

Quarterly Report - September 30, 2019 (Un-audited)



Bank Alfalah
The Way Forward



Contents

Company Information	2
Directors' Review - English	5
Directors' Review - Urdu	9
Unconsolidated Condensed Interim Financial Statements	10
Unconsolidated Condensed Interim Statement of Financial Position	11
Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)	12
Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)	13
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)	14
Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)	15
Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Un-audited)	16
Consolidated Condensed Interim Financial Statements	50
Consolidated Condensed Interim Statement of Financial Position	51
Consolidated Condensed Interim Profit and Loss Account (Un-audited)	52
Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)	53
Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)	54
Consolidated Condensed Interim Cash Flow Statement (Un-audited)	55
Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Un-audited)	56



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

Shehzad Naqvi
Director

Dr. Gyorgy Tamas Ladics
Director

Dr. Ayesha Khan
Director

Nauman Ansari
President / CEO and Director



Senior Management

Nauman Ansari

President and Chief Executive Officer

Aasim Wajid Jawad

Head Strategy

Anjum Hai

Chief Financial Officer

Bilal Asghar

Head Corporate, Investment Banking
and International Business

Faisal Rabbani

Chief Risk Officer

Hafsa Abbasy

Head Human Resource and Learning

Haroon Khalid

Head Compliance and Control

Khawaja Muhammad Ahmed

Head Operations and Corporate Services

Mehreen Ahmed

Head Retail Banking

Mohib Hasan Khan

Chief Information Officer

Muhammad Akram Sawleh

Company Secretary, Head Legal
and Corporate Affairs

Dr. Muhammad Imran

Head Islamic Banking

Muhammad Yahya Khan

Head Digital Banking

Syed Ali Sultan

Head Treasury and Capital Markets

Tahir Khurshid

Head Audit and Inspection

Zahid Anjum

Head Special Assets Management

Chief Financial Officer

Anjum Hai

Company Secretary

Muhammad Akram Sawleh

Auditors

EY Ford Rhodes

Chartered Accountants

Registered/Head Office

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

Share Registrar

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



Board Committees

Board Audit Committee (BAC)

Shehzad Naqvi
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Dr. Ayesha Khan
Member

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

Dr. Ayesha Khan
Chairperson

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Dr. Gyorgy Tamas Ladics
Member

Shehzad Naqvi
Member

Board Strategy and Finance Committee (BS&FC)

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Shehzad Naqvi
Member

Nauman Ansari
Member

Board Risk Management Committee (BRMC)

Khalid Mana Saeed Al Otaiba
Chairman

Abdulla Khalil Al Mutawa
Member

Shehzad Naqvi
Member

Efstratios Georgios Arapoglou
Member

Nauman Ansari
Member

Board Compensation Committee (BCC)

Dr. Ayesha Khan
Chairperson

Khalid Mana Saeed Al Otaiba
Member

Abdulla Khalil Al Mutawa
Member

Efstratios Georgios Arapoglou
Member

Board Information Technology Committee (BITC)

Dr. Gyorgy Tamas Ladics
Chairman

Abdulla Khalil Al Mutawa
Member

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Nauman Ansari
Member

Directors' Review

On behalf of the Board of Directors, we are pleased to present the unconsolidated condensed interim financial statements of Bank Alfalah Limited for the period ended September 30, 2019.

Economic Review

Pakistan economy has started showing nascent signs of stabilisation in 3Q19. While addressing structural imbalances will require time and determination on part of the government, some positives were visible, especially towards the end of the quarter.

Trends witnessed in money, stock and FX markets hint at signs of returning confidence as market participants took a view on potentially better times ahead. SBP played a key role in providing market comfort on the macros. During the July 2019 monetary policy, SBP raised discount rate by 100bp to 13.25% but mentioned that the over-due adjustments of the past had been completed in both interest rates and currency. With SBP choosing to maintain interest rates at the same level in September 2019, the impression was further solidified and bolstered sentiments.

Secondary market yields underwent a major correction, most visible in the 10-year PIB yields which corrected from a peak of 13.9% to 11.9% as the market entered an inverted yield curve phase which continued to invert sharply as the quarter progressed. Currency markets too saw relative stability and strength as currency appreciated 2.8% during the quarter, after a sustained period of weakness and devaluation. Stock market came out of a 7 month long run of negative monthly closings, with benchmark KSE-100 index posting an 8% return in September, reducing losses for the year, with the YTD return now standing at -13% for 2019. As exports grew 15% to US\$1.9bn and imports shrank 20% to US\$3.5bn, the trade deficit declined 25% YoY in August 2019. With stable remittances, the current account deficit fell 14% YoY.

Challenges remain as inflation continues to feel the brunt of macro-economic adjustments. The government announced a change in the base year for calculating CPI in August 2019. Under the new base year, inflation readings clocked in at 10.5% and 11.4% for August and September 2019. Fiscal deficit also remains a challenge, where despite impressive YoY growth in tax collection, the numbers are below target. While IMF has ruled out the need for revisiting or revising targets, the government is required to undertake further reforms to ensure that it meets the IMF targets.

On the financing front, the government received its first tranche under the IMF program in July. The government has initiated the process of engaging advisors for the purpose of tapping the international market for Sukuku and Eurobond. Already on the Financial Action Task Force's (FATF) grey list, Pakistan needs to focus its attention on resolving their concerns and take steps to improve the macroeconomic conditions of the country and modernise its industrial sector to become more competitive in the international markets. Pakistan needs to improve ease of doing business and attract more foreign direct investment (FDI), instead of relying so heavily on foreign debt.

Review of the Bank's Performance

The highlights of the financial results of the Bank for the period ended September 30, 2019 are presented below:

	30th September, 2019	31st December, 2018
Financial Position	Rupees in Millions	
Shareholders' Equity	82,667	75,647
Total Deposits*	711,262	702,895
Total Assets	1,048,723	1,006,218
Advances – net*	473,077	501,636
Investments – net*	350,065	277,660

*Comparative figures do not include an overseas set-up, which was held-for-sale, whereas current year figures include the same as it has been declassified in 2019.

	Period ended 30th September, 2019	Period ended 30th September, 2018
Financial Performance	Rupees in Millions	
Net Interest Income and Non-Markup Income	40,417	31,251
Non-Markup Expenses	21,908	17,936
Provisions and Write-offs (net)	2,012	(946)
Profit before Tax	16,496	14,261
Profit after Tax	9,242	8,629
Basic earnings per share – Rupees	5.20	4.87
Diluted earnings per share - Rupees	5.20	4.86



The third quarter earnings remain strong amidst challenging operating environment. The Bank reported profit before taxation for the period ended September 30, 2019 of Rs. 16.496 billion as against Rs. 14.261 billion for the corresponding period last year, showing an impressive growth of 16%. Despite Super Tax charge of Rs. 603.000 million levied for 2017 through the mini budget in 2019, the Bank's profit after taxation increased by 7% and stood at Rs. 9.242 billion. The Earning Per Share (EPS) stands at Rs. 5.20 (Sep 2018: Rs. 4.87).

Total revenue for the period ended was reported at Rs. 40.417 billion compared to Rs. 31.251 billion from the corresponding period last year, improving by 29%. Higher discount rate, improved average deposits, rising average advances and effective balance sheet management have contributed to a strong rise in the net interest income. This has offset the impact of high yielding government securities, which boosted the revenue last year as well as resulted in high capital gain on their realisation. The key challenge for non-funded income this year has been the bearish capital market, which resulted in both capital losses and impairment. Fee and commission income stood 12% higher than same period last year primarily driven by income from G2P, card related fees, trade commissions, home remittance, bancassurance, branchless banking, and alternate delivery channels.

Administrative expenses were Rs. 21.357 billion compared to Rs. 17.637 billion for the corresponding period last year, up 21%, largely driven by technology, marketing, deposit protection insurance which is a new levy, new initiatives like branch openings along with overall impact of inflationary adjustments and PKR devaluation. The cost to income ratio of the Bank has improved to 53% from 56% for the same period last year, as a testament to Bank's focus on cost control.

A net provision charge of Rs. 2.012 billion was taken in the nine months ended September 30, 2019, primarily against equity investments and advances, versus a net provision reversal of Rs. 946.233 million compared to same period in prior year. Last year's reversal also included a reversal of Rs. 443.898 million relating to settlement of a case in Afghanistan. As noted above, the decline in KSE-100 index during the current period led to an impairment amounting to Rs. 1.128 billion being booked on a number of equity scrips. The Bank has managed to adequately cover its non-performing advances of Rs. 20.702 billion and as at September 30, 2019, the Bank's provision coverage stands at 81%. While credit headwinds remain strong, the Bank does not see any sign of broad based deterioration across its portfolio.

The Bank continued its focus on increasing no cost deposits with CASA mix improved to 80% as at September 30, 2019 compared to 77% as at December 31, 2018.

Credit performance remained strong across businesses. The bank's gross advances were reported at Rs. 490.664 billion, down by 5% being timing impact. This is due to the impact of low yielding loan as we continue to optimise our usage of capital and liquidity across the Bank.

As at September 30, 2019, the Bank remains adequately capitalised with CAR at 16.87%. In third quarter, the Bank distributed Rs. 2.0 per share as dividend to its shareholders.

Assets Held-for-sale

During 2018, the Bank had signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan. Accordingly, the aforesaid business was classified as 'Assets held for sale'. However, during the current period, the DAB declined the application for approval and consequently Afghanistan operations are now classified as continuing.

Resultantly, all assets and liabilities of the Bank's Afghanistan operations have been presented as part of the actual balance sheet line items, rather than presented separately as 'Assets held for sale' while the balances at December end are still under 'held for sale' category as per the prospective treatment required under IFRS. However, all the income and expenses for the Bank's Afghanistan operations previously presented as a separate line item 'profit after taxation from discontinuing operations' have been reclassified and represented as part of the actual profit and loss line items for all prior periods presented. The details have been given in note 23 to the unconsolidated condensed interim financial statements.

Credit Rating

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

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

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

Future Outlook

Bank Alfalah is well-positioned for sustainable growth and building long-term shareholder value. We will continue to invest in Digital Banking, our technology infrastructure, human capital and strengthening our compliance and controls environment. At the same time, we will continue to focus on building a low cost deposit base, improving the return on capital on risk assets, optimising returns from the banking book and enforcing a strong cost discipline across the bank. Given the significant rise in interest rates over the last year and the risk of credit headwinds, we will continue to follow prudent risk management practices and manage the loan book optimally.

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 continued guidance and support. We would also like to express our gratitude to our shareholders, customers, employees and business partners for their patronage.

Nauman Ansari
President and Chief Executive Officer
18th October, 2019
Abu Dhabi

Dr. Ayesha Khan
Director

Efsttrios Georgios Arapoglou
Director

لاگت میں مضبوط نظم و ضبط لانے کے لیے کوشاں ہیں۔ پچھلے سال کے انٹرسٹ ریٹس کے اضافے اور کریڈٹ رسک کے خدشات کے پیش نظر ہم محتاط رسک مینجمنٹ کے اصولوں اور لون بک کے انتظام کو بہتر بنائیں گے۔

اظہار تشکر:

بورڈ کی جانب سے ہم اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، منسٹری آف فنانس اور دیگر ریگولیٹری اتھارٹیز کا تہہ دل سے شکر گزار ہیں کہ انہوں سے مسلسل رہنمائی اور تعاون کا مظاہرہ کیا، ہم اپنے شیئر ہولڈرز، کسٹمرز، ملازمین اور بزنس پارٹنرز کے تعاون کے بھی شکر گزار ہیں۔

افٹراٹونس جورجیس اراہو گلیو
ڈائریکٹر

ڈاکٹر عائشہ خان
ڈائریکٹر

نعمان انصاری
صدر اور چیف ایگزیکٹو آفیسر
18 اکتوبر، 2019
ابوظہبی



تیسری سہ ماہی میں مقابلتی آپریٹنگ ماحول کے درمیان مستحکم آمدنی رہی۔ 30 ستمبر، 2019 کو ختم ہونے والی مدت کے لیے بینک کا قبل از ٹیکس منافع 16,496 بلین روپے رہا، جبکہ پچھلے سال اسی مدت کے لیے 14,261 بلین روپے تھا، جو 16% کو ظاہر کرتا ہے۔ 2017 کے لیے 603,000 ملین روپے کا سہ ماہی ٹیکس چارج جو 2019 میں منی بجٹ کے ذریعے نافذ ہوا، اس کے باوجود، بینک کا منافع بعد از ٹیکس 7% سے بڑھ گیا اور 9,242 بلین روپے پر قائم ہوا۔ فی شیئر آمدنی 5.20، روپے پر قائم ہے (ستمبر، 2018: 4.87 روپے)۔

ختم ہونے والی مدت کے لیے کل ریویونیو 40,417 بلین روپے ریکارڈ کیا گیا جبکہ پچھلے سال اسی مدت کے لیے 31,251 بلین روپے تھا، یہ اضافہ 29% کا ہے۔ ڈسکاؤنٹ کی بلند شرح، بہتر اوسط ڈپازٹس، بڑھتے ہوئے اوسط وائٹس اور مؤثر بیلنس شیٹ مینجمنٹ، خالص سود آمدنی میں ایک مستحکم اضافے کا باعث بنے۔ اس سے زیادہ منافع بخش حکومتی سیکورٹیز کا تاثر بحال ہوا، جس کے باعث پچھلے سال ریویونیو میں زبردست اضافے کے ساتھ ساتھ وصولی پر زیادہ کیپیٹل حاصل ہوا۔ نان فنڈ آمدنی کے لیے اس سال سب سے بڑا چیلنج کیپیٹل مارکیٹ میں تنزلی رہی ہے جس سے نتیجتاً کیپیٹل میں نقصان اور کمی رہی۔ فیس اور کمیشن انکم 12% پر قائم ہونے جو کہ پچھلے سال کی اسی مدت کے برابر ہے، جو بنیادی طور پر G2P کارڈ سے متعلق فیس، ٹریڈ کمیشنز، بوم ریمیٹینس، بینکاشورس، برانچ لیس بینکنگ اور الٹرنیٹ ڈیپوزیٹری چینلز سے حاصل ہونے والی آمدنی سے حاصل ہوا ہے۔

انتظامی اخراجات 21,357 بلین روپے رہے جبکہ پچھلے سال اسی مدت کے لیے 17,637 بلین روپے تھے، یعنی 21% رہے، جو کہ زیادہ تر ٹیکنالوجی، مارکیٹنگ، ڈپازٹ پروموشن انشورنس سے حاصل ہونے جو کہ نیا نفاذ، نئے اقدام ہیں جن میں نئی برانچز کا کھلنا مع افراط زر کی ایڈجسٹمنٹس اور پاکستانی روپے کی قدر میں کمی کا تمام تر تاثر شامل ہیں۔ بینک کی لاگت کا تناسب آمدنی پچھلے سال کی اسی مدت کے 56% سے 53% رہا، کیونکہ بینک لاگت کے کنٹرول پر پوری توجہ دیتا ہے۔

30 ستمبر، 2019 کو نو ماہ میں بنیادی طور پر ایکویٹی انویسٹمنٹس اور ایڈوانسز کے لیے خالص پروویژن چارج 2,012 بلین روپے تھا، جبکہ پچھلے سال اسی مدت کے لیے 946,233 ملین روپے پروویژن ریورسل تھا۔ پچھلے سال کے ریورسل میں ایک 443,898 ملین روپے کا ایک ریورسل بھی شامل تھا جو کہ افغانستان میں ایک سیٹلمنٹ کے کیس سے متعلق تھا۔ جیسا کہ اوپر بیان کیا گیا ہے کہ حالیہ سال کے دوران کے ایس ای 100 انڈیکس میں کمی ہوئی جس سے کئی ایکویٹی اسکرپس پر 1,128 بلین روپے کے امپیرمنٹ تک ہوئے۔ بینک نے اپنے 20,702 بلین روپے کے نان پرفارمنگ ایڈوانسز کو مناسب طریقے سے منظم کیا اور 30 ستمبر، 2019 تک بینک کے پروویژن کو ریج 81% پر قائم ہیں۔ جبکہ کریڈٹ مستحکم ہے اور بینک اپنے پورے پورٹ فولیو میں وسیع سطح پر کمی بھی تنزلی کے آثار نہیں دیکھتا ہے۔

بینک نے 30 ستمبر، 2019 پر 80% اپنی توجہ کرینٹ اکاؤنٹ سٹیوٹنگ اکاؤنٹ مکنس کے ذریعے غیر سودی ڈپازٹس بڑھانے پر رکھی، جبکہ 31 دسمبر، 2018 کو 77% تھی۔

کریڈٹ کی کارکردگی تمام کاروباروں کو ملا کر مستحکم رہی۔ بینک کے مجموعی ایڈوانسز 490,664 بلین روپے ریکارڈ کیے گئے جو کہ 5% کم ہے۔ یہ کم پیداواری قرضے کے تاثر کی وجہ سے ہے کیونکہ ہم پورے بینک میں کیپیٹل اور لیکویڈٹی کے استعمال کو بہتر بنانے میں مصروف ہیں۔

30 ستمبر، 2019 کو بینک 16.87 فیصد CAR کے ساتھ مناسب طور پر کیپیٹلائزڈ ہے۔ تیسری سہ ماہی میں بینک نے فی شیئر 2.0 روپے ڈیویڈنڈ اپنے شیئر ہولڈرز میں تقسیم کیے۔

فروخت کیلئے پیش کردہ اثاثے

2018 کے دوران بینک نے افغانستان آپریٹنگز کی فروخت کیلئے موزوں خریدار سے بزنس ٹرانسفر ایگریمنٹ کیا اور فروخت کی منظوری کے عمل کی تکمیل کیلئے ڈی اے افغانستان بینک (DAB) کو درخواست دی گئی جو افغانستان کا مرکزی بینک ہے۔ مذکورہ بالا بزنس کو "فروخت کیلئے پیش کردہ اثاثے" کے طور پر درجہ بندی کی گئی۔ تاہم، حالیہ مدت کے دوران، ڈی اے بی نے درخواست منظور کرنے سے انکار کر دیا اور نتیجتاً افغانستان آپریٹنگز کو جاری آپریٹنگ کے طور پر پیش کیا گیا۔

مذکورہ بالا کے نتیجے میں بینک کے افغانستان آپریٹنگز کے تمام اثاثے اور واجبات کو علیحدہ اثاثے برائے فروخت میں رکھنے کی بجائے بیلنس شیٹ کے لائن آئٹمز میں شامل کر کے پیش کیا گیا ہے جبکہ دستبردار کے اختتام کے بیلنس کو اب بھی اثاثے برائے فروخت، جو کہ IFRS کے مطابق ہیں، میں رکھا گیا ہے۔ تاہم، تمام آمدنی اور اخراجات برائے افغانستان آپریٹنگز جو کہ گذشتہ مدت میں الگ سے منافع بعد از ٹیکس برائے متعلق آپریٹنگز کے طور پر رکھا تھا، کو اس بار اصل آمدنی اور اخراجات کے لائن آئٹمز میں شامل کیا گیا ہے۔ اسکی تفصیلات نوٹ نمبر 23 غیر انضباطی شدہ عبوری گوشوارے میں موجود ہیں۔

کریڈٹ ریٹنگ

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

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

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

آگے بڑھنے کا عزم

بینک الفلاح مستحکم نمو اور شیئر ہولڈرز کے لیے مستقل بنیادوں پر ویلو بنانے کی مؤثر پوزیشن میں ہے۔ ہم ڈیجیٹل بینکنگ، ٹیکنالوجی انفراسٹرکچر، ہیومن کیپیٹل، کمپلائنس اور کنٹرول ماحول کو بہتر بنانے کے لیے مزید سرمایہ کاری کریں گے۔ اس کے ساتھ ساتھ ہم کم لاگت کے ڈپازٹ بیس، کیپیٹل آن رسک ایسیٹ، بینکنگ تک کے منافع جات کو بہتر بنانے اور

