the year	-	-	(1,300,000)	-	(1,300,000)
Balance at end of the year	-	-	-	-	-
Call lendings / Reverse repo					
Balance at beginning of the year	-	-	-	-	-
Borrowings during the year	-	-	17,825,000	-	17,825,000
Repayments during the year	-	-	(17,825,000)	-	(17,825,000)
Balance at end of the year	-	-	-	-	-

	30 September 2016 (Un-audited)	31 December 2015 (Audited)
	(Rupees in '000)	
17.2 Advances		
Running finance	1,047,288	760,958
Long term loans	6,825,264	5,906,772
17.3 Contingencies and commitments		
Letter of credit, acceptance & Guarantees outstanding	1,722,845	3,134,931
17.4 Customer Accounts		
PLS accounts	2,900,985	3,264,885
Current accounts	1,043,533	1,047,644
Fixed deposit accounts	3,510,893	2,268,145

Nine months period ended	
30 September	30 September
2016	2015
(Un-audited)	
(Rupees in '000)	

17.5 Transactions with Associates and Others

Associates

Mark-up expense on deposits / TFCs	34,023	31,880
Rent Income from Alfalah Insurance Limited	1,747	1,497
Dividend paid to Alfalah Insurance Limited	500	1,000
Dividend income from Alfalah GHP Money Market Fund	4,210	-
Dividend income from Alfalah GHP Sovereign Fund	9,253	26,944
Dividend income from Alfalah GHP Islamic Stock Fund	45,320	40,867
Dividend income from Alfalah GHP Cash Fund	32,926	47,082
Dividend income from Alfalah GHP Income Multiplier Fund	10,270	23,284
Dividend income from Alfalah GHP Income Value Fund	-	22,434
Insurance premium paid to Alfalah Insurance Limited	537,588	529,001
Management Fee earned from funds	203,419	132,122
Reimbursement of expenses from funds	15,352	-
Sales load earned from funds	38,953	7,347
Investment made in fund units	1,151	243,229
Redemption in investment in fund units	9,501	9,501
Realized gain on redemption in investment in fund units	499	499
Payment made on behalf of fund	132	132
Dividend income from fund	12,356	-
Capital Gain on sale of units of Alfalah GHP Money Market Fund	-	46,672
Capital Gain on sale of units of Alfalah GHP Value Fund	104,800	-
Capital Gain on sale of units of Alfalah GHP Cash Fund	-	25,085

Others

Mark-up income	253,309	262,565
Mark-up expense on deposits	110,478	40,322
Rent income from Wateen Telecom (Private) Limited	-	1,766
Rent income from Warid Telecom (Private) Limited	12,339	12,915
Rent expense paid pertaining to Wateen Telecom (Private) Limited	4,264	8,550
Interest received on placements with Silk Bank	856	4,307
Mark-up paid to Taavun (Private) Limited on TFCs Issued	37,410	37,425
Mark-up paid to Key Management Personnel on TFCs Issued	14,518	12,110
Amount received on Redemption of Silk Bank Preference Shares	439,200	-
Interest paid on Borrowings from Silk Bank	195	128
Payment to Institute of Bankers of Pakistan for calendars and diaries etc.	2,512	303
Payment to Wateen Telecom (Private) Limited and Wateen Solutions (Private) Limited for purchase of equipment and maintenance charges	100,555	100,611
Payment to Monet (Private) Limited for Branchless banking services	144,821	142,309
Payment to Al-Qudees & Co	10,263	25,006
Payment to Locker Smiths (Private) Limited	10,675	-
Payment to Sundar Interiors & Architects	4,525	49,884
Payment to Timber Links	2,484	8,768
Payment to Expressive Safety & Security Solutions	8,971	4,293
Payment to Olive International (Private) Limited	1,525	5,571
Payment to Computer Marketing Co. (Private) Limited.	15,258	6,922
Payment to K-Tabs	16,112	16,205
Payment to MEC Engineer	9,324	2,661
Payment to Tahiri Printers	5,946	-
Payment to Bawany Traders	4,102	-
Contribution to employees provident fund	248,196	227,455
Charge in respect of gratuity	211,678	223,326
Provision against advances on Wateen Telecom (Private) Limited	679,385	-
Provision against advances on Wateen Wimax (Private) Limited	185,460	-
Commission received from Warid Telecom (Private) Limited	1,828	6,643

