

Quarterly Report - March 31, 2019 (Un-audited)



Bank Alfalah
The Way Forward



Contents

Company Information	2
Directors' Review - English	5
Directors' Review - Urdu	12
Unconsolidated Condensed Interim Financial Statements	13
Unconsolidated Condensed Interim Statement of Financial Position	14
Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)	15
Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)	16
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)	17
Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)	18
Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Un-audited)	19
Consolidated Condensed Interim Financial Statements	53
Consolidated Condensed Interim Statement of Financial Position	54
Consolidated Condensed Interim Profit and Loss Account (Un-audited)	55
Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)	56
Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)	57
Consolidated Condensed Interim Cash Flow Statement (Un-audited)	58
Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Un-audited)	59



Company Information

Board of Directors

HH Sheikh Nahayan Mabarak Al Nahayan
Chairman / Director

Abdulla Nasser Hawaileel Al Mansoori
Director

Abdulla Khalil Al Mutawa
Director

Khalid Mana Saeed Al Otaiba
Director

Efstratios Georgios Arapoglou
Director

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 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 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 Compensation Committee (BCC)

Dr. Ayesha Khan
Chairperson

Khalid Mana Saeed Al Otaiba
Member

Abdulla Khalil Al Mutawa
Member

Efstratios Georgios Arapoglou
Member

Board Strategy and Finance Committee (BS&FC)

Abdulla Khalil Al Mutawa
Chairman

Khalid Mana Saeed Al Otaiba
Member

Efstratios Georgios Arapoglou
Member

Shehzad Naqvi
Member

Nauman Ansari
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 quarter ended March 31, 2019.

Economic Review

Banking sector continued to adapt to the changing landscape as country's economy furthered its quest for stability with concerns over balance of payment situation persisting in 1Q19. Following on from a currency devaluation of 26% and monetary tightening of 450bp in 2018, market witnessed further currency devaluation of 1.4% and tightening of 75bps in 1Q19.

Current Account Deficit (CAD) clocked in at US\$8.8bn in Jul-Feb FY19 as compared to US\$11.4bn in the same period of last year. As per SBP data, while exports remained flat around US\$16bn during 8MFY19, imports reported a marginal decline of 1.6% to US\$35.3bn. The key improvement came via 11.8% increase in overseas remittances to US\$14.3bn and a 36% reduction in net service payments. The CAD decline is more pronounced in recent readings of Feb where the current account deficit clocked at US\$358mn versus the monthly average of US\$1.2bn in Jul to Jan period. Despite this curtailment, the CAD still remains at high levels given low foreign exchange reserves and low Foreign Direct Investment (FDI). In order to meet the immediate external debt servicing requirements, the government has managed to secure financing from Saudi Arabia, UAE and China which has provided some cushion to ailing SBP's foreign exchange reserves.

The macroeconomic concerns have also translated into subdued stock market performance. The benchmark KSE100 Index recorded a gain of 10% in January 2019 but the momentum fizzled out as the index closed with just 4% return for 1Q19.

Other areas requiring government's administrative and policy actions are inflation (CPI clocked in at 9.41% YoY for March 2019; highest reading in the last five years) and the fiscal deficit. As per the data available, fiscal deficit in first half of FY19 was 2.7% of the GDP versus 2.2% in the same period of last year. One of the major reasons for this widening of deficit is the shortfall in revenue collection which depicted a 2.3% YoY drop during 1H FY19. More recent numbers also portray a shortfall in FBR's revenue collection which suggests that the fiscal deficit for this year will be a major challenge, especially considering the rising cost of debt servicing due to higher interest rates. Tax collection was also impacted by a slowdown in growth (LSM recorded a decline of 2.3% in 7MFY19), while IMF and World Bank project current fiscal year growth prospect for Pakistan at 3.6% and 2.9% respectively, compared to growth of 5.8% recorded in FY18. Slower economic growth, recent increase in ADR and crowding out could slow loan growth for the sector, till clarity emerges.

Going forward, monetary tightening while prima facie good for banking sector spreads, could carry implications for asset quality and limit potential for capital gains (on bond holdings) if the trend continues. Commencement of deferred oil payment facility from friendly countries should aid the government in addressing the immediate challenges of stabilising the economy. The next phase however requires attention towards long term reforms such as job creation, exports and remittances. Geo political events will also be crucial as material events take place in the neighborhood in the form of Indian elections and possible Afghan conflict resolution. The events combined with Pakistan's macroeconomic situation will most likely shape the next phase of CPEC.



Review of the Bank's Performance


The highlights of the financial results of the Bank for the quarter ended March 31, 2019 are presented as follows:

	March 31, 2019	December 31, 2018
Financial Position		
	Rupees in Millions	
Shareholders' Equity	76,948	75,647
Total Deposits*	687,915	702,895
Total Assets	929,358	1,006,218
Advances – net*	465,417	501,636
Investments – net*	142,265	277,660
*These prior year figures do not include one overseas set up held for sale whereas current year figures include the same as it has been declassified in 2019.		
	Quarter ended March 31, 2019	Quarter ended March 31, 2018
Financial Performance		
	Rupees in Millions (Restated)	
Net Interest Income and Non-markup Income	13,450	10,364
Non-markup Expenses	6,870	5,889
Provisions and write offs (net)	446	(600)
Profit before Tax	6,134	5,075
Profit after Tax	3,122	3,264
Basic Earnings per Share – Rupees	1.76	1.85
Diluted Earnings per Share - Rupees	1.76	1.84

The Bank's profit before taxation for the quarter ended March 31, 2019 was recorded at Rs. 6.134 billion, as against Rs. 5.075 billion for the corresponding period last year, indicating an impressive growth of 21%. The Bank's profit after taxation stood at Rs. 3.122 billion due to higher taxation as a result of Super Tax charge for 2017 levied through the mini budget. The Earning Per Share (EPS) was recorded at Rs. 1.76 (Mar 2018: Rs. 1.85).

The Bank has strongly positioned itself in this rising interest rate environment. Total revenue for the quarter ended was reported at Rs. 13.450 billion compared to Rs. 10.364 billion from the corresponding period last year, improving by 30%. The growth in revenue was led primarily by higher spreads in line with policy rate increases as well as higher average volumes. Gain realised on government securities last year and bearish stock market sentiments during the first quarter of 2019 being the reason behind variance in non-fund based income. Fee and commission income stood 11% higher than same period last year. The growth was primarily driven by income from alternate delivery channels, branchless banking, credit and debit card fees and trade commissions.

Administrative expenses have increased by 16% against the previous reporting period. Main factors behind this are deposit protection insurance which is a new levy, customer promotion costs to tap unbanked segment, overall impact on cost due to inflationary adjustments and PKR devaluation. The cost to income ratio of the Bank however has improved to 50% from 56% for the same period last year.



A net provision charge of Rs. 446.076 million was taken in the first quarter 2019, primarily against advances and equity investment, versus a net provision reversal of Rs. 599.998 million in same period corresponding year. Last year reversal included a provision of Rs. 443.898 million relating to settlement of a case in Afghanistan. The Bank has managed to adequately cover its non-performing advances of Rs. 18.703 billion. While our absolute NPL has decreased, the NPL ratio stood at 3.9%, marginally higher than December end due to decrease in the advances portfolio. This continues to remain one of the lowest infection ratio in the industry. As at March 2019, the Bank's provision charge coverage stands at 86.69%.

The Bank's focus remains on re-profiling its deposit base. Total deposits at the period end have been reported at Rs. 687.915 billion, lower than December 2018 level, which is a customary decline in quarter one, however, current account balances remained flat. The Bank's CASA mix improved to 79% as at March 31, 2019.

The Bank's gross advances were reported at Rs. 482.483 billion. The Bank's strategy is to acquire high quality credit while maintaining an efficient risk weighted assets (RWA) profile. At the quarter end, our gross advances to deposits ratio stands at 70.1%, and remains a leading indicator for the Bank in the industry.

The shareholder equity of the Bank improved marginally despite payment of dividend approved by the shareholder in the AGM held in March 2019. At close of first quarter, the Bank remains adequately capitalised with CAR at 16.18%.

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 'Asset 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 presented as part of the actual profit and loss line items for all prior periods presented. The details have been given in note 22 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, JCR-VIS Credit Rating Company Limited (JCR-VIS) also assigned an entity rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term to the Bank, with outlook assigned as 'Stable'. The unsecured Tier 1 Capital (Term Finance Certificate) of the Bank has been awarded a credit rating of 'AA-' (Double A Minus), with 'Stable' Outlook.

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

Future Outlook

Bank Alfalah is well positioned for sustainable growth and building long-term shareholder value. We will continue to invest in Digital Banking, in our technology infrastructure, in human capital and in 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 & Chief Executive Officer
April 25, 2019
Abu Dhabi

Shehzad Naqvi
Director

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA کی جانب سے بینک کی ریٹنگ طویل مدت کیلئے AA+ (ڈبل اے پلس) جبکہ قلیل مدت کیلئے "A1+" (اے ون پلس) تفویض کی گئی۔ بینک کا آئوٹ لک مثبت قرار دیا گیا ہے۔ بینک کے ان سیکورڈ سب آرڈینیٹڈ ڈیبٹ (ٹرم فنانش سرٹیفیکیٹ) کی ریٹنگ AA (ڈبل اے) تفویض کی ہے اور اس کا آئوٹ لک مثبت قرار دیا گیا ہے۔

کریڈٹ ریٹنگ کمپنی JCR-VIS نے بینک الفلاح کو طویل مدت کیلئے AA+ (ڈبل اے پلس) جبکہ قلیل مدت کیلئے "A1+" (اے ون پلس) کریڈٹ ریٹنگ تفویض کی ہے۔ بینک الفلاح کے لیے تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے۔ بینک کے ان سیکورڈ Tier1 کیپٹل (ٹرم فنانش سرٹیفیکیٹ) کی ریٹنگ "AA" (ڈبل اے مانس) تفویض کی گئی ہے اس کا آئوٹ لک مثبت قرار دیا گیا ہے۔

تفویض کردہ کریڈٹ ریٹنگ بینک الفلاح کے متنوع آپریشن، 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 دعوے کی بروقت تکمیل کی بھرپور صلاحیت اور قلیل مدت کے لیے اپنے مالیاتی دعووں 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 ویلیو بنانے کی موثر پوزیشن میں ہے۔ ہم ڈیجیٹل بینکنگ، ٹیکنالوجی انفراسٹرکچر، ہیومن کیپٹل، کمپلائنس اور کنٹرول ماحول کو بہتر بنانے کے لیے مزید سرمایہ کاری کریں گے۔ اس کے ساتھ ساتھ ہم کم لاگت کے ڈیپازٹ بیس، کیپٹل آن رسک ایسٹ، بینکنگ بک کے منافع جات کو بہتر بنانے اور 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 مینیجمنٹ کے اصولوں اور لون بک کے انتظام کو بہتر بنائیں گے۔

اظہار تشکر

بینک کے بورڈ کی طرف سے ہم اسٹیٹ بینک آف پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، وزارت خزانہ اور دیگر ادارات کی مسلسل رہنمائی اور تعاون پر ان کا شکریہ ادا کرتے ہیں۔ ہم اپنے شیئر ہولڈرز، صارفین، ملازمین اور کاروباری شراکت داروں کی سرپرستی کرنے پر ان کے شکر گزار ہیں۔

شہزاد قوی

ڈائریکٹر

نعمان انصاری

چیف ایگزیکٹو آفیسر اور صدر

25 اپریل 2019

ابوظہبی



گزشتہ رپورٹنگ کی مدت کے مقابل انتظامی اخراجات میں 16% اضافہ ہوا۔ اس کے اہم عوامل میں ڈپازٹ پروٹیکشن انشورنس ہے جو نیا محصول ہے۔ غیر بینکنگ سیگمنٹ کو استعمال میں لانے کی غرض سے آنے والی کسٹمر پروموشن لاگت، افراط زر کی ایڈجسٹمنٹ اور روپے کی قدر میں کمی شامل ہے۔ بینک کا کوسٹ ٹو انکم ریشو 56% سے 50% کمی کے ساتھ گزشتہ سال کی اسی مدت کے مقابلے میں بہتر رہا۔

قرضہ جات اور ایکویٹی سرمایہ کاری کے عوض 2019ء کی پہلی سہ ماہی کیلئے خالص پرویژن لاگت 446.076 ملین روپے رہی جبکہ گزشتہ سال اسی مدت میں خالص پرویژن لاگت کا ریورسل 599.998 ملین روپے تھا۔ گزشتہ سال آنے والے ریورسل میں 443.898 ملین روپے افغانستان میں مقدمے کی مد میں آنے والی لاگت کا پرویژن شامل تھا۔ بینک نے اپنے 18.703 بلین روپے کے نان پرفارمنگ قرضہ جات کو پوری طرح کور کیا ہے۔ اگرچہ ہمارا NPL کم ہوا، اس سال NPL، 3.9% کی سطح پر رہا جو کہ قرضہ جات میں آنے والی کمی کی وجہ سے دسمبر کے اختتام سے معمولی طور پر زیادہ ہے۔ یہ اس انڈسٹری میں سب سے کم انفیکشن تناسب کے طور پر برقرار رہا۔ مارچ 2019ء میں بینک پرویژن لاگت کی کوریج 86.69% تھی۔

بینک کی توجہ جمع شدہ، رقوم کی ری پروفائلنگ پر مرکوز رہی۔ اس سہ ماہی کے اختتام پر کل جمع شدہ رقوم 687.915 بلین روپے رہی جو کہ معمول کے رجحان کے مطابق دسمبر 2018ء سے کم تھی۔ مگر کرنٹ اکاؤنٹ اپنی موجودہ سطح پر برقرار رہا۔ بینک CASA مکس میں پہلی سہ ماہی 31 مارچ 2019ء کے اختتام پر 79% سے بہتری آئی۔

بینک کے مجموعی قرضہ جات 482.483 بلین روپے رہے۔ بینک کی اسٹریٹجی میں اعلیٰ معیاری قرضوں کی فراہمی کے ساتھ ساتھ رسک ویٹڈ ایسٹ (RWA) پروفائل کو برقرار رکھنا ہے۔ پہلی سہ ماہی پر بینک کے مجموعی قرضہ جات اور جمع شدہ رقوم کا تناسب 70.1% پر رہا جو بینکنگ انڈسٹری میں بینک کیلئے خاص اہمیت کا حامل ہے۔

مارچ 2019ء میں ہونے والی AGM میں منظور کردہ ڈیویڈنڈ کی ادائیگی کے باوجود بینک کے شیر ہولڈرز کی ایکویٹی میں بتدریج بہتری آئی۔ پہلی سہ ماہی کے اختتام پر CAR کا تناسب 16.18% کی مستحکم سطح پر رہا۔

فروخت کیلئے پیش کردہ اثاثے

سال 2018ء کے دوران بینک نے افغانستان آپریشن کی فروخت کیلئے موزوں خریدار سے بزنس ٹرانسفر معاہدہ 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۔ بیان کردہ بزنس کو اثاثہ جات برائے فروخت کے طور پر پیش کیا گیا۔ مگر موجودہ سال کے دوران DAB کے درخواست کو مسترد کرنے کی وجہ سے افغانستان آپریشن کو جاری آپریشن کے طور پر پیش کیا گیا ہے۔

مذکورہ بالا کے نتیجے میں بینک کے افغانستان آپریشن 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 دسمبر 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 آپریشنز جو کہ گزشتہ مدت میں الگ سے منافع بعد از ٹیکس برائے متقطع آپریشنز کے طور پر رکھا تھا، کو اس بار اصل آمدنی اور اخراجات کے لائن آئٹمز میں شامل کیا گیا ہے۔ اس کی تفصیلات نوٹ نمبر 22 غیر انضباطی شدہ عبوری گوشوارے میں موجود ہیں۔

مستقبل میں مالیاتی بندشیں بظاہر بینکنگ سیکٹر منافع کیلئے اچھی نوید ہیں تاہم، اگر صورتحال اسی نہج پر رہی تو اثاثوں کے معیار اور بانڈز کی فروخت کے منافع پر اثر انداز ہوسکتی ہیں۔ دوست ممالک کی جانب سے تیل درآمد کی تاخیری ادائیگی سے معاشی ترقی کے چیلنج کو پورا کرنے کے مواقع دستیاب ہوں گے۔ بہر حال اگلے مرحلے میں طویل مدتی اصلاحات جیسے نوکریوں کے مواقع میں اضافہ، برآمدات اور ترسیلات کے شعبوں میں توجہ دینے کی ضرورت ہے۔ جیو پولیٹیکل اہم واقعات جیسے بھارتی الیکشن اور افغان تنازعے کا حل بھی اہمیت کا حامل ہیں۔ یہ واقعات اور پاکستان کے مائیکرو اکنامک صورتحال CPEC کے اگلے مرحلے کو واضح کریں گے۔

بینک کی کارکردگی کا جائزہ

پہلی سہ ماہی 31 مارچ 2019 کے اختتام پر بینک کے مالی نتائج کے اہم نکات درج ذیل ہیں۔

31 مارچ 2019ء	31 دسمبر 2018ء
مالی پوزیشن	روپیے ملین میں
شیئر ہولڈرز کی ایکویٹی	75,647
جمع شدہ رقوم (ڈپازٹس) کی مجموعی مالیت*	702,895
اثاثوں کی مجموعی مالیت	1,006,218
قرضہ جات، خالص*	501,636
سرمایہ کاری، خالص*	277,660
گزشتہ سال کے اعداد و شمار میں بیرونی اثاثے برائے فروخت کے اعداد و شمار شامل نہیں۔	142,265