ڈائریکٹر کا جائزہ

ہم بورڈ آف ڈائریکٹرز کی جانب سے بینک الفلاح لمیٹڈ کے لیے 30 ستمبر، 2019 کو ختم ہونے والی مدت کی غیر انضمام شدہ کنڈینسڈ انٹرم مالیاتی گوشوارے پیش کرنے میں خوشی محسوس کرتے ہیں۔

معاشی جائزہ

پاکستان کی معیشت نے 2019 کی تیسری سہ ماہی میں استحکام کی ابتدائی علامات ظاہر کرنا شروع کر دی ہیں۔ اس حوالے سے ساختی عدم توازن کو صحیح کرنے کے لیے حکومت کی طرف سے وقت اور عزم درکار ہوگا، کچھ مثبت اثرات خاص طور پر سہ ماہی کے اختتام پر نظر آئے۔

مبنی، اسٹاک اور فارن ایکسچینج مارکیٹس میں رجحانات دیکھنے میں آئے جن سے مارکیٹ میں اعتماد بحال ہونے کی علامات کا اشارہ ملتا ہے کیونکہ مارکیٹ کے حصہ داروں نے ایک جائزہ لیا ہے جس کے مطابق مستقبل میں بہتر حالات کی توقع ہے۔ طویل مدت کے لیے مارکیٹ میں سازگار حالات فراہم کرنے میں اسٹیٹ بینک آف پاکستان نے ایک اہم کردار ادا کیا۔ جولائی 2019 کی مالیاتی پالیسی کے دوران، اسٹیٹ بینک آف پاکستان نے ڈسکاؤنٹ کی شرح میں 100bp کا اضافہ کیا اور ڈسکاؤنٹ کی شرح 13.25% تک ہو گئی لیکن بتایا گیا ہے کہ ماضی کے باقی واجبات کی ادائیگیاں دونوں طرح سے یعنی انٹرسٹ کی شرح اور کرنسی میں مکمل کر دی گئی ہیں۔ اسٹیٹ بینک آف پاکستان کے ساتھ، ستمبر 2019 میں اسی لیول پر انٹرسٹ کی شرحوں کو برقرار رکھنے کا انتخاب کرنے سے اس ٹائر کو مزید تقویت ملی ہے۔

شامی مارکیٹ کی پیداواریں ایک بڑی تبدیلی سے گزری جو کہ 10 سالہ بی آئی بی پیداواروں میں نمایاں نظر آئی جو 13.9% کی بلندی سے کم ہو کر 11.9% رہ گئیں۔ کیونکہ مارکیٹ، inverted yield curve phase میں داخل ہوئی تھی جو سہ ماہی کے آگے بڑھنے کے ساتھ ساتھ تیزی سے invert ہوتی گئی۔ کرنسی مارکیٹ میں بھی توازن اور استحکام دیکھنے میں آیا کیونکہ ایک مستقل عرصے تک قیمت میں کمی رہنے کے بعد اس سہ ماہی کے دوران کرنسی میں 2.8% کا اضافہ ہوا۔ ستمبر میں کے ایس ای 100 انڈیکس کے ساتھ 8% منافع کا اعلان کر کے اسٹاک مارکیٹ میں مسلسل 7 ماہ تک ماہانہ کلوننگز متغی رہیں، جس سے سال کے لیے تقاضات میں کمی واقع ہو رہی ہے اور 2019 کے لیے اب YTD منافع منفی 13% پر قائم ہے۔ جیسا کہ برآمدات میں 15% کا اضافہ ہوا جس سے اس کی لاگت 1.9 bn اہو ایس ڈالر رہی اور درآمدات 20% یعنی 3.5 bn ہوا ایس ڈالر تک کم رہیں۔ اگست 2019 میں سال بے سال تجارتی خسارے میں 25% کمی ہوئی۔ مستحکم ترسیلات زر کی بدولت، کرنٹ اکاؤنٹ کے خسارے میں سال بے سال 14% کمی ہوئی۔

چیلنجز برقرار رہے کیونکہ میکرو اکنومک کی ادائیگیوں کی ضرب لگنے کے باعث مہنگائی جاری رہی۔ اگست 2019 میں حکومت نے سی بی آئی کا تخمینہ لگانے کے لیے بنیادی سال میں تبدیلی کا اعلان کیا، نئے بنیادی سال کے تحت اگست اور ستمبر 2019 کے لیے مہنگائی 10.5% اور 11.4% رہی۔ مالیاتی خسارے کو بھی ایک چیلنج کا سامنا رہا جہاں ٹیکس کی وصولی میں سال بے سال متاثر کن ترقی کے باوجود خسارے میں کمی کا فیصد حد سے کم ہے۔ جبکہ آئی ایم ایف نے حدفوں پر نظر ثانی کرنے کی ضرورت کو مسترد کیا ہے تو حکومت کو چاہیے کہ وہ مزید اصلاحات کا آغاز کرے تاکہ اس بات کو یقینی بنایا جاسکے کہ آئی ایم ایف کے حدفوں کو پورا کیا جاسکے۔

فنانشنگ فریٹ پر حکومت نے جولائی میں آئی ایم ایف پروگرام کے تحت اس کی پہلی قسط وصول کی۔ حکومت نے سکوٹ اور یورپوینڈز کے لیے بین الاقوامی مارکیٹ کو دستک دینے کے مقصد سے مشیروں کی خدمات حاصل کرنا شروع کر دی ہیں۔ پاکستان پہلی فنانشل ایکشن ٹاسک فورس کی گئے فہرست میں شامل ہے، اس لیے ملک کو اپنے مسائل کے حل پر توجہ دینے، اپنے میکرو اکنومک حالات کو بہتر بنانے کے لیے اقدام اٹھانے اور اپنے صنعتی شعبے میں جدت لانے کی ضرورت ہے تاکہ بین الاقوامی مارکیٹس میں زیادہ مابقتی ملک بن سکیں۔ پاکستان، غیر ملکی قرضوں پر زیادہ انحصار کرنے کے بجائے کاروبار میں آسانی لانے اور فارن ڈائریکٹ انویسٹمنٹ کو بہتر بنانے کی کوشش کر رہا ہے۔

بینک کی کارکردگی کا جائزہ

30 ستمبر، 2019 کو ختم ہونے والی مدت کے لیے بینک کے مالیاتی نتائج کی جھلکیاں مندرجہ ذیل ہیں:

31 دسمبر، 2018	30 ستمبر، 2019	مالی حالت
75,647	82,667	شیرین ہولڈرز کی ایکویٹی
702,895	711,262	گن ٹیازس*
1,006,218	1,048,723	گن اثاثہ جات
501,636	473,077	ایڈوانسر۔ خالص*
277,660	350,065	سرمایہ کاربان، خالص*

*پچھلے سال کے اعدادوشمار میں اور سیزر سیٹ اپ شامل نہیں ہے جو کہ فروخت کے لیے روکا گیا تھا، جبکہ بے حالیہ سال کے اعدادوشمار میں شامل ہے۔

30 ستمبر، 2018	30 ستمبر، 2019	مالی کارکردگی
کو ختم ہونے والی مدت	کو ختم ہونے والی مدت	خالص سود آمدنی اور
(ری اسٹیٹڈ)	روپے ملین میں	نان مارک اپ آمدنی
		نان مارک اپ اخراجات
		پرویزن اور رینٹ آف (خالص)
		منافع قبل از ٹیکس
		منافع بعد از ٹیکس
		فی شیرین بنیادی آمدنی، روپے
		فی شیرین ڈائیلیٹیڈ آمدنی، روپے

**Unconsolidated Condensed Interim
Financial Statements
Nine months period ended
September 30, 2019**



Unconsolidated Condensed Interim Statement of Financial Position

As at September 30, 2019

Note (Un-audited) (Audited)
September 30, December 31,
2019 2018
------(Rupees in '000)-----

ASSETS

Cash and balances with treasury banks	7	74,456,845	82,407,700
Balances with other banks	8	5,284,170	3,874,955
Lendings to financial institutions	9	76,268,913	62,172,287
Investments	10	350,064,775	277,660,403
Advances	11	473,076,668	501,636,452
Fixed assets	12	27,346,339	18,272,215
Intangible assets	13	1,355,260	1,283,516
Deferred tax assets		-	-
Other assets	14	40,879,436	35,320,826
Assets held for sale	23	-	23,589,489
		1,048,732,406	1,006,217,843

LIABILITIES

Bills payable	15	15,552,446	35,988,225
Borrowings	16	173,107,900	123,738,241
Deposits and other accounts	17	711,261,547	702,895,280
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	11,987,000	11,989,000
Deferred tax liabilities	19	2,385,965	2,070,702
Other liabilities	20	51,770,517	33,454,124
Liabilities directly associated with the assets held for sale	23	-	20,435,396
		966,065,375	930,570,968

NET ASSETS

	82,667,031	75,646,875
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REPRESENTED BY

Share capital	21	17,771,651	17,743,629
Reserves		26,061,405	23,050,754
Surplus on revaluation of assets	22	9,202,746	7,382,950
Unappropriated profit		29,631,229	27,469,542
		82,667,031	75,646,875

CONTINGENCIES AND COMMITMENTS

24

The annexed notes 1 to 44 form an integral part of these unconsolidated condensed interim financial statements.



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

For the nine months period ended September 30, 2019

Note	Quarter ended September 30, 2019	Quarter ended September 30, 2018 Restated	Nine months period ended September 30, 2019	Nine months period ended September 30, 2018 Restated	
------(Rupees in '000)-----					
Mark-up/Return/Interest Earned	26	24,806,014	14,812,060	66,435,120	42,903,971
Mark-up/Return/Interest Expensed	27	13,146,174	6,926,316	33,123,609	19,662,236
Net Mark-up/Interest Income		11,659,840	7,885,744	33,311,511	23,241,735
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	28	1,738,880	1,535,191	5,250,852	4,678,535
Dividend Income		80,868	73,488	250,645	346,197
Foreign Exchange Income		691,488	520,235	1,955,256	1,403,093
(Loss) / gain from derivatives		(49,413)	14,254	(62,305)	45,050
(Loss) / gain on securities	29	(373,823)	184,950	(438,021)	1,367,002
Other income	30	21,901	21,284	149,110	169,078
Total non-mark-up / interest income		2,109,901	2,349,402	7,105,537	8,008,955
Total income		13,769,741	10,235,146	40,417,048	31,250,690
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	31	7,468,762	5,971,857	21,356,648	17,636,979
Workers' Welfare Fund	32	124,463	105,000	379,847	297,202
Other charges	33	62,352	431	171,644	1,585
Total non-mark-up / interest expenses		7,655,577	6,077,288	21,908,139	17,935,766
Profit before provisions		6,114,164	4,157,858	18,508,909	13,314,924
Provisions and write offs - net	34	1,032,607	(95,777)	2,012,435	(946,233)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,081,557	4,253,635	16,496,474	14,261,157
Taxation	35	2,048,079	1,663,771	7,254,037	5,632,335
PROFIT AFTER TAXATION		3,033,478	2,589,864	9,242,437	8,628,822
-----Rupees-----					
Basic earnings per share - Restated	36	1.71	1.46	5.20	4.87
Diluted earnings per share - Restated	37	1.71	1.46	5.20	4.86

The annexed notes 1 to 44 form an integral part of these unconsolidated condensed interim financial statements.



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

For the nine months period ended September 30, 2019

Note	Quarter ended September 30, 2019	Quarter ended September 30, 2018 Restated	Nine months period ended September 30, 2019	Nine months period ended September 30, 2018 Restated
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Profit after taxation for the period 3,033,478 **2,589,864** 9,242,437 **8,628,822**

Other comprehensive income

Items that may be reclassified to profit and loss account in subsequent periods:

Effect of translation of net investment in foreign branches	(359,180)	221,849	2,081,548	1,311,667
Movement in surplus / (deficit) on revaluation of investments - net of tax	1,338,503	(373,315)	1,878,516	(2,141,420)
	979,323	(151,466)	3,960,064	(829,753)

Items that will not be reclassified to profit and loss account in subsequent periods:

Movement in (deficit) / surplus on revaluation of operating fixed assets - net of tax	(8,239)	(7,727)	(57,611)	(23,857)
Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax	(502)	(298)	(1,109)	(883)
	(8,741)	(8,025)	(58,720)	(24,740)
Total comprehensive income	4,004,060	2,430,373	13,143,781	7,774,329

The annexed notes 1 to 44 form an integral part of these unconsolidated condensed interim financial statements.



Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the nine months period ended September 30, 2019

	Capital Reserves				Statutory reserve	Revenue Reserves		Surplus/(Deficit) on revaluation		Unappropriated profit	Total
	Share capital	Reserve for issue of bonus shares	Share premium	Exchange translation reserve		Employee share option compensation reserve	Investments	Fixed / Non-Banking Assets			
(Rupees in '000)											
Balances as at January 01, 2018	16,075,720	-	4,612,991	2,076,807	11,394,345	72,526	2,635,518	4,649,730	24,200,508	65,718,145	
Changes in equity for the nine months period ended September 30, 2018											
Profit after taxation	-	-	-	-	-	-	-	-	8,628,822	8,628,822	
Other comprehensive income - net of tax	-	-	-	1,311,667	-	-	(2,141,420)	-	-	(829,753)	
Transfer to statutory reserve	-	-	-	-	1,725,764	-	-	-	(1,725,764)	-	
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(24,740)	24,740	-	
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2017 at 15%	-	-	-	-	-	-	-	-	(2,411,358)	(2,411,358)	
Shares issued during the year	1,613,057	(1,613,057)	-	-	-	-	-	-	-	-	
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	-	-	(1,613,057)	-	
Interim cash dividend for the half year ended June 30, 2018 at 10%	-	-	-	-	-	-	-	-	(1,613,057)	(1,613,057)	
Amortisation of deferred employee compensation expense	-	-	-	-	-	10,199	-	-	-	10,199	
Shares issued under stock option scheme during the period	54,852	-	27,637	-	-	-	-	-	-	82,489	
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-	
Balances as at September 30, 2018	17,743,629	-	4,695,600	3,388,474	13,120,109	27,753	494,098	4,624,990	25,490,834	69,585,487	
Changes in equity for three months ended December 31, 2018											
Profit after taxation	-	-	-	-	-	-	-	-	1,996,398	1,996,398	
Other comprehensive income - net of tax	-	-	-	1,662,975	-	-	(450,368)	2,723,389	126,157	4,062,153	
Transfer to statutory reserve	-	-	-	-	153,006	-	-	-	(153,006)	-	
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(9,159)	9,159	-	
Transactions with owners, recorded directly in equity											
Amortisation of deferred employee compensation expense	-	-	-	-	-	2,837	-	-	-	2,837	
Balances as at December 31, 2018	17,743,629	-	4,695,600	5,051,449	13,273,315	30,590	43,730	7,339,220	27,469,542	75,646,875	
Changes in equity for the nine months period ended September 30, 2019											
Profit after taxation	-	-	-	-	-	-	-	-	9,242,437	9,242,437	
Other comprehensive income - net of tax	-	-	-	2,081,548	-	-	1,878,516	648	-	3,960,712	
Transfer to statutory reserve	-	-	-	-	924,244	-	-	-	(924,244)	-	
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(59,368)	59,368	-	
Transactions with owners, recorded directly in equity											
Final cash dividend for the year ended December 31, 2018 at 15%	-	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)	
Interim cash dividend for the half year ended June 30, 2019 at 20%	-	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	
Reversal of amortisation of deferred employee compensation expense	-	-	-	-	-	(5,201)	-	-	-	(5,201)	
Shares issued during the period	28,022	-	10,060	-	-	-	-	-	-	38,082	
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	25,389	-	-	(25,389)	-	-	-	-	
Balances as at September 30, 2019	17,771,651	-	4,731,049	7,132,997	14,197,359	-	1,922,246	7,280,500	29,631,229	82,667,031	

The annexed notes 1 to 44 form an integral part of these unconsolidated condensed interim financial statements.

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2019

Note	Nine months period ended	
	September 30, 2019	September 30, 2018 Restated
------(Rupees in '000)-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
	16,496,474	14,261,157
Profit before taxation		
Dividend income	(250,645)	(346,197)
	16,245,829	13,914,960
Adjustments		
Depreciation	2,450,312	1,327,830
Amortisation	360,757	366,055
Provisions and write offs - net	2,012,435	(946,233)
Unrealised loss on revaluation of investments classified as held for trading-net	27,797	54,032
Gain on sale of operating fixed assets - net	(98,008)	(127,827)
Finance charge on leased assets	1,034,746	-
Workers' Welfare Fund	379,847	297,202
Charge for defined benefit plan	114,430	140,753
	6,282,316	1,111,812
	22,528,145	15,026,772
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,832,673)	(26,078,190)
Held for trading securities	(17,190,141)	5,892,711
Advances	29,677,435	(71,547,624)
Other assets (excluding advance taxation)	(8,282,944)	4,170,816
	(628,323)	(87,562,287)
Increase / (Decrease) in operating liabilities		
Bills payable	(20,435,779)	(1,898,499)
Borrowings	49,479,316	(130,077,140)
Deposits	8,366,267	27,090,585
Other liabilities (excluding current taxation)	3,939,928	(949,026)
	41,349,732	(105,834,080)
	63,249,554	(178,369,595)
	(2,910,362)	(3,192,857)
	60,339,192	(181,562,452)
Income tax paid		
Net cash generated from / (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(46,078,462)	174,702,950
Net investments in held-to-maturity securities	(6,982,571)	4,962,799
Dividends received	212,712	309,934
Investments in operating fixed assets	(2,381,775)	(820,913)
Proceeds from sale of fixed assets	303,685	415,716
Effect of translation of net investment in foreign branches	2,081,548	1,311,667
Net cash generated (used in) / from investing activities	(52,844,863)	180,882,153
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payment) / receipts of subordinated debt	(2,000)	6,998,000
Payment of leased obligations	(2,203,370)	-
Issue of share capital	38,082	82,489
Dividend paid	(2,494,760)	(2,393,920)
Net cash (used in) / generated from financing activities	(4,662,048)	4,686,569
Increase in cash and cash equivalents	2,832,281	4,006,270
Cash and cash equivalents at beginning of the year	104,599,163	96,541,867
Effects of exchange rate changes on cash and cash equivalents	(4,097,767)	(3,120,656)
	100,501,396	93,421,211
Cash and cash equivalents at end of the period	103,333,677	97,427,481

The annexed notes 1 to 44 form an integral part of these unconsolidated condensed interim financial statements.

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



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

For the nine months period ended September 30, 2019

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and its shares are listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank is operating through 648 branches (December 31, 2018: 624 branches) and 24 sub-branches (December 31, 2018: 25 sub-branches). Out of these, 482 (December 31, 2018: 462) are conventional, 155 (December 31, 2018: 151) are Islamic, 10 (December 31, 2018: 10) are overseas and 1 (December 31, 2018: 1) is an offshore banking unit.

2 BASIS OF PRESENTATION

2.1.1 STATEMENT OF COMPLIANCE

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

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

Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

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

SBP has not adopted IFRS 9 for 2019 for the Banks in Pakistan. The Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector in Pakistan.

Accordingly, the requirements of these standards for Pakistan operations have not been considered in the preparation of these unconsolidated condensed interim financial statements.

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

2.1.3 Key financial figures of the Islamic Banking branches are disclosed in note 42 to these unconsolidated condensed interim financial statements.

2.1.4 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim unconsolidated financial statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2018.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated condensed interim financial statements. The standards adopted have been disclosed in note 4.2.

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

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
Definition of Material - Amendments to IAS 1 and IAS 8	January 01, 2020
The Conceptual Framework for Financial Reporting	January 01, 2020
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2021

3 BASIS OF MEASUREMENT

3.1 Accounting convention

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

3.2 Functional and Presentation Currency

These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2018 except as disclosed below.

Changes in accounting policies

4.1 Change in reporting format

The SBP vide BPRD Circular Letter No.5 dated March 22, 2019 specified the new reporting format for the quarterly and half yearly financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the nine months period ended September 30, 2019 which has resulted in certain additional disclosures and reclassifications of the items in these unconsolidated condensed interim financial statements.

