

**LEADING  
THE ANNUAL  
WAY REPORT  
2017  
FORWARD**



**Bank Alfalah**  
The Way Forward



**Pakistan Banking Awards**  
2017

**DAWN BP**

Knowledge Partners  
A FERGUSON & CO. A member firm of the PwC network

**Best Bank**

**This year marks Bank Alfalah as Pakistan's number one Bank. It is both an honour and a privilege to do the best and be recognised for it. It's what helps us set the bar higher, for ourselves and the industry; it's what helps us lead our customers, and show them our way forward as the number one Bank.**

# What makes us the Best Bank?



**Best Debit and Credit Cards 2017**

For winning the Customer Choice Award in Best Debit and Credit Cards for the fourth year in a row.



**Best Innovative Card 2017**

For innovation in providing customers a new solution through Alfalah Ultra Cashback Card.



**Diversity and Inclusion Award 2017**

For proactive and progressive organisation that recognises the value of diversity.



For demonstrating the most significant contribution to national development and for the most effective management of its resources, including its employees, clients, franchises, community and financials.

It's not just one but several awards, accolades and reasons for recognition that have helped us become the Best Bank. Because, at Bank Alfalah, we believe in being masters in all aspects so that we can give the best banking experience to all our customers and serve our employees in the best way possible.



**Best Website of the Year 2017**

For innovation and distinction in the digital community.



**Bank Alfalah Islamic, PAS Award 2017**

For the 'All You Need Is Faith' Islamic Banking Campaign in Best in Banking and Financial Services.



**Best Loyalty and Rewards Programme 2017**

For the innovation of Alfalah Orbit Rewards Programme.



**Best Investor Relations, PSX Listed Companies**

For the fourth consecutive year.



For the most efficient service delivery and attention to customer requirements.

# OUR COMPANY

Since its inception, Bank Alfalah has grown rapidly to become Pakistan's fifth largest private bank, the largest issuer and acquirer of credit cards, and one of the largest Islamic Banking businesses in the country.

The Bank has a network of over 630 branches spanning more than 200 cities with a presence in Afghanistan, Bangladesh, Bahrain and the UAE.

The Bank serves more than 1.5 million corporate, retail, small business, agricultural, Islamic and asset financing customers.

In 2017, Bank Alfalah was named 'Best Bank' at the Pakistan Banking Awards.

# VISION

To inspire and empower people to do things differently and shape their own path in life and business.

# MISSION

We look at the market with fresh eyes to find new opportunities, seek new ways of enabling our customers to succeed and advance the world of finance.

# VALUES

## YOU

We always put the customer and their needs front and centre.

## YOUR NEEDS

We do all we can to understand and anticipate what will help our customers find their own way and achieve their ambitions.

## YOUR WAY

We do things differently, challenging the status quo to find new and better ways to move ourselves and our customers forward.

## THE RIGHT WAY

We always act with integrity and transparency in everything we do. It is the cornerstone of our business and brand.

# Stakeholder Information

## Customers

Our customers are our focus, driving us to constantly engage with them and deliver services that surpass their expectations. We want to inspire and enable our customers to pursue what they want. Developing a deeper understanding of their evolving needs, offering innovative products, and working on our customer insights has contributed greatly in achieving this objective. Our SME Toolkit, Wealth Management Services, Islamic Banking operations, and Digital Banking platforms all underline our commitment towards customer-centricity.

We have always aimed to maintain continuous service performance visibility across various product streams, branch networks and other service touch-points to ensure that we meet our commitments to our customers. These engagements are not only limited to the interactions made through our branch network, but are extended across multiple channels like call centres, social media, surveys, awareness sessions, roadshows, and other various advertising campaigns.

## Employees

We have always believed that investing in human capital is the key to achieving the Bank's strategic objectives. The Bank ensures that employees are kept motivated and committed through productive trainings, development programmes, appreciation via various platforms and engagement in activities other than the core business operations. Besides developing the professional skills of individuals, the Bank promotes an environment of learning and self-satisfying lifestyle through initiatives such as:

- Periodic Employee Engagement Surveys
- Adventure and Lifestyle Societies
- Recognition of Success Stories of individuals
- Learning and Development Programmes
- Trainings and Development
- Assistance Schemes for Professional Qualifications to Top Performers
- CEO's Club and Chevron Awards

The Bank acknowledges the contributions of female employees and is proud to be an equal opportunity employer.



## **Shareholders/Institutional Investors**

One of our significant goals is to deliver long-term value to our shareholders. Shareholders' trust sets the strategic direction of any institution and their support further facilitates the achievement of key objectives. Engagement through AGMs and EOGMs certify that the shareholders actively participate to ensure the business is sustainable in the years to come. Press Releases and Annual Reports (Quarterly, Semi-Annually and Annually) are disseminated in a timely manner to ensure shareholders' engagements at all times.

## **Regulatory Bodies**

To ensure sound business operations, regulatory compliance and a transparent legal environment, engagement at the regulators' level is carried out as per pre-determined and on-demand basis. Engagement channels include periodic reporting and meetings held with the regulators, both locally as well as overseas, or their authorised representatives. The Bank has always appreciated the positive support of the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Pakistan Stock Exchange, and other regulatory bodies.

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# Company Information

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## Board of Directors

**HH Sheikh Nahayan Mubarak Al Nahayan**  
Chairman/Director

**Abdulla Nasser Hawaileel Al-Mansoori**  
Director

**Abdulla Khalil Al Mutawa**  
Director

**Khalid Mana Saeed Al Otaiba**  
Director

**Efstratios Georgios Arapoglou**  
Director

**Khalid Qurashi**  
Director

**Kamran Y. Mirza**  
Director

**Nauman Ansari**  
President and CEO/Director

## Management Team

### Nauman Ansari

President and Chief Executive Officer

### Suhail Yaqoob Khan

Chief Risk Officer

### Anjum Hai

Chief Financial Officer

### Hafsa Abbasy

Head Human Resources and Learning

### Mehreen Ahmed

Group Head Retail Banking

### Rizwan Ata

Group Head Islamic Banking

### Bilal Asghar

Group Head Corporate, Investment Banking and International Business

### Syed Ali Sultan

Group Head Treasury, Capital Markets and Financial Institutions

### Aasim Wajid Jawad

Head Strategy

### Khawaja Muhammad Ahmad

Group Head Operations and Corporate Services

### Mohib Hasan Khan

Chief Information Officer

### Mian Ejaz Ahmad

Company Secretary, Group Head Legal and Corporate Affairs

### Tahir Khurshid

Head Audit and Inspection Group

### Muhammad Yahya Khan

Group Head Digital Banking

### Haroon Khalid

Head Compliance and Control

### Bashir Ahmed Sheikh

Group Head Special Assets Management

## Chief Financial Officer

Anjum Hai

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## Company Secretary

Mian Ejaz Ahmad

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## Auditors

**KPMG Taseer Hadi & Co.**

Chartered Accountants

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## Registered/Head Office

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

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## Share Registrar

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

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# Overview



# 2017 Highlights

## Profit Before Tax (Rupees in Billion)

2017	14.0
2016	13.0
2015	12.6

14.0 Bn

## Profit After Tax (Rupees in Billion)

2017	8.4
2016	7.9
2015	7.5

8.4 Bn

## Capital Adequacy Ratio %

2017	13.74
2016	13.17
2015	13.27

13.74%

ROE:  
15.5%

ROA:  
0.9%

EPS:  
Rs. 5.21



### Total Assets (Rupees in Billion)

2017	988.8
2016	917.5
2015	902.6

988.8 Bn

### Net Advances (Rupees in Billion)

2017	400.7
2016	378.7
2015	334.2

400.7 Bn

### Deposits (Rupees in Billion)

2017	653.4
2016	640.9
2015	640.2

653.4 Bn

Dividend per  
share: Rs. 1.5

Share Price:  
Rs. 42.50  
As at 31st Dec, 2017

Long-term: AA+\*  
Short-term: A1+\*  
Upgraded in 2017

\*Credit ratings by PACRA and JCR VIS



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# Chairman's Message

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It gives me immense pleasure to see Bank Alfalah continuing to excel as one of the leading banks in Pakistan. Over the years, we have consolidated our position as a Bank of choice for our customers, both in Pakistan and abroad.

I am extremely proud of the fact that our Bank was recognised as 'the Best Bank of 2017' at the Pakistan Banking Awards jointly organised by the Institute of Bankers, A. F. Ferguson and Company and Dawn Media Group in 2017. We were also recognised as the 'Best Customer Franchise' for the second year running. These awards are testimony to the hard work, enthusiasm, zeal and commitment of our people, and our commitment to achieving excellence in customer service.

The Bank's performance for the year remained sound. Emphasis on effective execution of our strategy and prudent risk assessments has enabled us to deliver on our promise to our shareholders. Our operating results are impressive and we expect the same momentum to continue in the days to come. The environment in which we operate is evolving rapidly, and we remain prepared to navigate the challenges and capitalise on the opportunities in ways that are smart, nimble and efficient.

2017 was a year of change - during the year, the Bank went through an internal re-organisation, as we accelerated the transformation of our businesses in order to make sure we have the right organisational structure in place to strengthen our connections with a growing universe of customers and business partners. As a result, we are optimistic about the future.

Our strength lies in our people - our dedicated, dynamic and skilled human resource helps us deliver sustainable results that enhance long-term stakeholder value. With their diverse backgrounds and experiences, our employees bring a wide array of knowledge and perspectives to the workforce. Over the last couple of years, we have fostered leadership, consistently inspiring employees to do things the right way. We believe that our workforce is energetic, focused and fully capable of developing, implementing and delivering on our vision, objectives and strategy. Our

leadership team is testimony to the talents and abilities of people throughout Bank Alfalah.

We take pride in being the employer of choice for employees, and will continue to motivate and inspire our people to lead the Bank on our way forward.

With significant opportunities of growth within the economy anticipated, Bank Alfalah remains committed in continuing to play its due role in facilitating such progress. We believe in providing solutions for our customers in the most efficient manner. Our focus shall remain on technological enhancements that will allow us to cater to our ever-growing customer base as we continue to evolve our business for the digital age. Our journey successfully started with the introduction of Internet Banking, the Alfa Mobile App, the Orbit Rewards Programme, and we shall continue to navigate new frontiers in line with our vision of becoming a truly digital bank and the country's most innovative financial institution.

Our partnership with the International Finance Corporation of the World Bank is a significant, long-term strategic collaboration, which has bolstered the Bank's ability to provide a wider range and better access to financial services, particularly for the unbanked masses. On behalf of the sponsors, I would like to reiterate our long-term commitment to the Bank and to the people of Pakistan - our franchise is strong, and with our Bank's products and services, our commitment to innovation, and a focus on customers and their needs, I am confident that the Bank shall be able to continue its growth momentum heading into 2018.

As Chairman of the Board, I thank all shareholders for their continued support, the regulatory authorities for their counsel, and the management team and employees for their contributions.

**HH SHEIKH NAHAYAN MABARAK AL NAHAYAN**  
Abu Dhabi  
25th February, 2018



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# Directors' Report to the Shareholders

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## Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Directors' Report of the Bank along with the audited financial statements and Auditors' report for the year ended 31st December, 2017.

## Economic Review

The year 2017 witnessed impressive economic growth, with most macro-economic indicators following a favorable trajectory. Real GDP grew at a rate of 5.3% in FY17, the highest in a decade. The driving forces behind this growth were a low interest rate regime, increased private sector investment, a recovery in the agricultural sector, and continued infrastructure spending under CPEC.

The upshot of this economic expansion was a surge in imports and a widening current account deficit, clocking in at \$12.1 billion for FY17, compared to \$4.9 billion in FY16. The external deficit is largely the result of a rising imbalance between imports, which grew by 17.8% in FY17, and exports, which fell by 1.3%. Capital goods account for a good proportion of this rise in imports, as CPEC projects progress; however, growing imports of oil and consumer goods also put pressure on the external account. The export sector cannot, in its current state, keep pace with the country's import bill.

The external deficit was financed by FDI and foreign borrowings. However, SBP depleted \$2 billion of its reserves to finance the gap in FY17. FX reserves were at \$14.1 billion by the end of calendar year 2017, having been at \$17.4 billion at the beginning of the year. The external deficit stood at \$6.4 billion in the first 5 months of FY18, compared to \$3.4 billion during the same period in the previous year. The exchange rate depreciated to PKR 110-111/\$ in December 2017 after a prolonged period of stability, with expectations that the trade balance would improve after the exchange rate adjustment.

Inflation remained subdued for the third year in a row, rising to 4.2% in FY17 as compared to 2.9% in FY16. The relative uptick in inflation can be traced to higher domestic demand and supply chain issues that pushed up food prices. Even so, an overall recovery in the agricultural sector coupled with a stable

exchange rate and contained energy prices kept inflation at manageable levels. Increases in oil prices, together with PKR depreciation, led SBP to raise the policy rate by 25 bps to 6.00% in January 2018 to countervail building inflationary pressures.

The notable growth in GDP was driven by a rebounding agricultural sector, after underperforming in FY16. The turnaround resulted from easier access to finance under the Kissan package, as well as the level of support prices for sugarcane and wheat. The industrial sector grew by a healthy 5.0% in FY17, somewhat lower than the 5.8% rate witnessed in FY16, as electricity and gas generation (and distribution) exhibited slower growth. However, construction-related and consumer durable industries, such as automobile, cement, and steel, experienced substantial growth this year.

Private sector credit reached 15.8% of GDP in FY17, buoyed by low interest rates, improved energy availability, and the continued progress of CPEC. Notably, over a third of this increase went into fixed investment, as the textile, sugar, fertilizer and cement sectors undertook capacity expansion. This bodes well for real economic activity in 2018.

