

Financial Statements for the Quarter Ended 31 March 2018 (Un-audited)



Bank Alfalah
The Way Forward

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Company Information

Board of Directors

HH Sheikh Nahayan Mubarak Al Nahayan
Chairman / Director

Abdulla Nasser Hawaileel Al-Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

Kamran Y. Mirza
Director

Nauman Ansari
President and CEO / Director

Board Audit Committee

Kamran Y. Mirza
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Board Strategy and Finance Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Nauman Ansari
Member

Board Risk Management Committee

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Member

Nauman Ansari
Member

Board Human Resources, Remuneration and Nominations Committee

Kamran Y. Mirza
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Central Management Committee

Nauman Ansari
Chairman

Suhail Yaqoob Khan
Member

Anjum Hai
Member

Hafsa Abbasy
Member

Mehreen Ahmed
Member

Rizwan Ata
Member

Bilal Asghar
Member

Syed Ali Sultan
Member

Aasim Wajid Jawad
Member

Khawaja Mohammad Ahmad
Member

Mohib Hasan Khan
Member

Mian Ejaz Ahmad
Member

Haroon Khalid
Member

Muhammad Yahya Khan
Member

Board Compensation Committee

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Kamran Y. Mirza
Member

Chief Financial Officer

Anjum Hai

Company Secretary

Mian Ejaz Ahmad

Auditors

EY Ford Rhodes
Chartered Accountants

Registered/Head Office

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

Share Registrar

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

Directors' Review

On behalf of the Board of Directors, we are pleased to present the unconsolidated condensed interim financial statements of Bank Alfalah Limited (the Bank) for the quarter ended March 31, 2018.

Economic Review:

In 2017, the country's economy registered a decade high GDP increase of 5.3 percent. Heading into CY2018, the prospect of achieving an eleven-year high growth rate remains strong, with average headline inflation appearing within comfortable bounds for FY18 and FY19. However, this growth has been accompanied by a higher current account deficit, which, along with a high fiscal deficit, could affect the medium-term stability of the economy.

The 8MFY18 current account deficit widened to USD 10.8bn against USD 7.2bn for the same period last year, ensuing mainly from high trade deficit following a rise in imports (+22.7% YoY). At the start of CY2018, the State Bank of Pakistan adjusted the policy rate upwards by 25 bps, after maintaining a status quo for 20 months. The objective behind this increase was to address external account concerns amidst rising global interest rates, increase in international oil prices and increasing aggregate demand pressures. In its more recent monetary policy statement issued in March 2018, the SBP decided to keep the policy rate unchanged, indicating their confidence in recent policy actions towards addressing the external account situation. Adjustments stemming from greater exchange rate flexibility, active monetary management as well as improvements in exports and remittances, all appear favorable for sustainability of the growth momentum, without posing a risk to stability.

CPI inflation remained moderate at the start of CY18, mainly because of subdued food prices and lower than anticipated increase in house rents. The average CPI stands at 3.78 percent, well within the full FY18 target of 6 percent. The real sector has continued to progress well. The agriculture sector, despite some shortfall in cotton production, is projected to post positive growth for the second consecutive year. Large Scale Manufacturing (LSM) growth was posted at 6.3 percent during 7MFY18 as compared to 3.6 percent during the corresponding period in FY17, and this growth momentum is expected to continue for the remaining months of FY18.

According to the SBP, the full impact of the January 2018 rate increase is not yet fully visible, and the impact of recent exchange rate depreciations on exports and imports is going to unfold gradually in the coming months. The PKR-US\$ observed a devaluation in March 2018, where interbank market closed at PKR 115 per US\$. Financing of the high current account deficit will continue to remain a challenge as a healthy growth in FDI and higher official inflows were insufficient to finance it completely. The foreign exchange reserves have declined to USD 17.9 billion at March 2018 end. After a relatively long period of stagnant exports, the recent trend appears encouraging, with growth of around 12.2% for July 17-Feb 18. However, with 2018 elections around the corner, political uncertainty may lead to an economic slowdown in the coming months. The IMF, in its first post-programme monitoring report has noted that Pakistan's near-term outlook for economic growth appears broadly favorable. Going forward, along with a focus on narrowing the current account gap, Government's plans to timely mobilize external inflows, both official and commercial, will play a pivotal role in maintaining adequate level of SBP's foreign exchange reserves and anchoring sentiments in the market.

Review of the Bank's Performance

The summarized operating results of the Bank for the quarter ended March 31, 2018 are presented as follows:

	March 31, 2018	March 31, 2017
	Rupees in Millions	
FINANCIAL PERFORMANCE		
Net Interest Income and Non Markup Income	10,419	9,899
Non Markup Expenses	5,631	5,691
Profit before tax	5,075	4,290
Profit after tax	3,264	2,788
Basic earnings per share – Rupees	2.02	1.74
Diluted earnings per share – Rupees	2.01	1.74

	March 31, 2018	December 31, 2017
STATEMENT OF FINANCIAL POSITION		
	Rupees in Millions	
Shareholders' Equity (before surplus)	59,690	58,462
Total Deposits	644,511	653,406
Total Assets	863,876	988,759
Advances – net	413,084	400,636
Investments – net	287,461	400,683

The Bank's Profit before Taxation for the quarter ended March 31, 2018 was recorded at Rs. 5.075 Billion, as against Rs. 4.290 Billion, for the corresponding period last year, improving by 18 percent. This translates into earnings per share of Rs. 2.02 versus Rs. 1.74 per share for the corresponding period last year.

The Bank's revenue for the quarter was reported at Rs. 10.419 Billion, improving by 5 percent from the corresponding period last year. This is arising from both components of Net Interest Income and Non Interest Income which have improved by 2 percent and 16 percent respectively as against the corresponding period last year.

Administrative Expenses have increased by Rs. 311 million against the previous reporting period, reflecting a growth of 6 percent as against the corresponding period last year, with main factors being staff cost, rentals, maintenance and communication costs.

Net recoveries against non-performing advances improved from Rs. 71 million for the quarter ended March 2017 to Rs. 193 million for the current quarter, mainly on account of lower specific provisioning charge for the period of Rs. 223 Million in 2018, as against Rs. 539 million for the corresponding period last year. Recoveries for the period were reported at Rs. 416 million, as against Rs. 610 million for the previous period. As at March 2018, the Bank's coverage ratio stands at 89 percent. Our NPL ratio at the period end stands at 4 percent, and remains one of the lowest in the industry.

A significant development during the current quarter was the reversal of provision amounting to USD 3.949 million, held against amount blocked in the Bank's Nostro account following settlement of long pending dispute.

As mentioned earlier, the SBP increased its policy rate by 25 bps in January 2018. This increase in rate followed a status quo that had been maintained for over a period of 20 months. Owing to the fact that there is now a market anticipation of further increase in rate, the arbitrage opportunity through short borrowing, that previously prevailed in a consistently low interest rate environment, has gradually started to wane. This has led to a repositioning of the Bank's balance sheet, whereby a significant proportion of short term borrowing and its onward deployment towards medium term securities has been rationalized. Borrowings at the period end, therefore, appear lower by Rs. 121.552 Billion, whereas investments also stand reduced by Rs. 113.221 Billion, accordingly.

The Bank's total assets at the quarter end thus stands at Rs. 863.876 Billion, lower by 13 percent from the year end position.

The Bank's focus remains on re-profiling its Deposit base. Total deposits at the period end have been reported at Rs. 645 Billion, slightly lower than December 2017 levels, while CA is up to 44.5 percent.

The Bank's Gross Advances were reported at Rs. 429.401 Billion, improving by 3 percent, and with Deposits reported at Rs. 644.511 Billion, the Bank's ADR still remains at a level of 66.6 percent at March 31, 2018.

During the current quarter, the Bank successfully closed its first ever additional Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments. The Pre-IPO of Rs. 6.3 Billion had been successfully closed in January 2018, while the IPO of Rs. 700 million was closed in March 2018. The proceeds from the issue will contribute towards the bank's additional Tier-1 capital and are intended to be utilized towards enhancement of the bank's business operations.

The shareholders in their meeting held on March 28, 2018 approved a final dividend of Rs. 1.5 per share (2016: Nil), the effect of which has been accounted for in the current period.

Credit Rating

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

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

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

Acknowledgment:

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

The Board would also like to place on record its appreciation for the services rendered by Mr. Khalid Qurashi being member of the Board of Directors, who has recently served his resignation, which has been accepted. We wish him well for his future endeavors.

We would also like to thank the Bank's staff for their commitment, focus and hard work, and look forward to their continued support in the days to come.

President & Chief Executive Officer**Director**

Date: April 19, 2018

Place: Abu Dhabi

ڈائریکٹرز کا جائزہ

ہم بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2018 کو ختم ہونے والی سہ ماہی کے بینک الفلاح لمیٹڈ (بینک) کے unconsolidated condensed عبوری مالیاتی حسابات پیش کر رہے ہیں۔

معاشی جائزہ

2017 میں ملکی معیشت کے اس عشرے میں سب سے زیادہ جی ڈی پی میں اضافہ 5.3 فیصد دیکھنے میں آیا۔ سال 2018 میں گیارہ سال میں حاصل کیا گیا سب سے زیادہ گروتھ ریٹ برقرار رکھنے کا امکان ہے، اس کے ساتھ اوسط افراط زر کے مالی سال 18 اور مالی سال 19 میں مناسب حدود میں رہنے کا امکان ہے۔ یہ گروتھ زیادہ کرنٹ اکاؤنٹ خسارے کے ساتھ ہے۔ زیادہ مالی خسارے کی وجہ سے معیشت کے درمیانی مدت کے استحکام پر اثر پڑ سکتا ہے۔

8MFY18 کرنٹ اکاؤنٹ خسارہ بڑھ کر 10.8 بلین ڈالر ہو گیا ہے جو پچھلے سال اسی مدت میں 7.2 بلین ڈالر تھا۔ زیادہ تجارتی خسارے میں اضافے کی وجہ امپورٹس میں (22.7%YOY +) اضافہ ہے۔ سال 2018 کے شروع میں اسٹیٹ بینک آف پاکستان نے 20 مہینے تک موجودہ حالت برقرار رکھنے کے بعد پالیسی ریٹ میں 25 bps اضافہ کیا۔ اس اضافے کا مقصد ایکسٹرنل اکاؤنٹ کے مسائل جن میں عالمی انٹرسٹ کی شرح میں اضافے، آئل کی قیمتوں میں اضافے اور مجموعی طور پر طلب میں اضافے کی دباؤ پر توجہ دینا تھا۔ مارچ 2018 میں جاری کردہ حالیہ مانیٹری پالیسی اسٹیٹمنٹ میں اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ کو تبدیل نہ کرنے کا فیصلہ کیا ہے جو ایکسٹرنل اکاؤنٹ کی صورتحال سے نمٹنے کیلئے ان کے حالیہ پالیسی اقدامات پر اعتماد کو ظاہر کرتا ہے۔ زبردست آپیکھیج ریٹ چلک، مؤثر مانیٹری منیجمنٹ اس کے ساتھ ایکسپورٹس اور ری میٹیننسز میں بہتری کے نتیجے میں استحکام کو خطرے میں ظاہر کئے بغیر گروتھ کی رفتار کے استحکام کیلئے یہ سب موزوں ہیں۔

CY18 کے شروع میں CPI افراط زر درمیانہ رہا اس کی اہم وجہ کم فوڈ پرائسز اور ہاؤس رینٹ میں توقع سے کم اضافہ ہے۔ اوسط CPI 3.78 فیصد رہی جو کہ مکمل مالی سال 18 میں 6 فیصد کے ہدف کے اندر ہے۔ ریٹیل سیکٹر میں بھی ترقی جاری رہی۔ ایگریکلچر سیکٹر میں کاٹن پروڈکشن میں کمی کے باوجود مسلسل دوسرے سال بھی مثبت گروتھ کی توقع ہے۔ لارج اسکیل مینوفیکچرنگ (ایل ایس ایم) گروتھ 7MFY18 میں 6.3 فیصد رہی جبکہ FY17 میں بیان کئے گئے دورانیے میں 3.6 فیصد تھی اور یہ گروتھ کی رفتار FY18 کے باقی مہینوں میں بھی جاری رہنے کی توقع ہے۔

اسٹیٹ بینک آف پاکستان کے مطابق جنوری 2018 میں ریٹ میں اضافے کا مکمل اثر اب تک ظاہر نہیں ہوا ہے۔ ایکسپورٹس اور امپورٹس پر آپیکھیج ریٹ میں حالیہ کمی کا اثر آنے والے مہینوں میں ظاہر ہوگا۔ مارچ 2018 میں PKR-US\$ میں تخفیف قیمت دیکھنے میں آئی، جہاں انٹربینک مارکیٹ 115 روپے فی امریکی ڈالر بند ہوئی۔ زیادہ کرنٹ اکاؤنٹ خسارے کی فنانسنگ ایک چیلنج رہے گی ایف ڈی