The Bank has adopted the above changes in the presentation and made additional disclosures. Accordingly, corresponding figures have been rearranged / reclassified to correspond to current period's presentation.

4.2 Adoption of IFRS 16 - 'Leases'

International Accounting Standards Board (IASB) has issued IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.



The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is a lessor.

The Bank has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

New accounting policies of the Bank upon adoption of IFRS 16 are:

Right-of-use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/ (decrease)) is as follows:

	January 1, 2019 Rupees in '000
Assets	
Right-of-use (RoU) asset	9,294,254
Prepayments	(589,476)
Total Assets	8,704,778
Liabilities	
Lease liability	8,704,777

The carrying amounts of the Bank's right-of-use assets, lease liabilities and the movements during the period is as below:

	September 30, 2019 Rupees in '000	
	RoU asset	Lease liability
As at January 1, 2019	9,294,254	8,704,777
Addition	491,903	491,903
Depreciation	(1,262,891)	-
Borrowing cost	-	1,034,746
Payments	-	(1,656,785)
As at September 30, 2019	8,523,266	8,574,641

Had this standard not been applied, assets and liabilities would have been lower by Rs.8,523.266 million and Rs.8,574.641 million respectively. Rent expense would have been higher by Rs.1,685.833 million and depreciation charge and mark-up expense would have been lower by Rs.1,262.891 million and Rs.1,034.746 million respectively.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim unconsolidated financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2018.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2018.

(Un-audited) (Audited)
 September 30, December 31,
 2019 2018
 -----(Rupees in 000)-----

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	13,671,994	11,801,703
Foreign currency	2,309,674	5,711,022
	15,981,668	17,512,725
With State Bank of Pakistan in		
Local currency current account	26,807,601	31,122,141
Foreign currency current account	5,476,534	4,413,423
Foreign currency deposit account	13,519,700	10,931,812
	45,803,835	46,467,376
With other central banks in		
Foreign currency current account	8,243,897	2,733,265
Foreign currency deposit account	-	744,879
	8,243,897	3,478,144
With National Bank of Pakistan in local currency current account	4,025,958	14,931,225
Prize bonds	401,487	18,230
	<u>74,456,845</u>	<u>82,407,700</u>

8 BALANCES WITH OTHER BANKS

In Pakistan in current account	121,951	432,345
Outside Pakistan		
In current account	3,899,941	2,184,134
In deposit account	1,262,278	1,258,476
	5,162,219	3,442,610
	<u>5,284,170</u>	<u>3,874,955</u>

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	24,430,552	15,166,288
Repurchase agreement lendings (Reverse Repo)	29,849,573	37,214,313
Bai Muajjal receivable		
with State Bank of Pakistan	9,018,518	-
with other financial institutions	12,971,175	9,811,504
	21,989,693	9,811,504
	76,269,818	62,192,105
Less: expected credit loss - overseas branches	(905)	(19,818)
Lending to Financial Institutions - net of provision	<u>76,268,913</u>	<u>62,172,287</u>



10 INVESTMENTS

10.1 Investments by type:

	September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
------(Rupees in '000)-----								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	61,051,697	-	(27,016)	61,024,681	45,898,957	-	(13,261)	45,885,696
Pakistan Investment Bonds	3,166	-	19	3,185	1,209,673	-	(13,174)	1,196,499
Shares								
Fully paid up ordinary shares / units - Listed	158,112	-	61	158,173	155,944	-	(22,122)	133,822
Foreign Securities								
Overseas Bonds - Sovereign	3,502,033	-	(861)	3,501,172	302,699	-	6,151	308,850
	64,715,008	-	(27,797)	64,687,211	47,567,273	-	(42,406)	47,524,867
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	102,573,437	-	(36,587)	102,536,850	114,893,151	-	(40,902)	114,852,249
Pakistan Investment Bonds	85,203,662	-	1,465,382	86,669,044	26,490,800	-	(464,211)	26,026,589
Government of Pakistan Sukuks	5,216,131	-	19,317	5,235,448	15,726,083	-	(120,264)	15,605,819
Government of Pakistan Euro Bonds	1,956,304	-	(33,974)	1,922,330	2,440,076	-	(134,045)	2,306,031
Shares								
Fully paid up ordinary shares - Listed	6,273,645	(1,161,138)	1,379,998	6,492,505	7,371,290	(22,383)	712,253	8,061,160
Fully paid up ordinary shares - Unlisted	382,055	(59,661)	-	322,394	382,055	(59,661)	-	322,394
Preference Shares - Listed	108,835	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities								
Term Finance Certificates	1,729,913	(385,513)	(14,318)	1,330,082	1,504,126	(359,706)	(12,071)	1,132,349
Sukuks	4,908,529	(96,511)	105,291	4,917,309	4,775,082	(96,510)	323,930	5,002,502
Foreign Securities								
Overseas Bonds - Sovereign	5,386,415	-	75,153	5,461,568	1,357,353	-	(49,426)	1,307,927
Overseas Bonds - Others	16,168,278	-	343,501	16,511,779	9,147,217	-	(223,671)	8,923,546
Redeemable Participating Certificates	2,730,249	-	-	2,730,249	2,362,923	-	-	2,362,923
	232,662,453	(1,836,658)	3,303,763	234,129,558	186,583,991	(672,095)	(8,407)	185,903,489
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	26,017,675	-	-	26,017,675	26,280,990	-	-	26,280,990
Government of Pakistan Euro Bonds	-	-	-	-	243,011	-	-	243,011
Other Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215
Non Government Debt Securities								
Term Finance Certificates	524,266	(524,266)	-	-	524,266	(524,266)	-	-
Sukuks	1,631,028	(125,850)	-	1,505,178	2,689,965	(141,399)	-	2,548,566
Foreign Securities								
Overseas Bonds - Sovereign	13,551,382	-	-	13,551,382	8,185,947	-	-	8,185,947
Overseas Bonds - Others	778,969	-	-	778,969	690,721	-	-	690,721
	49,719,686	(650,116)	-	49,069,570	42,737,115	(665,665)	-	42,071,450
Associates	1,816,343	-	-	1,816,343	1,816,343	-	-	1,816,343
Subsidiaries	430,493	(42,981)	-	387,512	430,493	(42,981)	-	387,512
General provision and expected credit loss-								
Overseas operations	-	(25,419)	-	(25,419)	-	(43,258)	-	(43,258)
Total Investments	349,343,983	(2,555,174)	3,275,966	350,064,775	279,135,215	(1,423,999)	(50,813)	277,660,403

10.2 Investments given as collateral	Note	(Un-audited)	(Audited)
		September 30, 2019	December 31, 2018
------(Rupees in 000)-----			
Market Treasury Bills		65,808,624	39,445,702
Pakistan Investment Bonds		40,000,000	15,854,600
Overseas Bonds		4,838,137	4,818,676
Sukuk Bonds		2,030,510	3,885,659
		<u>112,677,271</u>	<u>64,004,637</u>

Market value of securities given as collateral is Rs.112,107.659 million (December 31, 2018: Rs. 63,858.995 million).

10.3 Provision for diminution in value of investments

10.3.1 Opening balance		1,423,999	1,427,028
Afghanistan operations classified as continuing operations	23	583	-
Exchange and other adjustments		3,054	13,876
Charge / reversals			
Charge for the period / year		1,504,814	128,747
Reversals for the period / year		(42,615)	(98,073)
Reversal on disposals		(334,661)	-
		1,127,538	30,674
Transfers - net		-	(3,947)
Amounts written off		-	(43,632)
Closing balance		<u>2,555,174</u>	<u>1,423,999</u>

10.3.2 Particulars of provision against debt securities

Category of classification	September 30 2019 (Un-audited)		December 31, 2018 (Audited)	
	NPI	Provision	NPI	Provision
------(Rupees in '000)-----				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,132,140	1,132,140	1,121,881	1,121,881
	<u>1,132,140</u>	<u>1,132,140</u>	<u>1,121,881</u>	<u>1,121,881</u>
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,132,140</u>	<u>1,132,140</u>	<u>1,121,881</u>	<u>1,121,881</u>

10.3.3 The market value of securities classified as held-to-maturity as at September 30, 2019 amounted to Rs. 48,723.149 million (December 31, 2018: Rs. 40,750.384 million).



11 ADVANCES

Note	Performing		Non Performing		Total	
	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	377,661,230	402,385,420	18,963,308	17,284,834	396,624,538	419,670,254
Islamic financing and related assets	42.3 75,542,213	85,660,964	1,511,778	1,393,959	77,053,991	87,054,923
Bills discounted and purchased	16,759,098	11,524,510	226,691	143,478	16,985,789	11,667,988
Advances - gross	469,962,541	499,570,894	20,701,777	18,822,271	490,664,318	518,393,165
Provision against advances						
- Specific	11.4 -	-	(16,693,417)	(15,883,399)	(16,693,417)	(15,883,399)
- General	11.4 (894,233)	(873,314)	-	-	(894,233)	(873,314)
	(894,233)	(873,314)	(16,693,417)	(15,883,399)	(17,587,650)	(16,756,713)
Advances - net of provision	469,068,308	498,697,580	4,008,360	2,938,872	473,076,668	501,636,452

11.1 Advances include an amount of Rs.127.43 million (December 31, 2018: Rs. 82.95 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OSED departments. These loans carry mark-up at the rates ranging from 9.46% to 24.42% (December 31, 2018: 9.46% to 20.30%) with maturities up to May 2039 (December 31, 2018: December 2038).

11.2 Particulars of advances (Gross)	(Un-audited)	(Audited)
	September 30, 2019	December 31, 2018
	------(Rupees in '000)-----	
In local currency	461,319,673	493,634,332
In foreign currencies	29,344,645	24,758,833
	490,664,318	518,393,165

11.3 Advances include Rs. 20,701.777 million (December 31, 2018: Rs. 18,822.271 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
	Non- Performing Loans	Provision	Non- Performing Loans	Provision
------(Rupees in '000)-----				
Domestic				
Other Assets Especially Mentioned	243,209	10,666	104,121	3,330
Substandard	4,678,567	1,464,827	3,077,658	762,678
Doubtful	730,403	343,058	552,920	235,663
Loss	14,503,191	14,438,961	14,590,618	14,517,512
	20,155,370	16,257,512	18,325,317	15,519,183
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	42,787	3,536
181 to 365 days	-	-	104,384	46,637
> 365 days	546,407	435,905	349,783	314,043
	546,407	435,905	496,954	364,216
Total	20,701,777	16,693,417	18,822,271	15,883,399

11.4 Particulars of provision against advances

	September 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	15,883,399	873,314	16,756,713	15,683,771	868,034	16,551,805
Exchange and other adjustments	43,000	21,091	64,091	62,512	2,944	65,456
Charge for the period	2,606,629	-	2,606,629	3,007,907	2,336	3,010,243
Reversals	(1,667,983)	(172)	(1,668,155)	(2,631,522)	-	(2,631,522)
	938,646	(172)	938,474	376,385	2,336	378,721
Amounts written off	(154,585)	-	(154,585)	(179,305)	-	(179,305)
Amounts charged off - agriculture financing	(17,043)	-	(17,043)	(59,964)	-	(59,964)
	(171,628)	-	(171,628)	(239,269)	-	(239,269)
Closing balance	16,693,417	894,233	17,587,650	15,883,399	873,314	16,756,713

11.4.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at September 30, 2019 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 71.83 million (December 31, 2018: Rs. 30.106 million).

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

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

	Note	(Un-audited)	(Audited)
		September 30, 2019	December 31, 2018
		------(Rupees in '000)-----	
12 FIXED ASSETS			
Capital work-in-progress	12.1	712,169	175,339
Property and equipment	12.2	18,110,905	18,096,876
Right-of-use assets	4.2	8,523,265	-
		27,346,339	18,272,215

12.1 Capital work-in-progress

Civil works	515,646	115,840
Equipment	191,763	55,670
Advances to suppliers	1,075	1,075
Others	3,685	2,754
	712,169	175,339

12.2 It includes land and building carried at revalued amount of Rs. 13,647.515 million (December 31, 2018: Rs. 13,907.251 million).



(Un-audited)
 September 30, 2019 September 30, 2018
 -----(Rupees in '000)-----

12.3 Additions to fixed assets

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

Capital work-in-progress - net of transferred out for capitalisation	536,830	15,662
Property and equipment		
Building on freehold land	12,184	5,224
Building on leasehold land	27,876	42,185
Lease hold improvement	74,578	53,522
Furniture and fixture	54,168	25,620
Office equipment	1,238,116	533,762
Vehicles	5,835	10,352
	1,412,757	670,665
Total additions to fixed assets	1,949,587	686,327

12.4 Disposal of fixed assets

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

Leasehold land	192,500	242,489
Building on leasehold	2,700	-
Leasehold improvements	225	12,368
Furniture and fixture	241	3,000
Office equipment	1,987	6,214
Vehicles	8,024	23,816
Total disposal of fixed assets	205,677	287,887

(Un-audited) (Audited)
 September 30, 2019 December 31, 2018
 -----(Rupees in '000)-----

13 INTANGIBLE ASSETS

Capital work-in-progress / advance payment to suppliers	322,537	180,901
Software	1,032,723	1,102,615
	1,355,260	1,283,516

(Un-audited)
 September 30, 2019 September 30, 2018
 -----(Rupees in '000)-----

13.1 Additions to intangible assets

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

Capital work-in-progress - net of transferred out for capitalisation	141,636	11,073
Directly purchased	290,552	180,443
Total additions to intangible assets	432,188	191,516

13.2 There were no disposals during the periods ended September 30, 2019 and September 30, 2018.

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
14	OTHER ASSETS		
	Income/ Mark-up accrued in local currency - net of provision	18,185,367	11,861,352
	Income/ Mark-up accrued in foreign currency - net of provision	921,943	538,855
	Advances, deposits, advance rent and other prepayments	2,494,978	2,397,511
	Non-banking assets acquired in satisfaction of claims	14.1 607,061	615,517
	Dividend receivable	40,701	2,768
	Mark to market gain on forward foreign exchange contracts	1,162,838	4,519,604
	Mark to market gain on derivatives	-	68,224
	Stationery and stamps on hand	31,954	37,631
	Defined benefit plan	833,633	923,633
	Branch adjustment account	160,577	311,104
	Accounts receivable	779,844	527,067
	Receivable against fraud and forgeries	168,729	206,651
	Acceptances	14,943,391	13,319,265
	Others	715,534	221,880
		<u>41,046,550</u>	<u>35,551,062</u>
	Less: Provision held against other assets	14.2 (324,939)	(389,766)
	Other assets (net of provision)	40,721,611	35,161,296
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	157,825	159,530
		<u>40,879,436</u>	<u>35,320,826</u>

14.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 750.431 million (December 31, 2018: Rs. 757.092 million).

14.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments	310,484	371,811
Non banking assets acquired in satisfaction of claims	14,455	17,955
	<u>324,939</u>	<u>389,766</u>

14.2.1 Movement in provision held against other assets

Opening balance		389,766	153,049
Afghanistan operations classified as continuing operations	23	2,998	-
Charge for the period / year		62,161	421,760
Reversals		(44,078)	(10,348)
Amount written off		(86,118)	(144,945)
Exchange and other adjustments		210	(29,750)
Closing balance		<u>324,939</u>	<u>389,766</u>



	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	------(Rupees in '000)-----	
15	BILLS PAYABLE	
	In Pakistan	
	15,372,184	35,825,039
	Outside Pakistan	
	180,262	163,186
	<u>15,552,446</u>	<u>35,988,225</u>

16	BORROWINGS	
	Secured	
	Borrowings from State Bank of Pakistan	
	Under Export Refinance Scheme	
	28,615,128	26,344,557
	Under Long-Term Finance Facility	
	14,993,189	11,199,254
	Under Financing Facility for Storage of Agriculture Produce (FFSAP)	
	276,295	263,033
	Under Repurchase Agreement Borrowings	
	94,487,680	35,962,700
	138,372,292	73,769,544
	Repurchase agreement borrowings	
	6,945,488	11,163,509
	Bai Muajjal	
	12,547,803	19,254,058
	157,865,583	104,187,111
	Unsecured	
	Call borrowings	
	13,341,209	14,951,967
	Overdraw nostro accounts	
	837,890	947,547
	Bai Muajjal	
	1,063,218	3,014,836
	Others - Pakistan Mortgage Refinance and Karandaaz	
	15,242,317	19,551,130
	173,107,900	123,738,241

17 DEPOSITS AND OTHER ACCOUNTS

	September 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	253,970,258	64,196,483	318,166,741	253,826,090	31,077,261	284,903,351
Savings deposits	185,626,389	33,530,119	219,156,508	182,286,764	29,222,301	211,509,065
Term deposits	85,784,101	43,925,596	129,709,697	103,144,924	42,383,783	145,528,707
Others	8,102,432	3,006,897	11,109,329	10,007,520	1,920,061	11,927,581
	533,483,180	144,659,095	678,142,275	549,265,298	104,603,406	653,868,704
Financial Institutions						
Current deposits	1,495,154	1,334,007	2,829,161	2,133,977	533,400	2,667,377
Savings deposits	20,655,267	37,725	20,692,992	30,625,516	53,409	30,678,925
Term deposits	7,774,066	1,817,280	9,591,346	14,220,573	1,401,959	15,622,532
Others	4,909	864	5,773	47,926	9,816	57,742
	29,929,396	3,189,876	33,119,272	47,027,992	1,998,584	49,026,576
	563,412,576	147,848,971	711,261,547	596,293,290	106,601,990	702,895,280

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
		------(Rupees in '000)-----	
18	SUBORDINATED DEBT		
18.1	Term Finance Certificates V - Quoted, Unsecured	4,987,000	4,989,000
	Issue amount	Rs. 5,000,000,000	
	Issue date	February 2013	
	Maturity date	February 2021	
	Rating	"AA-" (Double A Minus) by Pakistan Credit Rating Company Limited ("PACRA").	
	Security	Unsecured.	
	Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.	
	Profit payment frequency	Payable semi-annually in arrears.	
	Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.	
	Mark-up	Base Rate + 1.25 percent. Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.	
	Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.	
	Call option	There is no call option available to the Bank.	
18.2	Term Finance Certificates - Additional Tier-I - Quoted, Unsecured		
	Issue amount	Rs. 7,000,000,000	7,000,000
	Issue date	March 2018	
	Maturity date	Perpetual.	
	Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.	
	Security	Unsecured.	
	Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.	
	Profit payment frequency	Payable semi-annually in arrears.	
	Redemption	Perpetual.	
	Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date.	
	Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.	
	Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the point of non-viability Trigger Event ; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.	
	Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.	
		<u>11,987,000</u>	<u>11,989,000</u>



Note (Un-audited) (Audited)
September 30, 2019 December 31, 2018
------(Rupees in '000)-----

19 DEFERRED TAX LIABILITIES

Deductible Temporary Differences on

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

(563,206)	(168,568)
(462,193)	(266,938)
(245,622)	(223,866)
(5,720)	(5,720)
(16,690)	(16,690)
(9,729)	(14,842)
(1,303,160)	(696,624)

Taxable Temporary Differences on

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

1,297,566	1,329,184
1,156,317	(2,882)
1,235,242	1,284,792
-	156,232
3,689,125	2,767,326

2,385,965	2,070,702
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20 OTHER LIABILITIES

- Mark-up/ Return/ Interest payable in local currency
- Mark-up/ Return/ Interest payable in foreign currency
- Unearned commission and income on bills discounted and guarantees
- Accrued expenses
- Current taxation
- Acceptances
- Dividends payable
- Mark to market loss on forward foreign exchange contracts
- Mark to market loss on derivatives
- Provision for compensated absences
- Payable against redemption of customer loyalty / reward points
- Charity payable
- Provision against off-balance sheet obligations
- Security deposits against leases, lockers and others
- Workers' Welfare Fund
- Payable to vendors and suppliers
- Indirect taxes payable
- Liabilities against assets subject to lease
- Others

2,909,789	2,107,388
728,042	610,511
242,629	220,584
4,878,664	3,954,081
5,940,481	926,956
14,943,391	13,319,265
251,013	84,229
949,706	970,502
74,436	1,169
588,010	498,010
361,729	274,076
521	20
128,430	78,450
6,965,490	6,808,459
1,350,767	970,920
611,383	601,657
538,937	449,732
8,574,641	-
1,732,458	1,578,115
51,770,517	33,454,124

20.1 Provision against off-balance sheet obligations

- Opening balance
- Exchange and other adjustments

78,450	65,463
12,742	13,759

- Charge for the period
- Reversals

37,238	-
-	(772)
37,238	(772)

- Closing balance

128,430	78,450
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21 SHARE CAPITAL

21.1 Authorized Capital

(Un-audited) September 30, 2019	(Audited) December 31, 2018		(Un-audited) September 30, 2019	(Audited) December 31, 2018
------(Number of shares)-----			------(Rupees in 000)-----	
<u>2,300,000,000</u>	<u>2,300,000,000</u>	Ordinary shares of Rs. 10 each	<u>23,000,000</u>	<u>23,000,000</u>

21.2 Issued, subscribed and paid up Capital

		Ordinary shares		
891,453,153	888,650,908	Fully paid in cash	8,914,531	8,886,509
885,711,966	885,711,966	Issued as bonus shares	8,857,120	8,857,120
<u>1,777,165,119</u>	<u>1,774,362,874</u>		<u>17,771,651</u>	<u>17,743,629</u>

During the period, the Bank issued 2,802,245 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS).

Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	------(Rupees in 000)-----	

22 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims
- Surplus on revaluation of investment held for sale in Afghanistan

10.1	3,303,763	(8,407)
	8,420,239	8,508,874
	157,825	159,530
	-	303
	<u>11,881,827</u>	<u>8,660,300</u>

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

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims
- Surplus on revaluation of investment held for sale in Afghanistan

	1,156,317	(2,943)
	1,267,508	1,298,531
	30,056	30,653
	-	61
	<u>2,453,881</u>	<u>1,326,302</u>

Derivatives

	(225,200)	48,952
	<u>9,202,746</u>	<u>7,382,950</u>

23 ASSETS HELD FOR SALE

23.1 The Bank signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations in 2018 and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan. Accordingly, the aforesaid business was classified as "Asset held for sale". However, during the current period, the DAB vide its letter dated February 27, 2019 declined the application for approval. Consequently, the plan for the disposal has been withdrawn. In line with the requirements of IFRS 5 'Non-current assets held for sale and Discontinued Operations' the results of the Afghanistan operations previously presented in discontinued operations have been reclassified and included in income from continuing operations for all periods presented and the amounts presented for 'assets and liabilities held for sale' in the comparative statement of financial position have not been reclassified or re-presented.



23.2 The financial position of assets classified as held for sale are as follows:

STATEMENT OF FINANCIAL POSITION		(Audited) December 31, 2018 (Rupees in '000)
Assets held for sale		
Cash and balances with treasury banks		4,764,918
Balances with other banks		3,431,895
Lendings to financial institutions		10,470,354
Investments - net		4,596,965
Advances - net		224,090
Fixed assets		9,370
Other assets		91,897
		<u>23,589,489</u>
Liabilities directly associated with the assets held for sale		
Bills payable		4,549
Deposits and other accounts		20,287,651
Deferred tax liabilities		223
Other liabilities		142,973
		<u>20,435,396</u>

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
24	CONTINGENCIES AND COMMITMENTS		
	24.1	58,960,110	57,086,398
	24.2	550,231,623	437,946,961
	24.3	10,241,308	13,222,064
		<u>619,433,041</u>	<u>508,255,423</u>
24.1	Guarantees:		
		1,071,672	731,536
		32,511,048	32,153,833
		25,377,390	24,201,029
		<u>58,960,110</u>	<u>57,086,398</u>
24.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
		76,976,795	68,026,025
	Commitments in respect of:		
	24.2.1	291,296,448	228,265,364
	24.2.2	131,598,972	76,821,957
	24.2.3	11,055,034	12,051,091
	24.2.4	37,679,388	34,773,260
	4.2	-	16,897,381
	Commitments for acquisition of:		
		1,207,291	604,674
		417,695	507,209
		<u>550,231,623</u>	<u>437,946,961</u>

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
24.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	180,775,949	140,128,603
	Sale	110,520,499	88,136,761
		<u>291,296,448</u>	<u>228,265,364</u>
24.2.2	Commitments in respect of forward government securities transactions		
	Purchase	101,711,230	39,518,422
	Sale	29,887,742	37,303,535
		<u>131,598,972</u>	<u>76,821,957</u>
24.2.3	Commitments in respect of derivatives		
24.2.3.1	Interest Rate Swaps		
	Purchase	11,055,034	10,650,708
	Sale	-	-
		<u>11,055,034</u>	<u>10,650,708</u>
24.2.3.2	Futures		
	Purchase	-	-
	Sale	-	1,400,383
		-	<u>1,400,383</u>
	Total commitments in respect of derivatives	<u>11,055,034</u>	<u>12,051,091</u>
24.2.4	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	32,281,937	29,428,567
	Commitments in respect of investments	5,397,451	5,344,693
		<u>37,679,388</u>	<u>34,773,260</u>
24.2.4.1	These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		



(Un-audited) (Audited)
September 30, December 31,
2019 2018
------(Rupees in '000)-----

24.3 Other contingent liabilities

24.3.1 Claims against the Bank not acknowledged as debts

10,241,308 13,222,064

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.

24.4 Contingency for tax payable

24.4.1 There were no tax related contingencies other than as disclosed in note 35.2.

25 DERIVATIVE INSTRUMENTS

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

25.1 Product Analysis

Counterparties	September 30, 2019 (Un-audited)					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
With Banks for Hedging	22	11,055,034	(74,436)	-	-	-
With FIs other than banks Hedging	-	-	-	-	-	-
Total Hedging	22	11,055,034	(74,436)	-	-	-

Counterparties	December 31, 2018 (Audited)					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / (loss)	No. of contracts	Notional Principal	Mark to market gain / (loss)
With Banks for Hedging	21	10,650,708	88,487	-	-	-
With FIs other than banks Hedging	-	-	-	88	1,400,383	(21,432)
Total Hedging	21	10,650,708	88,487	88	1,400,383	(21,432)

	Note	(Un-audited)	
		Nine months period ended	
		September 30, 2019	September 30, 2018
------(Rupees in '000)-----			
26	MARK-UP/RETURN/INTEREST EARNED		
	On:		
	a) Loans and advances	42,525,770	25,762,357
	b) Investments	14,038,129	15,373,489
	c) Lendings to financial institutions	4,089,798	1,067,697
	d) Balances with banks	31,631	65,642
	e) Securities purchased under resale agreements / Bai Muajjal	5,749,792	634,786
		<u>66,435,120</u>	<u>42,903,971</u>
27	MARK-UP/RETURN/INTEREST EXPENSED		
	On:		
	a) Deposits	24,505,966	13,434,108
	b) Borrowings	2,496,274	941,161
	c) Securities sold under repurchase agreements	1,723,310	3,822,248
	d) Subordinated debt and ADT-1 instrument	1,066,023	696,717
	e) Cost of foreign currency swaps against foreign currency deposits / borrowings	3,230,059	697,796
	f) Reward points	101,977	70,206
		<u>33,123,609</u>	<u>19,662,236</u>
28	FEE & COMMISSION INCOME		
	Branch banking customer fees	940,951	1,133,397
	Consumer finance related fees	183,743	162,598
	Card related fees (debit and credit cards)	707,729	572,105
	Credit related fees	83,662	123,567
	Investment banking fees	208,746	134,072
	Commission on trade	1,109,918	940,736
	Commission on guarantees	258,231	304,167
	Commission on cash management	28,506	14,173
	Commission on remittances including home remittances	247,352	143,441
	Commission on bancassurance	345,183	294,982
	Card acquiring business	187,042	200,786
	Wealth Management Fee	88,181	53,213
	Commission on EOBi	82,642	78,512
	Commission on BISP	272,487	197,203
	Alternate Delivery Channels (ADC)	354,999	240,678
	Others	151,480	84,904
		<u>5,250,852</u>	<u>4,678,535</u>
29	(LOSS) / GAIN ON SECURITIES		
	Realised	29.1 (410,224)	1,421,034
	Unrealised - held for trading	10.1 (27,797)	(54,032)
		<u>(438,021)</u>	<u>1,367,002</u>
29.1	Realised (loss) / gain on:		
	Federal Government Securities	138,561	1,281,504
	Shares	(590,503)	157,358
	Foreign Securities	41,718	(17,828)
		<u>(410,224)</u>	<u>1,421,034</u>
30	OTHER INCOME		
	Rent on property	18,302	17,769
	Gain on sale of fixed assets-net	98,008	127,827
	Profit from sale of leased assets	32,800	23,482
		<u>149,110</u>	<u>169,078</u>



Note (Un-audited)
 Nine months period ended
 September 30, 2019 September 30, 2018
 -----(Rupees in '000)-----

31	OPERATING EXPENSES		
	Total compensation expense	31.1	9,384,179
	Property expense		7,558,189
	Rent and taxes		191,783
	Utilities cost		740,891
	Security (including guards)		455,564
	Repair and maintenance (including janitorial charges)		315,016
	Depreciation		1,571,150
			3,274,404
	Information technology expenses		
	Software maintenance		858,869
	Hardware maintenance		234,045
	Depreciation		265,952
	Amortisation		360,757
	Network charges		293,640
			2,013,263
	Other operating expenses		
	Directors' fees and allowances		181,381
	Fees and allowances to Shariah Board		5,850
	Legal and professional charges		178,359
	Outsourced services costs		744,132
	Travelling and conveyance		414,266
	Clearing and custodian charges		60,237
	Depreciation		613,210
	Training and development		78,530
	Postage and courier charges		273,584
	Communication		250,576
	Stationery and printing		365,952
	Marketing, advertisement and publicity		1,373,521
	Donations		7,392
	Auditors' remuneration		41,825
	Brokerage and commission		109,578
	Entertainment		157,389
	Repairs and maintenance		299,284
	Insurance (including DPC premium)		690,472
	Cash handling charges		385,602
	CNIC verification		89,700
	Others		363,962
			6,684,802
			21,356,648
31.1	Total compensation expense		4,978,110
	Managerial remuneration		17,636,979
	i) Fixed		7,112,574
	ii) Variable:		
	a) Cash bonus / awards etc.		1,126,095
	b) Bonus and awards in shares etc.		(5,201)
	Charge for defined benefit plan		114,430
	Contribution to defined contribution plan		300,254
	Medical		322,832
	Conveyance		177,988
	Staff compensated absences		90,000
	Others		77,848
	Sub-total		9,316,820
	Sign-on bonus		53,398
	Severance allowance		13,961
	Grand Total		9,384,179

32 WORKERS WELFARE FUND

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

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

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

	Note	(Un-audited)	
		Nine months period ended	
		September 30, 2019	September 30, 2018
33 OTHER CHARGES		------(Rupees in '000)-----	
Penalties imposed by State Bank of Pakistan		171,644	1,585

34 PROVISIONS & WRITE OFFS - NET

Provisions against lending to financial institutions		(20,095)	-
Provisions for diminution in value of investments	10.3.1	1,127,538	(72,984)
Provisions against loans & advances	11.4	938,474	(549,999)
Provision against other assets	14.2.1	18,083	(154,244)
Provision against off-balance sheet obligations	20.1	37,238	-
Other provisions / write off		90,374	-
Recovery of written off / charged off bad debts		(179,177)	(169,006)
		<u>2,012,435</u>	<u>(946,233)</u>

35 TAXATION

Current		7,320,300	6,002,933
Prior years	35.1	603,587	(86,044)
Deferred		(669,850)	(284,554)
		<u>7,254,037</u>	<u>5,632,335</u>

35.1 The Finance Act, 2018 had revised the applicability of super tax brought into effect through Finance Act, 2015 for rehabilitation of temporary displaced persons for Tax Years 2019, 2020 and 2021 at the rates of 4%, 3% and 2% respectively on the taxable income for respective years. However, Finance Supplementary (Second Amendment) Act, 2019 has levied super tax @ 4% on taxable income for the Tax Year 2018 (Accounting year 2017) retrospectively and same rate of 4% revised up to Tax Year 2021. Accordingly, in addition to the current tax charge of super tax, provision amounting to Rs.603 million also made for Tax Year 2018 (Accounting Year 2017) in these unconsolidated condensed interim financial statements.



- 35.2 a) The income tax assessments of the Bank have been finalized upto and including tax year 2018. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2014, 2017 and 2018, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs.789.862 million (December 31, 2018 : Rs.789.862 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.306.334 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) In respect of monitoring of withholding taxes, the Bank has received order from tax authorities. The Bank has not made provision amounting to Rs.24.920 million against tax demand for tax year 2019 as management is of the view that the matter will be settled in Bank's favour in appeals.
- c) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2018 : 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.

		(Un-audited)	
		(Restated)	
		September 30, 2019	September 30, 2018
		----- (Rupees in '000) -----	
36	BASIC EARNINGS PER SHARE		
	Profit for the period	<u>9,242,437</u>	<u>8,628,822</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares	<u>1,775,882</u>	<u>1,773,439</u>
		----- (Rupees) -----	
	Basic earnings per share	<u>5.20</u>	<u>4.87</u>
37	DILUTED EARNINGS PER SHARE		
		----- (Rupees in '000) -----	
	Profit for the period	<u>9,242,437</u>	<u>8,628,822</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>1,775,882</u>	<u>1,775,739</u>
		----- (Rupees) -----	
	Diluted earnings per share	<u>5.20</u>	<u>4.86</u>

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

38.1 Fair value of financial instruments

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

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

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

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

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

	September 30, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- (Rupees in '000) -----			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	257,391,538	-	257,391,538
Shares	6,650,678	-	-	6,650,678
Non-Government Debt Securities	-	6,247,391	-	6,247,391
Foreign Securities	-	28,204,768	-	28,204,768
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,162,838	-	1,162,838
Forward sale of foreign exchange	-	(949,706)	-	(949,706)
Derivatives purchases	-	-	-	-
Derivatives sales	-	(74,436)	-	(74,436)
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- (Rupees in '000) -----			
Financial assets - measured at fair value				
- Investments				
Federal Government Securities	-	205,872,883	-	205,872,883
Shares	8,194,982	-	-	8,194,982
Non-Government Debt Securities	-	6,134,851	-	6,134,851
Foreign Securities	-	12,903,246	-	12,903,246
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	4,519,604	-	4,519,604
Forward sale of foreign exchange	-	(970,502)	-	(970,502)
Derivatives purchases	-	68,224	-	68,224
Derivatives sales	-	(1,169)	-	(1,169)



- 38.2 Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 12 and 14. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.
- 38.3 The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the current period.
- 38.4 Valuation techniques used in determination of fair values:

(a) Financial Instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

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

39 SEGMENT INFORMATION

39.1 Segment details with respect to Business Activities

	For the nine months period ended September 30, 2019 (Un-audited)							
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Profit and loss								
Net mark-up/return/profit	(3,287,340)	16,814,493	6,276,877	12,701,757	(3,270)	1,931,815	(1,122,821)	33,311,511
Inter segment revenue - net	22,313,568	(11,028,310)	(540,140)	(12,301,938)	388,144	381,196	787,480	-
Non mark-up / return / interest income	2,848,200	842,610	802,659	1,423,410	357,577	495,740	335,341	7,105,537
Total Income	21,874,428	6,628,793	6,539,396	1,823,229	742,451	2,808,751	-	40,417,048
Segment direct expenses								
Inter segment expense allocation	9,187,120	761,434	2,649,716	338,532	1,328,802	1,170,082	6,472,453	21,908,139
Total expenses	4,081,361	594,620	1,045,418	156,038	453,371	151,645	(6,472,453)	-
Provisions / (reversals)	13,268,481	1,316,054	3,695,134	524,570	1,782,173	1,321,727	-	21,908,139
Profit before tax	8,250,861	4,778,080	2,867,376	142,640	(1,039,722)	1,497,239	-	16,496,474
As at September 30, 2019 (Un-audited)								
	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Balance Sheet								
Cash and bank balances	45,096,856	9,728,134	10,819,486	1,632,799	327,671	12,136,069	-	79,741,015
Investments	1,166,558	894,426	14,124,254	283,785,628	-	47,344,948	2,748,961	350,064,775
Net inter segment lending	285,871,457	-	-	-	5,706,486	-	76,388,252	367,966,195
Lendings to financial institutions	-	-	38,439,753	32,349,784	-	3,985,046	1,494,330	76,268,913
Advances - performing	134,476,806	229,795,723	75,434,123	-	43	22,331,046	7,030,567	469,068,308
Advances - non-performing	1,848,113	1,621,327	393,937	-	-	110,502	34,481	4,008,360
Others	29,930,150	9,977,031	8,066,193	2,944,158	757,599	1,398,850	16,507,054	69,581,035
Total assets	4,98,389,940	252,016,641	147,277,746	320,712,369	6,791,799	87,306,461	104,203,645	1,416,698,601
Borrowings								
Subordinated debt	11,079,832	28,862,645	5,627,701	106,827,725	-	18,372,231	2,337,766	178,107,900
Deposits and other accounts	454,878,534	86,709,221	111,551,756	-	6,592,070	51,518,981	11,987,000	1,198,700,000
Net inter segment borrowing	-	131,660,785	12,282,495	207,603,476	-	16,419,439	10,985	711,261,547
Others	30,271,158	4,783,990	15,870,594	2,710,359	199,729	1,465,390	-	367,966,195
Total liabilities	496,229,524	252,016,641	145,332,546	317,141,560	6,791,799	87,776,041	14,407,708	1,334,031,570
Net assets	2,160,416	-	1,945,200	3,570,809	-	(469,580)	75,460,186	82,667,031
Equity	-	-	-	-	-	-	-	-
Contingencies and commitments	53,276,789	365,718,437	29,635,647	131,598,972	-	37,347,153	1,856,043	619,433,041

For the nine months period ended September 30, 2018. (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
(Rupees in '000)								
Profit and loss								
Net mark-up/return/profit	71,657	9,449,334	3,829,800	8,908,476	-	1,591,242	(608,774)	23,241,735
Inter segment revenue - net	12,465,492	(5,835,258)	(34,738)	(7,143,491)	145,940	1,978	400,077	8,008,955
Non mark-up / return / interest income	2,947,970	555,605	784,192	2,933,107	287,053	312,331	208,697	8,008,955
Total income	15,485,119	4,169,681	4,579,254	4,698,092	412,993	1,905,551	-	31,250,690
Segment direct expenses	7,817,200	566,727	2,275,770	386,144	485,726	1,000,373	5,403,826	17,935,766
Inter segment expense allocation	3,741,650	446,014	914,504	172,748	34,235	94,675	(5,403,826)	-
Total expenses	11,558,850	1,012,741	3,190,274	558,892	519,961	1,095,048	-	17,935,766
Provisions / (reversals)	(279,036)	(337,116)	187,877	(21,803)	-	(496,155)	-	(945,233)
Profit before tax	4,205,305	3,494,056	1,201,103	4,161,003	(106,968)	1,306,658	-	14,261,157