	30 September 2016 (Un-audited)	31 December 2015 (Audited)
	(Rupees in '000)	
17.6 Balances with Associates and Others		
Associates		
Advance Rent from Alfalah Insurance Limited	208	1,955
Advance against issuance of Shares - Sapphire Wind Power Limited	112,350	112,350
TFCs held by Alfalah GHP Income Multiplier Fund	6,116	6,119
TFCs held by Alfalah GHP Income Fund	72,887	87,899
Management Fee Receivable from funds	129,746	51,519
Sales load receivable from funds	9,338	16,714
Reimbursement of expenses from funds	16,673	-
Investment in funds units	346,115	318,655
Receivable against formation of funds	6,817	5,101
Insurance payable for General and Health	-	183
Others		
Mark-up suspended on advances to Warid Telecom (Private) Limited	61,270	42,582
Mark-up suspended on advances to Wateen Telecom (Private) Limited	766,553	644,122
Mark-up suspended on advances to Wateen Wimax	13,943	5,587
Advance Rent from Warid Telecom (Private) Limited	12,632	8,206
Rent receivable from Warid Telecom (Private) Limited	195	-
Rent payable to Wateen Telecom (Private) Limited	-	750
Commission receivable from Warid Telecom (Private) Limited	7,949	-
TFCs held by Taavun (Private) Limited	498,700	498,800
TFCs held by Key Management Personnel	193,535	186,591
	Nine months period ended	
	30 September 2016	30 September 2015
	(Un-audited)	
	(Rupees in '000)	

17.7 Key management personnel

Salaries and Allowances	1,060,289	932,711
Fair value charge against employee stock option scheme	87,348	37,075

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

18 GENERAL

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

- 18.1** During the current period, the State Bank of Pakistan (SBP), vide BPRD Circular Letter No. 05 of 2016 dated February 29, 2016 has issued instructions on revised forms of annual financial statements, which further supplements the requirements laid down earlier, vide SBP's BSD Circular No. 4 of 2006 and BSD Circular Letter No. 03 of 2013 on the matter.

In order to standardize the financial statements and to bring comparability, banks having IBBs have been advised to show Islamic Financing and Related Assets under the head "Advances" in their financial statements. In addition, banks have also been advised to show Bai Muajjal of Government of Pakistan Ijara Sukuk with State Bank of Pakistan and other Financial Institutions under the head "Lendings to Financial Institutions", whereas Bai Muajjal transactions with Government of Pakistan are required to be reported under investment category as other Federal Government securities.

The effect of re-classification on comparative information presented for the year ended 31 December 2015 as part of the Statement of Financial Position is as follows:

	As previously reported	As at 31 December 2015 Effect of Re- classification	As restated
Lending to Financial Institutions	53,628,870	(26,002,520)	27,626,350
Investments - net	397,516,448	26,002,520	423,518,968
Advances - net	327,299,560	6,860,918	334,160,478
Other assets	28,701,223	(6,860,918)	21,840,305

18.2 In addition to the aforementioned, no significant reclassification has been made except as follows:

Description	Reclassified		
	Rupees in '000	From	To
Insurance expenses on Ijarah assets	(216,423)	Other Income	Mark-up / return / interest earned
Registration expenses on Ijarah assets	(49,699)	Other Income	Mark-up / return / interest earned
Rental income on Ijarah assets	250,917	Other Income	Mark-up / return / interest earned

19 DATE OF AUTHORISATION

The consolidated condensed interim financial information was authorised for issue on 26 October 2016 by the Board of Directors of the Bank.