آئی میں عمدہ گروتھ اور زیادہ آفیشل رقوم کی آمد اسے مکمل طور پر فنانس کرنے کیلئے ناکافی رہے گی۔ فارن ایکسچینج ذخیرے مارچ 2018 کے آخر میں کمی کے بعد 17.9 بلین ڈالر ہو گئے ہیں۔ ایکسپورٹ طویل عرصے تک جمود کا شکار رہنے کے بعد حالیہ رجحان جولائی 17 تا فروری 18 کے لیے حوصلہ افزاء گروتھ تقریباً %12.2 کو ظاہر کر رہا ہے۔ بہر حال 2018 کے الیکشن قریب ہیں سیاسی غیر یقینی صورتحال آنے والے مہینوں میں معاشی سست روی کا سبب بن سکتی ہے۔ آئی ایم ایف نے اپنی پہلی پوسٹ پروگرام میں بیان کیا ہے کہ پاکستان کے قریب مدتی منظر نامے میں معاشی گروتھ وسیع طور پر سازگار ہے۔ حکومت کا منصوبہ ہے کہ کم کرنٹ اکاؤنٹ فرق پر توجہ دیتے ہوئے بیرونی رقوم آفیشل اور کمرشل دونوں کی آمد کو بروقت متحرک کرے اور اسٹیٹ بینک آف پاکستان کے فارن ایکسچینج کے ذخائر کو مناسب سطح پر برقرار رکھنے میں اہم کردار ادا کرے اور مارکیٹ میں اس حوالے سے کیفیات کو قابو رکھے۔

بینک کی کارکردگی کا جائزہ

31 مارچ 2018 کو ختم ہونے والی سہ ماہی کے آپریٹنگ نتائج کا خلاصہ مندرجہ ذیل ہے:

31 مارچ 2018	31 مارچ 2017	فنانشل کارکردگی
روپے بلین میں		
10,419	9,899	خالص انٹرسٹ آمدن اور بغیر مارک اپ آمدن
5,631	5,691	بغیر مارک اپ اخراجات
5,075	4,290	قبل از ٹیکس منافع
3,264	2,788	بعد از ٹیکس منافع
2.02	1.74	بنیادی فی حصص آمدن - روپے
2.01	1.74	ڈائریکٹڈ فی حصص آمدن - روپے
31 مارچ 2018	31 دسمبر 2017	فنانشل پوزیشن کی اسٹیٹمنٹ
روپے بلین میں		
59,690	58,462	شیئرز ہولڈرز کی ایکویٹی (قبل از سرپلس)
644,511	653,406	جمع شدہ رقوم (ڈپازٹس) کی مجموعی مالیت
863,876	988,759	اثاثوں کی مجموعی مالیت
413,084	400,636	قرضہ جات - خالص
287,461	400,683	سرمایہ کاری - خالص

31 مارچ 2018 کو ختم ہونے والی سہ ماہی کے لیے بینک کے قبل از ٹیکس منافع کی مالیت 5.075 ارب روپے ریکارڈ کی گئی جو گزشتہ سال اس دورانیے میں 4.290 ارب روپے رہی تھی۔ جس میں 18 فیصد اضافہ ظاہر ہوتا ہے۔ سہ ماہی کے لیے آمدن فی شیئر 2.02 روپے رہی جو گزشتہ سال اس دورانیے میں 1.74 روپے تھی۔

اس سہ ماہی کیلئے بینک کا منافع 10.419 ارب روپے بیان کیا گیا، پچھلے سال اسی دورانیے کے مقابلے میں 5 فیصد اضافہ ہوا۔ یہ خالص انٹرسٹ آمدن اور نان انٹرسٹ آمدن سے پیدا ہوا جو پچھلے سال بیان کئے گئے دورانے کے مقابلے میں بالترتیب 2 فیصد اور 16 فیصد بڑھا۔

انتظامی اخراجات میں پچھلے بیان کئے گئے دورانے کے مقابلے میں 311 ملین روپے کا اضافہ ہوا، جس میں پچھلے سال اسی دورانیے کے مقابلے میں 6 فیصد گروتھ ظاہر ہوئی، عملے کی لاگت، کرایہ، میٹینیننس اور کمیونٹی کیشن لاگت اس کی اہم وجوہات ہیں۔

نان پرفارمنگ ایڈوانسز کی نیٹ ریکوریز بہتر ہوئیں جو کہ مارچ 2017 کو ختم ہونے والی سہ ماہی میں 71 ملین روپے کے مقابلے میں موجودہ سہ ماہی میں 193 ملین روپے رہیں۔ بیان کئے گئے دورانے کیلئے ریکوریز پچھلے دورانیے میں 610 ملین روپے کے مقابلے میں 416 ملین روپے رہیں۔ مارچ 2018 میں بینک کی وصولی کی شرح 89 فیصد رہی۔ دورانیے کے اختتام پر ہماری این پی ایل شرح 4 فیصد رہی جو انڈسٹری میں سب سے کم شرح میں سے ایک ہے۔

موجودہ سہ ماہی میں نمایاں بہتری پرووٹن 3.949 ملین روپے کی واپسی تھی جو بینک کے Nostro اکاؤنٹ میں بلاک رقم کے مقابلے میں موجود تھا اور آخر کار طویل مدت سے جاری اس تنازعے کی سیٹلمنٹ ہو گئی۔

جیسا کہ پہلے بھی بیان کیا گیا کہ اسٹیٹ بینک آف پاکستان نے جنوری 2018 میں پالیسی ریٹ کی پچھلے 20 مہینوں سے برقرار شرح میں 25 bps اضافہ کیا۔ حقائق کو مد نظر رکھتے ہوئے کہ مارکیٹ میں شرح میں مزید اضافہ متوقع ہے، ایسے میں کم عرصے کے قرضے کے ذریعے منافع کا موقع جس نے پہلے ہی مستقل بنیادوں پر کم انٹرسٹ ریٹ واضح کیا ہے، آہستہ آہستہ کم ہونا شروع ہو گیا ہے۔ اس نے بینک کی بیلنس شیٹ کو تبدیل کیا۔ جس کے تحت کم مدتی قرضوں کے مناسب تناسب کو درمیانی مدت کی سیکورٹیز کی طرف تبدیل کرتے ہوئے حقائق پر مبنی بنایا۔ مدت کے آخر تک قرضہ جات 121.552 ارب روپے کم ظاہر ہوئے جبکہ اس کے مطابق انوسٹمنٹس کم ہو کر 113.221 ارب روپے رہیں۔

سہ ماہی کے آخر میں بینک کے کل اثاثے 863.876 ارب روپے ہیں، جو کہ ختم ہونے والے سال سے 13 فیصد کم ہیں۔

بینک کی توجہ ڈپازٹس میں ری پروفالنگ پر ہے۔ دورانیہ ختم ہونے پر کل ڈپازٹس 645 ارب روپے ہیں جو دسمبر 2017 کی سطح سے قدرے کم ہیں، جبکہ CA 44.5 فیصد ہے۔

بینک کے مجموعی ایڈوانسز 429.401 ارب روپے 3 فیصد بہتری کے ساتھ بیان کئے گئے اور ڈپازٹس 644.511 ارب روپے بیان کئے گئے۔ بینک کا ADR 31 مارچ 2018 کو 66.6 فیصد پر برقرار رہا۔

موجودہ سہ ماہی کے دوران بینک نے کامیابی کے ساتھ اپنے پہلے اضافی Tier-1 کیپٹل کو لسٹڈ، مستقل، غیر محفوظ، ماتحت، غیر مجموعی اور کنٹینجمنٹ قابل تبدیل ڈیبٹ انسٹرومنٹ کی صورت میں بند کیا۔ 6.3 ارب روپے کے پری آئی پی او کامیابی سے جنوری 2018 میں بند ہوئے جبکہ 700 ملین روپے کے آئی پی او مارچ 2018 میں بند ہوئے۔ اجراء سے حاصل کردہ رقم بینک کے اضافی Tier-1 کیپٹل میں کٹری بیوٹ کرے گی اور ان کا بینک کے کاروباری آپریشنز کی توسیع میں استعمال کرنا مقصود ہے۔

28 مارچ 2018 کو منعقد ہونے والے اجلاس میں شیئر ہولڈرز نے حتیٰ ڈیویڈنڈ 1.5 روپے فی شیئر (2016: نہیں) منظور کیا، جس کا اطلاق موجودہ دورانیے پر ہوگا۔

کریڈٹ ریٹنگ

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

کریڈٹ ریٹنگ کمپنی JCR-VIS نے بینک الفلاح کو طویل مدت کے لیے 'AA+' (ڈبل اے پلس) جبکہ قلیل مدت کے لیے 'A-1+' (اے ون پلس) کریڈٹ ریٹنگ تفویض کی ہے۔ بینک الفلاح کے لیے تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے۔ یہ ریٹنگ فروری 2017 کو جاری کی گئی ہے اور اگست 2017 میں برقرار تھی۔ بینک کا پہلا اضافی Tier 1 انسٹرومنٹ (ADT-1) کو مستحکم آؤٹ لک کے ساتھ انسٹرومنٹ ریٹنگ 'AA-' (ڈبل اے مائنس) تفویض کی گئی ہے۔

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

اظہار تشکر

ہم بورڈ آف ڈائریکٹرز کی جانب سے اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، وفاقی وزارت خزانہ اور دیگر ریگولیٹری اتھارٹیز کی رہنمائی اور تعاون کی فراہمی کا شکریہ ادا کرتے ہیں۔ اس کے ساتھ ساتھ ہم اپنے شیئر ہولڈرز، صارفین اور بزنس پارٹنرز کا بھی مسلسل تعاون اور اعتماد کے لئے تہہ دل سے شکر گزار ہیں۔

بورڈ جناب خالد قریشی کے بطور ممبر بورڈ آف ڈائریکٹرز خدمات کو سہا ہے، جنہوں نے حال ہی میں اپنی خدمات سے استعفیٰ دیا ہے جسے قبول کر لیا گیا ہے اور ہم ان کے مستقبل کے حوالے سے نیک خواہشات کا اظہار کرتے ہیں۔

ہم بینک کے ملازمین کے عزم، لگن اور سخت محنت کی بھرپور قدر کرتے ہوئے ان کا شکریہ ادا کرتے ہیں اور مستقبل میں بھی ان سے تعاون کی توقع کرتے ہیں۔

ڈائریکٹر

پریزیڈنٹ اینڈ چیف ایگزیکٹو آفیسر

19 اپریل 2018

مقام: ابوظہبی

Unconsolidated Condensed Interim Statement of Financial Position

As at March 31, 2018

	Note	March 31, 2018 (Un-audited)	December 31, 2017 (Audited) (Restated)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		66,465,159	70,381,435
Balances with other banks		2,781,532	4,508,835
Lendings to financial institutions	7	35,034,612	48,895,828
Investments - net	8	287,460,961	400,682,912
Advances - net	9	413,083,612	400,635,789
Operating fixed assets	10	17,442,039	17,627,997
Deferred tax assets - net		-	-
Other assets		41,607,852	46,025,996
		863,875,767	988,758,792
LIABILITIES			
Bills payable		11,780,274	12,461,866
Borrowings	11	84,671,272	206,223,572
Deposits and other accounts	12	644,511,108	653,406,071
Sub-ordinated loans / Additional Tier-I	13	11,990,000	4,991,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		3,077,733	3,136,119
Other liabilities		41,194,993	42,792,829
		797,225,380	923,011,457
NET ASSETS		66,650,387	65,747,335
REPRESENTED BY			
Share capital		16,075,720	16,075,720
Reserves		19,176,959	18,156,669
Unappropriated profit		24,437,696	24,229,698
		59,690,375	58,462,087
Surplus on revaluation of assets - net of tax		6,960,012	7,285,248
		66,650,387	65,747,335

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 22 and Annexure I form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited) For the quarter ended March 31, 2018

	Note	Quarter ended March 31, 2018	Quarter ended March 31, 2017
(Rupees in '000)			
Mark-up / return / interest earned		14,268,719	13,829,568
Mark-up / return / interest expensed		<u>6,714,611</u>	<u>6,404,882</u>
Net mark-up / interest income		7,554,108	7,424,686
Reversal of provision against loans and advances - net	9.3	(200,635)	(78,542)
Reversal of provision for diminution in value of investments - net	8.2	(86,823)	(3,896)
Bad debts written off directly		-	-
		<u>(287,458)</u>	<u>(82,438)</u>
Net mark-up / interest income after provisions		7,841,566	7,507,124
Non mark-up / interest income			
Fee, commission and brokerage income		1,516,173	1,366,539
Dividend income		87,842	87,829
Income from dealing in foreign currencies		412,926	235,436
Gain on sale of securities - net		748,973	721,016
Unrealized gain on revaluation of investments classified as held for trading - net		1,471	5,621
Other income		<u>97,272</u>	<u>57,732</u>
Total non mark-up / interest income		2,864,657	2,474,173
		<u>10,706,223</u>	<u>9,981,297</u>
Non mark-up / interest expenses			
Administrative expenses		5,952,628	5,641,529
Provision / (reversal) against off balance sheet obligations		14,070	(18,934)
Reversal of provision against other assets	15	(415,014)	(21,818)
Other charges		79,324	90,377
Total non mark-up / interest expenses		<u>5,631,008</u>	<u>5,691,154</u>
		5,075,215	4,290,143
Extra ordinary / unusual items		-	-
Profit before taxation		5,075,215	4,290,143
Taxation	18		
Current		1,882,973	1,534,595
Deferred		127,955	(32,707)
Prior years		<u>(199,467)</u>	<u>-</u>
		1,811,461	1,501,888
Profit after taxation		<u>3,263,754</u>	<u>2,788,255</u>
(Rupees)			
Basic earnings per share	16	<u>2.02</u>	<u>1.74</u>
Diluted earnings per share	16	<u>2.01</u>	<u>1.74</u>

The annexed notes 1 to 22 and Annexure I form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited) For the quarter ended March 31, 2018