As at December 31, 2018 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
(Rupees in '000)								
Balance sheet								
Cash and bank balances	54,448,024	11,605,738	12,496,503	2,298,193	334,892	5,099,305	-	86,282,655
Investments	860,704	694,426	23,200,001	221,983,048	-	29,434,619	1,487,605	277,660,403
Net inter segment lending	288,412,271	-	-	4,241,251	-	-	67,128,974	359,782,496
Lendings to financial institutions	-	-	17,986,558	33,315,352	-	10,870,377	4,968,205	62,172,287
Advances - performing	153,750,402	235,172,283	85,573,392	-	-	19,233,298	498,697,580	1,077,753,975
Advances - non-performing	366,716	1,453,002	262,226	-	-	132,738	724,190	2,938,872
Others	16,456,975	10,628,391	7,575,451	6,258,899	407,786	24,497,323	12,641,221	78,466,046
Total assets	514,295,092	259,553,840	147,094,131	263,855,492	4,983,929	89,267,660	86,950,195	1,366,000,339
Borrowings	10,460,314	22,698,781	6,019,338	62,173,164	-	22,092,452	294,192	123,738,241
Subordinated debt	-	-	-	-	-	-	11,989,000	11,989,000
Deposits and other accounts	464,574,928	92,224,318	113,525,994	4,899,848	27,670,192	702,895,280	-	1,293,969,652
Net inter segment borrowing	38,622,551	135,169,568	10,386,749	201,340,936	-	12,885,243	-	359,782,496
Others	-	9,554,126	15,229,222	1,186,034	84,081	23,234,243	4,038,190	91,948,447
Total liabilities	513,657,793	259,646,793	145,161,303	264,700,134	4,983,929	85,882,130	16,321,382	1,290,353,454
Net Assets	637,299	(92,953)	1,932,828	(844,642)	-	3,385,530	70,628,813	75,646,875
Equity								
Contingencies and commitments	58,274,791	76,420,934	31,777,895	296,162,272	47,934	30,646,372	14,925,225	508,255,423



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

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

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

	As at September 30, 2019 (un-audited)					As at December 31, 2019 (audited)				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)										
Balances with other banks	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Opening balance	-	-	-	-	2,474,328	-	-	-	-	1,500,000
Addition during the period / year	-	-	-	-	(2,474,328)	-	-	-	-	184,476,646
Repaid during the period / year	-	-	-	-	-	-	-	-	-	(55,976,646)
Closing balance	-	-	-	-	-	-	-	-	-	-
Investments	-	-	430,493	1,816,343	992,661	-	430,493	1,816,343	-	1,267,898
Investment made during the period / year	-	-	-	-	(428,799)	-	-	-	-	464,172
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-	-	(759,269)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	430,493	1,816,343	563,862	-	430,493	1,816,343	-	992,661
Provision for diminution in value of investments	-	-	42,981	-	3,976	-	-	42,981	-	3,936
Advances	105,650	449,323	-	-	3,354,510	-	458,240	-	-	7,591,327
Opening balance	-	250,637	-	-	798,056	-	206,246	-	-	6,788,397
Addition during the period / year	(7,282)	(91,943)	-	-	(1,169,707)	(6,068)	(89,965)	-	-	(8,301,295)
Repaid during the period / year	-	20,900	-	-	(9)	11,718	(116,198)	-	-	(2,673,995)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	98,368	628,917	-	-	2,982,850	105,650	449,323	-	-	3,354,510
Provision held against advances	-	-	-	-	-	-	-	-	-	-
Other assets	8,301	53,877	-	-	140,427	5,507	42,368	-	-	134,900
Interest / mark-up accrued	-	-	-	-	833,633	-	-	-	-	929,633
Receivable from staff retirement fund	-	-	-	-	3,286	-	-	832	-	3,973
Prepayment / rent receivable	-	-	-	-	927	-	-	-	-	1,688
Profit receivable on Sukuk	-	-	-	-	50,000	-	-	-	-	50,000
Advance against shares	-	-	-	-	-	-	-	-	-	-



	As at September 30, 2019 (Un-audited)					As at December 31, 2018 (Audited)				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)										
Borrowings	-	-	-	-	-	-	-	-	-	-
Opening balance	-	-	-	-	-	-	-	-	-	502,800
Borrowings during the period / year	-	-	-	-	-	-	-	-	-	35,346,898
Settled during the period / year	-	-	-	-	-	-	-	-	-	(35,849,698)
Closing balance	-	-	-	-	-	-	-	-	-	-
(Rupees in '000)										
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Opening balance	-	-	-	-	-	-	-	-	45,044	19,964
Reception / Sold during the period / year	-	-	-	-	-	-	-	-	(45,044)	(19,964)
Closing balance	-	-	-	-	-	-	-	-	-	-
(Rupees in '000)										
Deposits and other accounts	7,438	193,954	48,165	1,056,941	3,193,911	6,275	160,416	59,984	1,509,943	4,178,787
Opening balance	274,873	1,883,346	1,204,480	14,710,453	22,345,190	206,294	1,360,393	5,531,871	23,685,682	82,662,966
Received during the period / year	(216,396)	(1,600,465)	(1,225,581)	(4,392,438)	(21,668,145)	(205,131)	(1,327,704)	(5,543,700)	(34,136,664)	(67,189,776)
Withdrawn during the period / year	(14,261)	-	-	-	(60,303)	-	30,469	-	-	3,943,934
Transfer in / (out) - net	40,267	-	29,864	1,375,156	3,840,636	7,438	193,248	48,155	1,065,941	31,933,111
Closing balance	-	-	-	-	-	-	-	-	-	-
(Rupees in '000)										
Other liabilities	20	2,031	-	1	7,725	11	1,960	494	7,446	11,918
Interest / mark-up payable	-	-	-	-	-	-	-	-	-	-
Unearned rent	-	629	32	-	3,962	-	2,085	201	-	3,961
Others	-	-	-	-	-	-	-	-	-	-
(Rupees in '000)										
Contingencies and commitments	-	-	-	182,948	-	-	-	-	162,468	-
Other contingencies	-	-	-	-	-	-	-	-	-	-
(Rupees in '000)										
For the nine months period ended September 30, 2019 (Un-audited)										
Income	4,106	19,503	-	-	321,399	4,010	12,702	-	-	338,326
Mark-up / return / interest earned	-	-	-	-	-	-	-	-	-	-
Fee and commission income	-	-	83,897	-	12,511	-	-	23,491	99,000	-
Dividend income	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	4,613	-	-	-	-	1,872	15,264
(Rupees in '000)										
Expenses	37	8,291	5,931	591,69	165,040	15	4,232	2,602	37,871	132,864
Mark-up / return / interest paid	-	-	-	-	-	-	-	-	-	-
Other operating expenses	319,962	1,042,589	531	-	446,971	173,364	827,939	640	-	932,893
(Rupees in '000)										
Dividend paid	966,735	20,174	-	15,131	2,751,222	377,458	6,241	-	473	820,394
Insurance premium paid	-	-	-	551,363	-	-	-	-	477,944	-
Insurance claims settled	-	-	-	288,664	-	-	-	-	256,759	-

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) September 30, 2019
(Audited) December 31, 2018
------(Rupees in '000)-----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses) 17,771,651 **17,743,629**

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	63,230,990	59,809,769
Eligible Additional Tier 1 (ADT 1) Capital	7,000,000	7,000,000
Total Eligible Tier 1 Capital	70,230,990	66,809,769
Eligible Tier 2 Capital	18,215,685	15,239,737
Total Eligible Capital (Tier 1 + Tier 2)	88,446,675	82,049,506

Risk Weighted Assets (RWAs):

Credit risk	454,702,668	485,931,845
Market risk	9,014,800	2,633,885
Operational risk	60,607,038	60,607,038
Total	524,324,506	549,172,768

Common Equity Tier 1 Capital Adequacy ratio	12.06%	10.89%
Tier 1 Capital Adequacy Ratio	13.39%	12.17%
Total Capital Adequacy Ratio	16.87%	14.94%

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

Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	11.90%	11.90%

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

Leverage Ratio (LR):

Eligible Tier-1 Capital	70,230,990	66,809,769
Total exposures	1,321,195,503	1,185,191,511
Leverage ratio	5.32%	5.64%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	272,296,639	252,703,051
Total Net Cash Outflow	151,346,930	162,363,261
Liquidity coverage ratio	180%	156%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	674,184,564	630,592,999
Total Required Stable Funding	474,658,770	472,759,179
Net Stable Funding Ratio	142%	133%



The bank is operating 156 Islamic banking branches including 1 sub branch (December 31, 2018: 152 branches including 1 sub branch) and 121 Islamic banking windows (December 31, 2018: 121 Islamic banking windows) as at September 30, 2019.

STATEMENT OF FINANCIAL POSITION

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		10,117,718	11,718,901
Balances with other banks		701,768	777,602
Due from financial institutions	42.1	38,439,753	17,986,558
Investments	42.2	14,124,254	23,200,001
Islamic financing and related assets - net	42.3	75,828,060	85,835,618
Fixed assets		5,150,174	2,788,299
Intangible assets		27,741	3,273
Due from Head Office		-	-
Other assets		2,888,278	4,783,879
Total Assets		147,277,746	147,094,131
LIABILITIES			
Bills payable		3,703,376	3,854,125
Due to financial institutions		5,627,701	6,019,338
Deposits and other accounts	42.4	111,551,756	113,525,994
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		36,137	112,207
Other liabilities		12,131,081	11,262,890
		133,050,051	134,774,554
NET ASSETS		14,227,695	12,319,577
REPRESENTED BY			
Islamic Banking Fund		1,800,000	1,800,000
Reserves		-	-
Surplus on revaluation of assets		1,788,389	1,932,828
Unappropriated/ Unremitted profit	42.5	10,639,306	8,586,749
		14,227,695	12,319,577
CONTINGENCIES AND COMMITMENTS	42.6		

The profit and loss account of the Bank's Islamic banking branches for the period ended September 30, 2019 is as follows:

PROFIT AND LOSS ACCOUNT

		(Un-audited)	
		Nine months period ended	
		September 30, 2019	September 30, 2018
		------(Rupees in '000)-----	
Profit / return earned	42.7	9,864,364	6,056,761
Profit / return expensed	42.8	3,587,487	2,226,961
Net Profit / return		6,276,877	3,829,800
Other income			
Fee and Commission Income		629,491	638,920
Foreign Exchange Income		166,288	138,290
Loss on securities		(26,945)	(19,070)
Other Income		33,825	26,052
Total other income		802,659	784,192
Total Income		7,079,536	4,613,992
Other expenses			
Operating expenses		3,583,226	3,163,333
Workers Welfare Fund		70,845	26,850
Other charges		41,063	91
Total other expenses		3,695,134	3,190,274
Profit before provisions		3,384,402	1,423,718
Provisions and write offs - net		(23,114)	187,877
Profit before taxation		3,407,516	1,235,841
Taxation		1,355,186	485,031
Profit after taxation		2,052,330	750,810



	September 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
42.1 Due from Financial Institutions	------(Rupees in '000)-----					
Unsecured	16,450,060	-	16,450,060	8,175,054	-	8,175,054
Bai Muajjal Receivable						
from other Financial Institutions	21,989,693	-	21,989,693	9,811,504	-	9,811,504
from State Bank of Pakistan	-	-	-	-	-	-
	38,439,753	-	38,439,753	17,986,558	-	17,986,558

42.2 Investments

	September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
By segment:	------(Rupees in '000)-----							
Federal Government Securities								
Jjarah Sukuks	493,974	-	(8,574)	485,400	11,532,764	-	(6,033)	11,526,731
Other Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215
	7,710,340	-	(8,574)	7,701,766	15,654,979	-	(6,033)	15,648,946
Non Government Debt Securities								
Listed	-	-	-	-	-	-	-	-
Unlisted	6,443,047	(125,850)	105,291	6,422,488	7,368,524	(141,399)	323,930	7,551,055
	6,443,047	(125,850)	105,291	6,422,488	7,368,524	(141,399)	323,930	7,551,055
Total Investments	14,153,387	(125,850)	96,717	14,124,254	23,023,503	(141,399)	317,897	23,200,001

(Un-audited) (Audited)
September 30, December 31,
2019 2018
------(Rupees in '000)-----

42.3 Islamic financing and related assets

Jjarah	12,763,868	11,472,292
Murabaha	3,181,503	8,467,690
Musharaka	22,414,248	41,654,940
Diminishing Musharaka	13,181,889	1,779,050
Salam	2,476,467	2,694,881
Other Islamic Modes	1,338,280	3,691,855
Advances against Islamic assets	14,917,774	11,201,704
Inventory related to Islamic financing	6,779,962	6,092,511
Gross Islamic financing and related assets	77,053,991	87,054,923
Less: provision against Islamic financings		
- Specific	(1,125,993)	(1,101,967)
- General	(99,938)	(117,338)
	(1,225,931)	(1,219,305)
Islamic financing and related assets - net of provision	75,828,060	85,835,618

42.4 Deposits

	September 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	47,352,786	4,079,227	51,432,013	43,975,307	3,272,005	47,247,312
Savings deposits	42,560,761	2,656,560	45,217,321	46,196,859	2,749,769	48,946,628
Term deposits	12,206,871	232,255	12,439,126	13,325,851	181,518	13,507,369
Other deposits	902,859	225,961	1,128,820	3,305,410	154,481	3,459,891
	<u>103,023,277</u>	<u>7,194,003</u>	<u>110,217,280</u>	<u>106,803,427</u>	<u>6,357,773</u>	<u>113,161,200</u>
Financial Institutions						
Current deposits	7,542	-	7,542	4,273	-	4,273
Savings deposits	326,934	-	326,934	360,521	-	360,521
Term deposits	1,000,000	-	1,000,000	-	-	-
	<u>1,334,476</u>	<u>-</u>	<u>1,334,476</u>	<u>364,794</u>	<u>-</u>	<u>364,794</u>
	<u>104,357,753</u>	<u>7,194,003</u>	<u>111,551,756</u>	<u>107,168,221</u>	<u>6,357,773</u>	<u>113,525,994</u>

(Un-audited) (Audited)
September 30, December 31,
2019 2018

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

42.5 Islamic Banking Business Unappropriated Profit

Opening Balance	8,586,749	7,340,325
Add: Islamic Banking profit before taxation for the period	3,407,516	2,011,460
Less: Taxation	(1,355,186)	(765,036)
Less: Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	227	-
Closing Balance	<u>10,639,306</u>	<u>8,586,749</u>

42.6 Contingencies and Commitments

-Guarantees	3,598,334	3,603,386
-Commitments	<u>26,037,313</u>	<u>23,113,159</u>
	<u>29,635,647</u>	<u>26,716,545</u>

(Un-audited)

Nine months period ended

September 30, September 30,
2019 2018

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

42.7 Profit/Return Earned of Financing, Investments and Placement

Financing	5,773,116	3,772,805
Investments	756,903	1,697,711
Placements	<u>3,334,345</u>	<u>586,245</u>
	<u>9,864,364</u>	<u>6,056,761</u>

42.8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	3,010,026	1,947,741
Due to Financial Institutions	569,401	279,220
Reward points	8,060	-
	<u>3,587,487</u>	<u>2,226,961</u>



42.9 PLS Pool Management- Islamic Banking Group (IBG)

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

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

Currently IBG is managing following pools:

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

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

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

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

42.9.2 Avenues/sectors where Mudaraba based deposits have been deployed.	(Un-audited)	(Audited)
	September 30, 2019	December 31, 2018
	------(Rupees in '000)-----	
Agriculture, forestry, hunting and fishing	4,274,048	15,000,000
Automobile and transportation equipment	1,901,847	2,097,804
Cement	5,100,228	5,385,332
Chemical and pharmaceuticals	2,775,097	2,190,108
Construction	2,352,093	729,632
Electronics and electrical appliances	564,891	2,374,655
Exports / imports	1,831,143	755,014
Financial	486,282	879,968
Food and allied products	3,110,344	4,229,633
Footwear and leather garments	474,303	522,909
Individuals	13,976,638	12,390,545
Insurance	10,788	9,911
Metal and allied industries	1,861,736	820,436
Mining and quarrying	2,229	3,665
Oil and allied	24,113	47,846
Power (electricity), gas, water, sanitary	12,320,722	9,176,794
Services	559,726	743,714
Sugar	2,911,511	827,065
Textile	12,657,287	16,789,601
Transport, storage and communication	1,476,162	1,856,348
Wholesale and retail trade	2,757,107	3,467,685
Others	5,625,696	6,756,258
Total Gross Islamic Financing and Related Assets	77,053,991	87,054,923
Total gross investments	14,153,387	23,023,503
Total Islamic placements	38,439,753	17,986,558
Total Invested Funds	129,647,131	128,064,984

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

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

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

General Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share (Rupees in '000)	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba (Rupees in '000)
			Mudarib Share / Fee	Rabbul Meal Share				
PKR Pool	Monthly	10.57%	50.00%	50.00%	2,401,858	6.04%	9.68%	236,820
USD Pool	Monthly	3.55%	85.00%	15.00%	54,745	0.51%	0.00%	-
GBP Pool	Monthly	6.02%	85.00%	15.00%	7,949	0.94%	0.00%	-
EUR Pool	Monthly	6.25%	85.00%	15.00%	11,422	0.90%	0.00%	-

Specific pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share (Rupees in '000)	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba (Rupees in '000)
			Bank Share	SBP Share				
Islamic Export Refinance (IERS) Pool	Monthly	8.32%	85.51%	14.49%	450,467	Nil	1.06%	4,797
Special Pool (Saving)	Monthly	9.73%	15.96%	84.04%	3,943	9.22%	0.00%	-
Special Pool (TDR)	Monthly	12.39%	18.39%	81.61%	-	11.35%	0.00%	-

43 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on October 18, 2019 by the Board of Directors of the Bank.

44 GENERAL

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

**Consolidated Condensed Interim
Financial Statements
Nine months period ended
September 30, 2019**



Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2019

Note (Un-audited) (Audited)
September 30, December 31,
2019 2018
------(Rupees in '000)-----

ASSETS

Cash and balances with treasury banks	7	74,456,968	82,407,736
Balances with other banks	8	5,355,919	3,911,554
Lendings to financial institutions	9	76,268,913	62,172,287
Investments	10	352,411,983	279,251,731
Advances	11	473,080,311	501,639,727
Fixed assets	12	27,440,136	18,317,042
Intangible assets	13	1,388,836	1,317,271
Deferred tax assets		-	-
Other assets	14	41,202,903	35,998,315
Assets held for sale	23	-	23,589,489
		1,051,605,969	1,008,605,152

LIABILITIES

Bills payable	15	15,552,446	35,988,225
Borrowings	16	173,109,927	124,017,735
Deposits and other accounts	17	711,200,775	702,847,125
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	11,987,000	11,989,000
Deferred tax liabilities	19	3,061,546	2,500,097
Other liabilities	20	51,998,973	33,805,722
Liabilities directly associated with the assets held for sale	23	-	20,435,396
		966,910,667	931,583,300

NET ASSETS

	<u>84,695,302</u>	<u>77,021,852</u>
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REPRESENTED BY

Share capital	21	17,771,651	17,743,629
Reserves		26,061,405	23,050,754
Surplus / (deficit) on revaluation of assets	22	9,202,939	7,389,127
Unappropriated profit		31,009,648	28,323,585
Total equity attributable to the equity holders of the Bank		84,045,643	76,507,095
Non-controlling interest		649,659	514,757
		<u>84,695,302</u>	<u>77,021,852</u>

CONTINGENCIES AND COMMITMENTS

24

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



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

For the nine months period ended September 30, 2019

	Note	Quarter ended September 30, 2019	Quarter ended September 30, 2018 (Restated)	Nine Months Period ended September 30, 2019	Nine Months Period ended September 30, 2018 (Restated)
------(Rupees in '000)-----					
Mark-up/Return/Interest Earned	26	24,805,930	14,812,629	66,434,896	42,906,630
Mark-up/Return/Interest Expensed	27	13,154,017	6,927,496	33,133,243	19,665,874
Net Mark-up/ Interest Income		11,651,913	7,885,133	33,301,653	23,240,756
NON MARK-UP/INTEREST INCOME					
Fee and Commission Income	28	1,839,660	1,657,927	5,573,679	5,041,175
Dividend Income		80,868	73,488	250,645	246,292
Foreign Exchange Income		691,488	520,235	1,955,256	1,403,093
(Loss) / gain from derivatives		(49,413)	14,254	(62,305)	45,050
(Loss) / gain on securities	29	(373,571)	185,074	(436,665)	1,367,019
Share of profit from associates		402,413	135,671	744,640	472,044
Other Income	30	25,641	22,134	168,620	172,423
Total non-markup/interest Income		2,617,086	2,608,783	8,193,870	8,747,096
Total Income		14,268,999	10,493,916	41,495,523	31,987,852
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	31	7,565,464	6,069,407	21,621,545	17,907,259
Workers Welfare Fund	32	125,128	106,065	382,338	300,465
Other charges	33	62,352	431	171,644	1,585
Total non-markup/interest expenses		7,752,944	6,175,903	22,175,527	18,209,309
Profit Before Provisions		6,516,055	4,318,013	19,319,996	13,778,543
Provisions and write offs - net	34	1,032,607	(95,777)	2,012,435	(946,233)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,483,448	4,413,790	17,307,561	14,724,776
Taxation	35	2,194,052	1,724,474	7,534,551	5,812,749
PROFIT AFTER TAXATION		3,289,396	2,689,316	9,773,010	8,912,027
Attributable to:					
Equity holders of the Bank		3,283,254	2,666,816	9,735,077	8,847,116
Non-controlling interest		6,142	22,500	37,933	64,911
		3,289,396	2,689,316	9,773,010	8,912,027
------(Rupees)-----					
Basic earnings per share - Restated	36	1.85	1.50	5.48	4.99
Diluted earnings per share - Restated	37	1.85	1.50	5.48	4.98