The fiscal deficit stood at 5.8% of GDP in FY17, compared to 4.6% recorded last year. A high primary deficit driven by development spending, rather than interest payments, created this year's fiscal gap. Total revenue collection rose by 11.0% in FY17, with tax collection registering an increase of 8.4%.

The outlook for 2018 is largely positive, but with some significant sources of pressure. As imports continue to rise, external sector stability will depend on export growth and a recovery in remittances. The recent adjustment of the PKR and the increase in retail fuel prices should help narrow the external deficit. On the fiscal side, higher development spending must be offset by an increase in tax collection. Inflation will likely remain near current levels due to sufficient food stocks, though further rupee devaluation may exert some upward pressure. The real economy, however, is expected to maintain its current momentum in an accommodative policy environment, with much of the impetus for expansion coming directly and indirectly from CPEC.

## Banking Sector Review

The overall risk profile of the Banking sector remained stable over the course of the year, characterised by high Capital Adequacy Ratio, improving asset quality, and interconnectedness between institutions leading to favourable liquidity conditions. The sector's earnings appeared moderate due to lower interest rates and increased administrative expenses.

On a YoY basis till September 2017, a robust growth of 20.6 percent was witnessed in net advances. The changing composition of banks' earning assets (towards short-term investments and long-term loans) points towards repositioning by banks to remain profitable in the wake of the evolving macro-economic environment.

On the asset quality front, non-performing loans for the sector reduced to PKR 611.8 billion at September 2017 as compared to PKR 631 billion at September 2016. NPLs to loan ratio declined to 9.2 percent by September 2017 as against 11.3 percent the previous year.

The year witnessed growth in fixed investment loans in both Corporate and SME Segments. This reflects improved investor confidence in the long-term outlook of the domestic economy in response to the favourable macro-economic conditions including low interest rates.

An analysis of the banks' borrowing (excluding those from SBP) pattern reveals that banks are taking advantage of excess liquidity in the interbank market to borrow funds at low cost. Interbank borrowing as

a percentage of total liabilities reached to 8.3 percent in Q3CY17; the highest level since Q3CY04, indicating growing interconnectedness among the financial institutions.

While low interest rates impacted the profitability through decline in yield spread and evaporating gain on sale of securities, however, Net Interest Income (NII) started to pick up pace, led by a 10.5 percent increase in interest earned on advances to customers (September 2017 vs September 2016). The share of interest earned on advances in total interest earned has increased to 42.2 percent from 39.5 percent last year (September 2017 v September 2016). On the contrary, the share of investment (dominated by low yield government securities) in interest earnings reduced to 54.9 percent in Q3CY17 from 57.6 percent as in Q3CY16. Thus, the growing advances (quantity impact) has in general offset the low interest (price) impact.

## The Bank's Performance

The Bank's performance for 2017 remained impressive as we closed the year delivering sound financial results. The margins of the banking sector continued to remain under pressure all through the year owing to the consistently low interest rate regime.

Amidst this backdrop, the Bank's Net Interest Margins have indicated an improvement year on year, which reflects on a well thought out, focused and prudent ALM strategy.

**The highlights of the financial results for 2017 are as follows:**

	2017	2016
<b>Financial Position</b>	Rupees in Millions	
Shareholders' Equity (before surplus)	58,545	49,185
Total Deposits*	653,406	640,944
Total Assets	988,829	917,457
Advances – net*	400,655	378,720
Investments – net*	400,733	389,093

\*Current year figures do not include one overseas set up (held for sale) whereas prior year figures include the same.

	2017	2016
<b>Financial Performance</b>	Rupees in Millions	
Net Interest Income and Non-markup Income	39,175	37,899
Non-markup Expenses	25,389	23,692
Profit Before Taxation	14,045	13,023
Profit After Taxation	8,367	7,900
Basic Earnings per Share – Rupees	5.21	4.93
Diluted Earnings per Share - Rupees	5.19	4.93



Our performance in 2017 shows balanced growth momentum despite a challenging operating environment. The Bank's profit before taxation for the year stands at Rs. 14.045 billion as against Rs. 13.023 billion last year, showing improvement of 7.9 percent. Profit after tax is Rs. 8.367 billion as against Rs. 7.900 billion last year, improving by 5.9 percent. This translates into an EPS of Rs. 5.21 per share (2016: Rs. 4.93 per share).

On the revenue front, net markup income and non-markup income show combined growth of 3.4 percent. The Bank was able to overcome the pressure on Net Interest Income (NII) due to the maturities of high yielding bonds and NII has increased over last year. This was resultant of growth in overall average earning assets and reduction in funding costs. Similarly, focus on core fee and commission has culminated in 17.7 percent growth in this component of non-funded income.

Cost control remains a pivotal point of our strategy and accordingly, significant initiatives were undertaken over the year to optimise cost. Total non-mark up expenses were reported at Rs. 25.389 billion as against Rs. 23.692 billion last year, growing by 7.2 percent. This is after taking the impact of branch expansion of 2016 and 2017 (No. of branches opened: 15), along with inflationary adjustments. Further, with a view to improve efficiency 11 branches were closed during the year (2016: 27 branches closed) where management felt prospects were limited.

With reversals against NPLs significantly in excess of the charge considered for the year, net reversals for the current year were recorded at Rs. 434.16 million, as against a charge of Rs. 1.083 billion considered last year.

The Bank's gross advances portfolio increased impressively by Rs. 21.318 billion, i.e. 5.4 percent year on year, while the non-performing loans reduced from Rs. 19.019 billion at December 2016 to Rs. 17.579 billion at December 2017. As a result, our NPL ratio

has further improved to 4.2 percent, and continues to remain one of the lowest infection ratios in the industry. As at December 2017, the Bank's provision coverage stands at 89.2 percent.

We continue to carry a diversified deposit mix on the balance sheet, with improved concentration levels. The proportion of non-remunerative current accounts has been maintained, and our CASA percentage at December 2017 stands at 78 percent. Our focus throughout the year remained on improving our deposit profile and managing spreads in a consistently low interest rate environment. Total Deposits were reported at Rs. 653.406 billion as against Rs. 640.944 billion reported last year.

At the year end, our gross advances to deposits ratio stands at 63.8 percent, and remains an indicator where Bank maintains a lead in the industry. With reduction in NPLs and increased Loan Loss Coverage, the Bank is positioned to continue its focus on loan growth through sound credit risk evaluation processes.

On the investments side, following the significant maturity of PIBs, the investment mix shifted towards Treasury Bills. Investments (net) have been reported at Rs. 400.733 billion as against Rs. 389.092 billion reported last year.

The Bank underwent an internal re-organisation in the year 2017, and the existing structures and responsibilities across the Bank are gradually being streamlined to bring in synergy, efficiency and effectiveness in the way we do business.

As at 31st December, 2017, the Bank remains adequately capitalised as outlined in the section on Capital Structure below, and we intend to further augment the Bank's capital position through our proposed Additional Tier 1 - ADT-1 instrument, as we enter the year 2018.

## Assets Held For Sale

During the year, the Board accorded its in-principle approval and authorised the management of the Bank to explore the possibility to sell the Afghanistan Operations of the Bank to the potential buyer, subject to obtaining all regulatory approvals, compliance with applicable laws and regulations in the matter.

Pursuant to receipt of a non-binding offer and in-principle approval from the State Bank of Pakistan, the Bank is in process of completing all the legal formalities including the due diligence of its Afghanistan Operations and the negotiations with the potential buyer.

Resultantly, all assets and liabilities for the Bank's Afghanistan Operations have been presented separately as part of Other Assets/Liabilities as Assets and Liabilities Held for Sale respectively, rather than as part of actual line items under which they were being reported historically. The details have been given in note 21 to the unconsolidated financial statements.

## Credit Rating

The Bank has been assigned an upgraded 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 an upgraded credit rating of 'AA' (Double A). These ratings were upgraded at June 2017 and were maintained at December 2017.

Furthermore, JCR-VIS Credit Rating Company Limited (JCR-VIS) also assigned an entity rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term to the Bank, with Outlook assigned as 'Stable'. These ratings were assigned in February 2017, and were maintained at August 2017.

## Strengthening Capital Base

The Bank is in process of issuing additional Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments, subject to all regulatory approvals. The Pre-IPO of Rs. 6.3 billion of the proposed issue has been successfully closed in January 2018. JCR-VIS has assigned the Bank's proposed instruments an instrument rating of 'AA-' (Double A Minus), with 'Stable' Outlook. The proceeds from the issue will contribute towards the Bank's additional Tier-1 capital and are intended to be utilised towards enhancement of the Bank's business operations.

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.

## Corporate Governance

The Code of Corporate Governance (Code) forms part of the Rule Book of the Pakistan Stock Exchange Limited (PSX). The Bank is in compliance with the significant requirements of the Code, relevant for the year ended 31st December, 2017. A prescribed statement by the management together with the Auditors' Review Report thereon is annexed as part of the Annual Report.

The Directors are pleased to give the following Statement under Clause 5.9.11 (Corporate and Financial Reporting Framework) of Chapter 5 of the PSX Rule Book:





- a) The financial statements, prepared by the management, present fairly the state of affairs of the Bank, the result of its operations, cash flows and changes in equity;
- b) Proper books of accounts of the Bank have been maintained;
- c) Appropriate accounting policies, as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d) International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements;
- e) The system of internal control is sound in design and has been effectively implemented and monitored; and
- f) There are no significant doubts about the Bank's ability to continue as a going concern;
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations duly adopted by the State Bank of Pakistan vide BSD Circular No. 5 dated June 13, 2002.
- h) Summarised key operating and financial data of last six years has been presented as part of the Annual Report.
- i) Book value of investments and placements by Staff Provident Fund and Staff Gratuity Fund based on the respective audited accounts is:

Staff Provident Fund Rs. 3,783.365 million (Dec 2017)  
Staff Gratuity Fund Rs. 2,246.352 million (Dec 2016)

- j) The number of Board and Board Committee meetings held during the year 2017 and the attendance by each director was as follows:

- k) As at 31st December, 2017, the Bank is compliant in respect of the Director's training requirement provided in the Code of Corporate Governance.
- l) The pattern of shareholding is attached as part of this Annual Report.
- m) There are no loans, TFCs, sukuks or any other debt instruments in which the Bank is in default or likely to default.
- n) Trading pattern in the shares of the Bank, by Directors, Executives, their spouses and minor children have been disclosed as part of the Annual Report.

## Risk Management

The year 2017 saw the economy achieve its highest growth rate in the past decade with services, large scale manufacturing and agriculture sectors all performing well. However, few jitters did have their toll on the bourses where political uncertainty coupled with investor disappointment on MSCI upgrade saw the KSE100 index down by 15.3%. Nonetheless, strong growth performance and improved economic prospects led Standard & Poor's to revise Pakistan's rating from 'B-' to 'B' and Moody and Fitch to raise the country's economic outlook from 'negative' to 'stable' during FY17.

Despite this largely positive outlook, however, there are some serious challenges ahead. Widening deficits have already unhinged stable currency and interest rate regimes with inflation on the rise. The chronic issues of circular debt, loss-making state enterprises and weak tax-to-GDP ratio are not going away any time soon. The resultant credit headwinds are to be watched for, as consumer and SME segments will become more vulnerable in the immediate future. The rather benign credit environment that the banking industry enjoyed over the last few years will gradually recede away.

Name of Director	Board of Directors	Board Audit Committee	Board Strategy and Finance Committee	Board Human Resources and Nominations Committee	Board Risk Management Committee	Board Compensation Committee
No. of meetings held	8	7	7	5	5	-
HH Sheikh Nahayan Mabarak Al Nahayan	4	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	5	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Khalil Al Mutawa	8	7	7	5	5	-
Mr. Khalid Mana Saeed Al Otaiba	8	7	7	5	5	-
Mr. Efstratios Georgios Arapoglou	8	7	7	N/A	N/A	N/A
Mr. Khalid Qurashi	8	N/A	7	N/A	5	N/A
Mr. Kamran Y. Mirza	8	7	N/A	5	N/A	-
Mr. Atif Bajwa*	4	N/A	3	1	2	N/A
Mr. Nauman Ansari	3	N/A	3	2	3	N/A

\* Served as Chief Executive Officer of the Bank till 15th July, 2017.



During the course of the year, Bank Alfalah continued to further strengthen its risk management framework. With full automation under the belt, the credit approval process was refined to make decision making more nimble and client-centric. Owing to its branch-led model and robust credit underwriting criteria the Bank has the lowest infection ratio amongst the top-tier banks, while at the same time maintaining a strong growth trajectory in advances.

Bank Alfalah also maintained its progress towards achieving greater sophistication and meeting standards of Basel III advanced approaches. Bank's in-house system now has the capacity to calculate Risk Weighted Assets as per Standardised Approach and Foundation Internal Rating Based approach. During 2017, the Bank successfully implemented Basel III Liquidity Standards as well.

### **Capital Structure of the Bank**

The Bank remained a well-capitalised institution with a capital base well above the regulatory limits and Basel capital requirements. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity.

Bank's total Capital Adequacy Ratio is 13.74 percent against the requirement of 11.275 percent (including capital conservation buffer of 1.275 percent). Quality of the capital is evident from the Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 11.20 percent against the requirement of 6.00 percent.

The Bank has ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.5 percent of the total RWA, to be maintained in the form of Capital Equity Tier 1 by the year end 2019. The Bank's adequate capitalisation also resulted in a leverage ratio of 4.06 percent which is above the regulatory limit of 3.0 percent.

### **Cyber Security**

Information security is a key risk for the banking industry amid growing cyber security threats and events across the globe. During 2017, IT Security Risk Management accomplished a major milestone by formally establishing its Security Operations Center (SOC).