31 مارچ 2019ء	31 مارچ 2018ء
مالی کارکردگی	روپیے ملین میں
خالص انٹرسٹ انکم اور نان مارک اپ انکم	10,364
غیر مارک اپ اخراجات	5,889
پروٹنز اور رائٹس آفس (خالص)	(600)
قبل از منافع ٹیکس	5,075
بعد از منافع ٹیکس	3,264
بنیادی افی حصص آمدن روپیے	1.85
ڈائلیوٹڈ فی حصص آمدن روپیے	1.76

31 مارچ 2019ء کی سہ ماہی کے اختتام پر بینک کا منافع ٹیکس کی کٹوتی سے پہلے 6.134 بلین روپیے تھا جو کہ گزشتہ سال اسی مدت کے دوران 5.075 بلین روپیے رہا جو کہ 21% کی متاثر کن ترقی کو ظاہر کرتا ہے۔ ٹیکس کے بعد بینک کا منافع 3.122 بلین روپیے ہے جو کہ 2017ء میں منی بجٹ کے سپر ٹیکس چارج کی بلند سطح کے باعث ہے۔ فی حصص آمدنی 1.76 روپیے (مارچ 2018: 1.85 روپیے) ریکارڈ کی گئی۔

بینک نے اس بڑھتی ہوئی شرح سود کے ماحول میں خود کو مستحکم رکھا۔ سہ ماہی کے اختتام پر کل آمدن 30% کی بہتری کے بعد 13.450 بلین روپیے رہی جو کہ گزشتہ سال اسی مدت میں 10.364 بلین روپیے تھی۔ آمدنی میں اضافے کی بنیادی وجہ پالیسی ریٹ کا بڑھنا اور اوسط حجم میں اضافہ تھا۔ گورنمنٹ سیکیورٹیز میں گزشتہ سال منافع، 2019ء میں پہلی سہ ماہی کے دوران ہونے والا اضافہ اور اسٹاک مارکیٹ میں مندی نان فنڈز کی بنیاد پر ہونے والی آمدنی میں کمی کی وجہ رہا۔ فیس اور کمیشن سے ہونے والی آمدن گزشتہ سال اسی مدت کے مقابلے میں 11% زیادہ تھی۔ یہ اضافہ بنیادی طور پر دیگر متبادل ڈیلیوری چینلز، برانچ لیس بینکنگ، کریڈٹ، ڈیبٹ کارڈ فیس اور ٹریڈ کمیشنز سے ہوا۔

ڈائریکٹرز کا جائزہ

ہم بورڈ آف ڈائریکٹرز کی جانب سے بخوشی غیر انضمام شدہ عبوری گوشوارہ 31 مارچ 2019ء کو ختم ہونے والی سہ ماہی کیلئے بینک الفلاح لمیٹڈ کے مالیاتی بیانات پیش کر رہے ہیں۔

معیشت کا جائزہ

بینکنگ سیکٹر تواتر سے ملکی معاشی صورتحال کو اپنانے کیلئے کوشاں ہے۔ جس میں 2019ء کی پہلی سہ ماہی کے دوران ادائیگی کے توازن کے خدشات شامل ہیں۔ 2018ء کے دوران روپے کی قدر میں 26% کمی ہوئی اور مالیاتی پالیسی کی سختی کے باعث 450bps کا اضافہ ہوا۔ 2019ء کی پہلی سہ ماہی میں روپے کی قدر میں مزید 1.4% کمی ہوئی اور مالیاتی پالیسی کی سختی کے باعث 75bps کا مزید اضافہ ہوا۔

کرنٹ اکاؤنٹ خسارہ جولائی تا فروری 2019ء میں 8.8 بلین امریکی ڈالر رہا جو اسی مدت میں گزشتہ سال 11.4 بلین امریکی ڈالر تھا۔ اسٹیٹ بینک آف پاکستان کے اعداد و شمار کے مطابق آٹھ ماہی مالی سال 2019ء کے دوران برآمدات 16 بلین امریکی ڈالر پر رہیں جبکہ درآمدات 1.6% کی معمولی کمی کے باعث 35.3 بلین امریکی ڈالر رہیں۔ غیر ملکی ترسیلات میں بہتری دیکھنے میں آئی جس میں 11.8% اضافہ ہو کر 14.3 بلین ڈالر رہیں اور 36% کی کمی ادائیگی کے توازن میں دیکھی گئی۔ کرنٹ اکاؤنٹ خسارے کی مزید کمی حالیہ اعداد و شمار فروری کے مطابق 358 ملین امریکی ڈالر پر رک گئی جو بالمقابل جولائی تا جنوری کے دوران میں اوسطاً ماہانہ 1.2 بلین ڈالر تھی۔ اس تخفیف کے باوجود کرنٹ اکاؤنٹ خسارہ بلند سطح پر رہا جسکی وجہ زرمبادلہ کے ذخائر کی کمی اور کم بیرونی سرمایہ کاری رہی۔ بیرونی قرضوں کی ادائیگی کی فوری ضروریات کو پورا کرنے کیلئے گورنمنٹ نے سعودی عرب، متحدہ عرب امارات اور چین سے قرضہ حاصل کیا جس سے اسٹیٹ بینک آف پاکستان کے زرمبادلہ کے ذخائر کو کچھ سہارا ملا۔

میکرو اکنامکس کے خدشات بھی اسٹاک مارکیٹ کی کارکردگی پر چھانے رہے۔ بینچ مارک KSE 100 انڈیکس جنوری 2019ء میں 10% کا اضافہ ہوا مگر یہ تیزی 2019ء کی پہلی سہ ماہی میں صرف 4% ریٹرن کے بعد بند ہوئی۔ حکومت کے دوسرے انتظامی اور پالیسی اقدامات کے شعبوں میں افراط زر (جو کہ 9.41% سال بہ سال مارچ 2019ء میں رہا جو کہ گزشتہ پانچ سالوں کی بلند سطح پر ہے) اور تجارتی خسارہ شامل ہیں۔ دستیاب اعداد و شمار کے مطابق، مالیاتی خسارہ پہلے ششماہی سال 2019ء میں GDP کا 2.7% رہا جو اسی مدت میں گزشتہ سال 2.2% پر تھا۔

تجارتی خسارے میں واضح کمی کی وجوہات میں سے ایک اہم وجہ آمدنی کے حصول میں کمی ہے جس میں 2.3% کی کمی پہلے ششماہی سال 2019ء میں دیکھی گئی۔ حالیہ اعداد و شمار اس بات کو ظاہر کرتے ہیں کہ ایف بی آر کے ریونیو کے حصول میں کمی کے باعث مالیاتی خسارہ اس مالی سال میں ایک بڑا چیلنج ہوگا۔ بالخصوص شرح سود کے اضافے کی وجہ سے سودی قرضوں میں اضافہ بھی اس بات کو ظاہر کرتا ہے۔ معاشی ترقی میں کمی کی وجہ سے بھی ٹیکس کے حصول میں کمی دیکھی گئی (LSM میں 2.3% کی کمی 7MFY19 میں دیکھی گئی) عالمی مالیاتی ادارہ اور عالمی بینک پاکستان کی شرح نمو کو 3.6% اور 2.9% کی سطح پر دیکھ رہے ہیں جو کہ بالترتیب 2018ء کے مالی سال میں 5.8% پر تھی۔ معاشی ترقی کی تنزلی، حالیہ ADR میں اضافہ کی وجہ سے معاشی صورتحال صحیح طور پر واضح نہ ہونے تک قرضوں کے حصول میں کمی دیکھی جاسکتی ہے۔

**Unconsolidated Condensed Interim
Financial Statements
Quarter Ended March 31, 2019**





Unconsolidated Condensed Interim Statement of Financial Position

As at March 31, 2019

	Note	(Un-audited) March 31, 2019	(Audited) December 31, 2018
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	7	69,880,861	82,407,700
Balances with other banks	8	7,230,416	3,874,955
Lendings to financial institutions	9	182,425,805	62,172,287
Investments	10	142,264,935	277,660,403
Advances	11	465,417,521	501,636,452
Fixed assets	12	27,255,661	18,272,215
Intangible assets	13	1,323,528	1,283,516
Deferred tax assets		-	-
Other assets	14	33,559,143	35,320,826
Assets held for sale	22	-	23,589,489
		929,357,870	1,006,217,843
LIABILITIES			
Bills payable	15	27,619,158	35,988,225
Borrowings	16	75,884,920	123,738,241
Deposits and other accounts	17	687,914,608	702,895,280
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	11,988,000	11,989,000
Deferred tax liabilities	19	2,175,486	2,070,702
Other liabilities	20	46,827,484	33,454,124
Liabilities directly associated with the assets held for sale	22	-	20,435,396
		852,409,656	930,570,968
NET ASSETS		76,948,214	75,646,875
REPRESENTED BY			
Share capital		17,743,629	17,743,629
Reserves		23,550,392	23,050,754
Surplus / (deficit) on revaluation of assets	21	8,027,617	7,382,950
Unappropriated profit		27,626,576	27,469,542
		76,948,214	75,646,875

CONTINGENCIES AND COMMITMENTS

23

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter ended March 31, 2019

	Note	Quarter ended March 31, 2019	Quarter ended March 31, 2018 (Restated)
		----- (Rupees in '000) -----	
Mark-up/Return/Interest Earned	25	20,757,318	14,268,719
Mark-up/Return/Interest Expensed	26	9,595,493	6,714,611
Net Mark-up/ Interest Income		11,161,825	7,554,108
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	27	1,683,229	1,516,173
Dividend Income		75,786	87,842
Foreign Exchange Income		477,970	412,926
Gain from derivatives		3,403	19,553
(Loss) / Gain on securities	28	(26,491)	750,444
Other Income	29	74,169	22,569
Total non-markup/interest Income		2,288,066	2,809,507
Total Income		13,449,891	10,363,615
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	30	6,737,297	5,809,074
Workers Welfare Fund	31	131,022	78,453
Other charges	32	1,427	871
Total non-markup/interest expenses		6,869,746	5,888,398
Profit Before Provisions		6,580,145	4,475,217
Provisions and write offs - net	33	446,076	(599,998)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		6,134,069	5,075,215
Taxation	34	3,011,608	1,811,461
PROFIT AFTER TAXATION		3,122,461	3,263,754
-----Rupees-----			
Basic earnings per share - Restated	35	1.76	1.85
Diluted earnings per share - Restated	36	1.76	1.84

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



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

For the quarter ended March 31, 2019

	Quarter ended March 31, 2019	Quarter ended March 31, 2018 Restated
	----- (Rupees in '000) -----	
Profit after taxation	3,122,461	3,263,754
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	184,570	357,546
Movement in surplus / (deficit) on revaluation of investments - net of tax	651,758	(316,884)
	836,328	40,662
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	(6,789)	(8,062)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(302)	(291)
	(7,091)	(8,353)
Total comprehensive income	3,951,698	3,296,063

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the quarter ended March 31, 2019

		Capital Reserves				Revenue Reserves	Surplus/(Deficit) on revaluation			
	Share capital	Reserve for issue of bonus shares	Share premium	Exchange translation reserve	Statutory reserve	Employee share option compensation reserve	Investments	Fixed / Non Banking Assets	Unappropriated profit	Total
(Rupees in '000)										
Balances as at January 01, 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 quarter ended March 31, 2018										
Profit after taxation	-	-	-	-	-	-	-	-	3,263,754	3,263,754
Other comprehensive income - net of tax	-	-	-	357,546	-	-	(316,884)	-	-	40,662
Transfer to statutory reserve	-	-	-	-	652,751	-	-	-	(652,751)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(8,353)	8,353	-
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)
Amortisation of deferred employee compensation expense	-	-	-	-	-	9,993	-	-	-	9,993
Balance as at March 31, 2018	16,075,720	-	4,612,991	2,434,353	12,047,096	82,519	2,318,634	4,641,377	24,408,506	66,621,196
Changes in equity for nine months ended December 31, 2018										
Profit after taxation	-	-	-	-	-	-	-	-	7,361,466	7,361,466
Other comprehensive income - net of tax	-	-	-	2,617,096	-	-	(2,274,904)	2,723,389	126,157	3,191,738
Transfer to statutory reserve	-	-	-	-	1,226,019	-	-	-	(1,226,019)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(25,546)	25,546	-
Transactions with owners, recorded directly in equity										
Shares issued during the year	1,613,057	(1,613,057)	-	-	-	-	-	-	-	-
Shares issued under stock option scheme during the period	54,852	-	27,637	-	-	-	-	-	-	82,489
Interim cash dividend for the half year ended June 30, 2018 at 10%	-	-	-	-	-	-	-	-	(1,613,057)	(1,613,057)
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	-	-	(1,613,057)	-
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-
Amortisation of deferred employee compensation expense	-	-	-	-	-	3,043	-	-	-	3,043
Balance as at December 31, 2018	17,743,629	-	4,695,600	5,051,449	13,273,115	30,590	43,730	7,339,220	27,469,542	75,646,875
Changes in equity for the quarter ended March 31, 2019										
Profit after taxation	-	-	-	-	-	-	-	-	3,122,461	3,122,461
Other comprehensive income - net of tax	-	-	-	184,570	-	-	651,758	1,272	-	837,600
Transfer to statutory reserve	-	-	-	-	312,246	-	-	-	(312,246)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(8,363)	8,363	-
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)
Amortisation of deferred employee compensation expense	-	-	-	-	-	2,822	-	-	-	2,822
Balance as at March 31, 2019	17,743,629	-	4,695,600	5,236,019	13,585,361	33,412	695,488	7,332,129	27,626,576	76,948,214

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the quarter ended March 31, 2019

	Quarter ended March 31, 2019	Quarter ended March 31, 2018
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,134,069	5,075,215
Dividend income	(75,786)	(87,842)
	<u>6,058,283</u>	<u>4,987,373</u>
Adjustments		
Depreciation	814,683	434,605
Amortisation	121,852	121,951
Provisions and write offs - net	446,076	(599,998)
Unrealised loss / (gain) on revaluation of investments classified as held for trading-net	15,722	(1,471)
Gain on sale of operating fixed assets - net	(63,854)	(16,244)
Charge for defined benefit plan	38,378	56,649
	<u>1,372,857</u>	<u>(4,508)</u>
	<u>7,431,140</u>	<u>4,982,865</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(110,011,630)	13,511,935
Held for trading securities	46,989,902	4,373,226
Advances	36,626,852	(12,247,188)
Other assets (excluding advance taxation)	<u>3,547,582</u>	<u>4,076,346</u>
	<u>(22,847,294)</u>	<u>9,714,319</u>
Increase / (decrease) in operating liabilities		
Bills payable	(8,369,067)	(681,592)
Borrowings	(48,074,342)	(122,686,335)
Deposits	(14,980,672)	(8,894,963)
Other liabilities (excluding current taxation)	<u>(231,294)</u>	<u>(3,978,914)</u>
	<u>(71,655,375)</u>	<u>(136,241,804)</u>
	<u>(87,071,529)</u>	<u>(121,544,620)</u>
Contribution made to gratuity fund	-	-
Income tax paid	(863,726)	(1,095,643)
Net cash generated from / (used in) operating activities	<u>(87,935,255)</u>	<u>(122,640,263)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	97,128,330	105,144,190
Net investments in held-to-maturity securities	(7,860,056)	3,311,868
Investment in subsidiaries / associated companies	-	-
Disposal of investment in subsidiaries / associated companies	-	-
Dividends received	19,488	56,012
Investments in operating fixed assets	(868,259)	(371,896)
Proceed from sale proceeds of fixed assets	185,230	17,543
Net cash (used in) / generated from investing activities	<u>88,604,733</u>	<u>108,157,717</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance / (redemption) of sub-ordinated debt	(1,000)	6,999,000
Issue of share capital	-	-
Dividend paid	(3,285)	(895)
Net cash used in financing activities	<u>(4,285)</u>	<u>6,998,105</u>
Effect of translation of net investment in foreign branches	184,570	357,546
Increase / (decrease) in cash and cash equivalents	<u>849,763</u>	<u>(7,126,895)</u>
Cash and cash equivalents at beginning of the year	100,959,790	96,319,688
Effects of exchange rate changes on cash and cash equivalents	<u>(458,394)</u>	<u>(1,173,482)</u>
	<u>100,501,396</u>	<u>95,146,206</u>
Cash and cash equivalents at end of the year	<u>101,351,159</u>	<u>88,019,311</u>

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

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

For the quarter ended March 31, 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 and is operating through 486 conventional banking branches including 24 sub branches (December 31, 2018: 486 branches including 24 sub branches), 10 overseas branches (December 31, 2018: 10 branches), 152 Islamic banking branches including 1 sub branch (December 31, 2018: 152 branches including 1 sub branch) and 1 offshore banking unit (December 31, 2018: 1 unit).

2 BASIS OF PRESENTATION

2.1.1 STATEMENT OF COMPLIANCE

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

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

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. 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).

SECP vide S.R.O 229 (I)/2019 dated February 14, 2019, has deferred the applicability of IFRS 9 'Financial Instrument' for the Bank. Further, 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 of Pakistan.

Accordingly, the requirements of these standards 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 41 to these unconsolidated condensed interim financial statements.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting



periods beginning on or after January 1, 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.