	Quarter ended March 31, 2018	Quarter ended March 31, 2017
	(Rupees in '000)	
Profit after taxation	3,263,754	2,788,255
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	357,546	(28,176)
Comprehensive income - transferred to unconsolidated condensed interim statement of changes in equity	3,621,300	2,760,079
Components of comprehensive income not reflected in equity		
Items that are or may be reclassified subsequently to profit and loss account		
Deficit on revaluation of available for sale securities	(503,219)	(1,037,716)
Related deferred tax liability	186,335	360,264
	(316,884)	(677,452)

The annexed notes 1 to 22 and Annexure I form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited) For the quarter ended March 31, 2018

Note	Quarter ended March 31, 2018 (Rupees in '000)	Quarter ended March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,075,215	4,290,143
Less: Dividend income	(87,842)	(87,829)
	<u>4,987,373</u>	<u>4,202,314</u>
Adjustments		
Depreciation	434,604	444,894
Amortisation	121,951	101,768
Reversal of provision against loans and advances - net	(200,635)	(78,542)
Reversal of provision for diminution in value of investments - net	(86,823)	(3,896)
Provision / (reversal) against off-balance sheet obligations	14,070	(18,934)
Reversal of provision against other assets	(415,014)	(21,818)
Unrealized gain on revaluation of investments classified as held for trading - net	(1,471)	(5,621)
Bad debts written-off directly	-	-
Gain on sale of operating fixed assets - net	(16,244)	(2,852)
Charge for defined benefit plan	50,753	66,000
	<u>(98,809)</u>	<u>480,999</u>
	<u>4,888,564</u>	<u>4,683,313</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	13,511,935	(7,999,563)
Held for trading securities	4,373,226	(7,344,017)
Advances	(12,247,188)	1,270,014
Other assets (excluding advance taxation)	4,170,647	1,516,950
	<u>9,808,620</u>	<u>(12,556,616)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(681,592)	(866,028)
Borrowings	(122,686,335)	26,225,828
Deposits and other accounts	(8,894,963)	(40,729,662)
Other liabilities	(3,978,914)	430,762
	<u>(136,241,804)</u>	<u>(14,939,100)</u>
	<u>(121,544,620)</u>	<u>(22,812,403)</u>
Gratuity paid	-	-
Income tax paid	(1,095,643)	(1,056,050)
Net cash (used in) / generated from operating activities	<u>(122,640,263)</u>	<u>(23,868,453)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	105,144,190	9,055,771
Net investments in held to maturity securities	3,311,868	1,510,955
Net investments in associated companies	-	-
Dividend income received	56,012	75,792
Investment in operating fixed assets	(371,896)	(629,325)
Proceeds from sale of operating fixed assets	17,543	56,228
Net cash generated from / (used in) investing activities	<u>108,157,717</u>	<u>10,069,421</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance / (redemption) of Sub-ordinated loans	6,999,000	(1,000)
Dividend Paid	(895)	-
Net cash generated (used in) / from financing activities	<u>6,998,105</u>	<u>(1,000)</u>
Exchange difference on translation on the net investments in foreign branches	357,546	(28,176)
Decrease in cash and cash equivalents	<u>(7,126,895)</u>	<u>(13,828,208)</u>
Cash and cash equivalents at beginning of the period	96,319,688	88,774,527
Effects of exchange rate changes on cash and cash equivalents	(1,173,482)	(23,430)
	<u>95,146,206</u>	<u>88,751,097</u>
Cash and cash equivalents at end of the period	<u>88,019,311</u>	<u>74,922,889</u>

The annexed notes 1 to 22 and Annexure I form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the quarter ended March 31, 2018

	Capital Reserves				Revenue Reserves		Total
	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropriated profit	
	---(Rupees in '000)---						
Balance as at January 1, 2017, as previously reported	15,952,076	4,417,126	9,720,886	1,584,020	173,620	17,337,458	49,185,186
Effect of change in accounting policy for surplus / (deficit) on operating fixed assets - note 4.1	-	-	-	-	-	(30,137)	(30,137)
Balance as at January 1, 2017 - Restated	15,952,076	4,417,126	9,720,886	1,584,020	173,620	17,307,321	49,155,049
Changes in equity for the quarter ended March 31, 2017							
Total comprehensive income							
Profit after tax	-	-	-	-	-	2,788,255	2,788,255
Other comprehensive income							
Exchange difference on translation of net investment in foreign branches	-	-	-	(28,176)	-	-	(28,176)
Transfer to statutory reserve	-	-	557,651	-	-	(557,651)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	7,991	7,991
Transactions with owners, recorded directly in equity							
Recognition of fair value charge of share based payments	-	-	-	-	30,899	-	30,899
Balance as at March 31, 2017 - Restated	15,952,076	4,417,126	10,278,537	1,555,844	204,519	19,545,916	51,954,018
Changes in equity for nine months period ended December 31, 2017							
Total comprehensive income							
Profit after tax	-	-	-	-	-	5,579,040	5,579,040
Other comprehensive income							
Exchange difference on translation of net investment in foreign branches	-	-	-	520,963	-	-	520,963
Remeasurement of defined benefit plans	-	-	-	-	-	380,229	380,229
Related tax charge	-	-	-	-	-	(133,080)	(133,080)
Transfer to statutory reserve	-	-	1,115,808	520,963	-	5,826,189	6,347,152
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(1,115,808)	-
Transactions with owners, recorded directly in equity							
Share capital issued during the period	123,644	68,078	-	-	-	-	191,722
Recognition of fair value charge of share based payments	-	-	-	-	(4,206)	-	(4,206)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	127,787	-	-	(127,787)	-	-
Effect of change in accounting policy for general provisions - note 4.2	-	-	-	-	-	(52,405)	(52,405)
Balance as at December 31, 2017 - Restated	16,075,720	4,612,991	11,394,345	2,076,807	72,526	24,229,698	58,462,087
Changes in equity for the quarter ended March 31, 2018							
Total comprehensive income							
Profit after tax	-	-	-	-	-	3,263,754	3,263,754
Other comprehensive income							
Exchange difference on translation of net investment in foreign branches	-	-	-	357,546	-	-	357,546
Transfer to statutory reserve	-	-	652,751	-	-	(652,751)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	8,353	8,353
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended December 31, 2017 @ 15%	-	-	-	-	-	(2,411,358)	(2,411,358)
Amortisation of deferred employee compensation expense	-	-	-	-	9,993	-	9,993
Balance as at March 31, 2018	16,075,720	4,612,991	12,047,096	2,434,353	82,519	24,437,696	59,690,375

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

The annexed notes 1 to 22 and Annexure I form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Information (Un-audited) For the quarter ended March 31, 2018

1. STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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 478 conventional banking branches including 22 sub branches (2017: 475 branches including 22 sub branches), 10 overseas branches (2017: 10 branches), 152 Islamic banking branches (2017: 152 branches) and 1 offshore banking unit (2017: 1 unit).

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

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

2. BASIS OF PRESENTATION

- 2.1 This unconsolidated condensed interim financial information represents separate financial statements of Bank Alfalah Limited in which investment in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in this unconsolidated condensed interim financial information as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Act, 2017.
- 2.3 Key financial figures of the Islamic Banking branches are disclosed in Annexure I to this unconsolidated condensed interim financial information.
- 2.4 The disclosures made in this unconsolidated condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this unconsolidated condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2017.

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 Act, 2017, 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 Act, 2017, Banking Companies Ordinance, 1962 and the said directives have been followed.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Surplus / Deficit on Revaluation of Operating Fixed Assets

The Companies Act, 2017, which is applicable for financial periods beginning on 1 January 2018, requires a change in accounting policy related to surplus / deficit on revaluation of operating fixed assets. Under the new requirement, the treatment of such surplus / deficit shall now be in line with the requirements of IAS 16 – Property, Plant and Equipment, since Section 235 of the repealed Companies Ordinance, 1984 has not been carried forward in the Companies Act, 2017. Prior to this change, the deficit on revaluation of operating fixed assets was shown as part of the equity. This change has result in retrospective restatement of unappropriated profit. Had the accounting policy not been changed, surplus on revaluation of assets would have been lower by Rs. 30.137 million, and unappropriated profit would have been higher by Rs. 30.137 million.

4.2 Expected Credit Losses - IFRS 9

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

As permitted by the transitional provisions of IFRS 9, the Branch elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Had this IFRS not been adopted the opening retained earning and deferred tax liabilities would have been higher by Rs. 52.405 million and Rs. 17.631 million respectively and advances, investment and other assets would also have been higher by Rs. 70.036 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, 2017.

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, 2017.

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	March 31, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Rupees in '000)
Call money lendings	7.1	19,906,655	20,255,936
Bai Muajjal		-	16,791,356
Repurchase agreement lendings	7.2	15,127,957	11,848,536
		<u>35,034,612</u>	<u>48,895,828</u>

7.1 These represent lendings to financial institutions at interest rates ranging from 3.6% to 12.75% per annum (2017: 1.5% to 9.75% per annum) having maturities upto June 2018 (2017: March 2018).

7.2 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 5.8% to 6.15% per annum (2017: 5.8% to 6.2% per annum) with maturities upto June 2018 (2017: June 2018).

8. INVESTMENTS - NET

8.1 Investments by types

	March 31, 2018 (Un-audited)			December 31, 2017 (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	17,806,415	-	17,806,415	22,759,650	-	22,759,650
Overseas Bonds	20,282	-	20,282	19,443	-	19,443
Fully paid up ordinary shares/ units - Listed	599,959	-	599,959	28,140	-	28,140
	18,426,656	-	18,426,656	22,807,233	-	22,807,233
Available-for-sale securities						
Market Treasury Bills	99,074,121	4,964,645	104,038,766	77,610,358	85,274,643	162,885,001
Pakistan Investment Bonds	38,109,406	24,372,933	62,482,339	43,168,310	64,920,622	108,088,932
Fully paid up ordinary shares / units - Listed	5,856,930	-	5,856,930	5,773,258	-	5,773,258
Fully paid up ordinary shares - Unlisted	94,295	-	94,295	350,507	-	350,507
Term Finance Certificates	1,097,346	-	1,097,346	1,297,084	-	1,297,084
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted	25,000	-	25,000	25,000	-	25,000
Redeemable Participating Certificates	1,203,065	-	1,203,065	1,133,659	-	1,133,659
Commercial papers	91,852	-	91,852	90,201	-	90,201
Pakistan Euro Bonds	895,737	529,331	1,425,068	1,435,375	845,802	2,281,177
Overseas Bonds	3,608,536	1,838,397	5,446,933	1,479,097	2,526,175	4,005,272
Sukuk Bonds	37,800,300	4,311,609	42,111,909	36,191,513	6,939,721	43,131,234
	187,965,423	36,016,915	223,982,338	168,663,197	160,506,963	329,170,160
Held-to-maturity securities						
Market Treasury Bills	896,758	-	896,758	1,470,741	-	1,470,741
Pakistan Investment Bonds	28,540,239	-	28,540,239	31,637,988	-	31,637,988
Term Finance Certificates	524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds	202,132	-	202,132	193,239	-	193,239
Overseas Bonds	5,650,802	917,127	6,567,929	4,945,043	1,095,269	6,040,312
Sukuk Bonds	3,921,164	-	3,921,164	4,097,810	-	4,097,810
	39,735,361	917,127	40,652,488	42,869,087	1,095,269	43,964,356
Subsidiaries						
Alfalah Securities (Private) Limited	300,000	-	300,000	300,000	-	300,000
Alfalah GHP Investment Management Limited	130,493	-	130,493	130,493	-	130,493
	430,493	-	430,493	430,493	-	430,493
Associates						
Alfalah Insurance Limited	68,990	-	68,990	68,990	-	68,990
Sapphire Wind Power Company Limited	978,123	-	978,123	978,123	-	978,123
TriconBoston Consulting Corporation (Private) Limited	769,230	-	769,230	769,230	-	769,230
	1,816,343	-	1,816,343	1,816,343	-	1,816,343
Investments at cost	248,374,276	36,934,042	285,308,318	236,586,353	161,602,232	398,188,585
Provision for diminution in value of investments						
Investments (net of provisions)	8.2 (1,348,113)	-	(1,348,113)	(1,399,704)	-	(1,399,704)
	247,026,163	36,934,042	283,960,205	235,186,649	161,602,232	396,788,881
Surplus / (deficit) on revaluation of held for trading securities - net	1,471	-	1,471	(7,351)	-	(7,351)
Surplus / (deficit) on revaluation of available for sale securities-net	2,385,149	1,114,136	3,499,285	1,976,459	1,924,923	3,901,382
Total investments	249,412,783	38,048,178	287,460,961	237,155,757	163,527,155	400,682,912

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

March 31,
2018
(Un-audited)

December 31,
2017
(Audited)
(Restated)

(Rupees in '000)

Opening balance	1,399,704	2,079,781
Charge for the period / year	-	240,371
Reversals during the period / year	(86,823)	(15,584)
	(86,823)	224,787
Provision written off / (adjusted) during the period / year	35,232	(904,864)
Closing balance	1,348,113	1,399,704