The facility, comprising of a blend of technologies and skilled resources, would aid in improving the organisation's security vigilance on an ongoing basis and has become operational from January 2018. Additionally, significant developments with respect to the cyber security action plan took place during the year further strengthening our resilience and defense capabilities.

### **Environmental and Social Management System (ESMS) Framework**

To integrate sustainable finance in the Bank's core lending business, ESMS has become an integral part of the Bank's credit approval process. The Environmental and Social Risk Management (ESRM) Unit is responsible for identifying, vetting and approving projects from an ESRM perspective.

This role also entails coordination with provincial Environmental Protection Agencies (EPA) to remove ambiguities related to the EPA approval requirements and to educate clients.

In an important development, SBP issued Green Banking Guidelines in October '17 for the banking sector. This demonstrates regulators' seriousness towards environmental issues and would greatly help banks in transforming their approach towards sustainable development. Bank Alfalah is well-poised to implement these guidelines in letter and spirit.

## Forward Looking Statement

As mentioned above, the Bank has recently gone through an internal re-organisation. These steps were taken to position the Bank for long-term performance. With a renewed vision, we shall continue to focus on the execution of our strategy as we continue on the path to being the Bank of preference for our customers, and the best workplace for our employees. We shall do this by living our values, putting the customers and their needs first, and facilitating them with sound execution of their strategies, the right way.

We are optimistic about the future. Our focus shall remain on delivering sound financial performance, through tapping the right opportunities falling within the Bank's risk appetite. Having won the coveted 'Best Bank Award' for 2017, Bank Alfalah is well-positioned to continue pushing industry standards in 2018. We have used 2017 to recalibrate our client orientation and focus on small and medium size enterprises. SMEs represent an underserved sector of Pakistan's economy, with the greatest potential for job creation and entrepreneurial ideas.

We also intend to fully support the China Pakistan Economic Corridor (CPEC), which should upgrade Pakistan's infrastructure and boost its manufacturing capacity. Given the potential credit headwinds, Bank Alfalah is cautiously optimistic about the economic prospects in 2018, and will continue to build its reputation and role in Pakistan's banking system.

Going forward, fresh perspectives, innovative ideas and renewed commitment will be more important than ever. By the grace of the Almighty, we are successfully working towards achieving our ambition of becoming a truly digital bank and the most innovative financial institution in Pakistan.

## Uncertainties that could affect the Bank's resource, revenues and operations

All forward looking statements are, by nature, subject to risks and uncertainties, some beyond control. Factors that may potentially affect the Bank's resource, revenues and operations are:

- Decisions on discount rate/monetary policy
- Revisions to rate of returns on deposits
- Geo-political risks and uncertainties across the geography that we operate in
- Law and order situation
- Local government rules and regulations, following the upcoming general elections in Pakistan
- Inflation, fuel and general commodity prices
- Corporate taxation measures



## Internal Controls

The Management is responsible for maintaining a sound system of internal controls to ensure efficiency and effectiveness of operations, compliance with legal requirements and reliability of financial reporting. Adequate systems, processes and controls have been put in place to identify and mitigate the risk of failure to achieve the overall objectives of the Bank.

These controls encompass the policies and procedures that are approved by the Board of Directors – and their compliance and effectiveness – which is verified by an independent Internal Audit Department reporting directly to the Board Audit Committee.

The Bank has a dedicated Internal Control Department, which facilitates the management in timely identification and resolution of the key control risk exposures, which can affect the Bank adversely. The ICD helps management to ensure that the Bank's operations are carried out as per the defined procedures; all financial transactions are recorded on timely manner; financial and management reporting is accurate, reliable and complete; and that the Bank is compliant with the applicable laws, regulations and policies.

Existing policies and procedures are reviewed on a regular basis and improved from time to time, when required. The Board has constituted its sub committees for oversight of the overall risk management framework, finance and strategy, which meet at regular intervals to ensure adequacy of governance.

The Board endorses the management's evaluation on effectiveness of the overall internal controls, including ICFR, as detailed in the Statement of Internal Controls.

## Corporate Social Responsibility

At Bank Alfalah, we believe that our success and the success of our customers go hand-in-hand. We aim to conduct business by creating shared values for our customers, shareholders and communities. For us, Corporate Social Responsibility is an instrument of positive change and continues to be one of the most important aspects of our business.

We are firm in our commitment to operate within an ethical framework, while contributing to socio-economic development. As we continue to build responsible business practices across the Bank, we also ensure we capture every opportunity to raise the impact of our Corporate Social Responsibility and philanthropic footprint.

Within the Bank, we have focused on energy conservation initiatives and providing sustainable finance. Externally, working to improve the communities around us is of paramount importance, especially within the health and education sectors. More information on this can be found in the Sustainability section.

## Subsidiary Companies

The Bank has 97.91 percent shareholding in Alfalah Securities (Private) Limited, which is engaged in the business of stock brokerage, investment counseling and fund placements.

The Bank also has 40.22 percent shareholding in Alfalah GHP Investment Management Limited, which is registered as an Asset Management Company and Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules.



## Dividend

The Directors have recommended final payment of cash dividend of Rs. 1.5 per share (15 percent) for the year ended 31st December, 2017, subject to approval of the shareholders in the upcoming Annual General Meeting.

## External Audit

The present auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants, have completed their term of five years, from 2013 to 2017, and are not eligible for re-appointment as per the Code of Corporate Governance.

On behalf of the management of the Bank and the Board, I would like to thank and appreciate the retiring auditors for the services and support extended throughout the period of their appointment.

On the recommendation of the Board Audit Committee, the Board has proposed the appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as statutory external auditors of Bank for the year 2018. The external auditors appointment shall be subject to approval in the forthcoming Annual General Meeting.

The proposed firm of auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

## Acknowledgement

On behalf of the Board, I would once again like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Ministry of Finance, and other regulatory authorities for their continuous guidance and support.

At the same time, I would like to express my gratitude to our shareholders, our customers, business partners and the Bank's staff for their continued patronage.

I deeply value, appreciate and acknowledge the commitment, dedication and hard work of our employees, both locally and overseas, which enabled us to achieve the accolade of being the 'Best Bank' and the 'Best Consumer Franchise' at the Pakistan Banking Awards this year. These accolades are testament to the hard work, zeal and commitment of our employees and the confidence reposed in us by our valued customers.

I look forward to the New Year with optimism, and am confident that the Bank will continue on its journey forward, by providing unrivalled banking services to our customers.

### **Nauman Ansari**

President and Chief Executive Officer  
Bank Alfalah  
25th February, 2018  
Abu Dhabi

میں بینک کے مقامی اور اوورسیز ملازمین کے عزم، لگن اور سخت محنت کی بھرپور قدر کرتے ہوئے انہیں خراج تحسین پیش کرتا ہوں۔ جنہوں نے اس سال پاکستان بینکنگ ایوارڈ میں ہمیں "بیسٹ بینک" اور "بیسٹ کنزیومر فرانچائز" کے اعزاز کے حصول کا اہل بنایا۔ یہ اعزازات ہمارے ملازمین کی محنت، جوش اور عزم کی سند اور ہمارے معزز صارفین کے اعتماد کا اظہار ہے۔

میں نئے سال میں روشن امکانات دیکھتا ہوں اور پراعتماد ہوں کہ بینک صارفین کو بے مثال بینکنگ سروسز کی فراہمی کے ساتھ آگے بڑھنے کا سفر جاری رکھے گا۔

نعمان انصاری

صدر اور چیف ایگزیکٹو آفیسر

بینک الفلاح

25 فروری 2018

مقام: ابوظہبی

بینک میں اندرونی طور پر ہم نے انرجی کنزرویشن اقدامات اور پائیدار فنانس کی فراہمی پر توجہ دی۔ بیرونی طور پر سب سے اہم اپنے اردگرد موجود کمیونٹیز کے حالات بہتر بنانا خصوصاً صحت اور تعلیم کے شعبے میں۔ اس حوالے سے مزید معلومات سسٹین ایبلٹی حصے میں دیکھی جا سکتی ہے۔

## ذیلی کمپنیاں

بینک کی الفلاح سیکیورٹیز (پرائیوٹ) لمیٹڈ میں 97.91 فیصد کی شیئر ہولڈنگ ہے جو اسٹاک بروکریج، انویسٹمنٹ کونسلنگ اور فنڈ پلیسمنٹ کے کاروبار سے منسلک ہے۔ بینک کی الفلاح GHP انویسٹمنٹ منجمنٹ لمیٹڈ میں بھی 40.22 فیصد کی شیئر ہولڈنگ ہے جو ایک ایسٹ منجمنٹ کمپنی اور انویسٹمنٹ ایڈوائزر کے طور پر نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشن) رولز کے تحت رجسٹرڈ ہے۔

## ڈیویڈنڈ

31 دسمبر 2017 کو ختم ہونے والے سال کے لئے ڈائریکٹرز نے کیش ڈیویڈنڈ 1.5 روپے فی شیئر (15% فیصد) حتمی ادائیگی کی تجویز دی ہے جو آنے والے سالانہ اجلاس عام میں شیئر ہولڈرز کی منظوری سے مشروط ہے۔

## ایکسٹرنل آڈٹ

موجودہ آڈیٹرز M/s. KPMG Taseer Hadi & Company چارٹرڈ اکاؤنٹنٹس 2013 سے 2017 تک اپنی پانچ سالہ مدت مکمل کر چکے ہیں اور کوڈ آف کارپوریٹ گورننس کے مطابق دوبارہ تعینات ہونے کے اہل نہیں ہیں۔

بینک کی منجمنٹ اور بورڈ کی جانب سے میں سبک دوش ہونے والے آڈیٹرز کا تعیناتی کی مدت کے دوران ان کی خدمات کا اعتراف اور تعاون کرنے پر شکریہ ادا کرتا ہوں۔

بورڈ آڈٹ کمیٹی کی سفارش پر بورڈ نے M/s. Ernst & Young Ford Rhodes Sidat Hyder چارٹرڈ اکاؤنٹنٹس کو سال 2018 کے لئے بطور ایکسٹرنل آڈیٹرز تجویز کیا ہے۔ ایکسٹرنل آڈیٹرز کی تعیناتی آنے والے سالانہ اجلاس عام میں منظوری سے مشروط ہے۔

مجوزہ ایکسٹرنل آڈیٹرز کی فرم نے اس بات کی تصدیق کی ہے کہ انہیں انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس کے کوالٹی کنٹرول ریویو پروگرام کے تحت اطمینان بخش ریٹنگ دی گئی ہے۔ آڈٹ فرم اور ان کے تمام پارٹنرز انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی کوڈ آف اینتھکس سے متعلق ICAP کی اختیار کردہ گائیڈ لائنز پر عمل پیرا ہیں اور آڈیٹرز مقرر ہونے سے متعلق تمام قابل اطلاق قوانین پر پورا اترتے ہیں۔

## اظہار تشکر:

میں بورڈ آف ڈائریکٹرز کی جانب سے ایک بار پھر اسٹیٹ بینک آف پاکستان، وفاقی وزارت خزانہ اور دیگر ریگولیٹری اتھارٹیز کی مسلسل رہنمائی اور تعاون کی فراہمی کا شکریہ ادا کرتا ہوں۔ میں مشاورت اور سرپرستی کرنے والے اپنے معزز شیئر ہولڈرز، صارفین، کاروباری شریک اور بینک کے عملے کا بھی تہ دل سے شکر گزار ہوں۔

سنگ میل طے کیا یہ سہولت ٹیکنالوجی اور ہنرمند ذرائع پر مشتمل ہے جو ادارے کی سیکورٹی نگرانی بہتر بنانے میں باقاعدگی سے معاونت کرے گی اور جنوری 2018 سے یہ اپنے کام کا آغاز کر چکی ہے۔ سال کے دوران سائبر سیکورٹی ایکشن پلان کے حوالے سے اہم پیش رفت مسائل کو حل کرنے اور حفاظتی صلاحیت کو مزید مضبوط بنانے لگی۔

## انوائرنٹ اینڈ سوشل منیجمنٹ سسٹم (ای ایس ایم ایس) فریم ورک

برقرار رکھنے والا فنانس بینک کے قرضے کی فراہمی کے مرکزی کاروبار میں ضم کرنے کے لئے ای ایس ایم ایس بینک کے کریڈٹ کی منظوری کے عمل کا لازمی حصہ بن گیا ہے۔ ای ایس آر ایم کے نقطہ نظر سے پروویڈنٹس کی شناخت، جانچ اور منظوری کا انوائرنٹ اینڈ سوشل رسک منیجمنٹ (ای ایس آر ایم) یونٹ ذمہ دار ہے۔ ای پی اے کی منظوری کے حوالے سے درکار ابہام دور کرنے اور کلائنٹس کو آگاہی فراہم کرنے کے لئے یہ کردار صوبائی انوائرنٹل پروویڈنٹس ایجنسی (ای پی اے) سے ہم آہنگی قائم کرنے میں معاونت کرتا ہے۔ ایس بی پی نے اکتوبر 17 میں بینکنگ سیکٹر کے لئے گرین بینکنگ گائیڈ لائنز کا اجراء کیا جو ایک اہم پیش رفت ہے۔ اس سے ماحولیاتی مسائل کی جانب ریگولیٹر کی سنجیدگی ظاہر ہوتی ہے اور بینکوں کو پائیدار ترقی کی طرف اپنے طریقے کو بدلنے میں مدد ملے گی۔ بینک الفلاح ان گائیڈ لائنز کو مکمل طور پر نافذ کرنے کے لئے تیار ہے۔