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

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

For the nine months period ended September 30, 2019

	Note	Quarter ended September 30, 2019	Quarter ended September 30, 2018 Restated ----- (Rupees in '000)-----	Nine months period ended September 30, 2019	Nine months period ended September 30, 2018 Restated
Profit after taxation	4.1	3,289,396	2,689,316	9,773,010	8,912,027
Other comprehensive income					
Items that may be reclassified to profit and loss account in subsequent periods:					
Effect of translation of net investment in foreign branches		(359,184)	221,849	2,081,548	1,311,667
Movement in surplus / (deficit) on revaluation of investments - net of tax		1,329,809	(380,127)	1,868,737	(2,153,274)
		970,625	(158,278)	3,950,285	(841,607)
Items that will not be reclassified to profit and loss account in subsequent periods:					
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax		(8,239)	(7,727)	(57,611)	(23,857)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax		(502)	(298)	(1,109)	(883)
		(8,741)	(8,025)	(58,720)	(24,740)
Total comprehensive income		<u>4,251,280</u>	<u>2,523,013</u>	<u>13,664,575</u>	<u>8,045,680</u>
Total comprehensive income attributable to:					
Equity holders of the Bank		4,248,512	2,500,655	13,630,437	7,981,016
Non-controlling interest		2,768	22,358	34,138	64,664
		<u>4,251,280</u>	<u>2,523,013</u>	<u>13,664,575</u>	<u>8,045,680</u>

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



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

For the nine months period ended September 30, 2019

	Share capital	Capital Reserves			Statutory reserve	Revenue Reserves Employee share option compensation reserve	Surplus/(deficit) on revaluation		Unappropriated profit	Sub-total	Non Controlling Interest	Total
		Reserve for issue of bonus shares	Share premium	Exchange transition reserve			Investments	Fixed / Non Banking Assets				
----- (Rupees in '000) -----												
Balance as at January 01, 2018	16,075,720	-	4,612,991	2,076,807	11,394,345	72,526	2,658,141	4,651,231	24,784,242	66,326,003	422,781	66,748,784
Changes in equity for the nine months period ended September 30, 2018												
Profit after taxation	-	-	-	-	-	-	-	-	8,847,116	8,847,116	64,911	8,912,027
Other comprehensive income - net of tax	-	-	-	1,311,667	-	-	(2,153,027)	-	-	(841,360)	(247)	(841,607)
Transfer to statutory reserve	-	-	-	-	1,725,764	-	-	-	(1,725,764)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(24,740)	24,740	-	-	-	-
Transactions with owners, recorded directly in equity												
Final cash dividend for the year ended December 31, 2017 at 15%	-	-	-	-	-	-	-	-	(2,411,358)	(2,411,358)	-	(2,411,358)
Shares issued during the year	1,613,057	(1,613,057)	-	-	-	-	-	-	-	-	-	-
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	-	-	(1,613,057)	-	-	-
Interim cash dividend for the half year ended June 30, 2018 at 10%	-	-	-	-	-	-	-	-	(1,613,057)	(1,613,057)	-	(1,613,057)
Amortisation of deferred employee compensation expense	-	-	-	-	-	10,199	-	-	-	10,199	-	10,199
Shares issued under stock option scheme during the period	54,852	-	27,637	-	-	-	-	-	-	82,489	-	82,489
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-	-	-
Balance as at September 30, 2018	17,743,629	-	4,695,600	3,388,474	13,120,109	27,753	505,114	4,626,491	26,292,862	70,400,032	487,445	70,887,477
Changes in equity for three months ended December 31, 2018												
Profit after taxation	-	-	-	-	-	-	-	-	2,051,729	2,051,729	27,519	2,079,248
Other comprehensive income - net of tax	-	-	-	1,662,975	-	-	(455,207)	2,721,888	122,841	4,052,497	(207)	4,052,290
Transfer to statutory reserve	-	-	-	-	153,006	-	-	-	(153,006)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(9,159)	9,159	-	-	-
Transactions with owners, recorded directly in equity												
Amortisation of deferred employee compensation expense	-	-	-	-	-	2,837	-	-	-	2,837	-	2,837
Balance as at December 31, 2018	17,743,629	-	4,695,600	5,051,449	13,273,115	30,590	49,907	7,339,220	28,323,585	76,507,095	514,757	77,021,852
Changes in equity for the nine months period ended September 30, 2019												
Profit after taxation	-	-	-	-	-	-	-	-	9,735,077	9,735,077	37,933	9,773,010
Other comprehensive income - net of tax	-	-	-	2,081,548	-	-	1,872,532	648	-	3,954,728	(3,795)	3,950,933
Transfer to statutory reserve	-	-	-	-	924,244	-	-	-	(924,244)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(59,368)	59,368	-	-	-
Transactions with owners, recorded directly in equity												
Final cash dividend for the year ended December 31, 2018 at 15%	-	-	-	-	-	-	-	-	(2,661,544)	(2,661,544)	-	(2,661,544)
Interim cash dividend for the half year ended June 30, 2019 at 20%	-	-	-	-	-	-	-	-	(3,554,330)	(3,554,330)	-	(3,554,330)
Reversal of amortisation of deferred employee compensation expense	-	-	-	-	-	(5,201)	-	-	-	(5,201)	-	(5,201)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	-	157,500	157,500
Cost of issuance of shares by the subsidiary company	-	-	-	-	-	-	-	-	(15,299)	(15,299)	(9,701)	(25,000)
Movement in reserves due to capital injection by non-controlling interest	-	-	-	-	-	-	-	-	47,035	47,035	(47,035)	-
Shares issued during the period	28,022	-	10,060	-	-	-	-	-	-	38,082	-	38,082
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	25,389	-	-	(25,389)	-	-	-	-	-	-
Balance as at September 30, 2019	17,771,651	-	4,731,049	7,132,997	14,197,359	-	1,922,439	7,280,500	31,009,648	84,045,643	649,659	84,695,302

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

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2019

	Note	Nine months period ended	
		September 30, 2019	September 30, 2018
	4.1		Restated
		------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		17,307,561	14,724,776
Dividend income		(250,645)	(246,292)
Share of profit from associates		(744,640)	(472,044)
		<u>16,312,276</u>	<u>14,006,440</u>
Adjustments			
Depreciation		2,461,881	1,338,724
Amortisation		361,603	367,093
Provisions and write offs - net	34	2,012,435	(946,233)
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net		27,797	54,032
Gain on sale of operating fixed assets - net		(117,518)	(131,172)
Finance charge on leased assets		1,040,371	-
Workers' Welfare Fund		382,338	300,465
Charge for defined benefit plan		116,302	164,088
		<u>6,285,209</u>	<u>1,146,997</u>
		<u>22,597,485</u>	<u>15,153,437</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(4,832,673)	(26,078,190)
Held for trading securities		(17,182,393)	5,892,711
Advances		29,677,067	(71,546,365)
Other assets (excluding advance taxation)		(7,857,025)	4,789,793
		<u>(195,024)</u>	<u>(86,942,051)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(20,435,779)	(1,898,499)
Borrowings		49,201,849	(130,413,126)
Deposits		8,353,650	26,998,498
Other liabilities (excluding current taxation)		3,870,140	(1,460,641)
		<u>40,989,860</u>	<u>(106,773,768)</u>
		<u>63,392,321</u>	<u>(178,562,382)</u>
Contribution made to gratuity fund			-
Income tax paid		(2,949,773)	(3,242,472)
Net cash generated from / (used in) operating activities		<u>60,442,548</u>	<u>(181,804,854)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(46,078,462)	174,702,950
Net investments in held-to-maturity securities		(6,982,571)	4,962,799
Investment in associated companies		(28,767)	(58,707)
Dividends received from associates		27,324	99,000
Dividends received		212,712	309,934
Investments in operating fixed assets		(2,394,147)	(835,128)
Proceed from sale proceeds of fixed assets		323,195	416,435
Effect of translation of net investment in foreign branches		2,081,548	1,311,667
Net cash (used in) / generated from investing activities		<u>(52,839,168)</u>	<u>180,908,950</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance / (redemption) of sub-ordinated debt		(2,000)	6,999,000
(Payment) / receipts of leased obligations		(2,277,184)	-
Issue of share capital		38,082	82,489
Dividend paid		(2,494,760)	(2,393,920)
Net cash (used in) / generated from financing activities		<u>(4,735,862)</u>	<u>4,687,569</u>
		<u>2,867,518</u>	<u>3,791,665</u>
Increase / (decrease) in cash and cash equivalents		<u>104,635,798</u>	<u>96,781,012</u>
Cash and cash equivalents at beginning of the year		<u>(4,097,767)</u>	<u>(3,120,656)</u>
Effects of exchange rate changes on cash and cash equivalents		100,538,031	93,660,356
		<u>103,405,549</u>	<u>97,452,021</u>
Cash and cash equivalents at end of the year			

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



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

For the nine months period ended September 30, 2019

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company : Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and its shares are listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank is operating through 648 branches (December 31, 2018: 624 branches) and 24 sub-branches (December 31, 2018: 25 sub-branches). Out of these, 482 (December 31, 2018: 462) are conventional, 155 (December 31, 2018: 151) are Islamic, 10 (December 31, 2018: 10) are overseas and 1 (December 31, 2018: 1) is an offshore banking unit.

Subsidiaries

	Percentage of Holding	
	September 2019	December 2018
Alfalah Securities (Private) Limited, Pakistan	61.20%	97.91%
Alfalah GHP Investment Management Limited, Pakistan	40.22%	40.22%

1.2 In addition the Group maintains investments in the following:

Associates

Alfalah Insurance Company Limited	30%	30%
Sapphire Wind Power Company Limited	30%	30%
TriconBoston Consulting Corporation (Private) Limited	9.25%	9.25%

Investment in mutual funds established under trust structure not consolidated as subsidiaries - Note 2.4

Alfalah GHP Islamic Pension Fund	25.29%	29.76%
Alfalah GHP Pension Fund	33.28%	24.94%
Alfalah GHP Money Market Fund	0.92%	0.80%
Alfalah GHP Income Fund	18.90%	20.51%
Alfalah GHP Sovereign Fund	0.00%	3.22%
Alfalah GHP Income Multiplier Fund	0.00%	0.0004%
Alfalah GHP Islamic Income Fund	0.05%	0.05%
Alfalah GHP Cash Fund	0.00%	4.02%

2 BASIS OF PRESENTATION

2.1 These consolidated condensed interim financial statements represent financial statements of 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 condensed interim financial statements.

2.2 STATEMENT OF COMPLIANCE

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

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

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

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

SBP has not adopted IFRS 9 for 2019 for the Banks in Pakistan. The Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector in Pakistan.

Accordingly, the requirements of these standards for Pakistan operations have not been considered in the preparation of these consolidated condensed interim financial statements.

2.3 Basis of consolidation

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

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

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

Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries which are not owned by the Holding Company. Material intra-group balances and transactions are eliminated.

- 2.4 The Group has investment in mutual funds established under Trust structure, which are subsidiaries of the Group under IFRS 10, but have not been considered for the purposes of consolidation in accordance with the directives issued by the Securities and Exchange Commission of Pakistan (SECP) through S.R.O 56(I) /2016 dated January 28, 2016. The said SRO states that the requirements of consolidation under the Companies Act 2017 and IFRS 10 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under Trust structure. Accordingly, for the purposes of Consolidated Financial Statements of the Group, the investments in these funds have been accounted for as associates as explained in note 2.3 to these consolidated financial statements.
- 2.5 Key financial figures of the Islamic Banking branches are disclosed in note 42 to the unconsolidated condensed interim financial statements.
- 2.6 The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim consolidated financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.



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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated condensed interim financial statements. The standards adopted have been disclosed in note 4.2.

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

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
Definition of Material - Amendments to IAS 1 and IAS 8	January 01, 2020
The Conceptual Framework for Financial Reporting	January 01, 2020
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
The above standards, amendments and interpretations are not expected to have any material impact on the Group's financial statements in the period of initial application.	
Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.	
Standard	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2021

3 BASIS OF MEASUREMENT

3.1 Accounting convention

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

3.2 Functional and Presentation Currency

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the financial statements of the Group for the year ended December 31, 2018 except as disclosed below.

Changes in accounting policies

4.1 Change in reporting format

The SBP vide BPRD Circular Letter No.5 dated March 22, 2019 specified the new reporting format for the quarterly and half yearly financial statements of banking companies. The new format has revised the disclosure requirements of the Group for the nine months period ended September 30, 2019 which has resulted in certain additional disclosures and reclassifications of the items in these consolidated condensed interim financial statements.

The Bank has adopted the above changes in the presentation and made additional disclosures. Accordingly, corresponding figures have been rearranged / reclassified to correspond to current period's presentation.

4.2 Adoption of IFRS 16 - 'Leases'

International Accounting Standards Board (IASB) has issued IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is a lessor.

The Bank has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current

'Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

New accounting policies of the Bank upon adoption of IFRS 16 are:

Right-of-use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/ (decrease)) is as follows:

	January 1, 2019 Rupees in '000
Assets	
Right-of-use (RoU) asset	9,362,104
Prepayments	<u>(599,564)</u>
Total Assets	<u>8,762,540</u>
Liabilities	
Lease liability	<u>8,762,540</u>

The carrying amounts of the Bank's right-of-use assets, lease liabilities and the movements during the period is as below:

	September 30, 2019 Rupees in '000	Lease liability
As at January 1, 2019	9,362,104	8,762,539
Addition	491,903	491,903
Depreciation	<u>(1,281,964)</u>	-
Borrowing cost	-	1,040,371
Payments	-	<u>(1,677,619)</u>
As at September 30, 2019	<u>8,572,043</u>	<u>8,617,194</u>

Had this standard not been applied, assets and liabilities would have been lower by Rs.8,572.043 million and Rs.8,617.194 million respectively. Rent expense would have been higher by Rs.1,702.128 million and depreciation charge and mark-up expense would have been lower by Rs.1,281.964 million and Rs.1,040.371 million respectively.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim consolidated financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2018.



(Un-audited) (Audited)
September 30, December 31,
2019 2018
------(Rupees in '000)-----

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	13,672,117	11,801,739
Foreign currency	2,309,674	5,711,022
	15,981,791	17,512,761
With State Bank of Pakistan in		
Local currency current account	26,807,601	31,122,141
Foreign currency current account	5,476,534	4,413,423
Foreign currency deposit account	13,519,700	10,931,812
	45,803,835	46,467,376
With other central banks in		
Foreign currency current account	8,243,897	2,733,265
Foreign currency deposit account	-	744,879
	8,243,897	3,478,144
With National Bank of Pakistan in local currency current account	4,025,958	14,931,225
Prize bonds	401,487	18,230
	<u>74,456,968</u>	<u>82,407,736</u>

8 BALANCES WITH OTHER BANKS

In Pakistan in current account		
In current account	130,817	457,760
In deposit account	62,883	11,184
	193,700	468,944
Outside Pakistan		
In current account	3,899,941	2,184,134
In deposit account	1,262,278	1,258,476
	5,162,219	3,442,610
	<u>5,355,919</u>	<u>3,911,554</u>

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	24,430,552	15,166,288
Repurchase agreement lendings (Reverse Repo)	29,849,573	37,214,313
Bai Muajjal receivable		
with State Bank of Pakistan	9,018,518	-
with other financial institutions	12,971,175	9,811,504
	21,989,693	9,811,504
	76,269,818	62,192,105
Less: expected credit loss - overseas branches	(905)	(19,818)
Lending to Financial Institutions - net of provision	<u>76,268,913</u>	<u>62,172,287</u>

10 INVESTMENTS

10.1 Investments by type:

	September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	61,051,697	-	(27,016)	61,024,681	45,898,957	-	(13,261)	45,885,696
Pakistan Investment Bonds	3,166	-	19	3,185	1,209,673	-	(13,174)	1,196,499
Shares								
Fully paid up ordinary shares / units - Listed	158,112	-	61	158,173	164,797	-	(23,227)	141,570
Foreign Securities								
Overseas Bonds - Sovereign	3,502,033	-	(861)	3,501,172	302,699	-	6,151	308,850
	64,715,008	-	(27,797)	64,687,211	47,576,126	-	(43,511)	47,532,615
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	102,573,437	-	(36,587)	102,536,850	114,893,151	-	(40,902)	114,852,249
Pakistan Investment Bonds	85,203,662	-	1,465,382	86,669,044	26,490,800	-	(464,211)	26,026,589
Government of Pakistan Sukuks	5,216,131	-	19,317	5,235,448	15,726,083	-	(120,264)	15,605,819
Government of Pakistan Euro Bonds	1,956,304	-	(33,974)	1,922,330	2,440,076	-	(134,045)	2,306,031
Shares								
Fully paid up ordinary shares - Listed	6,293,163	(1,161,138)	1,376,523	6,508,548	7,390,808	(22,383)	718,558	8,086,983
Fully paid up ordinary shares - Unlisted	382,055	(59,661)	-	322,394	382,055	(59,661)	-	322,394
Preference Shares - Listed	108,835	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities								
Term Finance Certificates	1,729,913	(385,513)	(14,318)	1,330,082	1,504,126	(359,706)	(12,071)	1,132,349
Sukuks	4,908,529	(96,511)	105,291	4,917,309	4,775,082	(96,510)	323,930	5,002,502
Foreign Securities								
Overseas Bonds - Sovereign	5,386,415	-	75,153	5,461,568	1,357,353	-	(49,426)	1,307,927
Overseas Bonds - Others	16,168,278	-	343,502	16,511,780	9,147,217	-	(223,671)	8,923,546
Redeemable Participating Certificates	2,730,249	-	-	2,730,249	2,362,923	-	-	2,362,923
	232,681,971	(1,836,658)	3,300,289	234,145,602	186,603,509	(672,095)	(2,102)	185,923,312
Held-to-maturity securities								
Federal Government Securities								
Market Treasury Bills	-	-	-	-	-	-	-	-
Pakistan Investment Bonds	26,017,675	-	-	26,017,675	26,280,990	-	-	26,280,990
Government of Pakistan Euro Bonds	-	-	-	-	243,011	-	-	243,011
Other Federal Government Securities	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215
Non Government Debt Securities								
Term Finance Certificates	524,266	(524,266)	-	-	524,266	(524,266)	-	-
Sukuks	1,631,028	(125,850)	-	1,505,178	2,689,965	(141,399)	-	2,548,566
Foreign Securities								
Overseas Bonds - Sovereign	13,551,382	-	-	13,551,382	8,185,947	-	-	8,185,947
Overseas Bonds - Others	778,969	-	-	778,969	690,721	-	-	690,721
	49,719,686	(650,116)	-	49,069,570	42,737,115	(665,665)	-	42,071,450
Associates (valued at equity method)								
Alfalah Insurance Company Limited	378,681	-	-	378,681	340,921	-	-	340,921
Sapphire Wind Power Company Limited	2,224,205	-	-	2,224,205	1,905,883	-	-	1,905,883
TriconBoston Consulting Corporation (Private) Limited	1,141,465	-	-	1,141,465	793,893	-	-	793,893
Alfalah GHP Money Market Fund	442,313	-	-	442,313	298,913	-	-	298,913
Alfalah GHP Income Multiplier Fund	7	-	-	7	6	-	-	6
Alfalah GHP Sovereign Fund	-	-	-	-	75,600	-	-	75,600
Alfalah GHP Income Fund	168,179	-	-	168,179	157,437	-	-	157,437
Alfalah GHP Islamic Income Fund	6,181	-	-	6,181	5,827	-	-	5,827
Alfalah GHP Cash Fund	-	-	-	-	86,881	-	-	86,881
Alfalah GHP Pension Fund -Debt	32,823	-	-	32,823	85,951	-	-	85,951
Alfalah GHP Pension Fund -Equity	34,853	-	-	34,853	-	-	-	-
Alfalah GHP Pension Fund - Money Market	19,134	-	-	19,134	-	-	-	-
Alfalah GHP Islamic Pension Fund -Debt	34,680	-	-	34,680	-	-	-	-
Alfalah GHP Islamic Pension Fund -Equity	32,903	-	-	32,903	-	-	-	-
Alfalah GHP Islamic Pension Fund - Money Market	19,596	-	-	19,596	10,300	-	-	10,300
	4,535,019	-	-	4,535,019	3,761,612	-	-	3,761,612
General provision and expected credit loss- Overseas operations								
	-	(25,419)	-	(25,419)	-	(43,258)	-	(43,258)
Total Investments	351,651,684	(2,512,193)	3,272,492	352,411,983	280,678,362	(1,381,018)	(45,613)	279,251,731



10.2 Investments given as collateral

(Un-audited) (Audited)
September 30, 2019 December 31, 2018
------(Rupees in '000)-----

Market Treasury Bills	65,808,624	39,445,702
Pakistan Investment Bonds	40,000,000	15,854,600
Overseas Bonds	4,838,137	4,818,676
Sukuk Bonds	2,030,510	3,885,659
	<u>112,677,271</u>	<u>64,004,637</u>

Market value of securities given as collateral is Rs.112,107.659 million (December 31, 2018: Rs. 63,858.995 million).