Chief Executive Officer

Director

Director

Chairman

Branch Network

Bank Alfalah Presence in Pakistan

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
1	Karachi	81	36	117
2	Lahore	62	31	93
3	Islamabad	24	9	33
4	Rawalpindi	26	8	34
5	Faisalabad	18	11	28
6	Quetta	14	4	18
7	Peshawar	11	4	15
8	Multan	9	6	15
9	Hyderabad	6	2	8
10	Gujranwala	8	2	10
11	Gujrat	3	2	5
12	Sialkot	4	3	7
13	Sargodha	3	2	5
14	Abbottabad	2	1	3
15	Dera Ismail Khan	2	1	3
16	Jhelum	2	1	3
17	Mansehra	2	1	3
18	Taxila	3	0	3
19	Bahawalpur	2	1	3
20	Dera Ghazi Khan	1	1	2
21	Ghotki	2	0	2
22	Gilgit	2	0	2
23	Haripur	2	0	2
24	Hub	1	1	2
25	Jaranwala	2	0	2
26	Jhang	2	1	3
27	Kamra	2	0	2
28	Kohat	2	0	2
29	Mardan	2	0	2
30	Mingora	1	1	2
31	Mirpur	2	0	2
32	Mirpurkhas	1	1	2
33	Okara	2	1	3
34	Rahim Yar Khan	2	1	3
35	Sadiqabad	1	1	2
36	Sahiwal	3	1	4
37	Sheikhupura	2	0	2
38	Sukkur	1	1	2
39	Ahmedpur East	1	0	1
40	Ali pur	1	0	1
41	Allah Abad	1	0	1
42	Arifwala	1	0	1
43	Attock	1	0	1
44	Badin	1	0	1
45	Bahawalnagar	1	1	2
46	Bannu	2	0	2
47	Batkheela	1	0	1
48	Battagram	1	0	1
49	Besham	1	0	1
50	Bewal	0	1	1
51	Bhakkar	1	0	1
52	Bhalwal	1	0	1
53	Bhera	1	0	1
54	Buner	1	0	1
55	Burewala	1	0	1
56	Chak Khasa	1	0	1
57	Chak No. 111 SB	1	0	1
58	Chakwal	2	0	2

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
59	Chaman	1	0	1
60	Charsadda	1	0	1
61	Chichawatni	1	0	1
62	Chillas	1	0	1
63	Chiniot	1	0	1
64	Chishtian	1	0	1
65	Chitral	1	0	1
66	Choa Saidan Shah	1	0	1
67	Dadu	1	0	1
68	Daharki	1	0	1
69	Daska	1	0	1
70	Daultala	1	0	1
71	Depalpur	1	0	1
72	Dera Murad Jamali	1	0	1
73	Dhudial	0	1	1
74	Digri	0	1	1
75	Dina	1	0	1
76	Dinga	1	0	1
77	Dukki	1	0	1
78	Farooqabad	1	0	1
79	Fateh Jang	1	0	1
80	Ferozwala	1	0	1
81	Fort Abbas	1	0	1
82	Gaggo Mandi	1	0	1
83	Gahkuch	1	0	1
84	Gawadar	1	0	1
85	Ghazi	1	0	1
86	Ghourghushti	1	0	1
87	Gojra	1	0	1
88	Gojra Malakwal Tehsil	1	0	1
89	Gujar Khan	1	0	1
90	Haaveli Lakha	1	0	1
91	Hafizabad	1	0	1
92	Hangu	1	0	1
93	Haroonabad	1	0	1
94	Hasan Abdal	0	1	1
95	Hasilpur	1	0	1
96	Havelian	1	0	1
97	Hazro	1	0	1
98	Hunza Nagar	1	0	1
99	Jacobabad	1	0	1
100	Jahania	1	0	1
101	Jalalpur Bhattian	1	0	1
102	Jalalpur Jattan	0	1	1
103	Jampur	1	0	1
104	Jauharabad	1	0	1
105	Kabirwala	0	1	1
106	Kahuta	1	0	1
107	Kallar Syedan	1	0	1
108	Kamalia	0	1	1
109	Kamoke	1	0	1
110	Kandhkot	1	0	1
111	Kasur	1	0	1
112	Khairpur	1	0	1
113	Khanewal	1	0	1
114	Khanpur	1	0	1
115	Kharian	1	0	1
116	Khurrianwala	1	0	1