## آگے بڑھنے کا عزم

جیسا کہ اوپر بیان کیا گیا کہ بینک حال ہی میں اندرونی طور پر نئے سے نئے تبدیل ہوا ہے۔ بینک کی طویل مدت کی کارکردگی کے لئے یہ اقدامات اٹھائے گئے۔ نئے انداز کے ساتھ اپنی حکمت عملی کے اطلاق پر توجہ رکھیں گے، جیسا کہ اپنے صارفین کے لئے قابل ترجیح بینک اور اپنے ملازمین کے لئے بہترین کام کی جگہ رہنے کے لئے مسلسل کوشاں ہیں۔ ہم یہ سب اپنی اقدار کے ساتھ وابستہ رہ کر، اپنے صارفین اور ان کی ضروریات کو پہلی ترجیح دے کر، ان کی حکمت عملی کو بہترین طریقے سے لاگو کر کے اور انہیں سہولت کی فراہمی موزوں طریقے سے کر کے کریں گے۔

ہم مستقبل کے حوالے سے پر امید ہیں۔ بینک کی رسک کی حد میں دستیاب مواقع کے ذریعے ہماری توجہ بہترین مالی کارکردگی پر رہے گی۔ بیسٹ بینک ایوارڈ برائے 2017 کے حصول کے ساتھ بینک الفلاح اس قابل ہے کہ 2018 میں انڈسٹری کے معیارات کو بہتر بنانے کا سلسلہ جاری رکھے۔ ہم نے 2017 میں پیمانہ بندی کرتے ہوئے صارف کی سمت درست کی اور چھوٹے اور درمیانے کاروبار پر توجہ دی۔ ایس ایم ایزنی ملازمتوں کے بننے اور کاروباری آئیڈیاز کے امکانات کے ساتھ پاکستانی معیشت کے پسماندہ سیکٹر کی نمائندگی کرتی ہیں۔ ہمارا ارادہ پاک چین اقتصادی راہداری منصوبہ کی مکمل حمایت کرنے کا ہے۔ جس کو پاکستانی انفراسٹرکچر کو بہتر بنانے کے ساتھ پیداواری صلاحیت میں اضافہ کرنا چاہیے۔ بینک الفلاح 2018 میں معاشی امکانات کے حوالے سے پر جوش ہے اور اپنی ساکھ کو مزید بہتر بنانے کے ساتھ پاکستان کے بینکنگ سسٹم میں اپنا کردار ادا کرتا رہے گا۔

آگے بڑھنے، نئے امکانات، نئے آئیڈیاز اور عزم کی تجدید پہلے سے زیادہ اہم ہوگی۔ ہم خدا کی مہربانی سے اصلی ڈیجیٹل بینک اور پاکستان میں سب سے زیادہ جدت آمیز فنانشل ادارہ بننے کے مقصد کے حصول کے اگلے مرحلے میں داخل ہونے کی کامیابی سے تیاری کر رہے ہیں۔

## غیر یقینی صورتحال جو بینک کے ذرائع، منافع اور آپریشنز پر

### اثر انداز ہوسکتی ہے

تمام بیان کی نوعیت خطرے اور یقینی صورتحال سے مشروط ہے ان میں کچھ قابو سے باہر ہیں۔ ممکنہ طور پر بینک کے ذرائع، منافع اور آپریشنز پر اثر انداز ہونے والے عناصر درج ذیل ہیں:

- ڈسکاؤنٹ ریٹ / مانیٹری پالیسی کے حوالے سے فیصلے
- ڈپازٹس کی شرح منافع پر نظر ثانی
- جہاں ہم آپریٹ کرتے ہیں وہاں کے خطے میں جیو پالیٹیکل خطرات اور غیر یقینی صورتحال
- امن و امان کی صورتحال
- مقامی حکومت کے قوانین، پاکستان کے آنے والے انتخابات پر نظر رکھنا
- افراط زر، فیول اور عام اجناس کی قیمتیں
- کارپوریٹ ٹیکسیشن کے پیمانے

## اندرونی کنٹرول

بینک کی انتظامیہ آپریشنز کی کارکردگی بڑھانے اور انہیں مؤثر بنانے سمیت قانونی تقاضوں پر عمل درآمد اور ذمہ دارانہ فنانشل رپورٹنگ کو یقینی بنانے کے لیے ایک مضبوط انٹرنل کنٹرول سسٹم کو قائم رکھنے کی ذمہ دار ہے۔ بینک کے مجموعی اہداف حاصل کرنے کے لیے ناکامی کے خدشات کی نشاندہی اور ان سے نمٹنے کے لیے موزوں سسٹمز، پراسیسز اور کنٹرولز نافذ کیے گئے ہیں۔ یہ کنٹرولز بورڈ آف ڈائریکٹرز کے منظور شدہ پراسیسز اور پالیسیوں کا احاطہ کرتے ہوئے ان پراسیسز اور پالیسیوں کو مؤثر بنانے اور ان پر بھروسہ انداز سے عمل درآمد کو یقینی بناتے ہیں جس کی تصدیق آزاد انٹرنل آڈٹ ڈپارٹمنٹ کے ذریعے کی جاتی ہے۔

بینک کا مخصوص انٹرنل کنٹرول ڈپارٹمنٹ ہے۔ یہ منیجمنٹ کو بروقت اہم کنٹرول رسک مسائل جو بینک پر بے اثرات مرتب کر سکتے ہیں ان کی نشاندہی اور انہیں حل کرنے میں معاونت کرتا ہے۔ آئی سی ڈی منیجمنٹ کی مدد کرتے ہوئے یقینی بناتا ہے کہ بینک کے آپریشنز طے کردہ طریقوں سے مکمل ہوتے ہیں، تمام فنانشل ٹرانزیکشنز بروقت ریکارڈ ہوئیں ہیں، فنانشل اور منیجمنٹ رپورٹنگ درست، قابل بھروسہ اور مکمل ہے اور بینک لاگو قوانین، ریگولیشنز اور پالیسیز سے ہم آہنگ ہے۔

بینک کی موجودہ پالیسیوں اور پراسیسز کا باقاعدگی کے ساتھ جائزہ لیا جاتا ہے اور ضرورت پڑنے پر وقتاً فوقتاً انہیں بہتر بنایا جاتا ہے۔ بورڈ نے مجموعی رسک منیجمنٹ فریم ورک، فنانشل اینڈ اسٹریٹیجی کی نگرانی کے لیے خصوصی سب کمیٹیاں تشکیل دی ہیں جن کے اجلاس باقاعدگی کے ساتھ منعقد ہوتے ہیں تاکہ فعال گورننس کو یقینی بنایا جاسکے۔

بورڈ نے انٹرنل کنٹرول کی صلاحیت سے متعلق کی جانے والی منیجمنٹ کی قدر پیمانی (ایولوشن) کی توثیق کی ہے، جس میں ICFR بھی شامل ہے، اور اس کی وضاحت اسٹیٹمنٹ آف انٹرنل کنٹرولز میں کی گئی ہے۔

## کارپوریٹ سماجی ذمہ داریوں کی ادائیگی:

بینک الفلاح اس بات پر پختہ یقین رکھتا ہے کہ بینک کی کامیابی اس کے کسٹمرز کی کامیابی کے ساتھ جڑی ہوئی ہے۔ ہمارا مقصد اپنی مسابقتی صلاحیتوں کو کارپوریٹ سماجی ذمہ داریوں کے ساتھ منسلک کرتے ہوئے کسٹمرز، شیئر ہولڈرز اور کمیونٹیز کے ساتھ گہرا تعلق استوار کر کے کاروبار کرنا ہے۔ ہمارے لیے کارپوریٹ سماجی ذمہ داریوں کی ادائیگی مثبت تبدیلی کے لیے ایک اہم آلہ ہے اور اسے ہمارے کاروبار میں واضح اہمیت حاصل ہے۔

ہم پختہ عزم کے ساتھ اخلاقی فریم ورک کے دائرے میں رہتے ہوئے سماجی و معاشی ترقی میں اپنا بھرپور کردار ادا کر رہے ہیں۔ ہم بینک میں ذمہ دارانہ کاروباری عمل کو جاری رکھتے ہوئے یقینی بناتے ہیں کہ ہم نے ہر موقع سے فائدہ اٹھا یا ہے جس سے ہمارے کارپوریٹ سوشل رسپانسبلٹی اور فاعی کاموں کے اثر کو بڑھانے میں مدد ملے۔

Name of Director	Board of Directors	Board Audit Committee	Board Strategy and Finance Committee	Board Human Resources and Nominations Committee	Board Risk Management Committee	Board Compensation Committee
No. of meetings held	8	7	7	5	5	-
HH Sheikh Nahayan Mabarak Al Nahayan	4	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Nasser Hawaileel Al Mansoori	5	N/A	N/A	N/A	N/A	N/A
Mr. Abdulla Khalil Al Mutawa	8	7	7	5	5	-
Mr. Khalid Mana Saeed Al Otaiba	8	7	7	5	5	-
Mr. Efstratios Georgios Arapoglou	8	7	7	N/A	N/A	N/A
Mr. Khalid Qurashi	8	N/A	7	N/A	5	N/A
Mr. Kamran Y. Mirza	8	7	N/A	5	N/A	-
Mr. Atif Bajwa*	4	N/A	3	1	2	N/A
Mr. Nauman Ansari	3	N/A	3	2	3	N/A

\* Served as Chief Executive Officer of the Bank till 15th July, 2017.

حصے مزید غیر محفوظ ہوں گے۔ بینکنگ انڈسٹری پچھلے کچھ سال سے جس کریڈٹ کے ماحول سے گزر رہی تھی وہ آہستہ آہستہ ختم ہو جائے گا۔

سال کے دوران بینک الفلاح نے اپنا رسک منیجمنٹ فریم ورک مزید مضبوط کیا۔ مکمل خودکاری عمل کے تحت کریڈٹ کی منظوری کا عمل بہتر بنایا گیا تاکہ فیصلہ سازی زیادہ تیز اور کلانٹ سیکورٹی ہو۔ اپنے برانچ لیڈ ماڈل اور مضبوط کریڈٹ بیمہ کرنے کے معیار کے ساتھ ٹاپ tier بینکنگ کے مقابلے میں بینک کی سب سے کم انٹیکشن شرح ہے۔ اس کے ساتھ ساتھ ایڈوانسز میں بہتر نمو کو برقرار رکھا گیا ہے۔

بینک الفلاح نے کامیابیوں کے حصول کے لئے اپنی کارکردگی کو برقرار رکھا ہے اور بیس III جدید طریقے کے معیار کو پورا کیا ہے۔ بینک کا ان ہاؤس سسٹم میں اب معیاری طریقے اور فاؤنڈیشن انٹرنل ریٹنگ کی بنیاد پر طریقے کے مطابق رسک ویڈو ایسٹس کا تخمینہ لگانے کی صلاحیت ہے۔ 2017 کے دوران بینک نے کامیابی سے بیس III لیکوئڈٹی کا معیار لاگو کیا ہے۔

### بینک کے سرمائے کی ساخت

بینک معقول سرمایہ رکھنے والا ادارہ ہے، جس کی سرمائے کی بنیاد ریگولیٹری حد اور بیس کیپٹل ضرورت سے زیادہ ہے۔ بینک مناسب منافع برقرار رکھنے کی پالیسی کو جاری رکھے ہوئے ہے تاکہ اس کی رسک برداشت کرنی کی صلاحیت میں اضافہ ہو۔ بینک کی کل کیپٹل موزوں شرح درکار 11.275 فیصد کے مقابلے میں 13.74 فیصد ہے (بشمول 1.275 فیصد کیپٹل کنزرویشن بفر)۔ بینک کی عام ایکویٹی (CET1) Tier-1 میں کل رسک ویڈو ایسٹس کی شرح سے سرمائے کا معیار ظاہر ہے جو درکار 6.00 فیصد کے مقابلے میں 11.20 فیصد ہے۔ آر ڈبلیو اے کی کل 2.5 فیصد کیپٹل کنزرویشن بفر (سی بی) پورا کرنے کے لئے بینک کی کیپٹل بیس کافی محفوظ ہے جو سال 2019 کے آخر میں کیپٹل ایکویٹی Tier 1 کی صورت میں برقرار رکھا جائے گا۔ بینک کے معقول سرمائے کا نتیجہ 4.06 فیصد شرح ہے جو ریگولیٹری حد 3.0 فیصد سے زیادہ ہے۔

### سائبر سیکیورٹی

سائبر سیکیورٹی تھریٹس اور دنیا بھر میں واقعات کی وجہ سے انفارمیشن سیکیورٹی بینکنگ انڈسٹری کے لئے اہم خطرہ ہے۔ 2017 کے دوران آئی ٹی سیکیورٹی رسک منیجمنٹ نے باضابطہ طور پر سیکیورٹی آپریشنز سینٹر (ایس او سی) قائم کر کے اہم

8. گزشتہ چھ سال کا اہم آپریشن اور فنانشل ڈیٹا کا خلاصہ سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے۔

9. متعلقہ آڈٹ اکاؤنٹ کی بنیاد پر اسٹاف پراویڈنٹ فنڈ اور اسٹاف گریجویٹی فنڈ کے ذریعے کی جانے والی سرمایہ کاری اور پلیسمنٹ کی بک ویلیو:

اسٹاف پراویڈنٹ فنڈ Rs. 3,783.365 million (Dec 2017)  
اسٹاف گریجویٹی فنڈ Rs. 2,246.352 million (Dec 2016)

10. سال 2017 کے دوران بورڈ اور بورڈ کمیٹی کے اجلاس اور ڈائریکٹرز کی شرکت کی انفرادی تفصیل درج ذیل ہے۔

11. اس طرح 31 دسمبر 2017 کی مدت کے اختتام پر بینک کوڈ آف کارپورٹ گورننس کے تحت ڈائریکٹرز کی تربیت کا تقاضہ بھی پورا کر چکا ہے۔