10.3 Provision for diminution in value of investments

10.3.1 Opening balance		1,381,018	1,427,028
Afghanistan operations classified as continuing operations	23	583	-
Exchange and other adjustments		3,054	13,876
Charge / reversals			
Charge for the year		1,504,814	85,766
Reversals for the year		(42,615)	(98,073)
Reversal on disposals		(334,661)	-
		1,127,538	(12,307)
Transfers - net		-	(3,947)
Provision adjusted during the year		-	(43,632)
Closing Balance		<u>2,512,193</u>	<u>1,381,018</u>

10.3.2 Particulars of provision against debt securities

Category of classification	September 30 2019 (Un-audited)		December 31, 2018 (Audited)	
	NPI	Provision	NPI	Provision
Domestic	------(Rupees in '000)-----			
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,132,140	1,132,140	1,121,881	1,121,881
	<u>1,132,140</u>	<u>1,132,140</u>	<u>1,121,881</u>	<u>1,121,881</u>
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,132,140</u>	<u>1,132,140</u>	<u>1,121,881</u>	<u>1,121,881</u>

10.3.3 The market value of securities classified as held-to-maturity as at September 30, 2019 amounted to Rs. 48,723.149 million (December 31, 2018: Rs. 40,750.384 million).

11 ADVANCES

Note	Performing		Non Performing		Total	
	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	------(Rupees in '000)-----					
Loans, cash credits, running finances, etc.	377,664,874	402,388,697	18,964,578	17,286,103	396,629,452	419,674,800
Islamic financing and related assets	75,542,213	85,660,964	1,511,778	1,393,959	77,053,991	87,054,923
Bills discounted and purchased	16,759,098	11,524,510	226,691	143,478	16,985,789	11,667,988
Advances - gross	469,966,185	499,574,171	20,703,047	18,823,540	490,669,232	518,397,711
Provision against advances						
- Specific	11.4	-	(16,694,687)	(15,884,669)	(16,694,687)	(15,884,669)
- General	11.4	(894,234)	-	-	(894,234)	(873,315)
		(894,234)	(16,694,687)	(15,884,669)	(17,588,921)	(16,757,984)
Advances - net of provision	469,071,951	498,700,856	4,008,360	2,938,871	473,080,311	501,639,727

11.1 Advances include an amount of Rs.127.43 million (December 31, 2018: Rs. 82.95 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OSED departments. These loans carry mark-up at the rates ranging from 9.46% to 24.42% (December 31, 2018: 9.46% to 20.30%) with maturities up to May 2039 (December 31, 2018: December 2038).

11.2 Particulars of advances (Gross)	(Un-audited) (Audited)	
	September 30, 2019	December 31, 2018
	------(Rupees in '000)-----	
In local currency	461,324,587	493,638,878
In foreign currencies	29,344,645	24,758,833
	<u>490,669,232</u>	<u>518,397,711</u>

11.3 Advances include Rs. 20,703.047 million (December 31, 2018: Rs. 18,823.540 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
	Non- Performing Loans	Provision	Non- Performing Loans	Provision
	------(Rupees in '000)-----			
Domestic				
Other Assets Especially Mentioned	243,209	10,666	104,121	3,330
Substandard	4,678,567	1,464,827	3,077,658	762,678
Doubtful	730,403	343,058	552,920	235,663
Loss	14,504,461	14,440,231	14,591,887	14,518,782
	<u>20,156,640</u>	<u>16,258,782</u>	<u>18,326,586</u>	<u>15,520,453</u>
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	42,787	3,536
181 to 365 days	-	-	104,384	46,637
> 365 days	546,407	435,905	349,783	314,043
	<u>546,407</u>	<u>435,905</u>	<u>496,954</u>	<u>364,216</u>
Total	<u>20,703,047</u>	<u>16,694,687</u>	<u>18,823,540</u>	<u>15,884,669</u>



11.4 Particulars of provision against advances

	September 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	15,884,669	873,315	16,757,984	15,685,041	868,035	16,553,076
Exchange and other adjustments	43,000	21,091	64,091	62,512	2,944	65,456
Charge for the year	2,606,629	-	2,606,629	3,007,907	2,336	3,010,243
Reversals	(1,667,983)	(172)	(1,668,155)	(2,631,522)	-	(2,631,522)
	938,646	(172)	938,474	376,385	2,336	378,721
Amounts written off	(154,585)	-	(154,585)	(179,305)	-	(179,305)
Amounts charged off - agriculture financing	(17,043)	-	(17,043)	(59,964)	-	(59,964)
	(171,628)	-	(171,628)	(239,269)	-	(239,269)
Closing balance	16,694,687	894,234	17,588,921	15,884,669	873,315	16,757,984

11.4.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at September 30, 2019 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 71.83 million (December 31, 2018: Rs. 30.106 million).

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

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

Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	------(Rupees in '000)-----	

12 FIXED ASSETS

Capital work-in-progress	12.1	712,169	175,339
Property and equipment	12.2	18,155,924	18,141,703
Right-of-use assets	4.2	8,572,043	-
		27,440,136	18,317,042

12.1 Capital work-in-progress

Civil works	515,646	115,840
Equipment	191,763	55,670
Advances to suppliers	1,075	1,075
Others	3,685	2,754
	712,169	175,339

12.2 It includes land and building carried at revalued amount of Rs. 13,647.515 million (December 31, 2018: Rs. 13,907.251 million).

(Un-audited)
 September 30, September 30,
 2019 2018
 -----(Rupees in '000)-----

12.3 Additions to fixed assets

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

Capital work-in-progress - net of transferred out for capitalisation	536,830	39,932
Property and equipment		
Building on Freehold land	12,184	795
Building on Leasehold land	27,876	21,267
Lease hold improvement	74,578	24,860
Furniture and fixture	54,168	18,711
Office equipment	1,239,960	408,918
Vehicles	15,695	10,139
	1,424,461	484,690
Total additions to fixed assets	1,961,291	524,622

12.4 Disposal of fixed assets

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

Leasehold land	192,500	242,489
Building on leasehold	2,700	-
Leasehold improvements	225	12,367
Furniture and fixture	241	2,727
Office equipment	1,987	4,611
Vehicles	8,024	1,241
Total disposal of fixed assets	205,677	263,435

(Un-audited) (Audited)
 September 30, December 31,
 2019 2018
 -----(Rupees in '000)-----

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	322,537	180,901
Software / membership card	1,066,299	1,136,370
	1,388,836	1,317,271

(Un-audited)
 September 30, September 30,
 2019 2018
 -----(Rupees in '000)-----

13.1 Additions to intangible assets

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

Capital work-in-progress - net of transferred out for capitalisation	141,636	(17,924)
Directly purchased	291,220	122,666
Total additions to intangible assets	432,856	104,742

13.2 There were no disposals during the periods ended September 30, 2019 and September 30, 2018.



	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
14	OTHER ASSETS		
		18,185,386	11,880,512
		921,943	538,855
		3,117,184	2,663,485
		-	90,885
	14.1	607,061	615,517
		40,701	2,768
		1,162,838	4,519,604
		-	68,224
		31,954	37,631
		833,633	923,633
		160,577	311,104
		1,101,479	1,393,630
		168,729	206,651
		14,943,391	13,319,265
		634,260	195,906
		41,909,136	36,767,670
	14.2	(864,058)	(928,885)
		41,045,078	35,838,785
		157,825	159,530
		41,202,903	35,998,315

14.1 The revalued amount of non-banking assets acquired in satisfaction of claims is Rs. 750.431 million (December 31, 2018: Rs. 757.092 million).

14.2 Provision held against other assets

Advances, deposits, advance rent & other prepayments	849,603	910,930
Non banking assets acquired in satisfaction of claims	14,455	17,955
	864,058	928,885

14.2.1 Movement in provision held against other assets

Opening balance	928,885	692,236
Afghanistan operations classified as continuing operations	23	2,998
Charge for the year	62,161	421,760
Reversals	(44,078)	(10,416)
Amount Written off	(86,118)	(144,945)
Exchange and other adjustments	210	(29,750)
Closing balance	864,058	928,885

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	------(Rupees in '000)-----	
15	BILLS PAYABLE	
	In Pakistan	15,372,184
	Outside Pakistan	180,262
		35,825,039
		163,186
		35,988,225
16	BORROWINGS	
	Secured	
	Borrowings from State Bank of Pakistan	
	Under Export Refinance Scheme	28,615,128
	Under Long-Term Finance Facility	14,993,189
	Under Financing Facility for Storage of Agriculture Produce (FFSAP)	276,295
	Under Repurchase Agreement Borrowings	94,487,680
		138,372,292
		73,769,544
	Repurchase agreement borrowings	6,945,488
	Bai Muajjal	12,547,803
	Other short term borrowings	2,027
	Total secured	157,867,610
		104,466,605
	Unsecured	
	Call borrowings	13,341,209
	Overdrawn nostro accounts	837,890
	Bai Muajjal	-
	Others - Pakistan Mortgage Refinance and Karandaz	1,063,218
	Total unsecured	15,242,317
		19,551,130
		173,109,927
		124,017,735
17	DEPOSITS AND OTHER ACCOUNTS	

	September 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	253,909,486	64,196,483	318,105,969	253,826,090	31,077,261	284,903,351
Savings deposits	185,626,389	33,530,119	219,156,508	182,286,764	29,222,301	211,509,065
Term deposits	85,784,101	43,925,596	129,709,697	103,144,924	42,383,783	145,528,707
Others	8,102,432	3,006,897	11,109,329	10,007,520	1,920,061	11,927,581
	533,422,408	144,659,095	678,081,503	549,265,298	104,603,406	653,868,704
Financial Institutions						
Current deposits	1,495,154	1,334,007	2,829,161	2,130,211	533,400	2,663,611
Savings deposits	20,655,267	37,725	20,692,992	30,581,127	53,409	30,634,536
Term deposits	7,774,066	1,817,280	9,591,346	14,220,573	1,401,959	15,622,532
Others	4,909	864	5,773	47,926	9,816	57,742
	29,929,396	3,189,876	33,119,272	46,979,837	1,998,584	48,978,421
	563,351,804	147,848,971	711,200,775	596,245,135	106,601,990	702,847,125



		(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
18	SUBORDINATED DEBT		
18.1	Term Finance Certificates V - Quoted, Unsecured	4,987,000	4,989,000
	Issue amount	Rs. 5,000,000,000	
	Issue date	February 2013	
	Maturity date	February 2021	
	Rating	"AA-" (Double A Minus) by Pakistan Credit Rating Company Limited ("PACRA").	
	Security	Unsecured.	
	Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.	
	Profit payment frequency	Payable semi-annually in arrears.	
	Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.	
	Mark-up	Base Rate + 1.25 percent. Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.	
	Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.	
	Call option	There is no call option available to the Bank.	
18.2	Term Finance Certificates - Additional Tier-I - Quoted, Unsecured		
	Issue amount	Rs. 7,000,000,000	7,000,000 7,000,000
	Issue date	March 2018	
	Maturity date	Perpetual.	
	Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.	
	Security	Unsecured.	
	Ranking	Subordinated to all other indebtedness of the Bank including deposits but superior to equity.	
	Profit payment frequency	Payable semi-annually in arrears.	
	Redemption	Perpetual.	
	Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date.	
	Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.	
	Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the point of non-viability Trigger Event ; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.	
	Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.	
		<u>11,987,000</u>	<u>11,989,000</u>

19 DEFERRED TAX LIABILITIES

Note (Un-audited) (Audited)
September 30, December 31,
2019 2018
------(Rupees in '000)-----

Deductible Temporary Differences on

- Provision against investments	(562,428)	(168,568)
- Provision against advances	(462,193)	(266,938)
- Provision against other assets	(245,622)	(224,973)
- Provision against lending to financial institutions	(5,720)	(5,720)
- Ijarah depreciation taxed	(16,690)	(16,690)
- Unrealised loss on revaluation of HFT investments	(9,729)	(14,532)
	(1,302,382)	(697,421)

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets	1,297,566	1,329,184
- Surplus on revaluation of investments	1,156,317	(2,882)
- Share of profit from associates	674,803	428,524
- Accelerated tax depreciation	1,235,242	1,286,460
- Exchange translation reserve	-	156,232
	4,363,928	3,197,518
	<u>3,061,546</u>	<u>2,500,097</u>

20 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency	2,909,789	2,108,495
Mark-up/ Return/ Interest payable in foreign currency	728,042	610,511
Unearned commission and income on bills discounted and guarantees	242,629	220,584
Accrued expenses	4,950,406	4,206,509
Current taxation	5,844,512	926,956
Acceptances	14,943,391	13,319,265
Dividends payable	251,013	84,229
Mark to market loss on forward foreign exchange contracts	949,706	970,502
Mark to market loss on derivatives	74,436	1,169
Provision for Compensated absences	588,010	498,010
Payable against redemption of customer loyalty / reward points	361,729	274,076
Charity payable	521	20
Provision against off-balance sheet obligations	20.1 128,430	78,450
Security deposits against leases, lockers and others	6,965,490	6,808,459
Worker's Welfare Fund	1,357,699	979,662
Payable to vendors and suppliers	700,691	606,480
Indirect Taxes Payable	654,455	563,970
Liabilities against assets subject lease	4.2 8,617,194	-
Others	1,730,830	1,548,375
	<u>51,998,973</u>	<u>33,805,722</u>

20.1 Provision against off-balance sheet obligations

Opening balance	78,450	65,463
Exchange and other adjustments	12,742	13,759
Charge for the year	37,238	-
Reversals	-	(772)
	37,238	(772)
Amount Written off	-	-
Closing balance	<u>128,430</u>	<u>78,450</u>



21 SHARE CAPITAL

21.1 Authorized Capital

(Un-audited) September 30, 2019	(Audited) December 31, 2018		(Un-audited) September 30, 2019	(Audited) December 31, 2018
------(Number of shares)-----			------(Rupees in 000)-----	
2,300,000,000	2,300,000,000	Ordinary shares of Rs. 10 each	23,000,000	23,000,000

21.2 Issued, subscribed and paid up Capital

		Ordinary shares		
891,453,153	888,650,908	Fully paid in cash	8,914,531	8,886,509
885,711,966	885,711,966	Issued as bonus shares	8,857,120	8,857,120
-	-		-	-
1,777,165,119	1,774,362,874		17,771,651	17,743,629

During the period, the Bank issued 2,802,245 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS).

22 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims
- Surplus on revaluation of investment held for sale in Afghanistan

Note (Un-audited) (Audited)
September 30, December 31,
2019 2018
------(Rupees in '000)-----

10.1	3,300,289	(2,102)
	8,420,239	8,508,874
	157,825	159,530
	-	303
	11,878,353	8,666,605

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

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims
- Surplus on revaluation of investment held for sale in Afghanistan

	1,156,317	(2,943)
	1,267,508	1,298,531
	30,056	30,653
	-	61
	2,453,881	1,326,302

Derivatives

(225,200) 48,952

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

3,667 (128)

9,202,939 7,389,127

23 ASSETS HELD FOR SALE

23.1 The Holding Company signed a business transfer agreement with the potential buyer for sale of the Afghanistan operations in 2018 and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the central bank in Afghanistan. Accordingly, the aforesaid business was classified as "Asset held for sale". However, during the current period, the DAB vide its letter dated 27 February 2019 declined the application for approval. Consequently, the plan for the disposal has been withdrawn. In line with the requirements of IFRS 5 'Non-current assets held for sale and Discontinued Operations' the results of the Afghanistan operations previously presented in discontinued operations have been reclassified and included in income from continuing operations for all periods presented and the amounts presented for 'assets and liabilities held for sale' in the comparative statement of financial position have not been reclassified or re-presented.

23.2 The financial position of assets classified as held for sale are as follows:

STATEMENT OF FINANCIAL POSITION	(Audited) December 31, 2018 (Rupees in '000)
Assets held for sale	
Cash and balances with treasury banks	4,764,918
Balances with other banks	3,431,895
Lendings to financial institutions	10,470,354
Investments - net	4,596,965
Advances - net	224,090
Fixed assets	9,370
Other assets	91,897
	<u>23,589,489</u>
Liabilities directly associated with the assets held for sale	
Bills payable	4,549
Deposits and other accounts	20,287,651
Deferred tax liabilities	223
Other liabilities	142,973
	<u>20,435,396</u>

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
24 CONTINGENCIES AND COMMITMENTS			
-Guarantees	24.1	58,960,110	57,086,398
-Commitments	24.2	550,231,623	437,956,428
-Other contingent liabilities	24.3	10,241,308	13,222,064
		<u>619,433,041</u>	<u>508,264,890</u>
24.1 Guarantees:			
Financial guarantees		1,071,672	731,536
Performance guarantees		32,511,048	32,153,833
Other guarantees		25,377,390	24,201,029
		<u>58,960,110</u>	<u>57,086,398</u>
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		76,976,795	68,026,025
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	291,296,448	228,265,364
- forward government securities transactions	24.2.2	131,598,972	76,821,957
- derivatives	24.2.3	11,055,034	12,051,091
- forward lending	24.2.4	37,679,388	34,773,260
- operating leases	4.2	-	16,906,848
Commitments for acquisition of:			
- operating fixed assets		1,207,291	604,674
- intangible assets		417,695	507,209
		<u>550,231,623</u>	<u>437,956,428</u>



	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
24.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	180,775,949	140,128,603
	Sale	110,520,499	88,136,761
		<u>291,296,448</u>	<u>228,265,364</u>
24.2.2	Commitments in respect of forward government securities transactions		
	Purchase	101,711,230	39,518,422
	Sale	29,887,742	37,303,535
		<u>131,598,972</u>	<u>76,821,957</u>
24.2.3	Commitments in respect of derivatives		
24.2.3.1	Interest Rate Swaps		
	Purchase	11,055,034	10,650,708
	Sale	-	-
		<u>11,055,034</u>	<u>10,650,708</u>
24.2.3.2	Futures		
	Purchase	-	-
	Sale	-	1,400,383
		-	<u>1,400,383</u>
	Total commitments in respect of derivatives	<u>11,055,034</u>	<u>12,051,091</u>
24.2.4	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	24.2.4.1 32,281,937	29,428,567
	Commitments in respect of investments	5,397,451	5,344,693
		<u>37,679,388</u>	<u>34,773,260</u>
24.2.4.1	These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		

(Un-audited) (Audited)
September 30, December 31,
2019 2018
------(Rupees in '000)-----

24.3 Other contingent liabilities

24.3.1 Claims against the Bank not acknowledged as debts

10,241,308 13,222,064

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 consolidated condensed interim financial statements.