	Note	March 31, 2018 (Un-audited)	December 31, 2017 (Audited) (Restated)
(Rupees in '000)			
8.3 Particulars of provision for diminution in value of investments by type and segment			
Available for sale securities			
Listed companies / mutual funds			
- Fully paid up ordinary shares / units			
- First Dawood Investment Bank Limited		15,000	15,000
- Preference shares			
- Agritech Limited		108,835	108,835
Unlisted companies			
- Fully paid up ordinary shares of Rs. 10 each			
- AGP Limited		-	43,632
- Al-Hamra Avenue (Private) Limited		50,000	50,000
- Pakistan Export Finance Guarantee Agency Limited		5,725	5,725
- Pakistan Mobile Communications Limited (Related party)		3,936	3,936
Unlisted securities			
- Term finance certificates / sukuks			
- Azgard Nine Limited		76,220	76,220
- Fauji Akbar Portia Marine Terminals Limited		224,499	224,499
- New Allied Electronics		2,185	2,185
- Quetta Textile Mills Limited		72,619	72,619
- Security Leasing Corporation Limited I		6,418	6,418
- Security Leasing Corporation Limited II		23,105	23,105
- 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		16,697	20,593
- Security Leasing Corporation Limited II		29,245	29,245
- Sitara Peroxide (Private) Limited		118,052	118,052
- Zulekha Textile Mills		24,680	24,680
General Provision - Bahrain Operations		46,311	50,374
		<u>1,348,113</u>	<u>1,399,704</u>
9 ADVANCES - NET			
Loans, cash credits, running finances etc.			
In Pakistan		320,323,311	331,070,523
Outside Pakistan		13,629,934	14,338,182
		<u>333,953,245</u>	<u>345,408,705</u>
Net investment in finance lease			
In Pakistan		4,266,883	4,090,945
Outside Pakistan		-	-
		<u>4,266,883</u>	<u>4,090,945</u>
Islamic financing and related assets (gross)	9.1	81,529,087	56,880,169
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		2,818,939	5,444,779
Payable outside Pakistan		6,832,639	5,357,334
		<u>9,651,578</u>	<u>10,802,113</u>
		<u>429,400,793</u>	<u>417,181,932</u>
Provision against advances			
Specific provision against non-performing advances	9.3	(15,456,014)	(15,683,771)
General provision against advances	9.3	(861,167)	(862,372)
		<u>(16,317,181)</u>	<u>(16,546,143)</u>
		<u>413,083,612</u>	<u>400,635,789</u>

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

- 9.2 Advances include Rs. 17,367 million (December 31, 2017: Rs. 17,579 million) which have been placed under non-performing status as detailed below:

March 31, 2018 (Un-audited)									
Classified Advances			Provision Required			Provision Held			
Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
------(Rupees in '000)-----									
Category of classification									
Other Assets Especially Mentioned									
(Agri Financing)	117,814	-	117,814	6,560	-	6,560	6,560	-	6,560
Substandard	1,419,304	-	1,419,304	345,992	-	345,992	345,992	-	345,992
Doubtful	1,721,067	-	1,721,067	1,141,669	-	1,141,669	1,141,669	-	1,141,669
Loss	13,814,070	294,480	14,108,550	13,697,245	264,548	13,961,793	13,697,245	264,548	13,961,793
	17,072,255	294,480	17,366,735	15,191,466	264,548	15,456,014	15,191,466	264,548	15,456,014

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

9.3 Particulars of provisions against advances

	March 31, 2018 (Un-audited)			December 31, 2017 (Audited) (Restated)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	15,683,771	862,372	16,546,143	16,366,993	775,967	17,142,960
Exchange adjustment and other movements	10,963	7,014	17,977	2,221	(9,425)	(7,204)
Charge for the period / year	223,484	30,168	253,652	2,230,902	189,080	2,419,982
Reversals / recoveries during the period / year	(415,900)	(38,387)	(454,287)	(2,741,259)	(93,250)	(2,834,509)
	(192,416)	(8,219)	(200,635)	(510,357)	95,830	(414,527)
Amounts written off	(46,304)	-	(46,304)	(175,086)	-	(175,086)
Closing balance	15,456,014	861,167	16,317,181	15,683,771	862,372	16,546,143

- 9.3.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at March 31, 2018 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 19.456 million (December 31, 2017: Rs. 29.899 million).

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

This also includes general provision maintained on account of expected credit loss charge required under IFRS 9 for Bank's Bahrain operations as referred to note 4.2.

- 9.3.3 Pursuant to a relaxation given to the Bank by the SBP, exposure under certain facilities granted to Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, is not required to be classified as non-performing. The relaxation is valid upto March 31, 2018. However, as at March 31, 2018, the past due amount for such facilities amounted to Rs. Nil (Dec 2017 : Rs. 8.421 billion).

	Note	March 31, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Rupees in '000)
10 OPERATING FIXED ASSETS			
Capital work-in-progress		343,723	209,328
Property and equipment		15,876,730	16,076,088
Intangible assets		1,221,586	1,342,581
		<u>17,442,039</u>	<u>17,627,997</u>

		Quarter ended March 31, 2018 (Un-audited) (Rupees in '000)	March 31, 2017 (Audited) (Rupees in '000)
10.1 Additions to operating fixed assets			
Office premises		-	29,393
Leasehold improvements		5,688	91,857
Office equipments		220,108	331,533
Furniture and fixtures		5,737	1,090
Vehicles		2,561	13,257

10.2 Additions to Intangibles			
Computer software		712	12,982

10.3 Disposals of operating fixed assets			
Office premises		-	50,159
Leasehold improvements		-	1,633
Office equipments		79,508	28,391
Furniture and fixtures		3,153	4,374
Vehicles		30,089	10,205

		March 31, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Rupees in '000)
11 BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under ERF / LTF - EOP		30,600,001	27,798,748
Repurchase agreement borrowings	11.1	12,078,544	125,220,096
Borrowings from other central banks		41,819	-
Bai Muajjal	11.2	22,038,939	37,650,637
		<u>64,759,303</u>	<u>190,669,481</u>
Unsecured			
Call borrowings	11.3	16,802,496	10,332,574
Trading liabilities	11.4	1,975,438	5,221,517
Overdrawn nostro accounts		1,134,035	-
		<u>19,911,969</u>	<u>15,554,091</u>
		<u>84,671,272</u>	<u>206,223,572</u>

11.1 This represents repurchase agreement borrowing from SBP and other banks at the rate of 1.95% to 5.90% per annum (2017: 1.55% to 5.82% per annum) having maturities upto April 2018 (2017: February 2018)

11.2 This represents borrowings from financial institutions at mark-up rates ranging from 5.82% to 6.31% per annum (2017: 5.73% to 5.83% per annum) having maturities upto February 2019 (2017: October 2018).

11.3 This represents borrowings from financial institutions at mark-up rates ranging from 0.7% to 6.15% per annum (2017: 0.60% to 5.75% per annum) having maturities upto June 2018 (2017: March 2018).

11.4 This represents liability in respect of short selling of Pakistan Investment Bonds held as collateral against repurchase agreement lendings.

	March 31, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Rupees in '000)
12 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	109,936,041	131,010,038
Savings deposits	230,104,107	215,129,943
Current accounts - non-remunerative	278,473,433	266,018,609
Others	7,290,406	6,505,849
	<u>625,803,987</u>	<u>618,664,439</u>
Financial institutions		
Remunerative deposits	17,015,117	29,548,087
Non-remunerative deposits	1,692,004	5,193,545
	<u>18,707,121</u>	<u>34,741,632</u>
	<u>644,511,108</u>	<u>653,406,071</u>

13 SUB-ORDINATED LOANS / ADDITIONAL TIER-I

This includes an additional amount of Rs. 7.00 billion pertaining to issuance of Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments during the current period. This instrument has been priced at Kibor + 1.5% per annum.

	March 31, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Restated) (Rupees in '000)
14 CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
i) Government	816,161	9,955,661
ii) Banking companies and other financial institutions	450,450	430,638
iii) Others	-	6,531
	<u>1,266,611</u>	<u>10,392,830</u>
14.2 Transaction - related contingent liabilities		
i) Government	51,373,836	41,857,229
ii) Banking companies and other financial institutions	294,804	609,154
iii) Others	9,297,592	11,317,138
	<u>60,966,232</u>	<u>53,783,521</u>
14.3 Trade - related contingent liabilities		
Letters of credit	<u>76,872,551</u>	<u>73,773,817</u>
Acceptances	<u>12,087,856</u>	<u>10,701,434</u>
14.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>17,604,019</u>	<u>18,973,919</u>

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

	March 31, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Rupees in '000)
14.5 Commitments in respect of forward lendings		
Commitments to extend credit	<u>17,701,451</u>	<u>22,628,329</u>
Commitments in respect of investments	<u>7,648,844</u>	<u>7,579,043</u>

	March 31, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Rupees in '000)
14.6 Commitments in respect of forward exchange contracts		
Purchase	<u>91,683,320</u>	<u>60,285,544</u>
Sale	<u>64,271,485</u>	<u>31,823,206</u>
14.7 Commitments for the acquisition of fixed assets	<u>199,594</u>	<u>318,978</u>
14.8 Commitments in respect of repo transactions		
Repurchase	<u>12,097,868</u>	<u>125,378,959</u>
Resale	<u>15,204,428</u>	<u>12,017,776</u>
14.9 Other commitments		
Interest rate swaps	<u>9,285,955</u>	<u>8,865,756</u>
Donations	<u>1,739</u>	<u>23,952</u>
14.10 Contingency for tax payable (note 18)		
15 REVERSAL / PROVISION AGAINST OTHER ASSETS		
This includes reversal of provision amounting to USD 3.949 million, previously held against amount blocked in the Bank's Nostro account following settlement of dispute, and release of funds in favour of the Bank.		
16 EARNINGS PER SHARE	March 31, 2018 (Un-audited) (Rupees in '000)	March 31, 2017
16.1 BASIC EARNINGS PER SHARE		
Profit after taxation for the period	<u>3,263,754</u>	<u>2,788,255</u>
	(Number of shares in thousand)	
Weighted average number of ordinary shares	<u>1,615,552</u>	<u>1,603,126</u>
	(Rupees)	
Basic earnings per share	<u>2.02</u>	<u>1.74</u>
16.2 DILUTED EARNINGS PER SHARE	(Rupees in '000)	
Profit after taxation for the period	<u>3,263,754</u>	<u>2,788,255</u>
	(Number of shares in thousand)	
Weighted average number of ordinary shares	<u>1,621,521</u>	<u>1,603,126</u>
	(Rupees)	
Diluted earnings per share	<u>2.01</u>	<u>1.74</u>

	March 31, 2018 (Un-audited)	December 31, 2017 (Audited)
	(Rupees in '000)	
17 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	66,465,159	70,381,435
Balances with other banks	2,781,532	4,508,835
Call money lendings	19,906,655	20,255,936
Overdrawn nostro accounts	(1,134,035)	-
	<u>88,019,311</u>	<u>95,146,206</u>

18 TAXATION

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

In respect of tax years 2008, 2014 and 2017, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements resulting in additional demand of Rs. 599.879 million (December 31, 2017: Rs.1,033.519 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 60.032 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

The Bank has received amended orders for Tax Years from 2010 to 2015 wherein Tax Authorities considered Ijarah Lease as Finance Lease and raised a tax demand of Rs. 133.799 million. Commissioner Appeal for Tax Years 2010 to 2013, decided the matter in favour of the bank to the extent of not taxing principal amounts. The Bank is in appeal before Appellate Tribunal and Commissioner Appeals on the matter. The Bank has not made any provision against these orders as the management is of the view that the matter will be settled in Bank's favour through appellate process.

- b)** 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. 48.027 million against tax demand for tax years 2017 and 2018 as management is of the view that the matter will be settled in Bank's favour in appeals.
- c)** The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs. 77.592 million (December 31, 2017: Rs. 77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

19 RELATED PARTY TRANSACTIONS

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

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

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

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

March 31, 2018 (Un-audited)						
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Total
Statement of Financial Position	(Rupees in '000)					
Lendings						
Balance at beginning of the period	-	-	-	-	1,500,000	1,500,000
Placements during the period	-	-	-	-	33,700,000	33,700,000
Withdrawals during the period	-	-	-	-	(32,700,000)	(32,700,000)
Balance at end of the period	-	-	-	-	2,500,000	2,500,000
Investments						
Balance at beginning of the period	-	-	430,493	1,816,343	1,317,808	3,564,644
Investments during the period	-	-	-	-	121,799	121,799
Redemptions during the period	-	-	-	-	(363,466)	(363,466)
Balance at end of the period	-	-	430,493	1,816,343	1,076,141	3,322,977
Provisions held against investments	-	-	-	-	53,936	53,936
Advances						
Balance at beginning of the period	-	444,585	-	-	7,591,327	8,035,912
Placements during the period	119,862	67,199	-	-	9,681,346	9,868,407
Withdrawals / adjustments during the period	(2,427)	(102,144)	-	-	(9,292,017)	(9,396,588)
Balance at end of the period	117,435	409,640	-	-	7,980,656	8,507,731
Provisions held against advances	-	-	-	-	1,540,029	1,540,029
Mark-up held in suspense against classified advances	-	-	-	-	1,123,851	1,123,851
Other receivables	-	-	-	1,146	-	1,146
Borrowings						
Balance at beginning of the period	-	-	-	-	502,800	502,800
Borrowing during the period	-	-	-	-	19,127,408	19,127,408
Repayments during the period	-	-	-	-	(18,268,005)	(18,268,005)
Balance at end of the period	-	-	-	-	1,362,203	1,362,203
Deposits						
Balance at beginning of the period	6,275	160,415	59,984	1,509,943	4,178,787	5,915,404
Placements during the period	47,989	431,072	709,263	13,482,883	25,806,510	40,477,717
Withdrawals / adjustments* during the period	(10,067)	(342,828)	(663,860)	(13,717,576)	(24,587,096)	(39,321,427)
Balance at end of the period	44,197	248,659	105,387	1,275,250	5,398,201	7,071,694
Sub-Ordinated Loans						
Balance at beginning of the period	-	19,964	-	45,044	-	65,008
Sub-Ordinated loans issued during the period	-	-	-	-	-	-
Sub-Ordinated loans redemption during the period	-	(19,964)	-	(9)	-	(19,973)
Balance at end of the period	-	-	-	45,035	-	45,035
Other payables	-	-	14	-	4,536	4,550
Off Balance Sheet Items						
Letters of credit, acceptance and Guarantees outstanding	-	-	-	135,135	954,914	1,090,049