12. شینر ہولڈنگ کا پیٹرن اس رپورٹ کے ساتھ منسلک ہے۔

13. بینک کسی بھی قسم کے قرض، ٹی ایف سیز، سکوک یا دیگر قرضوں کے کسی دوسرے انسٹرومینٹ کا ناپہندہ نہیں ہے اور اس کی ناپہندگی کا کوئی خدشہ نہیں ہے۔

14. بینک میں ڈائریکٹرز، ایگزیکٹوز اور ان کی ازدواج اور کم سن بچوں کی شینرز کا ریٹنگ پیٹرن سالانہ رپورٹ کے ساتھ جاری کیا گیا ہے۔

### رسک منیجمنٹ

سال 2017 میں معیشت میں عشرے کی سب سے زیادہ نمو دیکھنے میں آئی، سروسز، وسیع پیمانے پر مینوفیکچرنگ اور زرعی سیکٹر نے نمایاں کارکردگی کا مظاہرہ کیا۔ سیاسی عدم استحکام اور ایم ایس سی آئی اپ گریڈ میں نامیدی کی وجہ سے کے ایس سی ہنڈرڈ انڈیکس 3% 15 کم ہو گئی۔ بہر حال بہتر نمو میں کارکردگی اور بہتر معاشی امکانات کی وجہ سے مالی سال 17 میں اسٹینڈرڈ اینڈ پورز کی جانب سے پاکستان کی نظر ثانی ریٹنگ B- سے B مقدر کی گئی اور موڈی اینڈ فچ نے ملک کا معاشی آؤٹ لک 'متنی' سے 'مستحکم' کر دیا۔

اس وسیع پیمانے پر مثبت آؤٹ لک کے باوجود آگے کئی قابل غور چیلنجز موجود ہیں۔ بڑھتے خسارے نے مستحکم کرنسی کو متاثر کیا ہے اور انٹرسٹ ریٹ افراط زر کے ساتھ بڑھ رہا ہے۔ سرکولر ڈیبٹ، نقصان میں چلنے والے سرکارے ادارے اور کمزور ٹیکس ٹو جی ڈی پی شرح کے برائے مسائل جلد ختم ہونے والے نہیں ہیں۔ کریڈٹ کے مسائل نتیجے میں دیکھے جانے ہیں۔ جیسا کہ مستقبل قریب میں کنزیومر اور ایس ایم ای



ہماری این پی ایل شرح بہتر ہو کر 4.2 فیصد ہو گئی ہے اور انڈسٹری میں اب تک سب سے کم انفیکشن شرح میں سے ایک ہے۔ دسمبر 2017 پریبینک کی پروژن کوریج 89.2 فیصد رہی۔

بہتر سطح کے ساتھ ہم بیلنس شیٹ پر مختلف ڈپازٹ رکھنے کے عمل کو جاری رکھے ہوئے ہیں۔ نان ری مونریٹیو کرنٹ اکاؤنٹس کا تناسب مینٹین کیا جا چکا ہے اور ہماری CASA فیصد دسمبر 2017 میں 78 فیصد رہی تھی۔ ہماری توجہ سال بھر اپنی ڈپازٹ پروفائل بہتر بنانے اور مسلسل کم انٹرسٹ ریٹ ماحول میں اسپریڈز کو برقرار رکھنے پر رہی۔ کل ڈپازٹ پچھلے سال 640.944 ارب روپے کے مقابلے میں 653.406 ارب روپے رہے۔

سال کے آخر میں ہمارے گراس ایڈوانسز ڈپازٹس کی شرح 63.8 فیصد رہی جو بطور علامت ہے، جس کے مطابق ہمارے بینک نے انڈسٹری میں اپنی برتری برقرار رکھی ہے۔ این پی ایلز میں کمی اور لون لاس کوریج میں اضافے کے ساتھ بہتر کریڈٹ رسک ایوالوایشن پروسس کے ذریعے لون گروٹھ پر توجہ دیتے ہوئے بینک آگے بڑھنے کی صلاحیت رکھتا ہے۔

بینک کی سرمایہ کاری پی آئی بی کی میچورٹی کی وجہ سے ٹریڈری بلز کی طرف منتقل ہو گئی۔ سرمایہ کاری (خالص) کی مالیت 400.733 ارب روپے رہی جو گزشتہ سال 389.092 ارب روپے رہی تھی۔

بینک سال 2017 میں ری آرگنائزیشن کے عمل سے گزرا اور موجودہ ساخت اور ذمہ داریاں بینک بھر میں آہستہ آہستہ لاگو کی جا رہی ہیں تاکہ ہمارے کام کرنے کے طریقے میں باہمی تعاون، کارکردگی اور اثر پیدا ہو سکے۔

31 دسمبر 2017 کو مندرجہ ذیل ساخت کے مطابق موزوں سرمائے کا حامل رہا اور ہم 2018 میں اپنے تجویز کردہ اضافی ADT-1 - Tier 1 انسٹرومنٹ کے ذریعے بینک کے سرمائے کی سطح مزید بہتر کرنا چاہتے ہیں۔

## فروخت کیلئے پیش کردہ اثاثے

سال کے دوران بورڈ نے اپنی صوبیدی اختیار کو استعمال کرتے ہوئے انتظامیہ کو بہتر خریدار کو بینک کے افغانستان آپریشنز کی فروخت کرنے کی اجازت اور اختیار دیا۔ جو تمام ریگولیشنری منظورہ کیے حصول، لاگو قوانین اور ریگولیشنز سے مطابقت اختیار کرنے سے مشروط ہے۔

غیر مشترکہ پیشکش کی وصولی اور اسٹیٹ بینک آف پاکستان کی طرف سے بنیادی منظوری کے سلسلے میں قانونی تقاضے مکمل کرنے کا عمل جاری ہے بشمول افغانستان آپریشنز اور ممکنہ خریدار سے گفتگو۔

2017 کے حسابات میں بینک کے افغانستان آپریشنز کے تمام اثاثے اور واجبات الگ سے بطور دیگر اثاثے / واجبات پیش کئے گئے ہیں۔ اس کی تفصیل غیر مشترکہ فنانشل اسٹیٹمنٹ کے نوٹ 21 میں درج ہے۔

## کریڈٹ ریٹنگ

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

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

## سرمائے کی بنیاد کو مضبوط بنانا

بینک نے لسٹڈ، مستقل، غیر محفوظ، ماتحت، غیر مجموعی اور مشروط قابل تبدیلی ڈیپٹ انسٹرومنٹس کے اجراء کے عمل کا آغاز کیا ہے۔ جو تمام ریگولیشنری منظورہ مشروط ہے۔ JCR-VIS نے بینک کے تجویز کردہ انسٹرومنٹس کو انسٹرومنٹ ریٹنگ 'AA-' (ڈبل اے مائنس) دی ہے۔ تفویض کی جانے والی ریٹنگ مستحکم آؤٹ لک کو ظاہر کرتی ہے۔ اجراء سے حاصل ہونے والی رقم بینک کے اضافی Tier-1 Capital میں شامل ہوگی اور بینک کے کاروباری آپریشنز کی توسیع میں استعمال کئے جانے کا ارادہ ہے۔

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

## کارپوریٹ گورننس

کوڈ آف کارپوریٹ گورننس پاکستان اسٹاک ایکسچینج لمیٹڈ (پی ایس ایکس) کی رول بک کا حصہ ہے۔ بینک اس نظر ثانی شدہ کوڈ کے 31 دسمبر 2017 تک کے عرصے سے متعلق بیشتر تقاضوں کو پورا کر چکا ہے۔ اس بارے میں انتظامیہ کے تفصیلی بیان اور آڈیٹرز کی جائزہ رپورٹ کو سالانہ رپورٹ کا حصہ بنایا گیا ہے۔

پی ایس ایکس رول بک کے چیپٹر 5 کی شق 5.9.11 (کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک) کے تحت ڈائریکٹرز کا مندرجہ ذیل بیان ہے:

1. بینک کی انتظامیہ کی جانب سے مرتب کردہ فنانشل اسٹیٹمنٹس، بینک کے معاملات کی درست عکاسی کرتے ہیں جن میں بینک کے آپریشنز، کیش فلو اور ایکویٹی میں ہونے والی تبدیلی سے متعلق تفصیلات بھی شامل ہیں۔
2. بینک کے اکاؤنٹس (حسابات) کی درست کتابیں مرتب کی گئی ہیں۔
3. فنانشل اسٹیٹمنٹس مرتب کرنے میں متعلقہ اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے اسٹیٹمنٹس مناسب اور مؤثر فیصلوں پر مبنی ہیں۔
4. فنانشل اسٹیٹمنٹس کی تیاری میں پاکستان کے بینکوں پر لاگو ہونے والے عالمی فنانشل رپورٹنگ معیارات کی پاسداری کی گئی ہے اور ان سے کسی ڈپارچر کی موزوں انداز میں وضاحت کی گئی ہے۔
5. انٹرنل کنٹرول کا سسٹم ڈیزائن کے لحاظ سے مضبوط ہونے کے ساتھ مؤثر انداز میں نافذ اور مانیٹر کیا جا رہا ہے۔
6. اس بات میں کوئی شک نہیں ہے کہ بینک ایک منافع بخش ادارے کے طور پر اپنا سفر جاری رکھنے کی مکمل صلاحیت رکھتا ہے۔
7. اسٹیٹ بینک آف پاکستان کی جانب سے 13 جون 2002 کو جاری کردہ بی ایس ڈی سرکلر نمبر 5 کے ذریعے اختیار کردہ کارپوریٹ گورننس اصولوں سے انحراف نہیں کیا گیا۔

رہی تھی۔ غیرفعال قرضوں کا تناسب ستمبر 2017 کے اختتام پر 9.2 فیصد رہا جو پچھلے سال 11.3 فیصد تھا۔

کارپوریٹ اور ایس ایم ای کے دونوں حصوں میں فکسڈ انسٹمنٹ لونز کے حوالے سے نمو دیکھنے میں آئی۔ اس سے داخلی معیشت کے طویل مدت کے آؤٹ لک میں سرمایہ داروں کے اعتماد کی عکاسی ہوتی ہے۔ جو سازگار میکرو اکنامک حالات بشمول کم انٹرسٹ ریٹ کی بدولت ہو سکا ہے۔

بینکوں کے قرضہ لینے کے طریقے کے تجزیے سے ظاہر ہوا ہے کہ کم لاگت میں قرضہ کے فنڈز کے لئے انٹر بینک مارکیٹ میں بینک اضافی لیکونڈٹی سے فائدہ اٹھا رہے ہیں۔ انٹر بینک قرضوں کی شرح Q3CY17 میں کل قرضوں کے 8.3 فیصد تک پہنچ گئی جو Q3CY04 کے بعد سب سے زیادہ سطح ہے۔ اس سے فنانشل اداروں میں باہمی رابطوں میں اضافے کی نشاندہی ہوتی ہے۔

کم انٹرسٹ ریٹس نے منافع پر اثر ڈالا، جس کی وجہ سے آمدنی میں اضافے کے حوالے سے کمی اور سیکیورٹیز کی فروخت پر منافع نہ مل سکا۔ اس کے باوجود خالص انٹرسٹ آمدن (ایس آئی آئی) میں اضافہ شروع ہوا اور صارفین سے ایڈوانسز پر انٹرسٹ کے حصول میں 10.5 فیصد اضافہ ہوا (ستمبر 17 بمقابلہ ستمبر 16)۔ کل حاصل کردہ انٹرسٹ میں ایڈوانسز پر حاصل کردہ انٹرسٹ پچھلے سال کے 39.5 فیصد سے بڑھ کر 42.2 فیصد ہو گیا ہے (ستمبر 2017 بمقابلہ ستمبر 2016)۔ اس کے برعکس انٹرسٹ کی آمدن میں سرمایہ کاری کا حصہ (جس میں کم آمدن حکومتی سیکیورٹیز کا زیادہ اثر رہا) Q3CY16 میں 57.6 فیصد سے کم ہو کر Q3CY17 میں 54.9 فیصد رہا۔ اس سے واضح ہے کہ ایڈوانسز میں نمو (کوآٹیشن کا اثر) عمومی قیمت میں کمی کے اثر سے زائد ہے۔

## بینک کی کارکردگی کا جائزہ

بینک کی کارکردگی برائے 2017 متاثر کن رہی۔ سال کے اختتام پر بہترین مالی نتائج فراہم ہوئے۔ شرح سود میں کمی کی وجہ سے بینکنگ سیکٹر کے مارجن سال

2017 کے فنانشل نتائج کے اہم نکات مندرجہ ذیل ہیں:

2016	2017	فنانشل پوزیشن
49,185	58,545	شیر ہولڈرز کی ایکویٹی (قبل از سرپلس)
640,944	653,406	جمع شدہ رقوم (ڈپازٹس) کی مجموعی مالیت*
917,457	988,829	اثاثوں کی مجموعی مالیت
378,720	400,655	قرضہ جات - خالص*
389,093	400,733	سرمایہ کاری - خالص*

\* موجودہ سال کے اعداد و شمار میں ایک اور سیز سیٹ اپ شامل نہیں (فروخت کے لئے رکھا ہوا) جب کہ پچھلے سال کے اعداد و شمار میں یہ حصہ شامل ہے۔

2016	2017	فنانشل کارکردگی
37,899	39,175	خالص انٹرسٹ آمدن اور بغیر مارک اپ آمدن
23,692	25,389	بغیر مارک اپ اخراجات
13,023	14,045	قبل از ٹیکس منافع
7,900	8,367	بعد از ٹیکس منافع
4.93	5.21	بنیادی فی حصص آمدن - روپے
4.93	5.19	ڈائیلوٹڈ فی حصص آمدن - روپے