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 quarter ended March 31, 2019 which has resulted in certain additional disclosures and reclassifications of the items in these unconsolidated condensed interim financial statements.

4.2 Adoption of IFRS 16 - 'Leases'

IFRS 16 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 standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. During the current year, the Bank has adopted IFRS 16 as issued by the International Accounting Standards Board (IASB) in January 2016.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. 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 the lessor. The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

Under the modified retrospective method the lessees are required to initially 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. The lease liability is measured at the present value of the consideration (lease payments) to be made over the lease term. 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. The right-of-use asset is initially measured at the present value of lease liability, adjusted for lease prepayments and borrowing costs. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and 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.

The adoption of this standard by the Bank has resulted in additional assets and liabilities amounting to Rs. 8,862.546 million and Rs. 8,635.350 million respectively. Had this standard not been applied, the rent expense would have been higher by Rs.492.527 million and depreciation charge and mark-up expense would have been lower by Rs. 429.085 million and Rs. 388.023 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)
March 31, December 31,
2019 2018
------(Rupees in 000)-----

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	10,566,439	11,801,703
Foreign currency	2,371,518	5,711,022
	12,937,957	17,512,725
With State Bank of Pakistan in		
Local currency current account	26,085,577	31,122,141
Foreign currency current account	5,336,323	4,413,423
Foreign currency deposit account	13,683,878	10,931,812
	45,105,778	46,467,376
With other central banks in		
Foreign currency current account	6,877,934	2,733,265
Foreign currency deposit account	1,750,902	744,879
	8,628,836	3,478,144
With National Bank of Pakistan in local currency current account	3,194,642	14,931,225
Prize bonds	13,648	18,230
	69,880,861	82,407,700

8 BALANCES WITH OTHER BANKS

In Pakistan in current account	168,854	432,345
Outside Pakistan		
In current account	6,466,678	2,184,134
In deposit account	594,884	1,258,476
	7,061,562	3,442,610
	7,230,416	3,874,955

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	25,408,450	15,166,288
Repurchase agreement lendings (Reverse Repo)	136,860,055	37,214,313
Bai Muajjal receivable		
with State Bank of Pakistan	12,088,768	-
with other financial institutions	8,088,624	9,811,504
	20,177,392	9,811,504
	182,445,897	62,192,105
Less: expected credit loss - overseas branches	(20,092)	(19,818)
Lending to Financial Institutions - net of provision	182,425,805	62,172,287

10 INVESTMENTS

10.1 Investments by type:

March 31, 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	212,828	-	(178)	212,650	45,898,957	-	(13,261)	45,885,696
Pakistan Investment Bonds	-	-	-	-	1,209,673	-	(13,174)	1,196,499

Shares

Fully paid up ordinary shares / units - Listed	292,557	-	(14,513)	278,044	155,944	-	(22,122)	133,822
--	---------	---	----------	---------	---------	---	----------	---------

Foreign Securities

Overseas Bonds - Sovereign	29,580	-	(1,031)	28,549	302,699	-	6,151	308,850
	534,965	-	(15,722)	519,243	47,567,273	-	(42,406)	47,524,867

Available-for-sale securities

Federal Government Securities

Market Treasury Bills	22,037,438	-	(23,460)	22,013,978	114,893,151	-	(40,902)	114,852,249
Pakistan Investment Bonds	34,254,997	-	(219,890)	34,035,107	26,490,800	-	(464,211)	26,026,589
Government of Pakistan Sukuks	4,251,337	-	17,798	4,269,135	15,726,083	-	(120,264)	15,605,819
Government of Pakistan Euro Bonds	2,470,753	-	27,925	2,498,678	2,440,076	-	(134,045)	2,306,031

Shares

Fully paid up ordinary shares - Listed	6,936,762	(191,155)	1,171,197	7,916,804	7,371,290	(22,383)	712,253	8,061,160
Fully paid up ordinary shares - Unlisted	382,055	(59,660)	-	322,395	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	1,504,116	(359,706)	(14,437)	1,129,973	1,504,126	(359,706)	(12,071)	1,132,349
Sukuks	4,775,082	(96,511)	102,862	4,781,433	4,775,082	(96,510)	323,930	5,002,502

Foreign Securities

Overseas Bonds - Sovereign	1,455,675	-	(7,042)	1,448,633	1,357,353	-	(49,426)	1,307,927
Overseas Bonds - Others	8,837,211	-	(19,996)	8,817,215	9,147,217	-	(223,671)	8,923,546
Redeemable Participating Certificates	2,416,400	-	-	2,416,400	2,362,923	-	-	2,362,923
	89,455,661	(840,867)	1,034,957	89,649,751	186,583,991	(672,095)	(8,407)	185,903,489

Held-to-maturity securities

Federal Government Securities

Market Treasury Bills	-	-	-	-	-	-	-	-
Pakistan Investment Bonds	26,193,946	-	-	26,193,946	26,280,990	-	-	26,280,990
Government of Pakistan Euro Bonds	950,274	-	-	950,274	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	2,335,935	(134,338)	-	2,201,597	2,689,965	(141,399)	-	2,548,566

Foreign Securities

Overseas Bonds - Sovereign	12,675,779	-	-	12,675,779	8,185,947	-	-	8,185,947
Overseas Bonds - Others	700,605	-	-	700,605	690,721	-	-	690,721
	50,597,171	(658,604)	-	49,938,567	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	-	(46,481)	-	(46,481)	-	(43,258)	-	(43,258)
---------------------	---	----------	---	----------	---	----------	---	----------

Total Investments

	142,834,633	(1,588,933)	1,019,235	142,264,935	279,135,215	(1,423,999)	(50,813)	277,660,403
--	-------------	-------------	-----------	-------------	-------------	-------------	----------	-------------



	(Un-audited) March 31, 2019	(Audited) December 31, 2018
10.2 Investments given as collateral		
	------(Rupees in '000)-----	
Market Treasury Bills	2,964,075	39,445,702
Pakistan Investment Bonds	2,012,100	15,854,600
Government of Pakistan Sukuks	2,280,408	-
Government of Pakistan Euro Bonds	1,724,687	-
Overseas Bonds	3,506,879	4,818,676
Sukuk Bonds	1,827,855	3,885,659
	14,316,004	64,004,637

Market value of securities given as collateral is Rs. 14,372.107 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 classified as continuing operations	583	-
Exchange and other adjustments	638	13,876
Charge / reversals		
Charge for the year	171,334	128,747
Reversals for the year	(7,621)	(98,073)
Reversal on disposals	-	-
	163,713	30,674
Transfers - net	-	(3,947)
Provision adjusted during the year	-	(43,632)
Add classified as continuing operations	-	-
Closing Balance	1,588,933	1,423,999

10.3.2 Particulars of provision against debt securities

Category of classification	March 31, 2019 (Un-audited)		December 31, 2018 (Audited)	
	NPI	Provision	NPI	Provision
	------(Rupees in '000)-----			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,114,821	1,114,821	1,121,881	1,121,881
	1,114,821	1,114,821	1,121,881	1,121,881
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	1,114,821	1,114,821	1,121,881	1,121,881
Total	1,114,821	1,114,821	1,121,881	1,121,881

10.3.3 The market value of securities classified as held-to-maturity as at March 31, 2019 amounted to Rs. 48,973.636 million (December 31, 2018 : Rs. 40,750.384 million).

11 ADVANCES

Note	Performing		Non Performing		Total	
	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)
------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	374,013,452	402,385,420	16,952,372	17,284,834	390,965,824	419,670,254
Islamic financing and related assets	79,100,542	85,660,964	1,606,146	1,393,959	80,706,688	87,054,923
Bills discounted and purchased	10,665,357	11,524,510	144,848	143,478	10,810,205	11,667,988
Advances - gross	463,779,351	499,570,894	18,703,366	18,822,271	482,482,717	518,393,165
Provision against advances						
- Specific	-	-	(16,214,814)	(15,883,399)	(16,214,814)	(15,883,399)
- General	(850,382)	(873,314)	-	-	(850,382)	(873,314)
	(850,382)	(873,314)	(16,214,814)	(15,883,399)	(17,065,196)	(16,756,713)
Advances - net of provision	462,928,969	498,697,580	2,488,552	2,938,872	465,417,521	501,636,452

- 11.1** Advances include an amount of Rs.92.66 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 markup at the rates ranging from 9.46% to 21.44% (December 31, 2018: 9.46% to 20.30%) with maturities up to December 2038 (December 31, 2018: December 2038).

	(Un-audited) March 31, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----		
11.2 Particulars of advances (Gross)		
In local currency	459,339,240	493,634,332
In foreign currencies	23,143,477	24,758,833
	482,482,717	518,393,165

- 11.3** Advances include Rs. 18,703.366 million (December 31, 2018: Rs. 18,822.271 million) which have been placed under non-performing status as detailed below:

Category of Classification

	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)
	Non-Performing Loans	Non-Performing Loans
------(Rupees in '000)-----		
Domestic		
Other Assets Especially Mentioned	142,478	104,121
Substandard	2,564,326	3,077,658
Doubtful	449,582	552,920
Loss	15,045,868	14,590,618
	18,202,254	18,325,317
Overseas		
Not past due but impaired	-	-
Overdue by:		
Upto 90 days	-	-
91 to 180 days	-	42,787
181 to 365 days	43,145	104,384
> 365 days	457,967	349,783
	501,112	496,954
Total	18,703,366	18,822,271



11.4 Particulars of provision against advances

	March 31, 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	2,818	5,800	8,618	62,512	2,944	65,456
Charge for the year	762,395	-	762,395	3,007,907	2,336	3,010,243
Reversals	(378,551)	(28,732)	(407,283)	(2,631,522)	-	(2,631,522)
	383,844	(28,732)	355,112	376,385	2,336	378,721
Amounts written off	(38,205)	-	(38,205)	(179,305)	-	(179,305)
Amounts charged off - agriculture financing	(17,042)	-	(17,042)	(59,964)	-	(59,964)
	(55,247)	-	(55,247)	(239,269)	-	(239,269)
Closing balance	16,214,814	850,382	17,065,196	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 March 31, 2019 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 55,714 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 SE portfolio is being maintained at an amount equal to 1% against unsecured performing SE portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

11.4.3 Exposure amounting to Rs. 4,104.638 million (December 31, 2018 : Rs. Nil) relating to certain non performing facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, had not been classified as non-performing, pursuant to a relaxation given by SBP in this respect.

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) March 31, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
12 FIXED ASSETS			
Capital work-in-progress	12.1	384,649	175,339
Property and equipment		18,008,466	18,096,876
Right of use		8,862,546	-
		<u>27,255,661</u>	<u>18,272,215</u>
12.1 Capital work-in-progress			
Civil works		202,470	115,840
Equipment		56,281	55,670
Advances to suppliers		122,482	1,075
Others		3,416	2,754
		<u>384,649</u>	<u>175,339</u>

(Un-audited)	
March 31, 2019	March 31, 2018
----- (Rupees in '000) -----	

12.2 Additions to fixed assets

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

Capital work-in-progress - net	209,310	134,395
Property and equipment		
Building on Freehold land	3,708	-
Building on Leasehold land	9,193	-
Lease hold improvement	9,032	5,688
Furniture and fixture	4,616	5,737
Office equipment	384,929	220,108
Vehicles	-	2,561
	411,478	234,094
Total additions to fixed assets	620,788	368,489

12.3 Disposal of fixed assets

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

Freehold land	-	-
Leasehold land	120,000	-
Furniture and fixture	30	3,153
Office equipment	1,346	79,508
Vehicles	-	30,089
Total disposal of fixed assets	121,376	112,750

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

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	208,969	180,901
Software	1,114,559	1,102,615
	1,323,528	1,283,516

(Un-audited)	
March 31, 2019	March 31, 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	113,660	-
Developed internally	-	-
Directly purchased	133,811	712
Through business combinations	-	-
	133,811	712
Total additions to intangible assets	247,471	712

13.2 There were no disposals during the period ended March 31, 2019 and March 31, 2018.



	Note	(Un-audited) March 31, 2019	(Audited) December 31, 2018
		------(Rupees in '000)-----	
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency - net of provision		13,193,037	11,861,352
Income/ Mark-up accrued in foreign currency - net of provision		662,746	538,855
Advances, deposits, advance rent and other prepayments		2,573,651	2,397,511
Advance taxation (payments less provisions)		-	-
Non-banking assets acquired in satisfaction of claims		613,792	615,517
Dividend receivable		59,066	2,768
Mark to market gain on forward foreign exchange contracts		1,685,394	4,519,604
Mark to market gain on derivatives		20,100	68,224
Stationery and stamps on hand		26,127	37,631
Defined benefit plan		926,931	923,633
Branch adjustment account		208,936	311,104
Accounts receivable		695,465	527,067
Receivable against fraud and forgeries		272,746	206,651
Acceptances		12,374,175	13,319,265
Others		470,113	221,880
		<u>33,782,279</u>	<u>35,551,062</u>
Less: Provision held against other assets	14.2	<u>(382,202)</u>	<u>(389,766)</u>
Other Assets (Net of Provision)		<u>33,400,077</u>	<u>35,161,296</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		<u>159,066</u>	<u>159,530</u>
		<u><u>33,559,143</u></u>	<u><u>35,320,826</u></u>

14.1 Provision held against other assets

Advances, deposits, advance rent & other prepayments	364,247	371,811
Non banking assets acquired in satisfaction of claims	17,955	17,955
	<u>382,202</u>	<u>389,766</u>

14.2 Movement in provision held against other assets

Opening balance	389,766	153,049
Afghanistan classified as continuing operations	2,998	-
Charge for the period / year	-	421,760
Reversals	(7,643)	(10,348)
Amount Written off	-	(144,945)
Exchange and other adjustments	(2,919)	(29,750)
Closing balance	<u>382,202</u>	<u>389,766</u>

15 BILLS PAYABLE

	(Un-audited) March 31, 2019	(Audited) December 31, 2018
	------(Rupees in '000)-----	
In Pakistan	27,359,653	35,825,039
Outside Pakistan	259,505	163,186
	27,619,158	35,988,225

16 BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Under Export Refinance Scheme

Under Long-Term Finance Facility

Under Financing Facility for Storage of Agriculture Produce (FFSAP)

Under Repurchase Agreement Borrowings

28,656,583	26,344,557
12,544,327	11,199,254
281,327	263,033
-	35,962,700
41,482,237	73,769,544

Repurchase agreement borrowings

Bai Muajjal

11,295,340	11,163,509
2,094,582	19,254,058

Total secured

54,872,159	104,187,111
-------------------	--------------------

Unsecured

Call borrowings

Overdrawn nostro accounts

Bai Muajjal

Others

16,179,856	14,951,967
1,168,568	947,547
2,956,922	3,014,836
707,415	636,780

Total unsecured

21,012,761	19,551,130
-------------------	-------------------

75,884,920	123,738,241
-------------------	--------------------

17 DEPOSITS AND OTHER ACCOUNTS

March 31, 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

Savings deposits

Term deposits

Others

241,234,400	62,651,175	303,885,575	253,826,090	31,077,261	284,903,351
183,510,401	31,080,016	214,590,417	182,286,764	29,222,301	211,509,065
95,080,783	41,520,824	136,601,607	103,144,924	42,383,783	145,528,707
8,608,125	2,738,718	11,346,843	10,007,520	1,920,061	11,927,581
528,433,709	137,990,733	666,424,442	549,265,298	104,603,406	653,868,704

Financial Institutions

Current deposits

Savings deposits

Term deposits

Others

1,242,824	936,096	2,178,920	2,133,977	533,400	2,667,377
13,723,023	38,978	13,762,001	30,625,516	53,409	30,678,925
4,751,066	740,363	5,491,429	14,220,573	1,401,959	15,622,532
48,961	8,855	57,816	47,926	9,816	57,742
19,765,874	1,724,292	21,490,166	47,027,992	1,998,584	49,026,576
548,199,583	139,715,025	687,914,608	596,293,290	106,601,990	702,895,280



		(Un-audited) March 31, 2019	(Audited) December 31, 2018
		------(Rupees in '000)-----	
18	SUBORDINATED DEBT		
18.1	Term Finance Certificates V - Quoted, Unsecured	4,988,000	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.		
		11,988,000	11,989,000

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

19 DEFERRED TAX LIABILITIES

Deductible Temporary Differences on

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

(228,535)	(168,568)
(218,737)	(266,938)
-	-
(265,317)	(223,866)
(5,720)	(5,720)
(16,690)	(16,690)
(5,577)	(14,842)
(740,576)	(696,624)

Taxable Temporary Differences on

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

1,324,682	1,329,184
362,235	(2,882)
1,229,145	1,284,792
-	156,232
2,916,062	2,767,326

2,175,486	2,070,702
------------------	------------------

20 OTHER LIABILITIES

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

2,451,035	2,107,388
725,101	610,511
233,622	220,584
3,300,419	3,954,081
3,178,502	926,956
12,374,175	13,319,265
2,742,488	84,229
938,133	970,502
45,212	1,169
-	-
528,010	498,010
299,447	274,076
8	20
69,571	78,450
7,006,902	6,808,459
1,101,942	970,920
835,939	601,657
354,463	449,732
8,635,350	-
2,007,165	1,578,115
46,827,484	33,454,124

20.1 Provision against off-balance sheet obligations

Opening balance	78,450	65,463
Exchange and other adjustments	3,418	13,759
Charge for the year	146	33,994
Reversals	(12,443)	(34,766)
	(12,297)	(772)
Amount Written off	-	-
Closing balance	69,571	78,450



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

21 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	1,034,957	(8,407)
	8,497,744	8,508,874
	159,066	159,530
	-	303
	9,691,767	8,660,300

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

	362,235	(2,943)
	1,294,190	1,298,531
	30,491	30,653
	-	61
	1,686,916	1,326,302

Derivatives

22,766 48,952

8,027,617 7,382,950

22 ASSETS HELD FOR SALE

22.1 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 27 February 2019 declined the application for approval. Consequently, the plan for the disposal has been withdrawn. Inline 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.