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

Quarter ended March 31, 2018						
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Total
Transactions during the quarter	(Rupees in '000)					
Mark-up received on lendings	-	-	-	-	8,940	8,940
Mark-up received on investments	-	-	-	-	18,192	18,192
Mark-up received on advances	880	4,100	-	-	98,905	103,885
Mark-up paid on deposits	5	88,010	688	19,335	43,912	151,950
Mark-up paid on borrowing	-	-	-	-	8,149	8,149
Mark-up paid on sub-ordinated loans	-	-	-	853	-	853
Brokerage	-	-	402	-	-	402
Insurance Premium paid	-	-	-	431,235	-	431,235
Insurance Claim received - Fixed Assets	-	-	-	-	-	-
Purchase and maintenance of machines / equipments and services	-	-	-	-	36,523	36,523
Capital gain	-	-	-	-	15,589	15,589
Other income	-	-	13,466	-	5,081	18,547
Administrative expenses	-	-	-	-	107	107

Quarter ended March 31, 2017						
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Total
Transactions during the quarter	(Rupees in '000)					
Mark-up received on lendings	-	-	-	-	6,997	6,997
Mark-up received on investments	-	-	-	-	26,045	26,045
Mark-up received on advances	1,064	4,441	-	-	117,486	122,991
Mark-up paid on deposits	52	726	1,141	15,713	76,264	93,896
Mark-up paid on borrowing	-	-	-	-	1,490	1,490
Mark-up paid on sub-ordinated loans	-	733	-	1,653	12,468	14,854
Brokerage	-	-	105	-	-	105
Insurance Premium paid	-	-	-	322,484	-	322,484
Insurance Claim received - Fixed Assets	-	-	-	2,349	-	2,349
Purchase and maintenance of machines / equipments and services	-	-	-	-	39,689	39,689
Other income	-	-	40,266	1,817	4,514	46,597
Administrative expenses	-	-	-	-	3,722	3,722

The key management personnel / directors compensation are as follows:

	Quarter ended	
	March 31, 2018	March 31, 2017
	(Rupees in '000)	
Managerial remuneration (including allowances)	539,957	209,682
Fair value charge against employee stock option scheme	9,993	30,899
Contribution to employee funds	133,246	82,129
	<u>683,196</u>	<u>322,710</u>

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

20 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

The Bank's monthly average Liquidity Coverage Ratio (LCR) for the first quarter of 2018 is 1.51 or 151% (Monthly Average for 2017: 1.41 or 141%) against the SBP minimum requirement of 90% (December 31, 2017: 90%), while the Bank's Net Stable Funding Ratio (NSFR) as at March 31, 2018, is 141% (December 2017: 137%) against the SBP minimum requirement of 100% (December 31, 2017: 100%). These ratios have been calculated in accordance with the State Bank of Pakistan's Basel III Liquidity standards issued vide BPRD Circular No. 08, dated June 23, 2016.

21 GENERAL

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

The effect of re-classification, re-statement in comparative information presented in the unconsolidated condensed interim profit and loss accounts for the quarter ended March 31, 2017 is as follows:

Head	(Rupees in '000)	From	To
Foreign exchange swap cost	(111,614)	Income from dealing in foreign currencies	Mark-up / return / interest expensed
Various service charges and commission income	76,706	Other income	Fee, commission and brokerage income
Staff commission and incentive expenses	(22,976)	Fee, commission and brokerage income	Salaries, allowances, etc.
Interest Income on Interest Rate Swaps	32,510	Mark-up / return / interest earned	Mark-up / return / interest expensed
Brokerage and commission expense	(68,031)	Mark-up / return / interest expensed	Administrative expense - Brokerage and commission
Brokerage and commission expense	(2,704)	Mark-up / return / interest expensed	Administrative expense - Other expense
Courier expense - recoveries	5,078	Other income	Administrative expense - communication
Swift / Telex Charges	4,624	Other income	Administrative expense - communication
Foreign exchange expense	(31,139)	Fee, commission and brokerage income	Income from dealing in foreign currencies
Reward points expense	(19,504)	Fee, commission and brokerage income	Mark-up / return / interest expensed

22 DATE OF AUTHORISATION

The unconsolidated condensed interim financial information was authorised for issue on April 19, 2018 by the Board of Directors of the Bank.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

ANNEXURE - I

ISLAMIC BANKING BUSINESS

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

	Note	March 31, 2018	December 31, 2017
STATEMENT OF FINANCIAL POSITION			
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		12,066,266	10,165,273
Balances with and due from financial institutions		579,983	372,714
Lendings to financial institutions		14,000,103	30,891,460
Investments - net		37,469,925	37,914,191
Islamic financing and related assets	A-I.1	80,617,929	55,605,166
Operating fixed assets		2,053,515	2,075,079
Other assets		3,092,632	2,350,828
		149,880,353	139,374,711
LIABILITIES			
Bills payable		2,348,260	2,686,172
Borrowings		10,834,935	3,793,802
Deposits and other accounts			
Current accounts		48,439,538	45,508,163
Saving accounts		52,096,592	51,057,687
Term deposits		14,781,252	16,452,472
Others		852,896	840,741
Deposit from financial institutions - Remunerative		695,895	743,414
Deposits from financial institutions-Non-Remunerative		28,002	70,000
Other liabilities		7,172,481	6,072,680
		137,249,851	127,225,131
NET ASSETS		12,630,502	12,149,580
REPRESENTED BY			
Islamic banking fund		1,800,000	1,800,000
Exchange equalization reserve		-	-
Unappropriated / unremitted profit		9,917,908	9,165,580
		11,717,908	10,965,580
Surplus on revaluation of assets		912,594	1,184,000
		12,630,502	12,149,580
CHARITY FUND			
Opening Balance		54,253	148,314
Additions during the period / year			
Received from customers on delayed payments & others		12,756	19,463
Non-shariah compliant income		670	15,551
Profit on charity saving account		370	3,428
		13,796	38,442
Distribution of Charity			
Welfare works		(19,300)	(78,655)
Health		(3,500)	(15,816)
Education		(32,913)	(38,032)
		(55,713)	(132,503)
Closing Balance		12,336	54,253

ANNEXURE - I

ISLAMIC BANKING BUSINESS

	Quarter ended March 31, 2018	Quarter ended March 31, 2017
	(Rupees in '000)	
Profit and Loss Account		
Income / return earned	1,935,760	1,743,085
Income / return expensed	734,789	819,993
Net income / return earned	1,200,971	923,092
Reversal of provision against loans and advances - net	(58,017)	(54,380)
Reversal of provision for diminution in value of investments - net	(3,896)	(3,896)
Bad debts written off directly	-	-
	(61,913)	(58,276)
Net income / return earned after provisions	1,262,884	981,368
Other income		
Fee, commission and brokerage income	206,169	126,288
Dividend income	-	-
Income from dealing in foreign currencies	40,027	27,831
Loss on sale of securities - net	(214)	(1,781)
Other income	11,023	11,985
Total other income	257,005	164,323
	1,519,889	1,145,691
Other expenses		
Administrative expenses	767,604	767,476
Provision against other assets	70	-
Other charges	10	10
Total other expenses	767,684	767,486
Profit before taxation	752,205	378,205
Remuneration to Shariah Advisor / Board	1,680	1,680

ANNEXURE - I

ISLAMIC BANKING BUSINESS

	Quarter ended March 31, 2018	Quarter ended March 31, 2017
CASH FLOW STATEMENT		
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	752,205	378,205
Less: Dividend income	-	-
	752,205	378,205
Adjustments		
Depreciation	54,575	58,008
Amortization	312	233
Reversal of provision against islamic financing and related assets - net	(58,017)	(54,380)
Reversal of provision for diminution in value of investments - net	(3,896)	(3,896)
Provision against other assets	70	-
(Gain) / loss on sale of operating fixed assets - net	(853)	366
	(7,809)	331
	744,396	378,536
(Increase) / decrease in operating assets		
Lendings to financial institutions	16,891,357	1,754,996
Islamic financing and related assets	(24,954,746)	(7,538,932)
Other assets	(638,220)	(234,399)
	(8,701,609)	(6,018,335)
Increase/ (decrease) in operating liabilities		
Bills Payable	(337,912)	304,154
Borrowings	7,041,133	4,112,314
Deposits and other accounts	2,221,698	2,465,284
Other liabilities	1,099,801	(1,741,995)
	10,024,720	5,139,757
	2,067,507	(500,042)
Income tax paid	(104,367)	(19,772)
Net cash generated from / (used in) operating activities	1,963,140	(519,814)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	946	946
Net investment in held to maturity securities	176,646	242,532
Net Investments in operating fixed assets	(33,323)	(35,000)
Proceeds from sale of operating fixed assets	853	(366)
Net cash generated from / (used in) investing activities	145,122	208,112
Adjustment of exchange translation reserve	-	(2,402)
Increase / (decrease) in cash and cash equivalents	2,108,262	(314,104)
Cash and cash equivalents at beginning of the period	10,537,987	11,864,265
Cash and cash equivalents at end of the period	12,646,249	11,550,161

ISLAMIC BANKING BUSINESS

Notes to the Annexure I

	Note	March 31, 2018	December 31, 2017
		(Rupees in '000)	
A-I.1 Islamic Financing and Related Assets			
Murabaha	A-I.1.1	12,355,129	11,538,075
Ijarah	A-I.1.2	11,202,120	10,208,716
Diminishing Musharakah	A-I.1.3	1,296,265	1,269,013
Musharakah	A-I.1.4	11,323,686	9,340,060
Running Musharakah	A-I.1.5	28,570,283	12,153,190
Salam	A-I.1.6	4,819,580	2,514,091
Istisna	A-I.1.7	6,779,977	4,848,883
Falah Tijarah	A-I.1.8	1,183,751	594,978
SBP Islamic Export Refinance Scheme	A-I.1.9	1,999,204	2,073,834
Others	A-I.1.10	1,087,934	1,064,326
		<u>80,617,929</u>	<u>55,605,166</u>
A-I.1.1 Murabaha			
Financing/Investments/Receivables		7,894,516	7,789,403
Advances		2,161,363	1,296,582
Inventory		2,541,570	3,032,872
Others (Provisions)		(242,320)	(580,782)
		<u>12,355,129</u>	<u>11,538,075</u>
A-I.1.2 Ijarah			
Advances		1,349,331	1,257,996
Assets		10,051,440	9,160,061
Others (Provisions)		(198,651)	(209,341)
		<u>11,202,120</u>	<u>10,208,716</u>
A-I.1.3 Diminishing Musharakah			
Financing / Investments / Receivables		1,323,301	1,236,279
Advances		77,201	145,519
Others (Provisions)		(104,237)	(112,785)
		<u>1,296,265</u>	<u>1,269,013</u>
A-I.1.4 Musharakah			
Financing / Investments / Receivables		10,098,462	7,743,187
Advances		1,507,867	1,879,516
Others (Provisions)		(282,643)	(282,643)
		<u>11,323,686</u>	<u>9,340,060</u>
A-I.1.5 Running Musharakah			
Financing / Investments / Receivables		28,570,283	12,153,190
Advances		-	-
Others (Provisions)		-	-
		<u>28,570,283</u>	<u>12,153,190</u>
A-I.1.6 Salam			
Financing / Investments / Receivables		4,866,480	1,945,447
Advances		-	254,112
Inventory		-	361,432
Others (Provisions)		(46,900)	(46,900)
		<u>4,819,580</u>	<u>2,514,091</u>
A-I.1.7 Istisna			
Financing / Investments / Receivables		2,719	60,369
Advances		6,693,077	4,558,120
Inventory		84,181	230,394
		<u>6,779,977</u>	<u>4,848,883</u>
A-I.1.8 Falah Tijarah			
Financing / Investments / Receivables		45,203	81,360
Inventory		1,138,548	513,618
		<u>1,183,751</u>	<u>594,978</u>
A-I.1.9 SBP Islamic Export Refinance Scheme			
Financing / Investments / Receivables		1,999,204	2,073,834
Advances		-	-
Others (Provisions)		-	-
		<u>1,999,204</u>	<u>2,073,834</u>
A-I.1.10 Others			
Staff Loans		1,042,949	1,022,626
Advance Against Musharakah Staff		43,584	65,484
Advance Against Ijarah Staff		7,068	6,085
Advance Against Murabaha Staff		-	227
Overdue Acceptances and FBP		30,740	12,456
Others (Provisions)		(36,407)	(42,552)
		<u>1,087,934</u>	<u>1,064,326</u>

Consolidated Condensed Interim Statement of Financial Position

As at March 31, 2018

	Note	March 31, 2018 (Un-audited)	December 31, 2017 (Audited) (Restated)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		66,465,216	70,381,480
Balances with other banks		2,854,261	4,747,935
Lendings to financial institutions	7	35,034,612	48,895,828
Investments - net	8	288,502,637	401,692,024
Advances - net	9	413,087,725	400,640,287
Operating fixed assets	10	17,521,415	17,707,667
Deferred tax assets - net		-	-
Other assets		42,409,310	46,892,166
		865,875,176	990,957,387
LIABILITIES			
Bills payable		11,780,274	12,461,866
Borrowings	11	84,724,247	206,566,825
Deposits and other accounts	12	644,451,124	653,346,088
Sub-ordinated loans / Additional Tier-I	13	11,990,000	4,991,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		3,365,516	3,425,381
Other liabilities		41,845,983	43,388,251
		798,157,144	924,179,411
NET ASSETS		<u>67,718,032</u>	<u>66,777,976</u>
REPRESENTED BY			
Share capital		16,075,720	16,075,720
Reserves		19,176,959	18,156,669
Unappropriated profit		25,026,473	24,813,433
		60,279,152	59,045,822
Non-controlling interest		447,548	422,265
Surplus on revaluation of assets - net of tax		6,991,332	7,309,889
		<u>67,718,032</u>	<u>66,777,976</u>