بہر سے بدستور دباؤ کا شکار ہیں۔ اس پس منظر کے ساتھ بینک کے نیٹ انٹرسٹ مارجن سال بہ سال بہتری ظاہر کرتے ہیں جو بہتر سوچ، توجہ اور محتاطانہ ایل ایم حکمت عملی کی عکاسی کرتی ہے۔

2017 میں ہماری کارکردگی چیلنجنگ آپریٹنگ ماحول کے باوجود متوازن نمو کو ظاہر کرتی ہے۔ سال کے لیے بینک کے قبل از ٹیکس منافع کی مالیت 14.045 ارب روپے 7.9 فیصد بہتر ریکارڈ کی گئی جو گزشتہ سال 13.023 ارب روپے رہی تھی۔ بینک کا بعد از ٹیکس منافع 8.367 ارب روپے 5.9 فیصد بہتر رہا جبکہ گزشتہ سال بعد از ٹیکس منافع 7.900 ارب روپے تھا۔ جو 5.21 فی شیئر (2016: 4.93 روپے فی شیئر) کی ای پی ایس میں تبدیل ہوئے۔

خالص انٹرسٹ آمدن اور بغیر مارک اپ آمدن 3.4 فیصد مشترکہ نمو کو ظاہر کرتے ہیں۔ بینک زیادہ آمدن والے بانڈز کی میچورٹی کی وجہ سے این آئی آئی پر آنے والے دباؤ پر قابو پانے میں کامیاب رہا اور این آئی آئی میں سال بہ سال اضافہ دیکھا گیا۔ یہ مجموعی طور پر اوسط آمدن کے اثاثوں اور فنڈنگ لاگت میں کمی کے حوالے سے نمو کا نتیجہ ہے۔ اسی طرح بنیادی فیس اور کمیشن پر توجہ دینے کی وجہ سے نان فنڈڈ انکم کے اس حصے میں 17.7 فیصد نمو میں اضافہ ہو چکا ہے۔

لاگت پر قابو پانا ہماری حکمت عملی کا بنیادی نکتہ رہا اور اس کے مطابق سال بہ سال لاگت میں کمی لانے کے لئے مناسب اقدامات اٹھائے گئے۔ کل نان مارک اپ اخراجات پچھلے سال 23.692 ارب روپے کے مقابلے میں 25.389 ارب روپے رہی، جو 7.2 فیصد کے اضافے کو ظاہر کرتا ہے۔

غیر فعال قرضوں کے مقابل پچھلے سال 1.083 ارب روپے چارج کے مقابلے میں اس سال 434.16 ملین روپے نیٹ ریورسل حاصل ہوئے۔

بینک کا گراس ایڈوانسز پورٹ فولیو بڑھ کر 21.318 ارب روپے ہے، جو کہ 5.4 فیصد سال بہ سال بڑھ رہا ہے۔ نان پرفارمنگ لون دسمبر 2016 کو 19.019 ارب روپے سے کم ہو کر دسمبر 2017 کو 17.579 ارب روپے ہو گیا ہے۔ اس کے نتیجے میں

# ڈائریکٹرز کی رپورٹ برائے شیئر ہولڈرز

## معزز شیئر ہولڈرز،

آئی. اینڈ سٹریٹس سیکٹر میں مالی سال 17 میں 5.0% اضافہ ہوا جو مالی سال 16 میں 5.8% شرح کے مقابلے میں کم تھا۔ بجلی اور گیس کی پیداوار (اور تقسیم) میں کم اضافہ دیکھنے میں آیا۔ تعمیرات اور صارفین سے متعلق صنعتیں جیسے آٹو موبائل، سیمنٹ اور اسٹیل میں اس سال نمایاں نمو دیکھنے میں آئی۔

میں بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2017 کو ختم ہونے والے سال کے آڈٹ شدہ مالیاتی حسابات پیش کر رہا ہوں۔

## معاشی جائزہ

کم شرح سود، انرجی کی بہتر دستیابی اور سی پی ای سی کے ترقیاتی تسلسل کی وجہ سے مالی سال 17 میں نجی شعبے کا جی ڈی پی کا حصہ 15.8% ہو گیا۔ اس اضافے کا تیسرا حصہ فیکسڈ انوسٹمنٹ میں گیا، جیسا کہ ٹیکسٹائل، چینی، فرٹیلائزر اور سیمنٹ سیکٹرز میں توسیع کا عمل شروع ہو گیا ہے۔ 2018 میں معاشی سرگرمیوں پر اس کا اچھا اثر پڑے گا۔

سال 2017 کے دوران بیشتر معاشی اشاریوں میں نمایاں بہتری کا رجحان رہا۔ مالی سال 17 میں مجموعی قومی پیداوار کی شرح نمو اس عشرے کی بلند ترین سطح 5.3 فیصد رہی۔ جن عناصر نے اس نمو میں کردار ادا کیا ان میں حکومت کی شرح سود میں کمی، نجی شعبے کی سرمایہ کاری میں اضافہ، ایگریکلچر کے شعبے میں وصولی اور سی پی ای سی کے تحت انفراسٹرکچر کا مسلسل پھیلاؤ شامل ہیں۔

مالی سال 17 میں مالی خسارہ جی ڈی پی کا 5.8% رہا جو پچھلے سال 4.6% دیکھا گیا تھا۔ سود کی ادائیگیوں کی جگہ ترقیاتی پھیلاؤ کی وجہ سے ہوا زیادہ بنیادی خسارہ جس سے اس مالی سال میں فرق پیدا ہوا۔ مالی سال 17 میں ٹیکس رجسٹریشن میں 8.4% اضافے کے ساتھ 11.0% کل ریوینو کلیکشن ہوئی۔

اس معاشی توسیع کے نتیجے میں درآمدات میں اضافہ ہوا، اور موجودہ کرنٹ اکاؤنٹ خسارہ مالی سال 16 میں 4.9 بلین ڈالر سے بڑھ کر مالی سال 2017 میں 12.1 بلین ڈالر تک پہنچ گیا۔ بیرونی خسارہ بڑھتی درآمدات میں توازن زیادہ بگڑنے کی وجہ سے ہوا جو مالی سال 17 میں 17.8 فیصد بڑھیں اور برآمدات 1.3 فیصد کم ہوئیں۔ درآمدات کے بڑھنے میں سی پی ای سی پراجیکٹس سے متعلق کیپٹل گڈز کی درآمدات اہمیت کی حامل ہیں۔ آئل اور کنزیومر گڈز کی درآمدات میں اضافے کا بھی بیرونی اکاؤنٹ پر دباؤ پڑا ہے۔ ایکسپورٹ سیکٹر کو اپنی موجودہ حالت میں، ملک میں بڑھتی ہوئی درآمدات کی رفتار کا مقابلہ کرنا مشکل ہے۔

2018 کیلئے آؤٹ لک وسیع پیمانے پر مثبت ہے لیکن مناسب دباؤ کی کئی وجوہات ہیں۔ جیسا کہ درآمدات میں اضافہ جاری رہے گا، بیرونی سیکٹر کے استحکام کا دارومدار برآمدات کی نمو اور ریٹیننسز کی وصولی سے ہے۔ حالیہ روپے کا ایڈجسٹمنٹ اور ریٹیل فیول پرائسز سے کسی حد تک بیرونی خسارے کو کم کرنے میں مدد ملے گی۔ مالی لحاظ سے زیادہ ترقیاتی اخراجات کو لازمی طور پر ٹیکس کلیکشن میں اضافے سے متوازن کیا جانا چاہیے۔ مناسب فوڈ اسٹاک کی وجہ سے افراط زر موجودہ سطح کے قریب رہے گی، اگرچہ روپے کی قیمت میں مزید کمی کی وجہ سے دباؤ میں اضافہ ہو سکتا ہے۔ توقع ہے کہ معاون پالیسی کے ماحول میں اصل معیشت کی موجودہ رفتار برقرار رہے گی اور اس توسیع کی رفتار بڑی حد تک براہ راست یا بالواسطہ سی پی ای سی کی بدولت ہے۔

بیرونی خسارہ ایف ڈی آئی اور غیر ملکی قرضوں سے پورا کیا گیا اور ایس بی پی نے سال 2017 میں اپنے 2 بلین ڈالر ذخائر کم کر کے یہ کمی پوری کی۔ 2017 کے آخر میں زرمبادلہ کے ذخائر 14.1 بلین ڈالر تھے جو سال کے آغاز میں 17.4 بلین ڈالر رہے۔ بیرونی خسارہ مالی سال 2018 کے پہلے پانچ ماہ میں 6.4 بلین ڈالر رہا جو پچھلے سال اسی مدت میں 3.4 بلین ڈالر تھا۔ ایک طویل مدت تک مستحکم رہنے کے بعد دسمبر 2017 میں ایکسچینج ریٹ 110-111 روپے فی ڈالر رہا، اس توقع کے ساتھ کہ ایکسچینج ریٹ ایڈجسٹ ہونے کے بعد تجارتی توازن بہتر ہوگا۔

## بینکنگ سیکٹر کا جائزہ

High Capital Adequacy Ratio، ایسٹ کوالٹی میں بہتری اور اداروں کا موزوں لیکوئڈٹی حالات کی طرف باہم موبوط ہونے کی وجہ سے بینکنگ سیکٹر کی رسک پروفائل مجموعی طور پر سال بھر مستحکم رہی۔ سیکٹر کی آمدن کم انٹرسٹ ریٹ اور انتظامی اخراجات میں اضافے کی وجہ سے درمیانی رہی۔

افراط زر، سال 2016 میں 2.9% کے مقابلے میں مالی سال 17 میں بڑھ کر 4.2% رہی۔ افراط زر میں اضافہ گھریلو طلب و رسد کے مسائل کی وجہ سے ہو سکتا ہے۔ جس کی وجہ سے خوراک کی قیمتوں میں اضافہ ہوا۔ تاہم، مجموعی طور پر ایگری کلچر سیکٹر میں وصولی اور مستحکم ایکسچینج ریٹ اور انرجی پرائسز نے مل کر افراط زر کو قابل انتظام سطح پر رکھا۔ روپے کی قیمت میں کمی کے ساتھ آئل کی قیمتوں میں اضافے کی وجہ سے ایس بی پی کو افراط زر سے مقابلہ کرنے کیلئے جنوری 2018 میں پالیسی ریٹ 25 bps سے 6.00% کرنا پڑا۔

ستمبر 2017 تک YoY کی بنیاد پر نیٹ ایڈوانسز میں نمایاں 20.6 فیصد شرح نمو دیکھی گئی۔ بینکنگ کے اثاثوں کی بدلتی ساخت (کم مدت کی سرمایہ کاری اور طویل مدت کے قرضہ جات کی طرف رجحان)، بدلتے مانیٹیکرو اکنامک انوائرنمنٹ میں آمدنی برقرار رکھنے کے لئے بینکنگ کی ری پوزیشننگ کا عکاس ہے۔

جی ڈی پی میں نمایاں اضافہ ایگری کلچر سیکٹر میں مالی سال 16 میں خراب کارکردگی کے بعد دوبارہ بہتری آنے کی وجہ سے ہوا۔ یہ تبدیلی کسان پیکج کے تحت آسان قرضوں کے حصول اور گندم کی امدادی قیمتوں کی وجہ سے بھی

ستمبر 2017 کے اختتام پر بینکنگ سیکٹر کے غیر فعال قرضوں کی مالیت 611.8 ارب روپے ریکارڈ کی گئی جو گزشتہ سال کی اسی مدت کے اختتام پر 631 ارب روپے

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# Our Business

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## Retail Banking

### Group Overview

The Bank's Retail Business strategy for 2017 focused primarily on building synergies to optimise distribution of products and services in an efficient manner. This was accomplished through a complete re-organisation of the management structure and consolidation of various functions in order to augment the Bank's inherent strengths and achieve agility in adapting to a rapidly evolving external environment.

Sustainable growth remained a key pillar of the Bank's strategy. Physical expansion was undertaken through an efficient model maximising return on capital. Branch distribution was rationalised to optimise overall business unit productivity, while retaining coverage across a diverse catchment area with the right mix of residential and semi-commercial areas.

The Small and Medium Enterprise (SME) growth was another focal point of our strategy. The Bank actively endeavoured to develop a strong presence in the SME business segment and understands their financial and non-financial needs. Considerable investment was made in developing a robust sales model, differentiated product propositions and a strong advisory set up for SMEs. Prudent, responsible lending was extended to support this critical section of our economy, with active focus on agri-based businesses, particularly the cotton and wheat sectors. There was high focus on increasing SME outreach through a structured non-financial advisory services programme focusing on training programmes, roadshows, market storming activities and knowledge sharing sessions.

Profitability growth from the retail business has been exemplary through both positive growth in revenue along with cost rationalisation. Through intelligent growth in current account averages and increased penetration of cross-sell products like Credit Cards, Autos, Personal Loan Investments, and Bancassurance products, the Bank was able to sustain profitability growth despite a challenging environment. Fee income through cross-sell products, digital products and general banking was increased by using various measures such as sustainable smart pricing through advanced analytics on consumer transaction behaviour. The Bank capitalised on the distribution of all its products and services through its branches in order to ensure a one-stop approach for branches hence increasing customer loyalty and share of wallet. Balance

sheet and profitability momentum displayed an upward trajectory through consistent and sustainable growth, whilst maintaining pricing discipline.