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

STATEMENT OF FINANCIAL POSITION

2018
(Rupees in '000)

Assets held for sale

Cash and balances with treasury banks
Balances with other banks
Lendings to financial institutions
Investments - net
Advances - net
Fixed assets
Other assets

4,764,918
3,431,895
10,470,354
4,596,965
224,090
9,370
91,897
23,589,489

Liabilities directly associated with the assets held for sale

Bills payable
Deposits and other accounts
Deferred tax liabilities
Other liabilities

4,549
20,287,651
223
142,973
20,435,396

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

23 CONTINGENCIES AND COMMITMENTS

-Guarantees	23.1	56,276,072	57,086,398
-Commitments	23.2	506,792,588	437,946,961
-Other contingent liabilities	23.3.1	9,954,442	13,222,064
		<u>573,023,102</u>	<u>508,255,423</u>

23.1 Guarantees:

Financial guarantees	951,525	731,536
Performance guarantees	30,128,573	32,153,833
Other guarantees	25,195,974	24,201,029
	<u>56,276,072</u>	<u>57,086,398</u>

23.2 Commitments:

Documentary credits and short-term trade-related transactions		
- Letters of credit	80,356,465	68,026,025
Commitments in respect of:		
- forward foreign exchange contracts	225,894,242	228,265,364
- forward government securities transactions	143,575,363	76,821,957
- derivatives	13,264,370	12,051,091
- forward lending	42,572,394	34,773,260
- operating leases	-	16,897,381
Commitments for acquisition of:		
- operating fixed assets	688,861	604,674
- intangible assets	440,893	507,209
	<u>506,792,588</u>	<u>437,946,961</u>

23.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	151,160,345	140,128,603
Sale	74,733,897	88,136,761
	<u>225,894,242</u>	<u>228,265,364</u>



	Note	(Un-audited) March 31, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
23.2.2 Commitments in respect of forward government securities transactions			
Purchase		6,313,786	39,518,422
Sale		137,261,577	37,303,535
		<u>143,575,363</u>	<u>76,821,957</u>
23.2.3 Commitments in respect of derivatives			
23.2.3.1 Interest Rate Swaps			
Purchase		10,797,872	10,650,708
Sale		-	-
		<u>10,797,872</u>	<u>10,650,708</u>
23.2.3.2 Futures			
Purchase		-	-
Sale		2,466,498	1,400,383
		<u>2,466,498</u>	<u>1,400,383</u>
Total commitments in respect of derivatives		<u>13,264,370</u>	<u>12,051,091</u>
23.2.4 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.4.1	37,235,129	29,428,567
Commitments in respect of investments		5,337,265	5,344,693
		<u>42,572,394</u>	<u>34,773,260</u>

23.2.4.1 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)
March 31, December 31,
2019 2018
----- (Rupees in '000) -----

23.3 Other contingent liabilities

23.3.1 Claims against the Bank not acknowledged as debts

9,954,442 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.

23.4 Contingency for tax payable

23.4.1 There were no tax related contingencies other than as disclosed in note 34.2.

24 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.

24.1 Product Analysis

Counterparties	March 31, 2019 (Un-audited)					
	Interest Rate Swaps			Futures		
	No. of	Notional	Mark to	No. of	Notional	Mark to
	contracts	Principal	market gain / loss	contracts	Principal	market gain / loss
	----- (Rupees in '000) -----					
With Banks for						
Hedging	21	10,797,872	17,674	-	-	-
With FIs other than banks						
Hedging	-	-	-	152	2,466,498	(42,786)
Total						
Hedging	21	10,797,872	17,674	152	2,466,498	(42,786)

Counterparties	December 31, 2018 (Audited)					
	Interest Rate Swaps			Futures		
	No. of	Notional	Mark to	No. of	Notional	Mark to
	contracts	Principal	market gain / loss	contracts	Principal	market gain / loss
	----- (Rupees in '000) -----					
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)	
		Quarter ended	
		March 31, 2019	March 31, 2018
		----- (Rupees in '000) -----	
25 MARK-UP/RETURN/INTEREST EARNED			
On:			
a) Loans and advances		13,746,086	7,676,728
b) Investments		3,221,540	5,986,721
c) Lendings to financial institutions		1,063,030	392,531
d) Balances with banks		791	29,301
e) Securities purchased under resale agreements		2,725,871	183,438
		<u>20,757,318</u>	<u>14,268,719</u>
26 MARK-UP/RETURN/INTEREST EXPENSED			
On:			
a) Deposits		7,571,886	4,312,483
b) Borrowings		804,427	284,821
c) Securities sold under repurchase agreements		396,204	1,692,431
d) Subordinated debt and ADT-1 instrument		304,297	212,076
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		487,000	191,800
f) Reward points		31,679	21,000
		<u>9,595,493</u>	<u>6,714,611</u>
27 FEE & COMMISSION INCOME			
Branch banking customer fees		353,966	395,040
Consumer finance related fees		59,974	53,917
Card related fees (debit and credit cards)		235,728	199,728
Credit related fees		35,770	43,858
Investment banking fees		57,373	37,905
Commission on trade		346,772	289,384
Commission on guarantees		65,425	110,874
Commission on cash management		7,668	4,339
Commission on remittances including home remittances		68,095	45,083
Commission on bancassurance		86,574	93,515
Card acquiring business		64,649	79,182
Wealth Management Fee		10,841	14,215
Commission on EOBI		27,342	25,852
Commission on BISP		86,541	1,133
Alternate Delivery Channel (ADC)		121,552	75,871
Others		54,959	46,277
		<u>1,683,229</u>	<u>1,516,173</u>
28 GAIN / (LOSS) ON SECURITIES			
Realised	28.1	(10,769)	748,973
Unrealised - held for trading	10.1	(15,722)	1,471
		<u>(26,491)</u>	<u>750,444</u>
28.1 Realised gain/(loss) on:			
Federal Government Securities		(22,208)	664,242
Shares		36,242	61,392
Non Government Debt Securities		(18,147)	-
Foreign Securities		(6,656)	23,339
		<u>(10,769)</u>	<u>748,973</u>
29 OTHER INCOME			
Gain on sale of fixed assets-net		63,854	16,244
Profit from sale of leased assets		10,315	8,443
Loss on short sale transactions		-	(2,118)
		<u>74,169</u>	<u>22,569</u>

Note	(Un-audited) Quarter ended	
	March 31, 2019	March 31, 2018
	----- (Rupees in '000) -----	

30 OPERATING EXPENSES

Total compensation expense	30.1	3,026,081	2,481,280
Property expense			
Rent and taxes		46,991	504,342
Insurance		93	-
Utilities cost		153,805	197,224
Security (including guards)		154,662	181,609
Repair and maintenance (including janitorial charges)		120,644	132,016
Depreciation		536,587	110,796
		1,012,782	1,125,987
Information technology expenses			
Software maintenance		258,346	149,226
Hardware maintenance		60,422	71,771
Depreciation		82,712	101,536
Amortisation		121,852	121,951
Network charges		83,173	108,693
		606,505	553,177
Other operating expenses			
Directors' fees and allowances		71,107	27,912
Fees and allowances to Shariah Board		1,950	1,680
Legal and professional charges		41,626	62,235
Outsourced services costs		268,273	337,314
Travelling and conveyance		121,060	112,694
NIFT clearing charges		17,137	19,070
Depreciation		195,384	222,273
Training and development		25,913	19,208
Postage and courier charges		65,197	52,122
Communication		57,553	49,053
Stationery and printing		122,310	107,027
Marketing, advertisement and publicity		339,597	121,175
Donations		1,580	22,994
Auditors Remuneration		13,605	8,180
Brokerage and Commission		57,391	35,354
Entertainment		53,936	49,988
Repairs and maintenance		102,698	71,853
Insurance		305,693	156,936
Cash Handling Charges		103,405	69,574
CNIC Verification		23,260	25,301
Others		103,254	76,687
		2,091,929	1,648,630
		6,737,297	5,809,074
30.1 Total compensation expense			
Fees and Allowances etc		-	-
Managerial Remuneration		-	-
i) Fixed		2,341,405	1,955,681
ii) Variable:			
a) Cash Bonus / Awards etc.		354,028	259,526
b) Bonus and Awards in Shares etc.		2,822	9,993
Charge for defined benefit plan		38,378	56,649
Contribution to defined contribution Plan		99,066	82,493
Medical		36,476	2,585
Conveyance		56,391	45,094
Staff compensated absences		30,000	30,000
Others		18,217	848
Sub-total		2,976,783	2,442,869
Sign-on Bonus		49,298	37,650
Severance Allowance		-	761
Grand Total		3,026,081	2,481,280



31 WORKERS WELFARE FUND

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

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

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

	Note	(Un-audited) Quarter ended	
		March 31, 2019	March 31, 2018
		------(Rupees in '000)-----	
32 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		<u>1,427</u>	<u>871</u>

33 PROVISIONS & WRITE OFFS - NET

Provisions against lending to financial institutions		-	-
Provisions for diminution in value of investments	10.3.1	163,713	(86,823)
Provisions against loans & advances	11.4	355,112	(200,635)
Provision against other assets	14.2	(7,643)	(255,352)
Provision against off-balance sheet obligations	20.1	(12,297)	(1,338)
Recovery of written off / charged off bad debts		<u>(52,809)</u>	<u>(55,850)</u>
		<u>446,076</u>	<u>(599,998)</u>

34 TAXATION

Current		2,512,272	1,882,973
Prior years	34.1	603,000	(199,467)
Deferred		<u>(103,664)</u>	<u>127,955</u>
		<u>3,011,608</u>	<u>1,811,461</u>

- 34.1** 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.

- 34.2 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.116.351 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

- 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)	
		March 31, 2019	(Restated) March 31, 2018
		----- (Rupees in '000) -----	
35	BASIC EARNINGS PER SHARE		
	Profit for the year	<u>3,122,461</u>	<u>3,263,754</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares	<u>1,774,363</u>	<u>1,768,329</u>
		----- (Rupees) -----	
	Basic earnings per share	<u>1.76</u>	<u>1.85</u>
36	DILUTED EARNINGS PER SHARE		
		----- (Rupees in '000) -----	
	Profit for the year	<u>3,122,461</u>	<u>3,263,754</u>
		----- (Number of shares in '000) -----	
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>1,776,417</u>	<u>1,774,298</u>
		----- (Rupees) -----	
	Diluted earnings per share	<u>1.76</u>	<u>1.84</u>



37 FAIR VALUE MEASUREMENTS

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

37.1 Fair value of financial instruments

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

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

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

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

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

	March 31, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	63,029,548	-	63,029,548
Shares	8,194,848	-	-	8,194,848
Non-Government Debt Securities	-	5,911,406	-	5,911,406
Foreign Securities	-	12,710,797	-	12,710,797
Others	-	-	-	-
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,685,394	-	1,685,394
Forward sale of foreign exchange	-	(938,133)	-	(938,133)
Forward purchase government securities transactions	-	-	-	-
Forward sale government securities transactions	-	-	-	-
Derivatives purchases	-	20,100	-	20,100
Derivatives sales	-	(45,212)	-	(45,212)
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
- Investments				
Federal Government Securities	-	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
Others	-	-	-	-
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)
Forward agreements for lending	-	-	-	-
Forward agreements for borrowing	-	-	-	-
Derivatives purchases	-	68,224	-	68,224
Derivatives sales	-	(1,169)	-	(1,169)

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

37.3 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.

37.4 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by 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.

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

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Profit & Loss								
Net mark-up/return/profit	(894,987)	5,433,794	1,979,692	4,362,526	(1,040)	604,693	(332,853)	11,161,825
Inter segment revenue - net	6,952,915	(3,063,264)	(159,625)	(4,058,927)	97,869	95,617	135,415	-
Inter segment revenue - gross	6,952,915	(3,063,264)	(159,625)	(4,058,927)	97,869	95,617	135,415	-
Net mark-up / return / interest income	963,136	266,261	118,649	351,055	145,816	197,438	2,288,066	-
Total Income	7,031,064	2,636,791	2,065,778	654,654	215,478	846,126	-	13,449,891
Segment direct expenses								
Segment direct expenses	2,892,173	223,509	839,812	116,135	318,881	358,142	2,121,094	6,869,746
Inter segment expense allocation	1,435,699	189,630	341,774	64,203	61,529	46,721	(2,119,556)	-
Total expenses	4,307,872	413,139	1,181,586	180,338	380,410	404,863	1,538	6,869,746
Provisions / Reversals	(54,740)	349,324	(27,489)	168,772	-	11,747	(1,538)	446,076
Profit before tax	2,771,932	1,874,328	911,681	305,544	(164,932)	429,516	-	6,134,069

As at March 31, 2019 (Un-audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
	(Rupees in '000)							
Balance Sheet								
Cash & Bank balances	39,140,662	8,744,767	13,297,271	1,093,269	361,258	14,474,050	-	77,111,277
Investments	1,043,573	694,426	14,096,534	91,792,596	-	33,740,052	897,754	142,264,935
Net inter segment lending	291,678,129	-	-	-	6,424,673	-	46,941,779	345,044,581
Lendings to financial institutions	-	-	32,677,446	136,960,526	-	12,787,833	-	182,425,805
Advances - performing	133,940,785	226,563,878	78,980,504	-	-	17,514,237	5,929,565	462,928,969
Advances - non-performing	483,286	1,389,350	477,813	513	-	107,286	30,304	2,488,552
Others	19,527,058	8,950,600	(7,309,353)	2,420,242	613,797	(13,202,369)	51,238,357	62,138,332
Total Assets	485,813,493	246,243,021	132,220,215	232,267,146	7,399,728	65,421,089	105,037,759	1,274,402,451
Borrowings	11,797,946	24,994,866	5,107,387	12,711,762	-	17,093,035	4,179,924	75,884,920
Subordinated debt	-	-	-	-	-	-	11,988,000	-
Deposits & other accounts	441,032,394	83,205,962	112,722,417	-	7,225,318	43,721,278	7,249	687,914,608
Net inter segment borrowing	-	-	-	-	-	-	-	-
Others	32,305,400	7,379,612	12,649,565	5,259,657	174,410	4,606,776	14,246,708	345,044,581
Total Liabilities	485,135,730	246,243,021	130,479,369	232,353,419	7,399,728	65,421,089	30,421,881	1,197,454,237
Net Assets	677,763	-	1,740,846	(86,273)	-	-	74,615,878	76,948,214
Equity								76,948,214
Contingencies & Commitments	47,702,650	302,138,307	44,149,023	143,575,363	-	33,494,314	1,963,445	573,023,102

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

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
Profit & Loss								
Net mark-up/return/profit	(85,194)	2,644,989	1,200,971	3,405,818	(3,139)	549,920	(159,257)	7,554,108
Inter segment revenue - net	3,813,433	(1,483,991)	(60,476)	(2,474,341)	36,205	15,350	153,820	507
Non mark-up / return / interest income	1,028,615	171,446	262,189	1,161,343	27,737	146,740	5,437	2,809,507
Total Income	4,756,854	1,338,444	1,402,684	2,092,820	60,803	712,010	-	10,363,615
Segment direct expenses	2,472,941	128,886	709,674	39,826	61,695	289,534	2,185,842	5,888,398
Inter segment expense allocation	1,392,960	205,697	352,644	153,694	(43)	80,890	(2,185,842)	-
Total expenses	3,865,901	334,583	1,062,318	193,520	61,652	370,424	-	5,888,398
Provisions	11,986	(78,016)	(52,530)	51,911	(23)	(533,326)	-	(599,998)
Profit before tax	878,967	1,081,877	392,896	1,847,389	(826)	874,912	-	5,075,215

As at December 31, 2018 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Others	Total
Balance Sheet								
Cash & Bank balances	54,448,024	11,605,738	12,356,256	2,438,440	334,892	5,099,305	-	86,282,655
Investments	860,704	694,426	22,896,107	221,983,048	-	29,434,619	1,791,499	277,660,403
Net inter segment lending	288,412,271	-	-	-	4,241,251	-	43,856,982	336,510,504
Lendings to financial institutions	153,750,402	235,172,283	17,986,558	33,315,352	-	10,870,377	-	62,172,287
Advances - performing	366,716	1,453,002	85,573,549	-	-	19,233,298	4,968,048	498,697,580
Advances - non-performing	16,456,975	10,628,391	262,226	-	-	132,738	724,190	2,938,872
Others	514,295,092	259,553,840	6,508,382	6,258,899	407,786	11,612,080	26,593,533	78,466,046
Total Assets	10,460,314	22,698,781	145,583,078	263,995,739	4,983,929	76,382,417	77,934,252	1,342,728,347
Borrowings	-	-	5,909,819	62,173,164	-	22,092,452	403,711	123,738,241
Subordinated debt	-	-	-	-	-	-	11,989,000	11,989,000
Deposits & other accounts	464,559,440	92,224,318	113,541,482	-	4,899,848	27,670,192	-	702,895,280
Net inter segment borrowing	-	135,169,568	-	201,340,936	-	-	-	336,510,504
Others	38,622,551	9,554,126	10,975,954	1,186,034	84,081	23,234,243	8,291,458	91,948,447
Total liabilities	513,642,305	259,646,793	130,427,255	264,700,134	4,983,929	72,996,887	20,684,169	1,267,081,472
Net Assets	652,787	(92,953)	15,155,823	(704,395)	-	3,385,530	57,250,083	75,646,875
Equity								75,646,875
Contingencies & Commitments	58,274,791	76,420,934	31,777,895	296,162,272	47,934	30,646,372	14,925,225	508,255,423