CONTINGENCIES AND COMMITMENTS

14

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Condensed Interim Profit and Loss Account (Un-Audited) For the Quarter ended March 31, 2018

	Note	Quarter ended March 31, 2018	Quarter ended March 31, 2017
(Rupees in '000)			
Mark-up / return / interest earned		14,268,670	13,829,304
Mark-up / return / interest expensed		6,715,726	6,407,223
Net mark-up / interest income		7,552,944	7,422,081
Reversal of provision against loans and advances - net	9.3	(200,635)	(78,542)
Reversal of provision for diminution in value of investments - net	8.2	(86,823)	(3,896)
Bad debts written off directly		-	-
		(287,458)	(82,438)
Net mark-up / interest income after provisions		7,840,402	7,504,519
Non mark-up / interest income			
Fee, commission and brokerage income		1,657,696	1,485,925
Dividend income		87,937	88,069
Income from dealing in foreign currencies		412,926	235,436
Gain on sale of securities - net		748,973	754,812
Unrealized gain on revaluation of investments classified as held for trading - net		-	-
Share of profit from associates		1,471	5,621
Other income		7,725	83,705
		99,622	60,552
Total non mark-up / interest income		3,016,350	2,714,120
		10,856,752	10,218,639
Non mark-up / interest expenses			
Administrative expenses		6,046,093	5,713,759
Provision / (reversal) against off balance sheet obligations		14,070	(18,934)
Reversal of provision against other assets	15	(415,014)	(21,818)
Other charges		80,928	96,222
Total non mark-up / interest expenses		5,726,077	5,769,227
		5,130,675	4,449,410
Extra ordinary / unusual items		-	-
Profit before taxation		5,130,675	4,449,410
Taxation	18		
Current		1,908,613	1,548,722
Deferred		127,450	1,365
Prior years		(199,467)	-
		1,836,596	1,550,087
Profit after taxation		3,294,079	2,899,323
Profit attributable to:			
Equity holders of the Bank		3,268,796	2,881,329
Non-controlling Interest		25,283	17,994
		3,294,079	2,899,323
(Rupees)			
Basic earnings per share	16	2.02	1.80
Diluted earnings per share	16	2.02	1.80

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited) For the Quarter Ended March 31, 2018

	Quarter ended March 31, 2018	Quarter ended March 31, 2017
	(Rupees in '000)	
Profit after taxation	3,294,079	2,899,323
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	357,546	(28,176)
Comprehensive income - transferred to consolidated condensed interim statement of changes in equity	3,651,625	2,871,147
Attributable to:		
Equity holders of the Bank	3,626,342	2,853,153
Non-controlling Interest	25,283	17,994
Comprehensive income - transferred to statement of changes in equity	3,651,625	2,871,147
Components of comprehensive income not reflected in equity		
Items that are or may be reclassified subsequently to profit and loss account		
Surplus / (deficit) on revaluation of available for sale securities	(496,540)	(1,079,038)
Related deferred tax liability	186,336	374,727
	(310,204)	(704,311)

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Consolidated Condensed Interim Cash Flow Statement (Un-Audited) For the Quarter Ended March 31, 2018

	Note	Quarter ended March 31, 2018	Quarter ended March 31, 2017
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,130,675	4,449,410
Dividend income		(87,937)	(88,069)
Share of profit from associates		(7,725)	(83,705)
		<u>5,035,013</u>	<u>4,277,636</u>
Adjustments			
Depreciation		437,898	447,848
Amortisation		122,271	102,211
Reversal of provision against loans and advances - net		(200,635)	(78,542)
Reversal of provision for diminution in value of investments - net		(86,823)	(3,896)
Provision / (reversal) against off-balance sheet obligations		14,070	(18,934)
Reversal of provision against other assets		(415,014)	(21,818)
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net		(1,471)	(5,621)
Bad debts written-off directly		-	-
Gain on sale of operating fixed assets - net		(17,027)	(2,720)
Charge for defined benefit plan		52,666	66,000
		<u>(94,065)</u>	<u>484,528</u>
		4,940,948	4,762,164
(Increase) / decrease in operating assets			
Lendings to financial institutions		13,511,935	(7,999,563)
Held for trading securities		4,373,226	(7,344,017)
Advances		(12,246,803)	1,271,799
Other assets (excluding advance taxation)		4,228,994	1,958,160
		<u>9,867,352</u>	<u>(12,113,621)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(681,592)	(866,028)
Borrowings		(122,976,613)	25,826,234
Deposits and other accounts		(8,894,964)	(40,702,066)
Other liabilities		(3,927,306)	374,092
		<u>(136,480,475)</u>	<u>(15,367,768)</u>
		(121,672,175)	(22,719,225)
Income tax paid		(1,109,786)	(1,078,375)
Net cash (used in) / generated from operating activities		<u>(122,781,961)</u>	<u>(23,797,600)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		105,144,189	9,059,334
Net investments in held to maturity securities		3,311,868	1,510,955
Net proceed from sale and purchase of associated funds		(22,218)	-
Dividend income received		56,107	76,032
Investment in operating fixed assets		(375,216)	(632,124)
Proceeds from sale of operating fixed assets		18,326	56,249
Net cash generated from / (used in) investing activities		<u>108,133,056</u>	<u>10,070,446</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance / (redemption) of Sub-ordinated loans		6,999,000	(1,000)
Dividend Paid		(895)	-
Net cash generated from / (used in) financing activities		<u>6,998,105</u>	<u>(1,000)</u>
Exchange difference on translation on the net investments in foreign branches		357,546	(28,176)
Decrease in cash and cash equivalents		<u>(7,293,254)</u>	<u>(13,756,330)</u>
Cash and cash equivalents at beginning of the period		96,558,833	88,900,201
Effects of exchange rate changes on cash and cash equivalents		(1,173,482)	(23,430)
		<u>95,385,351</u>	<u>88,876,771</u>
Cash and cash equivalents at end of the period	17	<u>88,092,097</u>	<u>75,120,441</u>

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the Quarter Ended March 31, 2018

	Capital Reserves				Revenue Reserves				
	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee share option Compensation Reserve	Unappropriated profit	Sub-total	Non Controlling Interest	Total
	(Rupees in '000)								
Balance as at January 1, 2017, as previously reported	15,952,076	4,417,126	9,720,886	1,584,020	173,620	17,777,737	49,625,465	323,466	49,948,931
Effect of change in accounting policy for surplus / (deficit) on operating fixed assets - note 4.1	-	-	-	-	-	(30,137)	(30,137)	-	(30,137)
Balance as at January 1, 2017 - Restated	15,952,076	4,417,126	9,720,886	1,584,020	173,620	17,747,600	49,595,328	323,466	49,918,794
Changes in equity for the quarter ended March 31, 2017									
Total comprehensive income									
Profit after tax	-	-	-	-	-	2,881,329	2,881,329	17,994	2,899,323
Other comprehensive income									
Exchange difference on translation of net investment in foreign branches	-	-	-	(28,176)	-	-	(28,176)	-	(28,176)
Transfer to statutory reserve	-	-	557,651	-	-	(557,651)	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	7,991	7,991	-	7,991
Transactions with owners, recorded directly in equity									
Recognition of fair value charge of share based payments	-	-	-	-	30,899	-	30,899	-	30,899
Balance as at March 31, 2017 - Restated	15,952,076	4,417,126	10,278,537	1,555,844	204,519	20,079,269	52,487,371	341,460	52,828,831
Changes in equity for nine months period ended December 31, 2017									
Total comprehensive income									
Profit after tax	-	-	-	-	-	5,633,587	5,633,587	80,894	5,714,481
Other comprehensive income									
Exchange difference on translation of net investment in foreign branches	-	-	-	520,963	-	-	520,963	-	520,963
Remeasurement of defined benefit plans	-	-	-	-	-	376,064	376,064	(89)	375,975
Related tax charge	-	-	-	520,963	-	(133,080)	(133,080)	-	(133,080)
Transfer to statutory reserve	-	-	1,115,808	-	-	5,876,571	6,391,534	80,805	6,478,339
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	(1,115,808)	-	-	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	25,806	25,806	-	25,806
Transactions with owners, recorded directly in equity									
Share capital issued during the period	123,644	68,078	-	-	-	-	191,722	-	191,722
Recognition of fair value of share based payments	-	-	-	-	(4,206)	-	(4,206)	-	(4,206)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	127,787	-	-	(127,787)	-	-	-	-
Effect of change in accounting policy for general provisions - note 4.2	-	-	-	-	-	(52,405)	(52,405)	-	(52,405)
Balance as at December 31, 2017 - Restated	16,075,720	4,612,991	11,394,345	2,076,807	72,526	24,813,433	59,045,822	422,265	59,468,087
Changes in equity for the quarter ended March 31, 2018									
Total comprehensive income									
Profit after tax	-	-	-	-	-	3,268,796	3,268,796	25,283	3,294,079
Other comprehensive income									
Exchange difference on translation of net investment in foreign branches	-	-	-	357,546	-	-	357,546	-	357,546
Transfer to statutory reserve	-	-	652,751	-	-	(652,751)	-	-	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	8,353	8,353	-	8,353
Final cash dividend for the year ended December 31, 2017 @ 15%	-	-	-	-	-	(2,411,358)	(2,411,358)	-	(2,411,358)
Amortisation of deferred employee compensation expense	-	-	-	-	9,993	-	9,993	-	9,993
Balance as at March 31, 2018	16,075,720	4,612,991	12,047,096	2,434,353	82,519	25,026,473	60,279,152	447,548	60,726,700

* This represents reserve created under section 210(i) (a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Notes to and Forming Part of the Consolidated Condensed Interim Financial Information (Un-Audited) For the Quarter Ended March 31, 2018

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company
Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Holding Company) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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 478 conventional banking branches including 22 sub branches (2017: 475 branches including 22 sub branches), 10 overseas branches (2017: 10 branches), 152 Islamic banking branches (2017: 152 branches) and 1 offshore banking unit (2017: 1 unit).

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

Furthermore, JCR-VIS Credit Rating Company Limited (JCR-VIS) also assigned an entity rating of 'AA+' (Double A Plus) for the Long Term and 'A-1+' (A-One Plus) for the short term to the Bank, with Outlook assigned as 'Stable'. These ratings were assigned in February 2017, and maintained at August 2017. The Holding Company's first ever Additional Tier 1 instrument (ADT-1) has been assigned an instrument rating 'AA-' (Double A Minus), with Stable Outlook.

Percentage of Holding

	March 31, 2018	December 31, 2017
Subsidiaries		
Alfalah Securities (Private) Limited, Pakistan	97.91 percent	97.91 percent
Alfalah GHP Investment Management Limited, Pakistan	40.22 percent	40.22 percent

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

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 Holding Company is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in 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. The Islamic Banking branches of the Holding Company have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Act, 2017.
- 2.3 Key financial figures of the Islamic Banking branches are disclosed in Annexure I to the unconsolidated condensed interim financial information of the Holding Company.
- 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 financial statements of the Bank for the year ended December 31, 2017.
- 2.5 **Basis of consolidation**

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

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 Act, 2017, 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 Act, 2017, Banking Companies Ordinance, 1962 and the said directives have been followed.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Surplus / Deficit on Revaluation of Operating Fixed Assets

The Companies Act, 2017, which is applicable for financial periods beginning on 1 January 2018, requires a change in accounting policy related to surplus / deficit on revaluation of operating fixed assets. Under the new requirement, the treatment of such surplus / deficit shall now be in line with the requirements of IAS 16 – Property, Plant and Equipment, since Section 235 of the repealed Companies Ordinance, 1984 has not been carried forward in the Companies Act, 2017. Prior to this change, the deficit on revaluation of operating fixed assets was shown as part of the equity. This change has result in retrospective restatement of unappropriated profit. Had the accounting policy not been changed, surplus on revaluation of assets would have been lower by Rs. 30.137 million, and unappropriated profit would have been higher by Rs. 30.137 million.

4.2 Expected Credit Losses - IFRS 9

During the current year, the Holding Company's Bahrain Operations, in line with their locally applicable regulatory framework, has adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014. In order to ensure compliance with the regulatory framework in Bahrain, the expected credit loss charge arising as a result of adoption of IFRS 9 has been retained as a general provision in this consolidated condensed interim financial information.

As permitted by the transitional provisions of IFRS 9, the Branch elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Had this IFRS not been adopted the opening retained earning and deferred tax liabilities would have been higher by Rs. 52.405 million and Rs. 17.631 million, respectively, and advances, investment and other assets would also have been higher by Rs. 70.036 million.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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, 2017.

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Notes	March 31, 2018 (Un-audited)	December 31, 2017 (Audited)
		(Rupees in '000)	
Call money lendings	7.1	19,906,655	20,255,936
Bai Muajjal		-	16,791,356
Repurchase agreement lendings	7.2	15,127,957	11,848,536
		<u>35,034,612</u>	<u>48,895,828</u>

- 7.1 These represent lendings to financial institutions at interest rates ranging from 3.6% to 12.75% per annum (2017: 1.5% to 9.75% per annum) having maturities up to June 2018 (2017: March 2018).