The business also understands the need for a strong payments eco-system with increasingly responsive services for our banking customers and has developed its alternative distribution channels, branchless banking networks and new products accordingly. Through the creation of synergies between various digital and alternate channels along with increased technological capabilities, the payments eco-system is more agile and has a larger outreach. With a footprint of more than 702 ATMs covering more than 150 cities across the country, the network is the fifth largest in the country. Alfa, the Bank's mobile banking app retained its standing as one of the most powerful banking apps in Pakistan through various upgrades in its functionality crossing a customer base of 170,000 users with a monthly throughput of more than PKR 6 billion. Significant technological investments were also made at the Alfalah Call Centre, which caters to more than 300,000 interactions in a month through a state-of-the-art infrastructure that handles both payments and transfers facilities. To bring about cross-industry synergies, the Bank partnered with the Employee Old Age Benefits Institute (EOBI) to initiate a digital model for pension disbursements through which more than PKR 28 billion were disbursed to 380,000 pensioners.

Innovation in products and services to achieve superiority in customer experience and maximise distribution outreach was done through various one-of-a-kind product launches. In January 2017, the Bank launched Pakistan's first enterprise wide loyalty programme - Alfalah Orbit Rewards, which allows customers to earn points called Orbits on multiple bank products such as deposit accounts, debit and credit cards, digital banking products, consumer loans, Bancassurance and investment service products. In addition to earning points, the Bank also scaled-up and modernised the redemption experience by developing an industry first transactions platform such as bill payments and transfers using Orbits. An e-store called Orbit Mall was also developed that lets customers redeem their Orbits for a wide range of gadgets, home appliances and lifestyle accessories through Alfa and Internet Banking. Alfalah Orbit Rewards was recognised as the Best Loyalty and Rewards Programme in MEA at Mastercard's Leadership Forum in March 2017 in London. A regional level recognition amongst industry peers is a true testament to the innovation and value created through the programme. Bank Alfalah also launched QR payments through Alfa, which offers a simple, safe and convenient way for customers to pay by simply scanning a QR code using their mobile phone.

## Consumer Finance Overview

The strong market position maintained by our Consumer Finance Business today is a reflection of our efforts to keep the customer journey at the heart of everything we do. Over the course of five years, we have worked on a process driven, 'built to last' business model in order to better serve our diverse clientele.

From 2013 to 2016, we focused on sustainable strategy planning, instituting robust operational and credit risk programmes, strengthening product offerings, and introducing digital transformation in our processes. In 2017, we started leveraging IT applications and data analytics to cater to evolving customer needs and provide improved banking experiences. With this systematic progression in place, Consumer Finance has maintained its upward trajectory in earnings before tax and achieved a double digit growth of 37% (Year on Year) in 2017.

### Cards

Our flagship Cards Business successfully scaled-up new card acquisition by 38% Year on Year. This was done on the back of acquisition channel diversification: a branch-driven customer-driven acquisition model was introduced. It propelled cards acquired through branches fourfold versus 2016.

On the new product development, Bank Alfalah launched 'Ultra Cashback Credit Card', targeting the young value-seeking customer segment. Another major market statement made by our cards business was the soft launch of the American Express Gold Credit Card. The globally accepted card offers affluent customers unrestricted cashback on local and international spend along with access to all American Express Gold Card network benefits. In addition to this, we enhanced our Platinum Card proposition with the launch of our travel programme 'Jetsetters'. The programme offers frequent flyers a world-class travelling experience allowing them to purchase tickets and make hotel reservations using rewards points, access to international lounges and concierge services along with complementary visa assistance.

At the same time, we continued deepening our portfolio and creating value for all our cardholders through spend and activation programmes, offering exciting discounts, beneficial promotions, and the option to purchase products on instalments.

On the debit cards front, Bank Alfalah ventured for the first time into a domestic payment scheme and introduced 'PayPak Debit Card'. The card provides enhanced security to users by letting them punch a pin at the time of transaction. Enabled at 10,000+ merchant outlets in Pakistan, it is aimed primarily at customers having local utilisation. At the other end of the spectrum, our Cards Merchant Acquiring Business has shown remarkable growth of 13% in volumes (Year on Year).

## Auto Loans

Auto Loan Business registered another progressive year with an impressive 19% growth (Year on Year) in receivables and maintained a steady market share. In order to fulfil our commitment to customers, we continued to augment our product suite to offer new variants, provided flexibility in repayment options and offered exclusive promotions and customised solutions. Regardless of the challenges faced on account of supply of ready vehicles by manufactures, our partnerships with the major players in the market allowed us to make meaningful improvisations and remain competitive on turnaround times and service standards. Furthermore, we used our extensive branch network to reach out to a diverse set of customers, offering an array of different products to obtain the desired results.

### Personal Loans

Catering to all the individual financial needs of a customer, Personal Loan remains a promising product for customers and the Bank. With a strong ATL and BTL campaign, Personal Loan visibility was increased and the maximum unit and volume barrier was broken twice during the year. It surpassed its Year on Year growth of 34% in 2016 and achieved a phenomenal 58.2% growth (Year on Year) in 2017. With the launch of Purchase Loans this year, the product mix has expanded to offer four different variants including Balance Transfer Facility, Balance Transfer Facility with top-up and cash loans. Our willingness to leverage data analytics and consumer insights has allowed us to build a strong service architecture, providing our customers with easy and convenient solutions at competitive rates.

### Home Finance

Since moving away slightly from a controlled growth and sales strategy in 2016, Home Finance has been focusing on scaling-up the business primarily through cross-sell channels and direct sales. This shift in strategy coupled with prudent lending practices, improved collection and recovery mechanisms, diverse product offerings and the individual's inherent need for owning a home has culminated in a sizeable growth of 63% in new acquisitions (Year on Year).

Mortgage X-Sell drive was initiated this year bringing considerable success as reflected in the enhanced sales volumes and Year on Year growth in ENR. Furthermore, we continued to provide customers with increased diversity and end-to-end personalised services and bundled solutions, while enhancing operational efficiencies and risk management standards.

After strengthening our foundations and developing a diverse product portfolio over the last 5 years, moving forward, we will focus on scaling-up all our business lines in 2018.

## Star Products

### Alfa Mobile App

March 2016 marked the start of Mobile play which started onboarding and interaction with our customers through mobile. 2017 saw the opening of mobile wallets (Alif) through Alfa, which will change the new-to-bank customer and payments landscape in coming years. In addition to this Orbit Mall and Orbits redemption was also enabled on Alfa. This is in line with our customer-centric approach and fulfilment of the promises that the Bank has made in its values and mission. The monthly throughput of payments through mobile has crossed PKR 6 billion with a customer base of 170,000+. More than 4 million Customer Bank interactions were recorded in 2017.



### AlfaPay - QR Payments

At the forefront of digital innovation and payments, Bank Alfalah has enabled its Alfa mobile application to make transactions using QR codes. The service is available for all customer segments such as Account, Credit Card, Orbit and Wallet Holders.

QR payment offers a simple, safe and convenient way for customers to pay by simply scanning a QR code using their mobile phone. The customer can pay for items in-store, online or pay their bills through their Bank Alfalah bank account, credit card, Orbits or wallet. It is a fast and secure payment that is done within seconds with the customer having complete control of his or her transaction.



### Alfalah Orbit Rewards

In January 2017, Bank Alfalah launched Pakistan's first enterprise wide loyalty programme – Alfalah Orbit Rewards, that allows customers to earn points called Orbits on multiple bank products such as current and saving accounts, debit and credit cards, digital banking products, consumer loans, Bancassurance and investment service products.

We also scaled up and modernised the redemption experience by developing industry first transactions such as the bill payments and transfers using Orbits and combination payments that let customers use their Orbits, accounts and/or cards to make payments. An e-store called Orbit Mall was also developed that lets customers redeem their Orbits for a wide range of gadgets, home appliances and lifestyle accessories through Alfa and Internet Banking.



Alfalah Orbit Rewards was recognised as the **Best Loyalty & Rewards Programme** in MEA at Mastercard's Leadership Forum in March 2017 in London. A regional level recognition amongst industry peers is a true testament to the innovation and value created through the programme.

Going forward in 2018, the programme will further enhance the redemption experience by enabling redemption at retail outlets using Bank Alfalah's reward winning debit and credit cards, and launch a first of its kind e-commerce experience in partnership with Pakistan's 2nd largest e-commerce player Yayvo.com, allowing customers' purchases and Orbit experience even more fun.

## Bank Alfalah Premier

With the launch of our first two Premier Lounges, we embarked upon a journey of transformation almost a year ago, a journey envisaged to change the Priority Banking landscape across Pakistan. It was a well-deliberated and thought out strategy focused on serving our High Net Worth customers with a wide array of product suite and customised solutions in line with their sophisticated needs.

At Bank Alfalah Premier, customers are at the front and centre of our universe as we invest time and effort in order to understand their unique needs and create tailor-made solutions. Our Premier Lounges offer an unparalleled banking experience with key elements of our strategy encompassing industry firsts; including, but not limited to, seamless onboarding (instant account opening and debit card issuance), dedicated Relationship Managers, coffee counter alliances across the lounge network, Premier Orbit Rewards, market leading card strategy and top notch alliances.

2017 has been a fruitful year for Bank Alfalah Premier whereby the newly setup customer touch points over achieved the budgeted targets. During the year, the business segment displayed an upward trajectory in growth momentum and successfully mobilised new deposits. This contribution is attributed only to new customer acquisition and has been achieved in the backdrop of fewer than planned lounges. This exciting year also marked the inauguration of state-of-the-art Premier Hospitality Lounges at the domestic and international terminals of Jinnah International Airport, Karachi by His Highness Sheikh Nayahan Mabarak Al Nayahan.



## EOBI Wallets

Until recently, there was no convenient and hassle-free process for disbursing pensions to aged and ailing citizens, forcing them to visit designated bank branches within specified dates, and wait in long queues to receive their monthly pensions in cash. Bank Alfalah, in partnership with Employee Old Age Benefits Institute (EOBI), was the first and only one to address the fore-mentioned concerns by initiating a digital model for EOBI pension disbursements. The EOBI project involves issuance of level 2 mobile wallets to registered EOBI pensioners with pensions being credited directly into the mobile wallets every month.

As one of the largest financial inclusion project undertaken in 2016, it revolutionised the dated pension disbursement system by eliminating the need for the pensioners to visit designated branches. Earlier, they were limited to a branch network of 1,400+ branches to collect their pension. Now, however, they have access to numerous ATMs across the country, also meaning that pensioners do not have to wait for long periods of time to collect their entitlement.



Till date, Bank Alfalah has effectively disbursed more than PKR 28 billion to over 384,721 registered pensioners, with the average disbursement of pensions currently standing at PKR 5,250 per pensioner. Moreover, the project is expected to witness an annual increase of 25,000 pensioners every year. The Alfalah EOBI card also supports transactions at all POS machines in Pakistan.

Not only has this project drastically simplified the mode of receiving pensions, it has brought 0.38 million people into the circle of financial inclusion and has proved to be a huge step in furthering the race towards a cashless economy. It is a step towards making the individuals digitally savvy and financially literate for their own convenience. Bank Alfalah believes that this programme fuels the drive on the way forward towards financial inclusion and a prospering economy.

## Alfalah Kamyab Karobar Account

Alfalah Kamyab Karobar (AKK) is Bank Alfalah's flagship current account designed for the business segment. The deposit account is positioned for the charge-sensitive business segment by offering a flat waiver fee structure on maintaining a certain balance threshold in their account. AKK customers can now enjoy unmatched accessibility to funds anywhere in Pakistan with a host of free services to grow their businesses.

It offers a wide range of free unlimited services to business individuals and business entities on maintaining a minimum balance of only PKR 25,000. The transactional benefits include fee waivers on Banker's Cheques, Cheque Book, ATM/Debit Card, SMS Alerts and online transactions.



## Alfalah At Work

Alfalah At Work is a comprehensive payroll account offering for the salaried segment offering both current and savings accounts. The product offers exclusive banking services and transactional benefits to employees of corporate entities such as charge waivers on Cheque Books and Debit Cards, Banker's Cheques, Bank Statements and Certificates, and free cash withdrawal facility from any bank's ATM in Pakistan. Alfalah At Work customers enjoy free registration on the Bank's Digital Banking product suite such as SMS Alerts, e-Statements, Internet Banking and Alfa (Mobile App). This segment also benefits through special privileges on consumer finance products, in terms of exclusive payment flexibilities and preferential rates. The products and services under the Alfalah At Work umbrella are available to customers within the convenience of their office through on-site account opening and instrument delivery via a dedicated Relationship Manager.



## Ultra Cashback Card

Reaffirming its position in credit cards, Bank Alfalah stormed the market with the launch of Ultra Cashback Card in 2017, offering customers with the highest cashback rate in the market at 7%. Serving as a lifestyle credit card, Ultra provides customers with the opportunity to spend and save simultaneously in 2 out of 6 lifestyle categories – supermarket, clothing, fuel, hotel, airline and hospital. With a proposition based on international standards, the card also offers exciting discounts and promotions at various outlets across Pakistan. This is in addition to the other value-added services offered on the card such as credit on phone, instalment products, balance transfer facility, SMS alerts, e-Statements and credit cover premium. Upon its launch, Ultra was an instant success with customers and was awarded as the Best Innovative Card at the Consumer Choice Awards 2017. Moving forward, in 2018 we will continue to invest in the product and enhance its customer value proposition.





## Liability Products

Bank Alfalah has an extensive deposit suite, which has been designed keeping the diverse needs of our customers.

From basic banking accounts, term deposits, foreign currency to structured savings products, customers can choose the option that best suits their needs and start enjoying daily banking services through our vast branch network and self service banking solutions.

### Alfalah's Current Deposit Product Menu

Bank Alfalah has a wide variety of current products offering customers the option of availing transactional facilities.

#### PKR Current Account

Offers transactional privileges to both individuals and businessmen who have frequent transaction needs and funds accessibility requirements.

#### Alfalah Kamyab Karobar Account

Offers a wide range of free unlimited services to business individuals and business entities on maintaining a minimum balance of only PKR 25,000. The transactional benefits include fee waivers on Banker's Cheques, Cheque Book, ATM/Debit Card, SMS Alerts and Online transactions.