24.4 Contingency for tax payable

24.4.1 There were no tax related contingencies other than as disclosed in note 35.2.

25 DERIVATIVE INSTRUMENTS

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

25.1 Product Analysis

Counterparties	September 30, 2019 (Un-audited)					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / loss	No. of contracts	Notional Principal	Mark to market gain / loss
With Banks for Hedging	22	11,055,034	(74,436)	-	-	-
With FIs other than banks Hedging	-	-	-	-	-	-
Total Hedging	22	11,055,034	(74,436)	-	-	-

Counterparties	December 31, 2018 (Audited)					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / loss	No. of contracts	Notional Principal	Mark to market gain / loss
With Banks for Hedging	21	10,650,708	88,487	-	-	-
With FIs other than banks Hedging	-	-	-	88	1,400,383	(21,432)
Total Hedging	21	10,650,708	88,487	88	1,400,383	(21,432)



Note (Un-audited)
 Nine months period ended
 September 30, 2019 September 30, 2018
 -----(Rupees in '000)-----

26	MARK-UP/RETURN/INTEREST EARNED		
	On:		
	a) Loans and advances	42,525,546	25,765,016
	b) Investments	14,038,129	15,373,489
	c) Lendings to financial institutions	4,089,798	1,067,697
	d) Balances with banks	31,631	65,642
	e) Securities purchased under resale agreements / Bai Muajjal	5,749,792	634,786
		<u>66,434,896</u>	<u>42,906,630</u>
27	MARK-UP/RETURN/INTEREST EXPENSED		
	On:		
	a) Deposits	24,515,600	13,437,746
	b) Borrowings	2,496,274	941,161
	c) Securities sold under repurchase agreements	1,723,310	3,822,248
	d) Subordinated debt and ADT-1 instrument	1,066,023	696,717
	e) Cost of foreign currency swaps against foreign currency deposits / borrowings	3,230,059	697,796
	f) Reward points	101,977	70,206
		<u>33,133,243</u>	<u>19,665,874</u>
28	FEE & COMMISSION INCOME		
	Branch banking customer fees	940,834	1,133,248
	Consumer finance related fees	183,743	162,598
	Card related fees (debit and credit cards)	707,729	572,105
	Credit related fees	83,662	123,567
	Investment banking fees	208,746	134,072
	Commission on trade	1,109,918	940,736
	Commission on guarantees	258,231	304,167
	Commission on cash management	28,506	14,173
	Commission on remittances including home remittances	247,352	143,441
	Commission on bancassurance	345,183	294,982
	Card acquiring business	187,042	200,786
	Wealth Management Fee	88,181	53,213
	Commission on EOBI	82,642	78,512
	Commission on BISP	272,487	197,203
	Alternate Delivery Channel (ADC)	354,999	240,678
	Brokerage/Commission income	70,655	84,550
	Management fee	290,456	323,742
	Others	113,313	39,401
		<u>5,573,679</u>	<u>5,041,175</u>
29	(LOSS) / GAIN ON SECURITIES		
	Realised	29.1 (408,868)	1,421,051
	Unrealised - held for trading	10.1 (27,797)	(54,032)
		<u>(436,665)</u>	<u>1,367,019</u>
29.1	Realised (loss) / gain on:		
	Federal Government Securities	138,561	1,281,504
	Shares	(589,147)	157,375
	Foreign Securities	41,718	(17,828)
		<u>(408,868)</u>	<u>1,421,051</u>
30	OTHER INCOME		
	Rent on property	18,302	17,769
	Gain on sale of fixed assets-net	117,518	131,172
	Profit from sale of leased assets	32,800	23,482
		<u>168,620</u>	<u>172,423</u>

Note	(Un-audited)	
	Nine months period ended	
	September 30, 2019	September 30, 2018

31 OPERATING EXPENSES

31.1 9,565,075 7,732,012

Total compensation expense		
Property expense		
Rent and taxes	218,471	1,578,258
Insurance	2,775	2,734
Utilities cost	747,501	665,683
Security (including guards)	456,780	466,453
Repair and maintenance (including janitorial charges)	319,401	366,262
Depreciation	1,574,748	356,367
	3,319,676	3,435,757
Information technology expenses		
Software maintenance	865,793	571,188
Hardware maintenance	234,240	207,629
Depreciation	270,315	301,786
Amortisation	361,603	367,093
Network charges	295,745	267,508
	2,027,696	1,715,204
Other operating expenses		
Directors' fees and allowances	182,281	81,049
Fees and allowances to Shariah Board	9,025	7,681
Legal and professional charges	180,399	214,083
Outsourced services costs	744,132	975,052
Travelling and conveyance	421,928	368,540
Clearing and custodian charges	70,477	75,087
Depreciation	616,818	680,571
Training and development	79,323	66,292
Postage and courier charges	274,048	173,884
Communication	263,032	203,266
Stationery and printing	367,919	342,166
Marketing, advertisement and publicity	1,343,969	325,153
Donations	7,392	36,594
Auditors Remuneration	45,084	34,739
Brokerage and Commission	135,897	134,945
Entertainment	159,372	147,340
Repairs and maintenance	299,819	189,444
Insurance	692,053	365,327
Cash Handling Charges	385,602	273,858
CNIC Verification	89,700	76,289
Others	340,828	252,926
	6,709,098	5,024,286
	21,621,545	17,907,259
31.1 Total compensation expense		
Managerial Remuneration		
i) Fixed	7,242,160	5,881,848
ii) Variable:		
a) Cash Bonus / Awards etc.	1,126,095	866,974
b) Bonus and Awards in Shares etc.	12,102	14,561
Charge for defined benefit plan	116,302	164,088
Contribution to defined contribution Plan	304,935	245,895
Medical	328,060	196,605
Conveyance	177,988	135,962
Staff compensated absences	90,000	102,623
Others	100,074	85,606
Sub-total	9,497,716	7,694,162
Sign-on Bonus	53,398	37,850
Severance Allowance	13,961	-
Grand Total	9,565,075	7,732,012



32 WORKERS WELFARE FUND

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

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

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

	Note	(Un-audited)	
		Nine months period ended	
		September 30, 2019	September 30, 2018
		------(Rupees in '000)-----	
33 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		<u>171,644</u>	<u>1,585</u>

34 PROVISIONS & WRITE OFFS - NET

Provisions against lending to financial institutions		(20,095)	-
Provisions for diminution in value of investments	10.3.1	1,127,538	(72,984)
Provisions against loans & advances	11.4	938,474	(549,999)
Provision against other assets	14.2.1	18,083	(154,244)
Provision against off-balance sheet obligations	20.1	37,238	-
Other provisions / write off		90,374	-
Recovery of written off / charged off bad debts		(179,177)	(169,006)
		<u>2,012,435</u>	<u>(946,233)</u>

35 TAXATION

Current		7,354,627	6,059,420
Prior years	35.1	603,587	(86,044)
Deferred		(423,663)	(160,627)
		<u>7,534,551</u>	<u>5,812,749</u>

35.1 The Finance Act, 2018 had revised the applicability of super tax brought into effect through Finance Act, 2015 for rehabilitation of temporary displaced persons for Tax Years 2019, 2020 and 2021 at the rates of 4%, 3% and 2% respectively on the taxable income for respective years. However, Finance Supplementary (Second Amendment) Act, 2019 has levied super tax @ 4% on taxable income for the Tax Year 2018 (Accounting year 2017) retrospectively and same rate of 4% revised up to Tax Year 2021. Accordingly, in addition to the current tax charge of super tax, provision amounting to Rs.603 million also made for Tax Year 2018 (Accounting Year 2017) in these unconsolidated condensed interim financial statements.

- 35.2 a) The income tax assessments of the Bank have been finalized upto and including tax year 2018. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

In respect of tax years 2008, 2014, 2017 and 2018, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs.789.862 million (December 31, 2018 : Rs.789.862 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.306.334 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals and Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- b) In respect of monitoring of withholding taxes, the Bank has received order from tax authorities. The Bank has not made provision amounting to Rs.24.920 million against tax demand for tax year 2019 as management is of the view that the matter will be settled in Bank's favour in appeals.
- c) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2018 : 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.

		(Un-audited)	
		September 30, 2019	(Restated) September 30, 2018
		----- (Rupees in '000) -----	
36	BASIC EARNINGS PER SHARE		
	Profit for the period attributable to equity holders of the Bank	<u>9,735,077</u>	<u>8,847,116</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares	<u>1,775,882</u>	<u>1,773,439</u>
		----- (Rupees) -----	
	Basic earnings per share	<u>5.48</u>	<u>4.99</u>
37	DILUTED EARNINGS PER SHARE		
	Profit for the period attributable to equity holders of the Bank	<u>9,735,077</u>	<u>8,847,116</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>1,775,882</u>	<u>1,775,739</u>
		----- (Rupees) -----	
	Diluted earnings per share	<u>5.48</u>	<u>4.98</u>



38 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

38.1 Fair value of financial instruments

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

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

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

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

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

	September 30, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- (Rupees in '000) -----			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	257,391,538	-	257,391,538
Shares	6,666,721	-	-	6,666,721
Non-Government Debt Securities	-	6,247,391	-	6,247,391
Foreign Securities	-	28,204,769	-	28,204,769
Others	-	-	-	-
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,162,838	-	1,162,838
Forward sale of foreign exchange	-	(949,706)	-	(949,706)
Derivatives purchases	-	-	-	-
Derivatives sales	-	(74,436)	-	(74,436)
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- (Rupees in '000) -----			
Financial assets - measured at fair value				
- Investments				
Federal Government Securities	-	205,872,883	-	205,872,883
Shares	8,228,553	-	-	8,228,553
Non-Government Debt Securities	-	6,134,851	-	6,134,851
Foreign Securities	-	12,903,246	-	12,903,246
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	4,519,604	-	4,519,604
Forward sale of foreign exchange	-	(970,502)	-	(970,502)
Derivatives purchases	-	68,224	-	68,224
Derivatives sales	-	(1,169)	-	(1,169)

38.2 Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 12 and 14. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

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

38.4 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

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

For the nine month this period ended September 30, 2018 (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
(Rupees in '000)										
Profit & Loss										
Net mark-up/return/profit	71,657	9,449,334	3,829,800	8,908,476	-	1,591,242	(2,426)	1,447	(608,774)	23,240,756
Inter segment revenue - net	12,465,492	(5,835,258)	(34,738)	(7,143,491)	145,940	1,978	-	-	400,077	-
Non mark-up/return/interest income	2,947,970	555,605	784,192	2,933,107	267,053	312,331	87,857	345,190	513,791	8,747,096
Total Income	15,485,119	4,169,681	4,573,254	4,698,092	412,993	1,905,551	85,431	346,637	305,094	31,987,852
Segment direct expenses	7,807,200	566,727	2,275,770	386,144	485,726	1,000,373	136,016	183,816	5,357,537	18,209,309
Inter segment expense allocation	3,741,650	446,014	914,504	1,727,448	34,235	94,675	-	-	(5,403,826)	-
Total expenses	11,558,850	1,012,741	3,190,274	558,892	519,961	1,095,048	136,016	183,816	(46,289)	18,209,309
Provisions	(279,036)	(37,116)	187,877	(21,803)	-	(496,155)	-	-	-	(946,233)
Profit before tax	4,205,305	3,494,056	1,201,103	4,161,003	(105,968)	1,306,658	(50,585)	162,821	351,383	14,724,776

As at December 31, 2018 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
(Rupees in '000)										
Balance Sheet										
Cash & Bank balances	54,448,024	11,605,738	12,496,503	2,247,343	334,892	5,099,305	82,792	4,693	-	86,319,290
Investments	860,704	694,426	23,200,001	221,983,048	-	29,434,619	33,571	720,915	2,324,447	279,251,731
Net inter segment lending	288,412,271	-	-	-	4,241,251	-	-	-	67,128,974	359,782,496
Lendings to financial institutions	-	-	17,986,588	39,315,352	-	10,870,377	-	-	-	62,172,287
Advances - performing	153,750,402	235,172,283	85,573,392	-	-	19,233,298	2,167	1,111	4,968,203	498,000,856
Advances - non-performing	366,716	1,453,002	262,226	-	-	132,738	-	-	724,189	2,938,871
Others	16,456,975	10,628,391	7,575,451	6,258,899	407,786	24,497,323	446,267	336,849	12,614,176	79,222,117
Total Assets	514,295,092	259,553,840	147,094,131	263,804,642	4,983,929	89,267,660	564,797	1,063,568	87,759,989	1,368,387,648
Borrowings	10,460,314	22,698,781	6,019,398	62,173,164	-	22,092,452	279,494	-	294,192	124,017,735
Subordinated debt	-	-	-	-	-	-	-	-	11,989,000	11,989,000
Deposits & other accounts	464,574,928	92,224,318	113,525,994	-	4,899,848	27,670,192	-	-	(48,155)	702,847,125
Net inter segment borrowing	-	-	-	201,340,936	-	12,885,243	-	-	-	359,782,496
Others	38,622,551	9,554,126	15,229,222	1,186,034	84,081	23,234,243	175,901	206,308	4,436,974	92,729,440
Total Liabilities	513,657,793	259,646,793	146,161,303	264,700,134	4,983,929	85,882,130	455,395	206,308	16,672,011	1,291,365,796
Net Assets	637,299	(92,953)	1,932,828	(895,492)	-	3,385,530	109,402	857,260	71,087,978	77,021,852
Equity										
Contingencies & Commitments	58,274,791	76,420,934	31,777,895	296,162,272	47,934	30,646,372	9,467	-	14,925,225	508,264,890



40 RELATED PARTY TRANSACTIONS

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

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

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

	Directors/ CEO As at September 30, 2019 (Un-audited)	Key management personnel As at September 30, 2019 (Un-audited)	Associates	Other related parties	Directors/ CEO As at December 31, 2018 (Audited)	Key management personnel As at December 31, 2018 (Audited)	Associates	Other related parties
	(Rupees in '000)				(Rupees in '000)			
Balances with other banks								
Lendings to financial Institutions								
Opening balance	-	-	-	-	-	-	-	1,500,000
Addition during the year	-	-	2,474,328	-	-	-	-	134,478,646
Repaid during the year	-	-	(2,474,328)	-	-	-	-	(135,978,646)
Closing balance	-	-	-	-	-	-	-	-
Investments								
Opening balance	-	-	3,761,612	992,661	-	-	3,213,322	1,267,808
Investment made during the year	-	-	722,218	-	-	-	330,829	464,122
Investment redeemed / disposed off during the year	-	-	(693,451)	(428,799)	-	-	(205,000)	(739,269)
Equity method adjustment	-	-	744,640	-	-	-	422,461	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	4,533,019	563,862	-	-	3,761,612	992,661
Provision for diminution in value of investments								
Advances								
Opening balance	105,660	451,375	-	3,354,510	-	460,291	-	7,591,327
Addition during the year	-	303,366	-	870,056	-	206,246	-	6,738,397
Repaid during the year	(10,923)	(144,265)	-	(1,182,130)	(6,068)	(98,964)	-	(8,302,589)
Transfer in / (out) - net	94,472	14,940	-	(300,005)	117,78	(106,198)	-	(2,679,956)
Closing balance	-	625,416	-	2,842,431	105,650	451,275	-	3,594,310
Provision held against advances								
Other Assets								
Interest / mark-up accrued	9,645	71,251	-	195,854	5,507	42,368	-	134,900
Receivable from staff retirement fund	-	-	-	833,633	-	-	-	923,633
Prepayment / rent receivable	-	-	-	821	-	-	832	5,973
Profit Receivable on Sukuk	-	-	-	551	-	-	-	1,888
Advance against shares	-	-	454	50,000	-	-	-	50,000
Others	-	8,240	192,857	-	-	1,216	-	182,420

	As at September 30, 2019 (Un-audited)		As at December 31, 2018 (Audited)	
	Directors/ CEO	Key management personnel	Associates	Other related parties
(Rupees in '000)				
Borrowings				
Opening balance	-	-	-	502,800
Borrowings during the year	-	-	-	35,346,898
Settled during the year	-	-	-	(35,843,658)
Closing balance	-	-	-	-
Subordinated debt				
Opening balance	-	-	-	19,964
Redemption / Sold during the year	-	-	-	(19,964)
Closing balance	-	-	-	-
Deposits and other accounts				
Opening balance	7,439	194,191	1,056,739	3,194,114
Received during the year	4,66,975	2,713,143	19,733,435	22,345,190
Withdrawn during the year	(451,448)	(2,511,961)	(20,218,591)	(21,658,348)
Transfer in / (out) - net	-	(58,022)	-	(80,303)
Closing balance	22,966	337,351	871,583	3,850,653
Other Liabilities				
Interest / mark-up payable	20	2,031	1	7,725
Unearned rent	-	-	-	-
Others	-	629	884	3,962
Contingencies and Commitments	-	-	182,948	-
Other contingencies	-	-	-	162,468
(Rupees in '000)				
Income				
Mark-up / return / interest earned	4,106	19,503	-	321,399
Dividend income	-	-	-	12,511
Other income	-	-	280,941	-
Expenses	-	-	-	-
Mark-up / return / interest paid	37	8,291	591,69	1,65,040
Other operating expenses	319,962	1,066,486	-	446,971
Dividend paid	966,735	20,174	15,131	2,751,227
Insurance premium paid	-	-	551,363	-
Insurance claims settled	-	-	288,664	-
(Rupees in '000)				
For the nine months period ended September 30, 2019 (Un-audited)				
For the nine months period ended September 30, 2018 (Un-audited)				
(Rupees in '000)				
Income				
Mark-up / return / interest earned	2,461	10,286	-	217,368
Dividend income	-	-	99,000	-
Other income	-	-	204,302	10,301
Expenses	-	-	-	-
Mark-up / return / interest paid	10	3,220	26,788	94,349
Other operating expenses	133,927	634,865	35,299	695,200
Dividend paid	377,458	6,241	473	820,394
Insurance premium paid	-	-	444,773	-
Insurance claims settled	-	-	170,495	-



41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Un-audited) (Audited)
September 30, December 31,
2019 2018
------(Rupees in '000)-----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,771,651	17,743,629
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	64,637,497	60,664,411
Eligible Additional Tier 1 (ADT 1) Capital	6,920,659	6,827,751
Total Eligible Tier 1 Capital	71,558,156	67,492,162
Eligible Tier 2 Capital	18,213,088	15,255,654
Total Eligible Capital (Tier 1 + Tier 2)	89,771,244	82,747,816

Risk Weighted Assets (RWAs):

Credit Risk	464,530,155	493,039,647
Market Risk	9,282,350	2,783,951
Operational Risk	61,403,300	61,403,300
Total	535,215,805	557,226,898

Common Equity Tier 1 Capital Adequacy ratio

12.08% 10.89%

Tier 1 Capital Adequacy Ratio

13.37% 12.11%

Total Capital Adequacy Ratio

16.77% 14.85%

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

Common Equity Tier 1 Capital Adequacy ratio	6.00%	6.00%
Tier 1 Capital Adequacy Ratio	7.50%	7.50%
Total Capital Adequacy Ratio	11.90%	11.90%

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

Leverage Ratio (LR):

Eligible Tier-1 Capital	71,558,156	67,492,162
Total Exposures	1,366,020,326	1,187,548,541
Leverage Ratio	5.24%	5.68%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	272,296,639	252,703,051
Total Net Cash Outflow	151,346,930	162,363,261
Liquidity Coverage Ratio	180%	156%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	674,184,564	630,592,999
Total Required Stable Funding	474,658,770	472,759,179
Net Stable Funding Ratio	142%	133%



42 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on October 18, 2019 by the Board of Directors of the Bank.

43 GENERAL

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



Bank Alfalah

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