- 7.2 These represent short term lending to financial institutions against investment securities. These carry mark-up rates ranging from 5.8% to 6.15% per annum (2017: 5.8% to 6.2% per annum) with maturities up to June 2018 (2017: June 2018).

8 INVESTMENTS - NET

8.1 Investments by types

		March 31, 2018 (Un-audited)			December 31, 2017 (Audited) (Restated)		
Investments by types	Note	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in '000)							
Held-for-trading securities							
Market Treasury Bills		17,806,415	-	17,806,415	22,759,650	-	22,759,650
Overseas Bonds		20,282	-	20,282	19,443	-	19,443
Fully paid up ordinary shares/ units - Listed		599,959	-	599,959	28,140	-	28,140
		18,426,656	-	18,426,656	22,807,233	-	22,807,233
Available-for-sale securities							
Market Treasury Bills		99,074,121	4,964,645	104,038,766	77,610,358	85,274,643	162,885,001
Pakistan Investment Bonds		38,109,406	24,372,933	62,482,339	43,168,310	64,920,622	108,088,932
Fully paid up ordinary shares / units - Listed		5,870,040	-	5,870,040	5,786,367	-	5,786,367
Fully paid up ordinary shares / units - Unlisted		94,295	-	94,295	350,507	-	350,507
Term Finance Certificates		1,097,346	-	1,097,346	1,297,084	-	1,297,084
Preference Shares - Listed		108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted		25,000	-	25,000	25,000	-	25,000
Redeemable Participating Certificates		1,203,065	-	1,203,065	1,133,659	-	1,133,659
Commercial papers		91,852	-	91,852	90,201	-	90,201
Pakistan Euro Bonds		895,737	529,331	1,425,068	1,435,375	845,802	2,281,177
Overseas Bonds		3,608,536	1,838,397	5,446,933	1,479,097	2,526,175	4,005,272
Sukuk Bonds		37,800,300	4,311,609	42,111,909	36,191,513	6,939,721	43,131,234
		187,978,533	36,016,915	223,995,448	168,676,306	160,506,963	329,183,269
Held-to-maturity securities							
Market Treasury Bills		896,758	-	896,758	1,470,741	-	1,470,741
Pakistan Investment Bonds		28,540,239	-	28,540,239	31,637,988	-	31,637,988
Term Finance Certificates		524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds		202,132	-	202,132	193,239	-	193,239
Overseas Bonds		5,650,802	917,127	6,567,929	4,945,043	1,095,269	6,040,312
Sukuk Bonds		3,921,164	-	3,921,164	4,097,810	-	4,097,810
		39,735,361	917,127	40,652,488	42,869,087	1,095,269	43,964,356
Investments in Associates and Mutual Funds established under Trust Structure not considered for consolidation							
Alfalah Insurance Limited		326,306	-	326,306	319,725	-	319,725
Sapphire Wind Power Company Limited		1,548,788	-	1,548,788	1,557,584	-	1,557,584
Alfalah GHP Money Market Fund		256,005	-	256,005	381,416	-	381,416
Alfalah GHP Income Multiplier Fund		7	-	7	6	-	6
Alfalah GHP Sovereign Fund		497	-	497	491	-	491
Alfalah GHP Income Fund		151,351	-	151,351	1,529	-	1,529
Alfalah GHP Islamic Income Fund		5,635	-	5,635	5,576	-	5,576
Alfalah GHP Pension Fund		89,454	-	89,454	86,343	-	86,343
Alfalah GHP Islamic Pension Fund		88,679	-	88,679	86,277	-	86,277
Alfalah GHP Cash Fund		9,917	-	9,917	9,800	-	9,800
TriconBoston Consulting Corporation (Private) Limited		762,567	-	762,567	764,575	-	764,575
		3,239,206	-	3,239,206	3,213,322	-	3,213,322
Investments		249,379,756	36,934,042	286,313,798	237,565,948	161,602,232	399,168,180
Provision for diminution in value of investments	8.2	(1,348,113)	-	(1,348,113)	(1,399,704)	-	(1,399,704)
Investments (net of provisions)		248,031,643	36,934,042	284,965,685	236,166,244	161,602,232	397,768,476
Surplus / (deficit) on revaluation of held for trading securities - net		1,471	-	1,471	(7,351)	-	(7,351)
Surplus / (deficit) on revaluation of available for sale securities-net		2,421,345	1,114,136	3,535,481	2,005,976	1,924,923	3,930,899
Total investments		250,454,459	38,048,178	288,502,637	238,164,869	163,527,155	401,692,024

March 31, 2018 (Un-audited)	December 31, 2017 (Audited) (Restated)
(Rupees in '000)	

8.2 Particulars of provision for diminution in value of investments

Opening balance	1,399,704	1,253,781
Charge for the period / year	-	240,371
Reversals during the period / year	(86,823)	(15,584)
	(86,823)	224,787
Provision written off / (adjusted) during the period / year	35,232	(78,864)
Closing balance	1,348,113	1,399,704

8.3 Particulars of provision for diminution in value of investments by type and segment

Available for sale securities

Listed companies / mutual funds

- Fully paid up ordinary shares / units		
- First Dawood Investment Bank Limited	15,000	15,000
- Preference shares		
- Agritech Limited	108,835	108,835

Unlisted companies

- Fully paid up ordinary shares of Rs. 10 each		
- AGP Limited	-	43,632
- Al-Hamra Avenue (Private) Limited	50,000	50,000
- Pakistan Export Finance Guarantee Agency Limited	5,725	5,725
- Pakistan Mobile Communications Limited (Related party)	3,936	3,936

Unlisted securities

- Term finance certificates / sukuk bonds		
- Azgard Nine Limited	76,220	76,220
- Fauji Akbar Portia Marine Terminals Limited	224,499	224,499
- New Allied Electronics	2,185	2,185
- Quetta Textile Mills Limited	72,619	72,619
- Security Leasing Corporation Limited I	6,418	6,418
- Security Leasing Corporation Limited II	23,105	23,105
- 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	16,697	20,593
- Security Leasing Corporation Limited	29,245	29,245
- Sitara Peroxide (Private) Limited	118,052	118,052
- Zulekha Textile Mills (formerly Khunja Textile Mills Limited)	24,680	24,680

General Provision - Bahrain Operations

46,311	50,374
1,348,113	1,399,704

	Note	March 31, 2018 (Un-audited)	December 31, 2017 (Audited) (Restated)
		(Rupees in '000)	
9 ADVANCES - NET			
Loans, cash credits, running finances etc.			
In Pakistan		320,328,695	331,076,292
Outside Pakistan		13,629,934	14,338,182
		<u>333,958,629</u>	<u>345,414,474</u>
Net investment in finance lease			
In Pakistan		4,266,883	4,090,945
Outside Pakistan		-	-
		<u>4,266,883</u>	<u>4,090,945</u>
Islamic financing and related assets (gross)	9.1	81,529,087	56,880,169
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		2,818,939	5,444,779
Payable outside Pakistan		6,832,639	5,357,334
		<u>9,651,578</u>	<u>10,802,113</u>
		<u>429,406,177</u>	<u>417,187,701</u>
Provision against advances			
Specific provision against non-performing advances	9.3	(15,457,284)	(15,685,041)
General provision against advances	9.3	(861,168)	(862,373)
		<u>(16,318,452)</u>	<u>(16,547,414)</u>
		<u>413,087,725</u>	<u>400,640,287</u>

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

9.2 Advances include Rs. 17,368 million (December 31, 2017: Rs. 17,580 million) which have been placed under non-performing status as detailed below:

	March 31, 2018 (Un-audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification	----- (Rupees in '000) -----								
Other Assets Especially Mentioned (Agri Financing)	117,814	-	117,814	6,560	-	6,560	6,560	-	6,560
Substandard	1,419,304	-	1,419,304	345,992	-	345,992	345,992	-	345,992
Doubtful	1,721,067	-	1,721,067	1,141,669	-	1,141,669	1,141,669	-	1,141,669
Loss	13,815,339	294,480	14,109,819	13,698,515	264,548	13,963,063	13,698,515	264,548	13,963,063
	17,073,524	294,480	17,368,004	15,192,736	264,548	15,457,284	15,192,736	264,548	15,457,284

Category of classification	December 31, 2017 (Audited)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Other Assets Especially Mentioned (Agri Financing)	84,960	-	84,960	4,979	-	4,979	4,979	-	4,979
Substandard	1,359,006	-	1,359,006	338,582	-	338,582	338,582	-	338,582
Doubtful	1,854,513	-	1,854,513	1,245,152	-	1,245,152	1,245,152	-	1,245,152
Loss	13,978,614	303,018	14,281,632	13,837,989	258,339	14,096,328	13,837,989	258,339	14,096,328
	17,277,093	303,018	17,580,111	15,426,702	258,339	15,685,041	15,426,702	258,339	15,685,041

9.3 Particulars of provisions against non-performing loans and advances

	March 31, 2018 (Un-audited)			December 31, 2017 (Audited) (Restated)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	15,685,041	862,373	16,547,414	16,368,263	775,968	17,144,231
Exchange adjustment and other movements	10,963	7,014	17,977	2,221	(9,425)	(7,204)
Charge for the period / year	223,484	30,168	253,652	2,230,902	189,080	2,419,982
Reversals / recoveries during the period / year	(415,900)	(38,387)	(454,287)	(2,741,259)	(93,250)	(2,834,509)
	(192,416)	(8,219)	(200,635)	(510,357)	95,830	(414,527)
Amounts written off	(46,304)	-	(46,304)	(175,086)	-	(175,086)
Closing balance	15,457,284	861,168	16,318,452	15,685,041	862,373	16,547,414

9.3.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at March 31, 2018 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees amounted to Rs. 19,456 million (December 31, 2017: Rs. 29,899 million).

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

9.3.3 This also includes general provision maintained on account of expected credit loss charge required under IFRS 9 for Group's Bahrain operations.

Pursuant to a relaxation given to the Holding Company by the SBP, exposure under certain facilities granted to Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, is not required to be classified as non-performing. The relaxation is valid upto March 31, 2018. However, as at March 31, 2018, the past due amount for such facilities amounted to Rs. Nil (Dec 2017 : Rs. 8,421 billion).

	March 31, 2018 (Un-audited)	December 31, 2017 (Audited)
	(Rupees in '000)	
Capital work-in-progress	343,723	209,328
Property and equipment	15,919,550	16,119,263
Intangible assets	1,258,142	1,379,076
	<u>17,521,415</u>	<u>17,707,667</u>

10 OPERATING FIXED ASSETS

	Note	Quarter ended	
		March 31, 2018	March 31, 2017
		(Un-audited) (Rupees in '000)	
10.1 Additions to operating fixed assets			
Office premises		-	29,393
Leasehold improvements		5,688	91,857
Office equipments		221,806	333,963
Furniture and fixtures		5,952	1,459
Vehicles		3,967	13,257
10.2 Additions to intangibles			
Computer software		712	12,982
10.3 Disposals of operating fixed assets			
Office premises		-	50,159
Leasehold improvements		-	1,633
Office equipments		79,508	28,391
Furniture and fixtures		3,153	4,753
Vehicles		31,039	10,205
		March 31, 2018 (Un-audited)	December 31, 2017 (Audited)
11 BORROWINGS		(Rupees in '000)	
Secured			
Borrowings from State Bank of Pakistan under ERF / LTF - EOP		30,600,001	27,798,748
Repurchase agreement borrowings	11.1	12,078,544	125,220,096
Borrowings from other central banks		41,819	-
Bai Muajjal	11.2	22,038,939	37,650,637
Other short term borrowings		52,975	343,253
		64,812,278	191,012,734
Unsecured			
Call borrowings	11.3	16,802,496	10,332,574
Trading liabilities	11.4	1,975,438	5,221,517
Overdrawn nostro accounts		1,134,035	-
		19,911,969	15,554,091
		<u>84,724,247</u>	<u>206,566,825</u>
11.1	This represents repurchase agreement borrowing from SBP and other banks at the rate of 1.95% to 5.90% per annum (2017: 1.55% to 5.82% per annum) having maturities up to April 2018 (2017: February 2018).		
11.2	This represents borrowings from financial institutions at mark-up rates ranging from 5.82% to 6.31% per annum (2017: 5.73% to 5.83% per annum) having maturities up to February 2019 (2017: October 2018).		
11.3	This represents borrowings from financial institutions at mark-up rates ranging from 0.7% to 6.15% per annum (2017: 0.60% to 5.75% per annum) having maturities up to June 2018 (2017: March 2018).		
11.4	This represents liability in respect of short selling of Pakistan Investment Bonds held as collateral against repurchase agreement lendings.		

	March 31, 2018 (Un-audited)	December 31, 2017 (Audited)
12 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	109,936,041	131,010,038
Savings deposits	230,104,107	215,069,960
Current accounts - non-remunerative	278,473,433	266,018,609
Others	7,290,406	6,505,849
	<u>625,803,987</u>	<u>618,604,456</u>
Financial institutions		
Remunerative deposits	16,956,791	29,548,087
Non-remunerative deposits	1,690,346	5,193,545
	<u>18,647,137</u>	<u>34,741,632</u>
	<u>644,451,124</u>	<u>653,346,088</u>

13 SUB-ORDINATED LOANS / ADDITIONAL TIER-I

This includes an additional amount of Rs. 7.00 billion pertaining to issuance of Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments during the current period. This instrument has been priced at Kibor + 1.5% per annum.