RELATED PARTY TRANSACTIONS

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

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

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

	As at March 31, 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
	-	-	-	-	-	-	-	-	-	-
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	-	-	430,493	1,816,343	992,661	-	-	430,493	1,816,343	1,267,808
Investment made during the year	-	-	-	-	-	-	-	-	-	464,122
Investment redeemed / disposed off during the year	-	-	-	-	(145,456)	-	-	-	-	(739,269)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	430,493	1,816,343	847,205	-	-	430,493	1,816,343	992,661
Provision for diminution in value of investments										
	-	-	42,981	-	3,996	-	-	42,981	-	3,996
Advances										
Opening balance	105,650	449,323	-	-	3,354,510	-	458,240	-	-	7,591,327
Addition during the year	-	69,430	-	-	382,001	-	206,246	-	-	6,738,397
Repaid during the year	(3,641)	(37,239)	-	-	(313,455)	(6,068)	(98,965)	-	-	(8,301,258)
Transfer in / (out) - net	-	20,976	-	-	-	111,718	(116,198)	-	-	(2,673,956)
Closing balance	102,009	502,490	-	-	3,423,056	105,650	449,323	-	-	3,354,510
Provision held against advances										
	-	-	-	-	-	-	-	-	-	-
Other Assets										
Interest / mark-up accrued	6,922	37,594	-	-	187,311	5,507	42,368	-	-	47,013
Receivable from staff retirement fund	-	-	-	-	926,931	-	-	-	-	923,633
Prepayment / rent receivable	-	-	-	-	4,131	-	-	-	832	5,973
Profit Receivable on Sukuk	-	-	-	-	1,167	-	-	-	-	1,858
Advance against shares	-	-	-	-	50,000	-	-	-	-	50,000



	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
	As at March 31, 2019 (Un-audited)					As at December 31, 2018 (Audited)				
	(Rupees in '000)					(Rupees in '000)				
Borrowings										
Opening balance	-	-	-	-	-	-	-	-	-	502,800
Borrowings during the year	-	-	-	-	-	-	-	-	-	35,346,696
Settled during the year	-	-	-	-	-	-	-	-	-	(35,849,698)
Closing balance	-	-	-	-	-	-	-	-	-	-
Subordinated debt										
Opening balance	-	-	-	-	-	-	-	-	45,044	19,964
Redemption / Sold during the year	-	-	-	-	-	-	-	-	(45,044)	(19,964)
Closing balance	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	7,438	193,954	48,155	1,056,941	3,217,578	6,275	160,416	59,984	1,509,943	4,178,787
Received during the year	169,192	790,236	747,471	7,829,734	17,869,620	206,294	1,360,283	5,531,871	33,685,682	82,662,966
Withdrawn during the year	(93,442)	(347,397)	(761,879)	(7,594,355)	(17,541,232)	(205,131)	(1,337,204)	(5,543,700)	(34,138,684)	(87,189,776)
Transfer in / (out) - net	-	(21,100)	-	-	-	-	10,459	-	3,565,601	-
Closing balance	83,188	415,693	33,747	1,292,320	3,545,966	7,438	193,954	48,155	1,056,941	3,217,578
Other Liabilities										
Interest / mark-up payable	7	1,404	-	1	5,794	11	1,960	494	7,446	11,918
Unearned rent	-	-	-	908	-	-	-	-	-	-
Others	-	1,796	62	-	3,961	-	2,085	201	-	3,961
Contingencies and Commitments										
Other contingencies	-	-	-	164,713	-	-	-	-	162,468	-
	For the quarter ended March 31, 2019 (Un-audited)					For the quarter ended March 31, 2018 (Un-audited)				
	(Rupees in '000)					(Rupees in '000)				
Income										
Mark-up / return / interest earned	1,414	5,584	-	-	156,206	880	4,406	-	-	126,037
Fee and commission income	-	-	10,535	-	-	-	-	13,466	-	-
Dividend income	-	-	-	-	3,018	-	-	-	-	-
Net gain on sale of securities	-	-	-	-	1,772	-	-	-	-	15,589
Other income	-	-	-	3,252	-	-	-	-	624	5,103
Expenses										
Mark-up / return / interest paid	7	2,433	1,114	13,301	48,786	5	1,302	688	20,188	52,061
Other operating expenses	177,301	536,753	201	-	172,493	97,634	475,236	402	-	309,780
Insurance premium paid	-	-	-	475,958	-	-	-	-	431,235	-
Insurance claims settled	-	-	-	66,201	-	-	-	-	59,842	-



40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

Minimum Capital Requirement (MCR):

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

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	60,330,919	59,809,769
Eligible Additional Tier 1 (ADT 1) Capital	7,000,000	7,000,000
Total Eligible Tier 1 Capital	67,330,919	66,809,769
Eligible Tier 2 Capital	15,040,265	15,239,737
Total Eligible Capital (Tier 1 + Tier 2)	82,371,184	82,049,506

Risk Weighted Assets (RWAs):

Credit Risk	445,033,477	485,931,845
Market Risk	3,496,425	2,633,885
Operational Risk	60,607,038	60,607,038
Total	509,136,940	549,172,768

Common Equity Tier 1 Capital Adequacy ratio	11.85%	10.89%
Tier 1 Capital Adequacy Ratio	13.22%	12.17%
Total Capital Adequacy Ratio	16.18%	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	67,330,919	66,809,769
Total Exposures	1,166,495,604	1,185,191,511
Leverage Ratio	5.77%	5.64%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	281,524,754	252,703,051
Total Net Cash Outflow	183,273,090	162,363,261
Liquidity Coverage Ratio	154%	156%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	635,070,782	630,592,999
Total Required Stable Funding	454,255,152	472,759,179
Net Stable Funding Ratio	140%	133%

41 ISLAMIC BANKING BUSINESS

The bank is operating 152 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 March 31, 2019.

STATEMENT OF FINANCIAL POSITION

		(Un-audited) March 31, 2019	(Audited) December 31, 2018
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		10,729,937	11,718,901
Balances with other banks		1,284,262	777,602
Due from financial institutions	41.1	32,677,447	17,986,558
Investments	41.2	14,199,396	23,200,001
Islamic financing and related assets - net	41.3	79,458,317	85,835,618
Fixed assets		2,794,226	2,788,299
Intangible assets		2,961	3,273
Due from Head Office		-	-
Other assets		5,303,798	4,783,879
Total Assets		146,450,344	147,094,131
LIABILITIES			
Bills payable		3,722,143	3,854,125
Due to financial institutions		5,107,387	6,019,338
Deposits and other accounts	41.4	112,782,094	113,525,994
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		65,738	112,207
Other liabilities		11,880,870	11,262,890
		133,558,232	134,774,554
NET ASSETS		12,892,112	12,319,577
REPRESENTED BY			
Islamic Banking Fund		1,800,000	1,800,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		1,756,831	1,932,828
Unappropriated/ Unremitted profit	41.5	9,335,281	8,586,749
		12,892,112	12,319,577
CONTINGENCIES AND COMMITMENTS	41.6		



The profit and loss account of the Bank's Islamic banking branches for the quarter ended March 31, 2019 is as follows:

PROFIT AND LOSS ACCOUNT

(Un-audited)			
		Quarter ended	Quarter ended
		March 31,	March 31,
		2019	2018
------(Rupees in '000)-----			
Profit / return earned	41.7	3,044,508	1,935,760
Profit / return expensed	41.8	985,897	734,789
Net Profit / return		2,058,611	1,200,971
Other income			
Fee and Commission Income		216,142	206,169
Dividend Income		-	-
Foreign Exchange Income		37,678	40,027
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		(19,205)	(214)
Other Income		11,097	9,297
Total other income		245,712	255,279
Total Income		2,304,323	1,456,250
Other expenses			
Operating expenses		1,103,796	767,604
Workers Welfare Fund		24,147	15,650
Other charges		1,090	10
Total other expenses		1,129,033	783,264
Profit / (loss) before provisions		1,175,290	672,986
Provisions and write offs - net		(27,489)	(63,569)
Profit / (loss) before taxation		1,202,779	736,555
Taxation		454,247	289,823
Profit / (loss) after taxation		748,532	446,732

41.1 Due from Financial Institutions

	March 31, 2019 (Un-audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
------(Rupees in '000)-----						
Unsecured	12,500,054	-	12,500,054	8,175,054	-	8,175,054
Bai Muajjal Receivable						
from other Financial Institutions	8,088,625	-	8,088,625	9,811,504	-	9,811,504
from State Bank of Pakistan	12,088,768	-	12,088,768	-	-	-
	<u>32,677,447</u>	<u>-</u>	<u>32,677,447</u>	<u>17,986,558</u>	<u>-</u>	<u>17,986,558</u>

41.2 Investments

	March 31, 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)-----								
By segment:								
Federal Government Securities								
Ijarah Sukuks	4,678,572	-	102,862	4,781,434	16,211,323	-	317,897	16,529,220
Others Federal	7,216,366	-	-	7,216,366	4,122,215	-	-	4,122,215
Government Securities	<u>11,894,938</u>	<u>-</u>	<u>102,862</u>	<u>11,997,800</u>	<u>20,333,538</u>	<u>-</u>	<u>317,897</u>	<u>20,651,435</u>
Non Government Debt Securities								
Listed	-	-	-	-	-	-	-	-
Unlisted	2,335,935	(134,339)	-	2,201,596	2,689,965	(141,399)	-	2,548,566
	<u>2,335,935</u>	<u>(134,339)</u>	<u>-</u>	<u>2,201,596</u>	<u>2,689,965</u>	<u>(141,399)</u>	<u>-</u>	<u>2,548,566</u>
Total Investments	<u>14,230,873</u>	<u>(134,339)</u>	<u>102,862</u>	<u>14,199,396</u>	<u>23,023,503</u>	<u>(141,399)</u>	<u>317,897</u>	<u>23,200,001</u>

41.3 Islamic financing and related assets

	(Un-audited) March 31, 2019	(Audited) December 31, 2018
	------(Rupees in '000)-----	
Ijarah	12,442,920	11,472,292
Murabaha	7,789,092	8,467,690
Musharaka	35,016,684	41,654,940
Diminishing Musharaka	1,850,423	1,779,050
Salam	5,476,995	2,694,881
Other Islamic Modes	4,414,827	3,691,855
Advances against Islamic assets	8,422,489	11,201,704
Inventory related to Islamic financing	5,293,258	6,092,511
Gross Islamic financing and related assets	<u>80,706,688</u>	<u>87,054,923</u>
Less: provision against Islamic financings		
- Specific	(1,128,333)	(1,101,967)
- General	(120,038)	(117,338)
	<u>(1,248,371)</u>	<u>(1,219,305)</u>
Islamic financing and related assets - net of provision	<u>79,458,317</u>	<u>85,835,618</u>



41.4 Deposits

	March 31, 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	45,827,774	3,528,485	49,356,259	43,975,307	3,272,005	47,247,312
Savings deposits	46,864,102	2,874,635	49,738,737	46,196,859	2,749,769	48,946,628
Term deposits	11,856,005	130,297	11,986,302	13,325,851	181,518	13,507,369
Other deposits	1,199,709	154,692	1,354,401	3,305,410	154,481	3,459,891
	105,747,590	6,688,109	112,435,699	106,803,427	6,357,773	113,161,200
Financial Institutions						
Current deposits	2,142	-	2,142	4,273	-	4,273
Savings deposits	344,253	-	344,253	360,521	-	360,521
Term deposits	-	-	-	-	-	-
	346,395	-	346,395	364,794	-	364,794
	106,093,985	6,688,109	112,782,094	107,168,221	6,357,773	113,525,994

41.5 Islamic Banking Business Unappropriated Profit

	(Un-audited) March 31, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
Opening Balance	8,586,749	7,340,325
Add: Islamic Banking profit before taxation for the period	1,202,779	2,011,460
Less: Taxation	(454,247)	(765,036)
Less: Reserves	-	-
Remitted to Head	-	-
Closing Balance	9,335,281	8,586,749

41.6 Contingencies and Commitments

-Guarantees	3,222,741	3,603,386
-Commitments	26,521,414	23,113,159
	29,744,155	26,716,545

41.7 Profit/Return Earned of Financing, Investments and Placement

	(Un-audited) Quarter ended March 31, 2019	(Un-audited) Quarter ended March 31, 2018
Financing	1,953,852	1,154,602
Investments	313,635	545,363
Placements	777,021	235,795
	3,044,508	1,935,760

41.8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	915,156	652,460
Due to Financial Institutions	67,928	82,329
Reward points	2,813	-
	985,897	734,789

41.9 Pls Pool Management- Islamic Banking Group (IBG)

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

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

Currently IBG is managing following pools:

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

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

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

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

41.9.2 Avenues/sectors where Mudaraba based deposits have been deployed.

	(Un-audited) March 31, 2019	(Audited) December 31, 2018
	------(Rupees in '000)-----	
Agriculture, Forestry, Hunting and Fishing	10,000,000	15,000,000
Automobile and transportation equipment	2,140,427	2,097,804
Cement	5,266,155	5,385,332
Chemical and Pharmaceuticals	2,466,527	2,190,108
Construction	626,438	729,632
Electronics and electrical appliances	2,259,896	2,374,655
Exports / Imports	1,021,745	755,014
Financial	736,880	879,968
Food & Allied Products	3,730,733	4,229,633
Footwear and Leather garments	622,474	522,909
Individuals	13,122,348	12,390,545
Insurance	8,066	9,911
Metal & Allied industries	946,509	820,436
Mining and Quarrying	3,192	3,665
Oil and Allied	43,753	47,846
Power (electricity), Gas, Water, Sanitary	8,597,050	9,176,794
Services	732,377	743,714
Sugar	3,355,642	827,065
Textile	13,916,286	16,789,601
Transport, Storage and Communication	1,771,112	1,856,348
Wholesale and Retail Trade	3,460,735	3,467,685
Others	5,878,343	6,756,258
Total Gross Islamic Financing and Related Assets	80,706,688	87,054,923
Total Gross Investments	14,230,873	23,023,503
Total Islamic Placements	32,677,447	17,986,558
Total Invested Funds	127,615,008	128,064,984



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

Profit is distributed among the Mudaraba deposits on the basis of underlying principles of weightage mechanism which are announced before the beginning of the concerned period. Only direct attributable expenses such as depreciation on jarah 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

41.9.4 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	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Mudarib Share / Fee	Rabbul Maal Share	(Rupees in '000)			(Rupees in '000)
PKR Pool	Monthly	10.03%	50.00%	50.00%	760,820	5.35%	5.01%	37,527
USD Pool	Monthly	1.84%	85.00%	15.00%	23,466	0.98%	0.00%	-
GBP Pool	Monthly	1.80%	85.00%	15.00%	2,557	1.15%	0.00%	-
EUR Pool	Monthly	3.22%	85.00%	15.00%	4,005	1.13%	0.00%	-

Specific pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio		Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Bank Share	SBP Share	(Rupees in '000)			(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	14.72%	81.83%	18.17%	115,168	Nil	1.24%	1,427
Special Pool (Saving)	Monthly	10.24%	21.30%	78.70%	1,564	7.35%	0.00%	-
Special Pool (TDR)	Monthly	11.52%	22.99%	77.01%	-	10.25%	0.00%	-

42 DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on April 25, 2019 by the Board of Directors of the Bank.

43 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
Quarter Ended March 31, 2019**





Consolidated Condensed Interim Statement of Financial Position

As at March 31, 2019

	Note	(Un-audited) March 31, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	7	69,880,947	82,407,736
Balances with other banks	8	7,395,820	3,911,554
Lendings to financial institutions	9	182,425,805	62,172,287
Investments	10	143,941,858	279,251,731
Advances	11	465,418,296	501,639,727
Fixed assets	12	27,297,105	18,317,042
Intangible assets	13	1,357,321	1,317,271
Deferred tax assets		-	-
Other assets	14	34,076,472	35,998,315
Assets held for sale	22	-	23,589,489
		931,793,624	1,008,605,152
LIABILITIES			
Bills payable	15	27,619,158	35,988,225
Borrowings	16	75,963,154	124,017,735
Deposits and other accounts	17	687,880,861	702,847,125
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	11,988,000	11,989,000
Deferred tax liabilities	19	2,621,652	2,500,097
Other liabilities	20	47,182,163	33,805,722
Liabilities directly associated with the assets held for sale	22	-	20,435,396
		853,254,988	931,583,300
NET ASSETS		78,538,636	77,021,852
REPRESENTED BY			
Share capital		17,743,629	17,743,629
Reserves		23,550,392	23,050,754
Surplus / (deficit) on revaluation of assets	21	8,037,101	7,389,127
Unappropriated profit		28,571,795	28,323,585
Total equity attributable to the equity holders of the Bank		77,902,917	76,507,095
Non-controlling interest		635,719	514,757
		78,538,636	77,021,852
CONTINGENCIES AND COMMITMENTS		23	