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
117	Khushab	0	1	1
118	Kot Abdul Malik	0	1	1
119	Kot Addu	0	1	1
120	Kot momin	1	0	1
121	Kotla	1	0	1
122	Kotli	1	0	1
123	Lala Musa	1	0	1
124	Larkana	1	0	1
125	Layyah	1	0	1
126	Liaqatpur	1	0	1
127	Lodhran	1	0	1
128	Loralai	1	0	1
129	Mailsi	0	1	1
130	Malakwal	1	0	1
131	Mamu Kanjan	1	0	1
132	Mandi Bahauddin	1	1	2
133	Mandi Faizabad	1	0	1
134	Mandi Quaidabad	1	0	1
135	Mandi Sadiq Gunj	1	0	1
136	Matli	1	0	1
137	Mian Channu	1	0	1
138	Mianwali	1	1	2
139	Mirpur Mathelo	1	0	1
140	Moro	1	0	1
141	Muridke	1	0	1
142	Murree	1	0	1
143	Muslim Bagh	1	0	1
144	Mustafabad	1	0	1
145	Muzaffarabad	1	1	2
146	Muzaffargarh	1	0	1
147	Nankana Sahib	1	0	1
148	Narowal	1	0	1
149	Nawabshah	1	0	1
150	Nowshera	1	0	1
151	Nowshera Virkan	1	0	1
152	Oghi	1	0	1
153	Pakpattan	1	0	1
154	Pattoki	1	0	1
155	Phalia	1	0	1
156	Pindi Gheb	0	1	1
157	Pir Mahal	1	0	1
158	Pishin	1	0	1
159	Qaboola	1	0	1
160	Rabwah	1	0	1
161	Rajanpur	1	0	1
162	Rawat	1	0	1
163	Renala Khurd	1	0	1
164	Sambrial	1	0	1
165	Samundri	1	0	1
166	Sanghar	1	0	1
167	Sangla Hill	0	1	1
168	Sarai Alamgir	0	1	1
169	Saraqpur	1	0	1
170	Serai Naurang	1	0	1
171	Shahdadpur	1	0	1
172	Shahkot	0	1	1
173	Shahpur	0	1	1
174	Shakargarh	1	0	1

Sr #	Location	No. of branches		
		Conventional	Islamic	Total
175	Shinkhari	1	0	1
176	Shorkot	1	0	1
177	Shujabad	1	0	1
178	Sibi	1	0	1
179	Sillanwali	1	0	1
180	Skardu	1	0	1
181	Swabi	1	0	1
182	Swat	1	0	1
183	Talagang	1	0	1
184	Tando Adam	1	0	1
185	Tando Allahyar	1	0	1
186	Temargarha	1	0	1
187	Toba Tek Singh	1	0	1
188	Turbat	1	0	1
189	Uch Sharif	1	0	1
190	Umerkot	1	0	1
191	Vehari	0	1	1
192	Wah Cantt	1	0	1
193	Waisa	1	0	1
194	Wazirabad	1	0	1
195	Yazman	1	0	1
196	Zafarwal	1	0	1
197	Zhob	1	0	1
198	Sihala	1	0	1
199	Bhowana	1	0	1
200	Dadyal, AJK	1	0	1
201	Bhimber, AJK	1	0	1
202	Chowk Azam	1	0	1
203	Khoiratta, AJK	1	0	1
204	Gondal	1	0	1
205	Pano Aqil	1	0	1
206	Ghakkar	1	0	1
207	Chak Jhumra	1	0	1
208	Mehrappur	1	0	1
209	Taunsa Sharif	1	0	1
210	Alipur Chatta	1	0	1
211	Kahror Pacca	1	0	1
212	Shikarpur	1	0	1
213	Mehar	1	0	1
214	Shahdadkot	1	0	1
215	Usta Mohammad	1	0	1
216	Jalalpur Pirwala	1	0	1
217	Siranwali	1	0	1
218	Kotli Loharan	1	0	1
219	Abdul Hakim	0	1	1
220	Phoolnagar	1	0	1
221	Islamgarh, AJK	1	0	1
222	Rawalakot	1	0	1
223	Gulbahar	1	0	1
224	Khan Bela	1	0	1
225	Pasrur	1	0	1
Total		486	158	644

Bank Alfalah Presence In Foreign Countries

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



Bank Alfalah

Bank Alfalah Limited

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Karachi, Pakistan

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