14 CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

i) Government	816,161	9,955,661
ii) Banking companies and other financial institutions	450,450	430,638
iii) Others	-	6,531
	<u>1,266,611</u>	<u>10,392,830</u>

14.2 Transaction - related contingent liabilities

i) Government	51,373,836	41,857,229
ii) Banking companies and other financial institutions	294,804	609,154
iii) Others	9,297,592	11,317,138
	<u>60,966,232</u>	<u>53,783,521</u>

14.3 Trade - related contingent liabilities

Letters of credit	76,872,551	73,773,817
Acceptances	<u>12,087,856</u>	<u>10,701,434</u>

14.4 Other contingencies

Claims against the Bank not acknowledged as debts	<u>17,604,019</u>	<u>18,973,919</u>
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These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in this consolidated condensed interim financial information.

	March 31, 2018 (Un-audited)	December 31, 2017 (Audited)
14.5 Commitments in respect of forward lendings		
Commitments to extend credit	<u>17,701,451</u>	<u>22,628,329</u>
Commitments in respect of investments	<u>7,648,844</u>	<u>7,579,043</u>

	March 31, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Rupees in '000)
14.6 Commitments in respect of forward exchange contracts		
Purchase	91,683,320	60,285,544
Sale	64,271,485	31,823,206
14.7 Commitments for the acquisition of fixed assets	199,594	318,978
14.8 Commitments in respect of repo transactions		
Repurchase	12,097,868	125,378,959
Resale	15,204,428	12,017,776
14.9 Other commitments		
Interest rate swaps	9,285,955	8,865,756
Donations	1,739	23,952
Commitments for rentals payable under operating lease / Ijarah contracts	-	9,112

14.10 Contingency for tax payable (note 18)

15 REVERSAL / PROVISION AGAINST OTHER ASSETS

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

	March 31, 2018 (Un-audited) (Rupees in '000)	December 31, 2017 (Audited) (Rupees in '000)
16 EARNINGS PER SHARE		
16.1 BASIC EARNINGS PER SHARE		
Profit after taxation for the period attributable to equity holders of the Bank	3,268,796	2,881,329
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,615,552	1,603,126
	(Rupees)	
Basic earnings per share	2.02	1.80
16.2 DILUTED EARNINGS PER SHARE		
	(Rupees in '000)	
Profit after taxation for the period attributable to equity holders of the Bank	3,268,796	2,881,329
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,612,521	1,603,126
	(Rupees)	
Diluted earnings per share	2.02	1.80

	March 31, 2018 (Un-audited)	December 31, 2017 (Audited)
	(Rupees in '000)	
17 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	66,465,216	70,381,480
Balances with other banks	2,854,261	4,747,935
Call money lendings	19,906,655	20,255,936
Overdrawn nostro accounts	(1,134,035)	-
	<u>88,092,097</u>	<u>95,385,351</u>

18 TAXATION

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

In respect of tax years 2008, 2014 and 2017, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements resulting in additional demand of Rs. 599.879 million (December 31, 2017: Rs.1,033.519 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 60.032 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

The Bank has received amended orders for Tax Years from 2010 to 2015 wherein Tax Authorities considered Ijarah Lease as Finance Lease and raised a tax demand of Rs. 133.799 million. Commissioner Appeal for Tax Years 2010 to 2013, decided the matter in favour of the bank to the extent of not taxing principal amounts. The Bank is in appeal before Appellate Tribunal and Commissioner Appeals on the matter. The Bank has not made any provision against these orders as the management is of the view that the matter will be settled in Bank's favour through appellate process.

- b) 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. 48.027 million against tax demand for tax years 2017 and 2018 as management is of the view that the matter will be settled in Bank's favour in appeals.
- c) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs. 77.592 million (December 31, 2017: Rs. 77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.

19 RELATED PARTY TRANSACTIONS

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

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

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

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

	March 31, 2018 (Un-audited)				
	Directors	Key Management Personnel	Associated	Other related parties	Total
	(Rupees in '000)				
Statement of Financial Position					
Lendings					
Balance at the beginning of the period	-	-	-	1,500,000	1,500,000
Placements during the period	-	-	-	33,700,000	33,700,000
Withdrawals during the period	-	-	-	(32,700,000)	(32,700,000)
Balance at the end of the period	-	-	-	2,500,000	2,500,000
Investments					
Balance at the beginning of the period	-	-	3,040,701	1,317,808	4,358,509
Investments / adjustments during the period	-	-	334,720	121,799	456,519
Redemptions / adjustments during the period	-	-	(136,215)	(363,466)	(499,681)
Balance at the end of the period	-	-	3,239,206	1,076,141	4,315,347
Provisions held against investments	-	-	-	53,936	53,936
Advances					
Balance at the beginning of the period	-	446,634	-	7,591,327	8,037,961
Placements during the period	119,862	67,199	-	9,681,346	9,868,407
Withdrawals / adjustments during the period	(2,427)	(102,332)	-	(9,292,017)	(9,396,776)
Balance at the end of the period	117,435	411,501	-	7,980,656	8,509,592
Provisions held against advances	-	-	-	1,540,029	1,540,029
Mark-up held in suspense against classified advances	-	-	-	1,123,851	1,123,851
Other receivables	-	-	172,917	-	172,917
Borrowings					
Balance at the beginning of the period	-	-	-	502,800	502,800
Borrowing during the period	-	-	-	19,127,408	19,127,408
Repayments during the period	-	-	-	(18,268,005)	(18,268,005)
Balance at the end of the period	-	-	-	1,362,203	1,362,203
Deposits					
Balance at the beginning of the period	6,275	161,264	1,509,741	4,178,990	5,856,270
Placements during the period	47,989	438,009	13,482,883	25,806,510	39,775,391
Withdrawals / adjustments* during the period	(10,067)	(350,357)	(13,717,374)	(24,587,298)	(38,665,096)
Balance at the end of the period	44,197	248,916	1,275,250	5,398,202	6,966,565
Sub-Ordinated Loans					
Balance at the beginning of the period	-	19,964	45,044	-	65,008
Sub-Ordinated loans issued during the period	-	-	-	-	-
Sub-Ordinated loans redemption during the period	-	(19,964)	(9)	-	(19,973)
Balance at the end of the period	-	-	45,035	-	45,035
Other payables	-	3,846	81	4,536	8,463
Off Balance Sheet Items					
Letters of credit, acceptance and Guarantees outstanding	-	-	135,135	954,914	1,090,049

December 31, 2017 (Audited)

	Directors	Key Management Personnel	Associated	Other related parties	Total
----- (Rupees in '000) -----					
Statement of Financial Position					
Lendings					
Balance at the beginning of the year	-	-	-	-	-
Placements during the year	-	-	-	89,750,000	89,750,000
Withdrawals during the year	-	-	-	(88,250,000)	(88,250,000)
Balance at the end of the year	-	-	-	1,500,000	1,500,000
Investments					
Balance at the beginning of the year	-	-	3,263,590	2,579,489	5,843,079
Investments during the year	-	-	1,961,972	1,819,585	3,781,557
Redemptions during the year	-	-	(2,184,861)	(3,081,266)	(5,266,127)
Balance at the end of the year	-	-	3,040,701	1,317,808	4,358,509
Provisions held against investments	-	-	-	53,936	53,936
Advances					
Balance at the beginning of the year	79,130	351,335	-	8,040,236	8,470,701
Placements during the year	21,130	317,546	-	15,620,727	15,959,403
Withdrawals / adjustments during the year	(100,260)	(222,247)	-	(16,069,636)	(16,392,143)
Balance at the end of the year	-	446,634	-	7,591,327	8,037,961
Provisions held against advances	-	-	-	1,540,029	1,540,029
Mark-up held in suspense against classified advances	-	-	-	1,161,382	1,161,382
Other receivables	-	-	224,149	508	224,657
Borrowings					
Balance at the beginning of the year	-	-	-	-	-
Borrowing during the year	-	-	-	34,192,883	34,192,883
Repayments during the year	-	-	-	(33,690,083)	(33,690,083)
Balance at the end of the year	-	-	-	502,800	502,800
Deposits					
Balance at the beginning of the year	10,201	164,506	1,031,657	8,663,189	9,869,553
Placements during the year	308,744	1,699,071	56,650,035	111,897,086	170,554,936
Withdrawals / adjustments during the year	(312,670)	(1,702,313)	(56,171,951)	(116,381,285)	(174,568,219)
Balance at the end of the year	6,275	161,264	1,509,741	4,178,990	5,856,270
Sub-Ordinated Loans					
Balance at the beginning of the year	-	132,348	79,003	332,467	543,818
Sub-Ordinated loans issued during the year	-	-	-	-	-
Sub-Ordinated loans redemption during the year	-	(112,384)	(33,959)	(332,467)	(478,810)
Balance at the end of the year	-	19,964	45,044	-	65,008
Other payables	-	8,070	844	9,444	18,358
Off Balance Sheet Items					
Letters of credit, acceptance and Guarantees outstanding	-	-	129,188	2,589,842	2,719,030

For the quarter ended March 31, 2018 (Un-audited)

	Directors	Key Management Personnel	Associated	Other related parties	Total
----- (Rupees in '000) -----					
Transactions during the quarter					
Mark-up received on lendings	-	-	-	8,940	8,940
Mark-up received on investments	-	-	-	18,192	18,192
Mark-up received on advances	880	4,100	-	98,905	103,885
Mark-up paid on deposits	5	87,418	19,335	43,912	150,670
Mark-up paid on borrowing	-	-	-	8,149	8,149
Mark-up paid on sub-ordinated loans	-	-	853	-	853
Brokerage	-	-	-	-	-
Insurance Premium paid	-	-	431,235	-	431,235
Insurance Claim received-Fixed Assets	-	-	-	-	-
Purchase and maintenance of machines / equipments and services	-	-	-	36,523	36,523
Capital gain	-	-	-	15,589	15,589
Other income	-	-	-	5,081	5,081
Administrative expenses	-	-	-	107	107

For the quarter ended March 31, 2017 (Un-audited)

	Directors	Key Management Personnel	Associated	Other related parties	Total
----- (Rupees in '000) -----					
Transactions during the quarter					
Mark-up received on lendings	-	-	-	6,997	6,997
Mark-up received on investments	-	-	-	26,045	26,045
Mark-up received on advances	1,064	4,515	-	117,486	123,065
Mark-up paid on deposits	52	726	15,713	76,264	92,755
Mark-up paid on sub-ordinated loans	-	733	1,653	12,468	14,854
Mark-up paid on borrowing	-	-	-	1,490	1,490
Brokerage	-	-	-	-	-
Insurance Premium paid	-	-	322,954	-	322,954
Insurance Claim received-Fixed Assets	-	-	2,349	-	2,349
Purchase and maintenance of machines / equipments and services	-	-	-	39,689	39,689
Capital gain	-	-	-	-	-
Other income	-	-	1,817	4,514	6,331
Administrative expenses	-	-	-	3,722	3,722

The key management personnel / directors compensation are as follows:

	Three months period ended	
	March 31, 2018	March 31, 2017
	(Rupees in '000)	
Managerial remuneration (including allowances)	539,957	209,682
Fair value charge against employee stock option scheme	9,993	30,899
Contribution to employee funds	133,246	150,235
	683,196	390,816

In addition, the Chief Executive and certain Executives are provided with Bank maintained cars and other benefits.

Also, the Bank's non-executive Directors are entitled to fee for attending Directors' meetings as per the scale approved by the Board of Directors of the Bank, which are subjected to post facto approval of the shareholders as part of the Agenda in the Annual General Meeting in which the annual financial statements are laid down for approval.

20 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

The Holding Company's monthly average Liquidity Coverage Ratio (LCR) for the first quarter of 2018 is 1.51 or 151% (Monthly Average for 2017: 1.41 or 141%) against the SBP minimum requirement of 90% (December 31, 2017: 90%), while the Holding Company's Net Stable Funding Ratio (NSFR) as at March 31, 2018, is 141% (December 2017: 137%) against the SBP minimum requirement of 100% (December 31, 2017: 100%). These ratios have been calculated in accordance with the State Bank of Pakistan's Basel III Liquidity standards issued vide BPRD Circular No. 08, dated June 23, 2016.

21 GENERAL

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

The effect of re-classification, re-statement in comparative information presented in the consolidated condensed interim profit and loss accounts for the three months period ended March 31, 2017 is as follows:

Head	(Rupees in '000)	From	To
Foreign exchange swap cost	(111,614)	Income from dealing in foreign currencies	Mark-up / return / interest expensed
Various service charges and commission income	76,706	Other income	Fee, commission and brokerage income
Staff commission and incentive expenses	(22,976)	Fee, commission and brokerage income	Salaries, allowances, etc.
Interest Income on Interest Rate Swaps	32,510	Mark-up / return / interest earned	Mark-up / return / interest expensed
Brokerage and commission expense	(68,031)	Mark-up / return / interest expensed	Administrative expense - Brokerage and commission
Brokerage and commission expense	(2,704)	Mark-up / return / interest expensed	Administrative expense - Other expense
Courier expense - recoveries	5,078	Other income	Administrative expense - communication
Swift / Telex Charges	4,624	Other income	Administrative expense - communication
Foreign exchange expense	(31,139)	Fee, commission and brokerage income	Income from dealing in foreign currencies
Reward points expense	(19,504)	Fee, commission and brokerage income	Mark-up / return / interest expensed

22 DATE OF AUTHORISATION

The consolidated condensed interim financial information was authorised for issue on April 19, 2018 by the Board of Directors of the Holding Company.

Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Branch Network

Bank Alfalah Presence in Pakistan

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

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

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

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

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

BANK ALFALAH PRESENCE IN FOREIGN COUNTRIES

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



Bank Alfalah
The Way Forward

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