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director

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

For the quarter ended March 31, 2019

	Note	Quarter ended March 31, 2019	Quarter ended March 31, 2018 (Restated)
		------(Rupees in '000)-----	
Mark-up/Return/Interest Earned	25	20,757,222	14,268,670
Mark-up/Return/Interest Expensed	26	9,596,662	6,715,726
Net Mark-up/ Interest Income		11,160,560	7,552,944
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	27	1,793,211	1,657,696
Dividend Income		75,786	87,937
Foreign Exchange Income		477,970	412,926
Gain from derivatives		3,403	19,553
(Loss) / Gain on securities	28	(25,384)	750,444
Share of profit from associates		58,585	7,725
Other Income	29	77,107	24,919
Total non-markup/interest income		2,460,678	2,961,200
Total Income		13,621,238	10,514,144
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	30	6,802,888	5,902,539
Workers Welfare Fund	31	131,952	80,057
Other charges	32	1,427	871
Total non-markup/interest expenses		6,936,267	5,983,467
Profit Before Provisions		6,684,971	4,530,677
Provisions and write offs - net	33	446,076	(599,998)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		6,238,895	5,130,675
Taxation	34	3,038,893	1,836,596
PROFIT AFTER TAXATION		3,200,002	3,294,079
Attributable to:			
Equity holders of the Bank		3,181,901	3,268,796
Non-controlling interest		18,101	25,283
		3,200,002	3,294,079
------(Rupees)-----			
Basic earnings per share - Restated	35	1.79	1.85
Diluted earnings per share - Restated	36	1.79	1.84

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



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

For the quarter ended March 31, 2019

	Quarter ended March 31, 2019	Quarter ended March 31, 2018 Restated
	----- (Rupees in '000) -----	
Profit after taxation	3,200,002	3,294,079
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	184,570	357,546
Movement in surplus / (deficit) on revaluation of investments - net of tax	657,162	(310,204)
	841,732	47,342
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-
Movement in surplus / (deficit) on revaluation of operating fixed assets - net of tax	(6,789)	(8,062)
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	(302)	(291)
	(7,091)	(8,353)
Total comprehensive income	4,034,643	3,333,068
Total comprehensive income attributable to:		
Equity holders of the Bank	4,014,445	3,307,646
Non-controlling interest	20,198	25,422
	4,034,643	3,333,068

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

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

For the quarter ended March 31, 2019

	Share capital	Capital Reserves				Revenue Reserves	Surplus/(Deficit) on revaluation		Unappropriated profit	Sub-total	Non Controlling Interest	Total
		Reserve for issue of bonus shares	Share premium	Exchange translation reserve	Statutory reserve	Employee share option compensation 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 quarter ended March 31, 2018												
Profit after taxation	-	-	-	-	-	-	-	-	3,268,796	3,268,796	25,283	3,294,079
Other comprehensive income - net of tax	-	-	-	357,546	-	-	(310,343)	-	-	47,203	139	47,342
Transfer to statutory reserve	-	-	-	-	652,751	-	-	-	(652,751)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(8,353)	8,353	-	-	-
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)
Amortisation of deferred employee compensation expense	-	-	-	-	-	9,993	-	-	-	9,993	-	9,993
Balance as at March 31, 2018	16,075,720	-	4,612,991	2,434,353	12,047,096	82,519	2,347,798	4,642,878	24,997,282	67,240,637	448,203	67,688,840
Changes in equity for nine months ended December 31, 2018												
Profit after taxation	-	-	-	-	-	-	-	-	7,630,049	7,630,049	67,147	7,697,196
Other comprehensive income - net of tax	-	-	-	2,617,096	-	-	(2,297,891)	2,721,888	122,841	3,163,934	(593)	3,163,341
Transfer to statutory reserve	-	-	-	-	1,226,019	-	-	-	(1,226,019)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(25,546)	25,546	-	-	-
Transactions with owners, recorded directly in equity												
Shares issued during the year	1,613,057	(1,613,057)	-	-	-	-	-	-	-	-	-	-
Shares issued under stock option scheme during the period	54,852	-	27,637	-	-	-	-	-	-	82,489	-	82,489
Interim cash dividend for the half year ended June 30, 2018 at 10%	-	-	-	-	-	-	-	-	(1,613,057)	(1,613,057)	-	(1,613,057)
Transfer to reserve for issue of bonus shares	-	1,613,057	-	-	-	-	-	-	(1,613,057)	-	-	-
Transfer of Share Premium on issuance of shares under Employee Stock Option Scheme	-	-	54,972	-	-	(54,972)	-	-	-	-	-	-
Amortisation of deferred employee compensation expense	-	-	-	-	-	3,043	-	-	-	3,043	-	3,043
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 quarter ended March 31, 2019												
Profit after taxation	-	-	-	-	-	-	-	-	3,181,901	3,181,901	18,101	3,200,002
Other comprehensive income - net of tax	-	-	-	184,570	-	-	655,065	1,272	-	840,907	2,097	843,004
Transfer to statutory reserve	-	-	-	-	312,246	-	-	-	(312,246)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(8,363)	8,363	-	-	-
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)
Amortisation of deferred employee compensation expense	-	-	-	-	-	2,822	-	-	-	2,822	-	2,822
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)	-
Balance as at March 31, 2019	17,743,629	-	4,695,600	5,236,019	13,585,361	33,412	704,972	7,332,129	28,571,795	77,902,917	635,719	78,538,636

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

President & Chief Executive Officer

Chief Financial Officer

Director

Director

Director



Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the quarter ended March 31, 2019

	Quarter ended March 31, 2019	Quarter ended March 31, 2018 Restated
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,238,895	5,130,675
Dividend income	(75,786)	(87,937)
Share of profit from associates	(58,585)	(7,725)
	<u>6,104,524</u>	<u>5,035,013</u>
Adjustments		
Depreciation	818,344	437,891
Amortisation	122,136	122,279
Provisions and write offs - net	446,076	(599,998)
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	15,722	(1,471)
Gain on sale of operating fixed assets - net	(66,792)	(18,594)
Charge for defined benefit plan	38,378	56,649
	<u>1,373,864</u>	<u>(3,244)</u>
	<u>7,478,388</u>	<u>5,031,769</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(110,011,630)	13,511,935
Held for trading securities	46,997,650	4,373,226
Advances	36,629,352	(12,246,803)
Other assets (excluding advance taxation)	3,756,367	4,138,173
	<u>(22,628,261)</u>	<u>9,776,531</u>
Increase / (decrease) in operating liabilities		
Bills payable	(8,369,067)	(681,592)
Borrowings	(48,275,602)	(122,976,613)
Deposits	(14,966,264)	(8,894,964)
Other liabilities (excluding current taxation)	(134,652)	(3,927,306)
	<u>(71,745,585)</u>	<u>(136,480,475)</u>
	<u>(86,895,458)</u>	<u>(121,672,175)</u>
Contribution made to gratuity fund	-	-
Income tax paid	(876,916)	(1,109,786)
Net cash generated from / (used in) operating activities	<u>(87,772,374)</u>	<u>(122,781,961)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	97,128,330	105,144,189
Net investments in held-to-maturity securities	(7,860,056)	3,311,868
Investment in associated companies	(36,364)	(22,218)
Dividends received	19,488	56,107
Investments in operating fixed assets	(868,933)	(375,216)
Proceed from sale proceeds of fixed assets	188,242	18,326
Net cash (used in) / generated from investing activities	<u>88,570,707</u>	<u>108,133,056</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance / (redemption) of sub-ordinated debt	(1,000)	6,999,000
Dividend paid	(3,285)	(895)
Net cash used in financing activities	<u>(4,285)</u>	<u>6,998,105</u>
Effect of translation of net investment in foreign branches	184,570	357,546
	<u>978,618</u>	<u>(7,293,254)</u>
Increase / (decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	100,996,425	96,558,833
Effects of exchange rate changes on cash and cash equivalents	(458,394)	(1,173,482)
	<u>100,538,031</u>	<u>95,385,351</u>
Cash and cash equivalents at end of the year	<u>101,516,649</u>	<u>88,092,097</u>

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

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

For the quarter ended March 31, 2019

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company : Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Holding Company / the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The 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 and is operating through 486 conventional banking branches including 24 sub branches (December 31, 2018: 486 branches including 24 sub branches), 10 overseas branches (December 31, 2018: 10 branches), 152 Islamic banking branches including 1 sub branch (December 31, 2018: 152 branches including 1 sub branch) and 1 offshore banking unit (December 31, 2018: 1 unit).

Subsidiaries

	Percentage of Holding	
	March 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	27.33%	29.76%
Alfalah GHP Pension Fund	25.58%	24.94%
Alfalah GHP Money Market Fund	0.72%	0.80%
Alfalah GHP Income Fund	20.91%	20.51%
Alfalah GHP Sovereign Fund	4.71%	3.22%
Alfalah GHP Income Multiplier Fund	0.0008%	0.0004%
Alfalah GHP Islamic Income Fund	0.04%	0.05%
Alfalah GHP Cash Fund	4.06%	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).

SECP vide S.R.O 229 (I)/2019 dated February 14, 2019, has deferred the applicability of IFRS 9 'Financial Instrument' for the Bank. Further, 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 Group expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan.

Accordingly, the requirements of these standards 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 41 to the unconsolidated condensed interim financial statements.

2.6 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.

2.7 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 quarter ended March 31, 2019 which has resulted in certain additional disclosures and reclassifications of the items in these consolidated condensed interim financial statements.

4.2 Adoption of IFRS 16 - 'Leases'

IFRS 16 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 standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. During the current year, the Group has adopted IFRS 16 as issued by the International Accounting Standards Board (IASB) in January 2016.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. 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 the lessor. The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

Under the modified retrospective method the lessees are required to initially 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. The lease liability is measured at the present value of the consideration (lease payments) to be made over the lease term. 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. The right-of-use asset is initially measured at the present value of lease liability, adjusted for lease prepayments and borrowing costs. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and 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.

The adoption of this standard by the Bank has resulted in additional assets and liabilities amounting to Rs. 8,862.546 million and Rs. 8,635.350 million respectively. Had this standard not been applied, the rent expense would have been higher by Rs.492.527 million and depreciation charge and mark-up expense would have been lower by Rs. 429.085 million and Rs. 388.023 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) March 31, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----	

7 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	10,566,525	11,801,739
Foreign currency	2,371,518	5,711,022
	12,938,043	17,512,761
With State Bank of Pakistan in		
Local currency current account	26,085,577	31,122,141
Foreign currency current account	5,336,323	4,413,423
Foreign currency deposit account	13,683,878	10,931,812
	45,105,778	46,467,376
With other central banks in		
Foreign currency current account	6,877,934	2,733,265
Foreign currency deposit account	1,750,902	744,879
	8,628,836	3,478,144
With National Bank of Pakistan in local currency current account	3,194,642	14,931,225
Prize bonds	13,648	18,230
	69,880,947	82,407,736

8 BALANCES WITH OTHER BANKS

In Pakistan in current account		
In current account	278,930	457,760
In deposit account	55,328	11,184
	334,258	468,944
Outside Pakistan		
In current account	6,466,678	2,184,134
In deposit account	594,884	1,258,476
	7,061,562	3,442,610
	7,395,820	3,911,554

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	25,408,450	15,166,288
Repurchase agreement lendings (Reverse Repo)	136,860,055	37,214,313
Bai Muajjal receivable		
with State Bank of Pakistan	12,088,768	-
with other financial institutions	8,088,624	9,811,504
	20,177,392	9,811,504
	182,445,897	62,192,105
Less: expected credit loss - overseas branches	(20,092)	(19,818)
Lending to Financial Institutions - net of provision	182,425,805	62,172,287



10 INVESTMENTS

10.1 Investments by type:

March 31, 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	212,828	-	(178)	212,650	45,898,957	-	(13,261)	45,885,696
Pakistan Investment Bonds	-	-	-	-	1,209,673	-	(13,174)	1,196,499

Shares

Fully paid up ordinary shares / units - Listed	292,557	-	(14,513)	278,044	164,797	-	(23,227)	141,570
--	---------	---	----------	---------	---------	---	----------	---------

Foreign Securities

Overseas Bonds - Sovereign	29,580	-	(1,031)	28,549	302,699	-	6,151	308,850
----------------------------	--------	---	---------	--------	---------	---	-------	---------

	534,965	-	(15,722)	519,243	47,576,126	-	(43,511)	47,532,615
--	---------	---	----------	---------	------------	---	----------	------------

Available-for-sale securities

Federal Government Securities

Market Treasury Bills	22,037,438	-	(23,460)	22,013,978	114,893,151	-	(40,902)	114,852,249
Pakistan Investment Bonds	34,254,997	-	(219,890)	34,035,107	26,490,800	-	(464,211)	26,026,589
Government of Pakistan Sukuks	4,251,337	-	17,798	4,269,135	15,726,083	-	(120,264)	15,605,819
Government of Pakistan Euro Bonds	2,470,753	-	27,925	2,498,678	2,440,076	-	(134,045)	2,306,031

Shares

Fully paid up ordinary shares - Listed	6,956,280	(191,155)	1,182,906	7,948,031	7,390,808	(22,383)	718,558	8,086,983
Fully paid up ordinary shares - Unlisted	382,055	(59,660)	-	322,395	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	1,504,116	(359,706)	(14,437)	1,129,973	1,504,126	(359,706)	(12,071)	1,132,349
Sukuks	4,775,082	(96,511)	102,862	4,781,433	4,775,082	(96,510)	323,930	5,002,502

Foreign Securities

Overseas Bonds - Sovereign	1,455,675	-	(7,042)	1,448,633	1,357,353	-	(49,426)	1,307,927
Overseas Bonds - Others	8,837,211	-	(19,996)	8,817,215	9,147,217	-	(223,671)	8,923,546
Redeemable Participating Certificates	2,416,400	-	-	2,416,400	2,362,923	-	-	2,362,923

	89,475,179	(840,867)	1,046,666	89,680,978	186,603,509	(672,095)	(2,102)	185,929,312
--	------------	-----------	-----------	------------	-------------	-----------	---------	-------------

Held-to-maturity securities

Federal Government Securities

Market Treasury Bills	-	-	-	-	-	-	-	-
Pakistan Investment Bonds	26,193,946	-	-	26,193,946	26,280,990	-	-	26,280,990
Government of Pakistan Euro Bonds	950,274	-	-	950,274	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	2,335,935	(134,338)	-	2,201,597	2,689,965	(141,399)	-	2,548,566

Foreign Securities

Overseas Bonds - Sovereign	12,675,779	-	-	12,675,779	8,185,947	-	-	8,185,947
Overseas Bonds - Others	700,605	-	-	700,605	690,721	-	-	690,721

	50,597,171	(658,604)	-	49,938,567	42,737,115	(665,665)	-	42,071,450
--	------------	-----------	---	------------	------------	-----------	---	------------

Associates (valued at equity method)

Alfalah Insurance Company Limited	354,076	-	-	354,076	340,921	-	-	340,921
Sapphire Wind Power Company Limited	1,923,220	-	-	1,923,220	1,905,883	-	-	1,905,883
TriconBoston Consulting Corporation (Pvt) Limited	805,377	-	-	805,377	793,893	-	-	793,893
Alfalah GHP Money Market Fund	335,309	-	-	335,309	298,913	-	-	298,913
Alfalah GHP Income Multiplier Fund	7	-	-	7	6	-	-	6
Alfalah GHP Sovereign Fund	77,073	-	-	77,073	75,600	-	-	75,600
Alfalah GHP Income Fund	160,921	-	-	160,921	157,437	-	-	157,437
Alfalah GHP Islamic Income Fund	5,909	-	-	5,909	5,827	-	-	5,827
Alfalah GHP Pension Fund	89,311	-	-	89,311	86,881	-	-	86,881
Alfalah GHP Islamic Pension Fund	87,829	-	-	87,829	85,951	-	-	85,951
Alfalah GHP Cash Fund	10,519	-	-	10,519	10,300	-	-	10,300

	3,849,551	-	-	3,849,551	3,761,612	-	-	3,761,612
--	-----------	---	---	-----------	-----------	---	---	-----------

General provision and expected credit loss-

Overseas operations

	-	(46,481)	-	(46,481)	-	(43,258)	-	(43,258)
--	---	----------	---	----------	---	----------	---	----------

Total Investments

	144,456,866	(1,545,952)	1,030,944	143,941,858	280,678,362	(1,381,018)	(45,613)	279,251,731
--	-------------	-------------	-----------	-------------	-------------	-------------	----------	-------------

10.2 Investments given as collateral

	(Un-audited) March 31, 2019	(Audited) December 31, 2018
	------(Rupees in '000)-----	
Market Treasury Bills	2,964,075	39,445,702
Pakistan Investment Bonds	2,012,100	15,854,600
Government of Pakistan Sukuks	2,280,408	-
Government of Pakistan Euro Bonds	1,724,687	-
Overseas Bonds	3,506,879	4,818,676
Sukuk Bonds	1,827,855	3,885,659
	14,316,004	64,004,637

Market value of securities given as collateral is Rs. 14,372.107 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 classified as continuing operations	583	-
Exchange and other adjustments	638	13,876
Charge / reversals		
Charge for the year	171,334	85,766
Reversals for the year	(7,621)	(98,073)
Reversal on disposals	-	-
	163,713	(12,307)
Transfers - net	-	(3,947)
Provision adjusted during the year	-	(43,632)
Closing Balance	1,545,952	1,381,018

10.3.2 Particulars of provision against debt securities

Category of classification	March 31, 2019 (Un-audited)		December 31, 2018 (Audited)	
	NPI	Provision	NPI	Provision
	------(Rupees in '000)-----			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,114,821	1,114,821	1,121,881	1,121,881
	1,114,821	1,114,821	1,121,881	1,121,881
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	1,114,821	1,114,821	1,121,881	1,121,881

10.3.3 The market value of securities classified as held-to-maturity as at March 31, 2019 amounted to Rs. 48,973.636 million (December 31, 2018 : Rs. 40,750.384 million).



11 ADVANCES

Note	Performing		Non Performing		Total	
	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)
(Rupees in '000)						
Loans, cash credits, running finances, etc.	374,014,228	402,388,697	16,953,642	17,286,103	390,967,870	419,674,800
Islamic financing and related assets	79,100,542	85,660,964	1,606,146	1,393,959	80,706,688	87,054,923
Bills discounted and purchased	10,665,357	11,524,510	144,848	143,478	10,810,205	11,667,988
Advances - gross	463,780,127	499,574,171	18,704,636	18,823,540	482,484,763	518,397,711
Provision against advances						
- Specific	11.4	-	(16,216,084)	(15,884,669)	(16,216,084)	(15,884,669)
- General	11.4	(850,383)	-	-	(850,383)	(873,315)
		(873,315)	(16,216,084)	(15,884,669)	(17,066,467)	(16,757,984)
Advances - net of provision	462,929,744	498,700,856	2,488,552	2,938,871	465,418,296	501,639,727

- 11.1** Advances include an amount of Rs.92.66 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 markup at the rates ranging from 9.46% to 21.44% (December 31, 2018: 9.46% to 20.30%) with maturities up to December 2038 (December 31, 2018: December 2038).

	(Un-audited) March 31, 2019	(Audited) December 31, 2018
(Rupees in '000)		
11.2 Particulars of advances (Gross)		
In local currency	459,341,286	493,638,878
In foreign currencies	23,143,477	24,758,833
	482,484,763	518,397,711

- 11.3** Advances include Rs. 18,704.636 million (December 31, 2018: Rs. 18,823.540 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)
	Non-Performing Loans	Non-Performing Loans
(Rupees in '000)		
Domestic		
Other Assets Especially Mentioned	142,478	2,131
Substandard	2,564,326	622,948
Doubtful	449,582	224,246
Loss	15,047,138	14,972,933
	18,203,524	15,822,258
Overseas		
Not past due but impaired	-	-
Overdue by:		
Upto 90 days	-	-
91 to 180 days	-	42,787
181 to 365 days	43,145	8,850
> 365 days	457,967	349,783
	501,112	393,826
Total	18,704,636	16,216,084

11.4 Particulars of provision against advances

	March 31, 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	2,818	5,800	8,618	62,512	2,944	65,456
Charge for the year	762,395	-	762,395	3,007,907	2,336	3,010,243
Reversals	(378,551)	(28,732)	(407,283)	(2,631,522)	-	(2,631,522)
	383,844	(28,732)	355,112	376,385	2,336	378,721
Amounts written off	(38,205)	-	(38,205)	(179,305)	-	(179,305)
Amounts charged off - agriculture financing	(17,042)	-	(17,042)	(59,964)	-	(59,964)
	(55,247)	-	(55,247)	(239,269)	-	(239,269)
Closing balance	16,216,084	850,383	17,066,467	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 December 31, 2018 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 55.714 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 SE portfolio is being maintained at an amount equal to 1% against unsecured performing SE portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

11.4.3 Exposure amounting to Rs. 4,104.638 million (December 31, 2018 : Rs. Nil) relating to certain non performing facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, had not been classified as non-performing, pursuant to a relaxation given by SBP in this respect.

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) March 31, 2019	(Audited) December 31, 2018
		(Rupees in '000)	
12			
FIXED ASSETS			
Capital work-in-progress	12.1	384,649	175,339
Property and equipment		18,049,910	18,141,703
Right of use		8,862,546	-
		27,297,105	18,317,042
12.1 Capital work-in-progress			
Civil works		202,470	115,840
Equipment		56,281	55,670
Advances to suppliers		122,482	1,075
Others		3,416	2,754
		384,649	175,339



(Un-audited)	
March 31, 2019	March 31, 2018
----- (Rupees in '000) -----	

12.2 Additions to fixed assets

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

Capital work-in-progress - net	209,310	134,395
Property and equipment		
Building on Freehold land	3,708	-
Building on Leasehold land	9,193	-
Lease hold improvement	9,032	5,688
Furniture and fixture	4,616	5,952
Office equipment	385,281	221,806
Vehicles	-	3,967
	411,830	237,413
Total additions to fixed assets	621,140	371,808

12.3 Disposal of fixed assets

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

Freehold land	-	-
Leasehold land	120,000	-
Furniture and fixture	30	3,153
Office equipment	1,346	79,508
Vehicles	-	31,039
Total disposal of fixed assets	121,376	113,700

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

13 INTANGIBLE ASSETS

Capital work-in-progress / Advance payment to suppliers	208,969	180,901
Software / membership card	1,148,352	1,136,370
	1,357,321	1,317,271

(Un-audited)	
March 31, 2019	March 31, 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	113,660	-
Developed internally	-	-
Directly purchased	134,133	1,093
Through business combinations	-	-
	134,133	1,093
Total additions to intangible assets	247,793	1,093

13.2 There were no disposals during the period ended March 31, 2019 and March 31, 2018.

14 OTHER ASSETS

	Note	(Un-audited) March 31, 2019	(Audited) December 31, 2018
------(Rupees in '000)-----			
Income/ Mark-up accrued in local currency - net of provision		13,193,037	11,880,512
Income/ Mark-up accrued in foreign currency - net of provision		662,746	538,855
Advances, deposits, advance rent and other prepayments		2,856,155	2,663,485
Advance taxation (payments less provisions)		-	90,885
Non-banking assets acquired in satisfaction of claims		613,792	615,517
Dividend receivable		59,066	2,768
Mark to market gain on forward foreign exchange contracts		1,685,394	4,519,604
Mark to market gain on derivatives		20,100	68,224
Stationery and stamps on hand		26,127	37,631
Defined benefit plan		926,931	923,633
Branch adjustment account		208,936	311,104
Accounts receivable		982,540	1,393,630
Receivable against fraud and forgeries		272,746	206,651
Acceptances		12,374,175	13,319,265
Others		417,863	195,906
		34,299,608	36,767,670
Less: Provision held against other assets	14.2	(382,202)	(928,885)
Other Assets (Net of Provision)		33,917,406	35,838,785
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		159,066	159,530
		34,076,472	35,998,315

14.1 Provision held against other assets

Advances, deposits, advance rent & other prepayments	364,247	910,930
Non banking assets acquired in satisfaction of claims	17,955	17,955
Others	-	-
	382,202	928,885

14.2 Movement in provision held against other assets

Opening balance	928,885	692,236
Afghanistan classified as continuing operations	2,998	-
Charge for the year	-	421,760
Reversals	(7,643)	(10,416)
Amount Written off	(539,188)	(144,945)
Exchange and other adjustments	(2,850)	(29,750)
Closing balance	382,202	928,885



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

15 **BILLS PAYABLE**

In Pakistan	27,359,653	35,825,039
Outside Pakistan	259,505	163,186
	<u>27,619,158</u>	<u>35,988,225</u>

16 **BORROWINGS**

Secured

Borrowings from State Bank of Pakistan

Under Export Refinance Scheme

Under Long-Term Finance Facility

Under Financing Facility for Storage of Agriculture Produce (FFSAP)

Under Repurchase Agreement Borrowings

28,656,583	26,344,557
12,544,327	11,199,254
281,327	263,033
-	35,962,700
<u>41,482,237</u>	<u>73,769,544</u>

Repurchase agreement borrowings

Bai Muajjal

Other short term borrowings

Total secured

11,295,340	11,163,509
2,094,582	19,254,058
78,234	279,494
<u>54,950,393</u>	<u>104,466,605</u>

Unsecured

Call borrowings

Overdrawn nostro accounts

Bai Muajjal

Others

Total unsecured

16,179,856	14,951,967
1,168,568	947,547
2,956,922	3,014,836
707,415	636,780
<u>21,012,761</u>	<u>19,551,130</u>

<u>75,963,154</u>	<u>124,017,735</u>
-------------------	--------------------

17 **DEPOSITS AND OTHER ACCOUNTS**

March 31, 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

Savings deposits

Term deposits

Others

241,200,653	62,651,175	303,851,828	253,826,090	31,077,261	284,903,351
183,510,401	31,080,016	214,590,417	182,286,764	29,222,301	211,509,065
95,080,783	41,520,824	136,601,607	103,144,924	42,383,783	145,528,707
8,608,125	2,738,718	11,346,843	10,007,520	1,920,061	11,927,581
<u>528,399,962</u>	<u>137,990,733</u>	<u>666,390,695</u>	<u>549,265,298</u>	<u>104,603,406</u>	<u>653,868,704</u>

Financial Institutions

Current deposits

Savings deposits

Term deposits

Others

1,242,824	936,096	2,178,920	2,130,211	533,400	2,663,611
13,723,023	38,978	13,762,001	30,581,127	53,409	30,634,536
4,751,066	740,363	5,491,429	14,220,573	1,401,959	15,622,532
48,961	8,855	57,816	47,926	9,816	57,742
<u>19,765,874</u>	<u>1,724,292</u>	<u>21,490,166</u>	<u>46,979,837</u>	<u>1,998,584</u>	<u>48,978,421</u>
<u>548,165,836</u>	<u>139,715,025</u>	<u>687,880,861</u>	<u>596,245,135</u>	<u>106,601,990</u>	<u>702,847,125</u>

		(Un-audited) March 31, 2019	(Audited) December 31, 2018
		----- (Rupees in '000) -----	
18	SUBORDINATED DEBT		
18.1	Term Finance Certificates V - Quoted, Unsecured	4,988,000	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.		
		11,988,000	11,989,000



19 DEFERRED TAX LIABILITIES

Note	(Un-audited) March 31, 2019	(Audited) December 31, 2018
	------(Rupees in '000)-----	
Deductible Temporary Differences on		
- Provision against investments	(228,535)	(168,568)
- Provision against advances	(218,737)	(266,938)
- Provision against off balance sheet obligations	-	-
- Provision against other assets	(265,317)	(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	(5,577)	(14,532)
	(740,576)	(697,421)
Taxable Temporary Differences on		
- Surplus on revaluation of fixed assets	1,324,682	1,329,184
- Surplus on revaluation of investments	362,235	(2,882)
- Share of profit from associates	446,166	428,524
- Accelerated tax depreciation	1,229,145	1,286,460
- Exchange translation reserve	-	156,232
	3,362,228	3,197,518
	2,621,652	2,500,097

20 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency	2,451,035	2,108,495
Mark-up/ Return/ Interest payable in foreign currency	725,101	610,511
Unearned commission and income on bills discounted and guarantees	233,622	220,584
Accrued expenses	3,423,314	4,206,509
Current taxation	3,084,941	926,956
Acceptances	12,374,175	13,319,265
Dividends payable	2,742,488	84,229
Mark to market loss on forward foreign exchange contracts	938,133	970,502
Mark to market loss on derivatives	45,212	1,169
Provision for Compensated absences	528,010	498,010
Payable against redemption of customer loyalty / reward points	299,447	274,076
Charity fund balance	8	20
Provision against off-balance sheet obligations	69,571	78,450
Security deposits against leases, lockers and others	7,006,902	6,808,459
Worker's Welfare Fund	1,111,614	979,662
Payable to vendors and suppliers	1,037,682	606,480
Indirect Taxes Payable	470,406	563,970
Liabilities against assets subject lease	8,635,350	-
Others	2,005,152	1,548,375
	47,182,163	33,805,722

20.1 Provision against off-balance sheet obligations

Opening balance	78,450	65,463
Exchange and other adjustments	3,418	13,759
Charge for the year	146	33,994
Reversals	(12,443)	(34,766)
	(12,297)	(772)
Amount Written off	-	-
Closing balance	69,571	78,450

	Note	(Un-audited) March 31, 2019	(Audited) December 31, 2018
----- (Rupees in '000) -----			
21 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	1,046,666	(2,102)
- Fixed Assets		8,497,744	8,508,874
- Non-banking assets acquired in satisfaction of claims		159,066	159,530
- Surplus on revaluation of investment held for sale in Afghanistan		-	303
		9,703,476	8,666,605
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		362,235	(2,943)
- Fixed Assets		1,294,190	1,298,531
- Non-banking assets acquired in satisfaction of claims		30,491	30,653
- Surplus on revaluation of investment held for sale in Afghanistan		-	61
		1,686,916	1,326,302
Derivatives		22,766	48,952
Surplus on revaluation of available for sale securities attributable to non controlling interest		(2,225)	(128)
		8,037,101	7,389,127

22 ASSETS HELD FOR SALE

22.1 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.

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

STATEMENT OF FINANCIAL POSITION

	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
	23,589,489
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
	20,435,396



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

23 CONTINGENCIES AND COMMITMENTS

-Guarantees	23.1	56,276,072	57,086,398
-Commitments	23.2	506,792,588	437,956,428
-Other contingent liabilities	23.3.1	9,954,442	13,222,064
		<u>573,023,102</u>	<u>508,264,890</u>

23.1 Guarantees:

Financial guarantees		951,525	731,536
Performance guarantees		30,128,573	32,153,833
Other guarantees		<u>25,195,974</u>	<u>24,201,029</u>
		<u>56,276,072</u>	<u>57,086,398</u>

23.2 Commitments:

Documentary credits and short-term trade-related transactions

- Letters of credit		80,356,465	68,026,025
---------------------	--	------------	------------

Commitments in respect of:

- forward foreign exchange contracts	23.2.1	225,894,242	228,265,364
- forward government securities transactions	23.2.2	143,575,363	76,821,957
- derivatives	23.2.3	13,264,370	12,051,091
- forward lending	23.2.4	42,572,394	34,773,260
- operating leases		-	16,906,848

Commitments for acquisition of:

- operating fixed assets		688,861	604,674
- intangible assets		<u>440,893</u>	<u>507,209</u>
		<u>506,792,588</u>	<u>437,956,428</u>

23.2.1 Commitments in respect of forward foreign exchange contracts

Purchase		151,160,345	140,128,603
Sale		<u>74,733,897</u>	<u>88,136,761</u>
		<u>225,894,242</u>	<u>228,265,364</u>

	Note	(Un-audited) March 31, 2019	(Audited) December 31, 2018
		------(Rupees in '000)-----	
23.2.2 Commitments in respect of forward government securities transactions			
Purchase		6,313,786	39,518,422
Sale		<u>137,261,577</u>	<u>37,303,535</u>
		<u>143,575,363</u>	<u>76,821,957</u>
23.2.3 Commitments in respect of derivatives			
23.2.3.1 Interest Rate Swaps			
Purchase		10,797,872	10,650,708
Sale		<u>-</u>	<u>-</u>
		10,797,872	10,650,708
23.2.3.2 Futures			
Purchase		-	-
Sale		<u>2,466,498</u>	<u>1,400,383</u>
		2,466,498	1,400,383
Total commitments in respect of derivatives		<u>13,264,370</u>	<u>12,051,091</u>
23.2.4 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.4.1	37,235,129	29,428,567
Commitments in respect of investments		<u>5,337,265</u>	<u>5,344,693</u>
		<u>42,572,394</u>	<u>34,773,260</u>

23.2.4.1 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.



March 31, December 31,
2019 2018
----- (Rupees in '000) -----

23.3 Other contingent liabilities

23.3.1 Claims against the Bank not acknowledged as debts

9,954,442 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.

23.4 Contingency for tax payable

23.4.1 There were no tax related contingencies other than as disclosed in note 34.2.

24 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.

24.1 Product Analysis

Counterparties	March 31, 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
	----- (Rupees in '000) -----					
With Banks for Hedging	21	10,797,872	17,674	-	-	-
With FIs other than banks Hedging	-	-	-	152	2,466,498	(42,786)
Total Hedging	21	10,797,872	17,674	152	2,466,498	(42,786)

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
	----- (Rupees in '000) -----					
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)
Quarter ended

March 31, 2019 March 31, 2018

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

25 MARK-UP/RETURN/INTEREST EARNED

On:

a) Loans and advances	13,745,990	7,676,679
b) Investments	3,221,540	5,986,721
c) Lendings to financial institutions	1,063,030	392,531
d) Balances with banks	791	29,301
e) Securities purchased under resale agreements	2,725,871	183,438
	<u>20,757,222</u>	<u>14,268,670</u>

26 MARK-UP/RETURN/INTEREST EXPENSED

On:

a) Deposits	7,573,055	4,313,598
b) Borrowings	804,427	284,821
c) Securities sold under repurchase agreements	396,204	1,692,431
d) Subordinated debt and ADT-1 instrument	304,297	212,076
e) Cost of foreign currency swaps against foreign currency deposits / borrowings	487,000	191,800
f) Reward points	31,679	21,000
	<u>9,596,662</u>	<u>6,715,726</u>

27 FEE & COMMISSION INCOME

Branch banking customer fees	353,755	395,004
Consumer finance related fees	59,974	53,917
Card related fees (debit and credit cards)	235,728	199,728
Credit related fees	35,770	43,858
Investment banking fees	57,373	37,905
Commission on trade	346,772	289,384
Commission on guarantees	65,425	110,874
Commission on cash management	7,668	4,339
Commission on remittances including home remittances	68,095	45,083
Commission on bancassurance	86,574	93,515
Card acquiring business	64,649	79,182
Wealth Management Fee	10,841	14,215
Commission on EOBI	27,342	25,852
Commission on BISP	86,541	1,133
Alternate Delivery Channel (ADC)	121,552	75,871
Brokerage/Commission income	28,585	32,878
Management fee	94,604	108,681
Others	41,963	46,277
	<u>1,793,211</u>	<u>1,657,696</u>

28 GAIN / (LOSS) ON SECURITIES

Realised	28.1	(9,662)	748,973
Unrealised - held for trading	10.1	(15,722)	1,471
		<u>(25,384)</u>	<u>750,444</u>

28.1 Realised gain/(loss) on:

Federal Government Securities	(22,208)	664,242
Shares	37,349	61,392
Non Government Debt Securities	(18,147)	-
Foreign Securities	(6,656)	23,339
	<u>(9,662)</u>	<u>748,973</u>

29 OTHER INCOME

Gain on sale of fixed assets-net	66,792	18,594
Profit from sale of leased assets	10,315	8,443
Loss on short sale transactions	-	(2,118)
	<u>77,107</u>	<u>24,919</u>



	Note	(Un-audited) Quarter ended	
		March 31, 2019	March 31, 2018
		----- (Rupees in '000) -----	
30 OPERATING EXPENSES			
Total compensation expense	30.1	3,087,061	2,523,469
Property expense			
Rent and taxes		55,133	511,592
Insurance		1,563	1,358
Utilities cost		156,939	199,995
Security (including guards)		155,090	182,010
Repair and maintenance (including janitorial charges)		122,980	134,305
Depreciation		536,587	110,796
		1,028,292	1,140,056
Information technology expenses			
Software maintenance		258,346	149,226
Hardware maintenance		60,422	71,771
Depreciation		82,712	101,536
Amortisation		122,136	122,279
Network charges		87,538	111,633
		611,154	556,445
Other operating expenses			
Directors' fees and allowances		71,107	27,912
Fees and allowances to Shariah Board		1,950	1,680
Legal and professional charges		42,680	63,457
Outsourced services costs		268,273	337,314
Travelling and conveyance		125,844	114,492
NIFT clearing charges		17,137	19,070
Depreciation		199,045	225,559
Training and development		27,325	21,576
Postage and courier charges		65,197	52,122
Communication		57,829	49,342
Stationery and printing		122,747	107,497
Marketing, advertisement and publicity		332,714	137,599
Donations		1,580	22,994
Auditors Remuneration		14,087	8,647
Brokerage and Commission		57,180	35,354
Entertainment		54,092	50,271
Repairs and maintenance		102,698	71,853
Insurance		305,693	156,936
Cash Handling Charges		103,405	69,574
CNIC Verification		23,260	25,301
Others		82,538	84,019
		2,076,381	1,682,569
		6,802,888	5,902,539
30.1 Total compensation expense			
Fees and Allowances etc		-	-
Managerial Remuneration			
i) Fixed		2,402,385	1,997,870
ii) Variable:			
a) Cash Bonus / Awards etc.		354,028	259,526
b) Bonus and Awards in Shares etc.		2,822	9,993
Charge for defined benefit plan		38,378	56,649
Contribution to defined contribution Plan		99,066	82,493
Medical		36,476	2,585
Conveyance		56,391	45,094
Staff compensated absences		30,000	30,000
Others		18,217	848
Sub-total		3,037,763	2,485,058
Sign-on Bonus		49,298	37,650
Severance Allowance		-	761
Grand Total		3,087,061	2,523,469

31 WORKERS WELFARE FUND

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

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

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

		Note	(Un-audited) Quarter ended	
			March 31, 2019	March 31, 2018
32	OTHER CHARGES		----- (Rupees in '000) -----	
	Penalties imposed by State Bank of Pakistan		1,427	871

33 PROVISIONS & WRITE OFFS - NET

Provisions against lending to financial institutions		-	-
Provisions for diminution in value of investments	10.3.1	163,713	(86,823)
Provisions against loans & advances	11.4	355,112	(200,635)
Provision against other assets	14.2	(7,643)	(255,352)
Provision against off-balance sheet obligations	20.1	(12,297)	(1,338)
Recovery of written off / charged off bad debts		<u>(52,809)</u>	<u>(55,850)</u>
		<u>446,076</u>	<u>(599,998)</u>

34 TAXATION

Current		2,522,786	1,908,613
Prior years	34.1	603,000	(199,467)
Deferred		<u>(86,893)</u>	<u>127,450</u>
		<u>3,038,893</u>	<u>1,836,596</u>

- 34.1 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 consolidated condensed interim financial statements.



- 34.2 a) The income tax assessments of the Bank have been finalized upto and including tax year 2018. Matters of disagreement exist between the Holding Company 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.116.351 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Holding Company and consequently has not made any provision in respect of these amounts.

- b) In respect of monitoring of withholding taxes, the Holding Company has received order from tax authorities. The Holding Company 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 Holding Company's favour in appeals.
- c) The Holding Company 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. The Holding Company's appeal against this order is currently pending before Commissioner Appeals. The Holding Company has not made any provision against this order and the management is of the view that the matter will be settled in Holding Company's favour through appellate process.

35 BASIC EARNINGS PER SHARE

Profit for the period attributable to equity holders of the Bank

Weighted average number of ordinary shares

Basic earnings per share

36 DILUTED EARNINGS PER SHARE

Profit for the period attributable to equity holders of the Bank

Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)

Diluted earnings per share

(Un-audited)	
March 31, 2019	(Restated) March 31, 2018
----- (Rupees in '000) -----	
3,181,901	3,268,796
----- (Number of shares in '000) -----	
1,774,363	1,768,329
----- (Rupees) -----	
1.79	1.85
----- (Rupees in '000) -----	
3,181,901	3,268,796
----- (Number of shares in '000) -----	
1,776,417	1,774,298
----- (Rupees) -----	
1.79	1.84

37 FAIR VALUE MEASUREMENTS

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

37.1 Fair value of financial 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:

	March 31, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	63,029,548	-	63,029,548
Shares	8,226,075	-	-	8,226,075
Non-Government Debt Securities	-	5,911,406	-	5,911,406
Foreign Securities	-	12,710,797	-	12,710,797
Others	-	-	-	-
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	1,685,394	-	1,685,394
Forward sale of foreign exchange	-	(938,133)	-	(938,133)
Forward purchase government securities transactions	-	-	-	-
Forward sale government securities transactions	-	-	-	-
Derivatives purchases	-	20,100	-	20,100
Derivatives sales	-	(45,212)	-	(45,212)
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
- Investments				
Federal Government Securities	-	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
Others	-	-	-	-
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)
Forward agreements for lending	-	-	-	-
Forward agreements for borrowing	-	-	-	-
Derivatives purchases	-	68,224	-	68,224
Derivatives sales	-	(1,169)	-	(1,169)



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

37.3 The 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.

37.4 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by 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.

38 SEGMENT INFORMATION

38.1 Segment details with respect to Business Activities

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

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
(Rupees in '000)										
Profit & Loss										
Net mark-up/return/profit	(884,987)	5,433,794	1,979,692	4,362,526	(1,040)	604,693	(1,772)	507	(332,853)	11,160,560
Inter segment revenue - net	6,952,915	(3,063,264)	(159,625)	(4,058,927)	97,869	95,617	-	-	135,415	-
Non mark-up/return/interest income	963,136	286,261	245,711	351,055	118,649	145,816	32,577	111,266	226,207	2,460,678
Total Income	7,031,064	2,636,791	2,065,778	654,654	215,478	846,126	30,805	111,773	28,769	13,624,238
Segment direct expenses	2,892,173	223,509	839,812	116,135	318,881	338,142	17,113	62,615	2,107,887	6,936,267
Inter segment expense allocation	1,415,699	189,630	341,774	64,203	61,529	46,721	-	-	(2,119,556)	-
Total expenses	4,307,872	413,139	1,181,586	180,338	380,410	404,863	17,113	62,615	(11,669)	6,936,267
Provisions / (Reversals)	(54,740)	349,324	(27,489)	168,772	-	11,747	-	-	(1,538)	445,076
Profit before tax	2,777,932	1,874,328	911,681	305,544	(164,932)	429,516	13,692	49,158	41,976	6,236,895
As at March 31, 2019 (Un-audited)										
(Rupees in '000)										
Balance Sheet										
Cash & Bank balances	39,140,662	8,744,767	13,297,271	1,093,269	361,258	14,474,050	169,252	3,298	(6,060)	77,276,767
Investments	1,043,573	694,426	14,096,534	91,792,596	-	33,740,052	31,227	766,878	1,776,572	143,941,858
Net inter segment lending	291,678,129	-	-	-	6,424,673	-	-	-	46,941,779	345,044,581
Lendings to financial institutions	133,940,785	226,563,878	78,980,504	136,960,526	-	12,787,833	-	-	-	182,425,805
Advances - performing	483,286	1,389,350	477,813	513	-	17,514,237	-	775	5,929,565	462,929,744
Advances - non-performing	19,527,058	8,850,600	(7,309,353)	2,420,242	613,797	(13,202,369)	346,092	299,531	30,304	2,488,552
Others	485,813,493	246,243,021	132,220,215	232,267,146	7,399,728	65,421,089	545,571	1,070,482	51,185,300	627,30,898
Total Assets										1,276,838,205
Borrowings	11,797,946	24,994,866	5,107,387	12,711,762	-	17,093,035	78,234	-	4,179,924	75,963,154
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deposits & other accounts	441,032,384	83,205,962	112,722,417	-	-	-	-	-	11,988,000	11,988,000
Net inter segment borrowing	-	130,662,581	-	214,382,000	7,225,318	43,721,278	-	-	(26,498)	687,880,861
Others	32,305,400	7,379,612	12,649,565	5,259,657	174,410	4,606,776	206,857	176,136	-	345,044,581
Total Liabilities	485,135,730	246,243,021	130,479,369	232,353,419	7,399,728	65,421,089	285,091	176,136	30,805,986	1,198,299,569
Net Assets	677,763	-	1,740,846	(86,273)	-	-	260,480	894,346	75,051,474	78,538,636
Equity										78,538,636
Contingencies & Commitments	47,702,650	302,198,307	44,149,023	143,575,363	-	33,494,314	-	-	1,963,445	573,023,102



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

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
Profit & Loss										
Net mark-up/return/profit	(85,194)	2,644,989	1,200,971	3,405,818	(3,139)	549,920	(1,646)	482	(159,257)	7,552,944
Inter segment revenue - net	3,813,433	(1,483,991)	(60,476)	(2,474,341)	36,205	15,350	-	-	153,820	-
Non mark-up/return/interest income	1,028,615	177,446	262,189	1,161,343	27,737	146,740	34,989	121,365	776	2,961,200
Total Income	4,756,854	1,338,444	1,402,684	2,092,820	60,803	712,010	33,343	121,847	(4,661)	10,514,144
Segment direct expenses	2,472,941	128,886	709,671	39,826	61,695	289,534	43,873	51,634	2,185,404	5,983,467
Inter segment expense allocation	1,392,960	205,697	352,644	153,694	(43)	80,890	-	-	(2,185,842)	-
Total expenses	3,865,901	334,583	1,062,318	193,520	61,652	370,424	43,873	51,634	(438)	5,983,467
Provisions	11,986	(78,016)	(52,530)	51,911	(23)	(533,326)	-	-	-	(599,998)
Profit before tax	878,967	1,081,877	392,896	1,847,389	(826)	874,912	(10,530)	70,213	(4,223)	5,130,675

(Rupees in '000)

As at December 31, 2018 (Audited)

	Retail	Corporate	Islamic	Treasury	Digital	Overseas	Brokerage	Asset Management	Others	Total
Balance Sheet										
Cash & Bank balances	54,448,024	11,605,738	12,356,256	2,438,440	334,892	5,099,305	82,792	4,693	(50,850)	86,319,290
Investments	860,704	694,426	22,896,107	221,983,048	-	29,434,619	33,571	720,915	2,628,341	279,251,731
Net inter segment lending	288,412,271	-	-	-	4,241,251	-	-	-	43,856,982	336,510,504
Lendings to financial institutions	-	-	17,986,558	33,315,352	-	10,870,377	-	-	-	62,172,287
Advances - performing	153,750,402	235,172,283	85,573,549	-	-	19,233,298	2,167	1,111	4,968,046	498,700,856
Advances - non-performing	366,716	1,453,002	262,226	-	-	132,738	-	-	724,189	2,938,871
Others	16,455,975	10,628,391	6,508,382	6,258,899	407,786	11,612,080	446,267	336,849	26,566,488	79,222,117
Total Assets	514,295,092	259,553,840	145,583,078	263,995,739	4,983,929	76,382,417	564,797	1,063,568	78,693,196	1,345,115,656
Borrowings	10,460,314	22,698,781	5,909,819	62,173,164	-	22,092,452	279,494	-	403,711	124,017,735
Subordinated debt	-	-	-	-	-	-	-	-	11,989,000	11,989,000
Deposits & other accounts	464,559,440	92,224,318	113,541,482	-	4,899,848	27,670,192	-	-	(48,155)	702,847,125
Net inter segment borrowing	-	135,169,568	-	201,340,936	-	-	-	-	-	336,510,504
Others	38,672,551	9,554,126	10,975,954	1,186,034	84,081	23,234,243	175,901	206,308	8,690,242	92,729,440
Total Liabilities	513,643,305	259,646,793	130,472,255	264,700,134	4,983,929	72,996,887	455,395	206,308	21,034,798	1,266,093,804
Net Assets	652,787	(92,953)	15,155,823	(704,395)	-	3,385,530	109,402	857,260	57,658,398	77,021,852
Equity										77,021,852
Contingencies & Commitments	58,27,4791	76,420,934	31,771,895	296,162,272	47,934	30,646,372	9,467	-	14,925,225	508,264,890

(Rupees in '000)

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:

	As at March 31, 2019 (Un-audited)				As at December 31, 2018 (Audited)			
	Directors/ CEO	Key management personnel	Associates	Other related parties	Directors/ CEO	Key management personnel	Associates	Other related parties
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	-	-	36,364	-	-	-	330,829	464,122
Investment redeemed / disposed off during the year	-	-	-	(145,456)	-	-	(205,000)	(739,269)
Equity method adjustment	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	51,575	-	-	-	422,461	-
Closing balance	-	-	3,849,551	847,205	-	-	3,761,612	992,661
Provision for diminution in value of investments	-	-	-	3,936	-	-	-	3,936
Advances	105,650	451,375	-	3,354,509	-	460,291	-	7,591,327
Opening balance	-	69,393	-	382,002	-	206,246	-	6,738,397
Addition during the year	(3,641)	(37,448)	-	(313,465)	(6,068)	(98,964)	-	(8,301,259)
Repaid during the year	-	-	-	-	111,718	(116,198)	-	(2,673,956)
Transfer in / (out) - net	102,009	20,976	-	3,423,056	105,650	451,375	-	3,354,509
Closing balance	-	504,236	-	-	-	-	-	-
Provision held against advances	-	-	-	-	-	-	-	-
Other Assets	6,922	37,594	-	187,311	5,507	42,368	-	47,013
Interest / mark-up accrued	-	-	-	926,931	-	-	-	923,633
Receivable from staff retirement fund	-	-	-	4,131	-	-	832	5,973
Prepayment / rent receivable	-	-	-	1,167	-	-	-	1,858
Profit Receivable on Sukuk	-	-	-	50,000	-	-	-	50,000
Advance against shares	-	1,694	204,230	-	-	-	1,216	194,013
Others	-	-	-	-	-	-	-	-

[illegible]

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

Minimum Capital Requirement (MCR):

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

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	61,259,725	60,664,411
Eligible Additional Tier 1 (ADT 1) Capital	6,837,865	6,827,751
Total Eligible Tier 1 Capital	68,097,590	67,492,162
Eligible Tier 2 Capital	15,080,825	15,255,654
Total Eligible Capital (Tier 1 + Tier 2)	83,178,415	82,747,816

Risk Weighted Assets (RWAs):

Credit Risk	452,298,328	493,039,647
Market Risk	3,663,488	2,783,951
Operational Risk	61,403,300	61,403,300
Total	517,365,116	557,226,898

Common Equity Tier 1 Capital Adequacy ratio

11.84% 10.89%

Tier 1 Capital Adequacy Ratio

13.16% 12.11%

Total Capital Adequacy Ratio

16.08% 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% 11.28%

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	68,097,590	67,492,162
Total Exposures	1,130,421,946	1,187,548,541
Leverage Ratio	6.02%	5.68%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	281,524,754	252,703,051
Total Net Cash Outflow	183,273,090	162,363,261
Liquidity Coverage Ratio	154%	156%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	635,070,782	630,592,999
Total Required Stable Funding	454,255,152	472,759,179
Net Stable Funding Ratio	140%	133%



41 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on April 25, 2019 by the Board of Directors of the Bank.

42 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

Bank Alfalah Limited
B. A. Building, I. I. Chundrigar Road
Karachi, Pakistan.
111 777 786
bankalfalah.com