#### Alfalah Asaan Account-Current

Caters to low income individuals through minimum documentation, one-pager form and low initial deposit balance.

### Alfalah's Savings Deposit Product Menu

Bank Alfalah's local and foreign currency Savings Product menu allows our customers to enjoy the continuity in their banking transactions as well as earn returns on their deposits. The product suite caters to both short-term and long-term investment requirements.

#### Alfalah PLS Savings Account

Tailored for individual savers and businesses who seek returns on their deposits as well as continuous access to their funds.

#### Alfalah Care Account

Our segmented product offering for Senior Citizens (aged 55 and above) to enjoy a healthy return on their deposits and avail a complete range of bank services.

#### Alfalah Royal Profit Account

Offers high rates and returns for High Net Worth individuals and companies without any transaction restriction.

## Alfalah Kifayat Account

Offers our customers monthly profits while enjoying ease and access to growing savings at all times.

### Alfalah Asaan Account-Savings

Caters to low income individuals through minimum documentation, one-pager forms and low initial deposit balance. Profit is calculated on monthly average and paid on a six-monthly basis.

### Alfalah Snapack (Kid's Account)

A unique savings product for children under the age of 18. The product is designed in a unique manner where two linked accounts will be opened, one for the guardian/parent to deposit funds as savings and one to be used by the minor/child. Parents will deposit funds in the main account which would be a savings account.

The profit on this savings account will be transferred automatically to the other linked account which can be used by the minor/child through a customised debit card. The parent can also transfer a fixed amount of money other than the profit from the main account to the linked account. Profit is calculated and disbursed on a monthly basis and has a higher rate of return than normal savings products.

## Alfalah At Work

Alfalah At Work is a comprehensive payroll account for the salaried segment offering both current and savings accounts. The product offers exclusive banking services and transactional benefits to employees of corporate entities such as charge waivers on Cheque Books and Debit Cards, Banker's Cheques, Bank Statements and Certificates and free cash withdrawal facility from any bank's ATM in Pakistan.

Further details have been shared in the 'Star Products' section.

### Alfalah's Term Deposit Product Menu

Bank Alfalah offers attractive investment in fixed deposit for individuals and corporate customers in variety of tenures.

#### PKR Term Deposit

Offers attractive rates with a higher placement amount in fixed deposits with profit payment at maturity. Customers can also choose other profit payment options like monthly, quarterly, semi-annually and annually.

#### Alfalah Mahana Amdan Account

Designed for customers looking to earn a high rate of returns on their fixed deposits with the benefit of monthly profits pay out.

## Alfalah's Foreign Currency (FCY) Deposit Product Menu

Bank Alfalah offers current, savings and fixed deposit in foreign currency. Customers can choose to open accounts in USD, EURO, GBP and Japanese Yen.

### FCY-Savings and Current Accounts

Helps the customer to manage their foreign currency transactions with security, ease and convenience with transactional privileges.

### FCY-Term Deposit

Offers attractive investment options in foreign currency with tenures starting from 1 month up to 1 year.

### Bank At Work

Bank At Work is a broadly defined term that covers the aspect of providing convenience of banking products and services for clients from within the comfort of their office.

Bank Alfalah's existing product menu offers a comprehensive offering through an electronic cash management suite, competitive trade and advances products and a complete range of deposits, consumer finance, Bancassurance and payroll account services to meet the banking requirements for organisations and their employees respectively.

Having a well-established footprint across the country, the Bank has made significant advancements in the Branchless Banking segment through its Mobile Wallet and Pension Cards. Similarly the Bank's investment in its Alternate Distribution Channel has given us a strong digital

identity in the form of Mobile App and Internet Banking, off-site ATMs and Digital Corners at Branches. This has allowed us to present a complete suite of banking convenience to all segments of the economy; servicing public and private sector organisations and the general public at large.

The Bank At Work unit is a culmination of all banking services bundled into a comprehensive proposition for institutional clients; offering the Bank's complete product and service suite along with off-site deployments at client premises for banking convenience.

### Small and Medium Enterprises

Small and Medium Enterprises (SMEs) are recognised as the backbone of any economy. In Pakistan the contribution of SMEs in employment, exports and GDP is higher than most of the developing countries in the region. Despite the significance, access to finance has always been a major deterrent in the growth of this business segment. As per the statistics published by State Bank of Pakistan, only 9% of the loans to private sector are attributed to SME segment. Vision 2020 – 'Financial Inclusion', given by the Finance Minister also emphasises the need of Financial Inclusion and growth of SME segment in the country.

Bank Alfalah has been striving to develop a strong presence in SME business segment and understanding their financial and non-financial needs. We have invested heavily in developing a robust sales model, differentiated product propositions and also a strong advisory set up for SMEs.



2017 has been another productive year for the bank. We were able to maintain the momentum of our new business acquisitions and registered strong growth in our SME portfolio. SME advances grew steadily; through provision of financial assistance to more than a thousand new SMEs. Furthermore, the quality of our portfolio improved, with reduction in the infection ratio, and negligible flow of NPL from the new customers booked in the last three years.

Bank Alfalah is the first and only commercial bank to venture into structured non-financial advisory services for the SMEs. Advisory services helps reduce the management risk and also allows the Bank to understand business dynamics better. Bank Alfalah is assisting SMEs through the SME Toolkit (online learning portal), roadshows, knowledge sharing sessions and market storming sessions.

Bank Alfalah led the way in collaborating with the leading educational institutes for establishing state-of-the-art incubation centres in the country. This will be an opportunity for young entrepreneurs to build strong business franchises.

We are also connecting with rural business owners and farmers through the rural outreach programme initiated by the Bank. The idea is to provide guidance to farmers in adopting enhanced and efficient agricultural and business practices. Imparting basic financial knowledge to improve financial literacy is also the objective of this programme.

While we continued to extend financial and non-financial support to SMEs, we also focused on delivering unique and differentiated products and services through our Value Chain Financing Programme. Along with enrolment of reputable anchors we also provided financial assistance to numerous agents during the year.

In 2018 we intend to continue our focus on provision of superior quality products and services to SMEs through our differentiated product and value chain financing programme. We will also focus on increasing the penetration of our advisory services and enhancing our outreach through our road shows and market storming activities.

### **Bank Alfalah's Business Loans**

Our dedicated team of Relationship Managers provides the customer with a range of business loans and solutions to meet their specific short-term or long-term funding and business expansion requirements.

#### **Alfalah Milkiat Finance (AMF)**

Offers a term loan facility repayable in equal monthly instalments over an agreed period and secured by equitable and/or registered mortgage over urban commercial/industrial property(ies). Customers can avail this facility for purposes of purchase/construction of commercial/industrial property with maximum financing of up to Rs. 200 million.

#### **Alfalah Karobar Finance (AKF)**

Alfalah Karobar Finance is a running finance facility designed to cater the working capital requirements of businesses, with only a 25% clean-up requirement, and no hypothecation of stocks as a prerequisite, while a maximum of Rs. 20 million can be assigned to the entrepreneur against mortgage of commercial/residential property. It allows third party collateral, with no income estimation required, while LC/LG and other import/export related facilities can also be availed by the customer.

#### **Alfalah Quick Finance (AQF)**

Alfalah Quick Finance is designed for a broader target audience catering to both consumers and businessmen through the provision of easy financing against any form of liquid security. Limit eligibility is as high as Rs. 300 million for corporates, Rs. 100 million for Medium Enterprises, Rs. 25 million for Small Enterprises and Rs. 75 million for consumers. AQF also allows 3rd party collateral, has no clean-up or average utilisation requirements, while LC/LG and other import/export related facilities can also be availed by the customer as sub-limits.

#### **Alfalah Merchant Line (AML)**

Alfalah Merchant Line is developed with the concept of providing a running finance facility to POS Machine merchants of Bank Alfalah. POS Merchants can avail financing for up to Rs. 15 million with hypothecation of receivables/stock or Rs. 5 million with no collateral if they have an annual POS turnover of more than Rs. 1 million. Term Loans can also be availed through AML.

#### **Alfalah Fleet Finance (AFF)**

Alfalah Fleet Finance is designed for businesses to meet their transportation requirements. Under this product, businesses can avail the Term Finance facility to purchase private vehicles (cars, jeeps, etc.) and commercial vehicles (trucks, prime movers, buses, etc.) with easy instalments for a one to five year period. In case of commercial vehicles, businesses can also finance body fabrication/trailers attached to commercial vehicle. There is no extra collateral required, zero termination charges on vehicle replacement and also an option of making balloon payments (partial payment) to reduce instalment amount or tenure period.

#### **Alfalah Bill and Cash (ABC)**

Alfalah Bill and Cash is a short-term financing facility for vendors of big corporates/commercial/OEMs. Under this product, trade bills of vendors duly accepted by corporates/ commercial/OEMs are discounted to streamline their working capital requirements and providing them with transaction based credit facilities, thereby ensuring a smooth flow of goods through the supply chain. Minimum limit is Rs. 1 million and maximum limit is Rs. 50 million with maximum tenure of 90 days.

## **Alfalsh Value Chain**

Value Chain Finance refers to extension of credit to vendors and dealers of large corporate entities to streamline their working capital requirements and providing them with transactional based credit facilities, thereby ensuring a smooth flow of goods through the supply chain. Various banks extend financial support to the corporate distribution networks, by providing both working capital finance as well as term loans to selected dealers and vendors of identified companies. This gives dealers and vendors the leverage needed for their business relationship with major corporate entities to avail low cost credit. Furthermore, these types of financial solutions allow the corporate to negotiate a better price with their dealers and vendors in the supply chain. Vendor and dealer financing may be extended in the bill discounting form and overdraft facilities respectively.

## **Alfalsh Agriculture Loans**

We realise the strong contribution of agriculture in our country's economy and the growing financial needs of our farmers. Our Rural Finance Program 'Alfalsh Zari Sahulat' offers finance facilities covering an entire spectrum of farming and non-farming needs with a wide range of products on flexible short, medium and long-term repayment tenures at affordable markup rates. The following loans are available:

### **Alfalsh Paidawari Zari Sahulat**

A short-term production loan facility against crop.

### **Alfalsh Musalsal Zari Sahulat**

A running finance facility for immediate working capital needs.

### **Alfalsh Tractor and Transport Zari Sahulat**

Financing for purchase of tractors, trolleys, pickups, motorcycles, trucks, refrigerator van, mini truck, transport machinery, country boat or other such items.

### **Alfalsh Machinery and Equipment Zari Sahulat**

Financing for purchase of machinery and equipment, such as combined harvester, thresher, picker, digger, trolley, planter, sowing drill, cultivator, plough, power tiller, harrow, cane crusher, tobacco curing equipment, bio gas unit, sulphuric acid generator and effective microbes technology (EMT).

### **Alfalsh Aabpaash Zari Sahulat**

Financing for purchase, installation and electric charges of tube wells, turbines, lift pumps, electrical installation including cost of power lines and transformer, sprinkler, trickles and drip irrigation system.

### **Alfalsh Islah-e-Araazi Zari Sahulat**

Financing for land development and improvement, land leveling laser leveling, clearance of jungle, farm field

layout, terracing, contouring, soil reclamation, embankment, land formation, bund construction of mini dam, check karez, water reservoir, water catchments for rain fed areas and water course.

### **Alfalsh Poultry Zari Sahulat**

A running finance facility for working capital and fixed investment needs such as broiler and layer production, breeder flock, GP flock, hatchery, product processing, packing, transportation, storage and compound feed making.

### **Alfalsh Dairy and Livestock Zari Sahulat**

A running finance facility for working capital and fixed investment needs such as dairy and milk animals, feed lot and fattening station structure and equipment, livestock farm structure and equipment, fattening of animal, milk chilling plant, milk plant, cold storage, construction of sheds for animal, opening of private veterinary clinics (veterinary equipment), opening of veterinary store, milk plant and other eligible items.

### **Alfalsh Fisheries Zari Sahulat Inland**

A running finance facility for working capital and fixed investment needs such as fish seed and feed, manure charges, running charges of tube well pumps, construction, excavation, expansion and rehabilitation of ponds, installation of tube wells, water channels, fencing, boats, net twine, rope, fish yards and cold storage.

### **Alfalsh Silos/Storage Zari Sahulat**

A running finance facility for capital and fixed investment needs for construction of cold storage, godown, bins, silos, structure for storage of wheat, steel/metal capsules, hire charges for storage of raw agricultural products.

### **Alfalsh Marketing Zari Sahulat**

A running finance facility for the marketing, packing, processing of the produce and also for export of cotton, cotton yarn, mutton, beef, fruits and vegetables.

### **Alfalsh Agri Industrial Zari Sahulat**

A running finance facility for setting up seeds processing units, installation of fruit and vegetable machineries, milk chilling units, milk plants, polishing, grading, packaging of fruits and vegetables, and cotton ginning factories under BMR, compound feed mills.

### **Alfalsh Bills/Guarantees Zari Sahulat**

For financing against agri-produce procurement receipts, purchase of bills, deferred payment leaf vouchers issued by tobacco companies and continuing guarantees.

### **Alfalsh Lease Zari Sahulat**

For financing for leasing tractors, tube wells, farm machinery, plants and equipment.



### **Bank Alfalah's Home Remittances Services**

Bank Alfalah Zariya provides our customers the convenience to receive Home Remittance transactions from abroad quickly and efficiently. Our continuing focus on Home Remittance business reflects our commitment to bring a positive impact on the economy of Pakistan, while ensuring the best possible service to our customers.

The Bank's strong distribution network and collaboration with major partners in the Middle East, Europe and North America caters to major migrant centres through the following services:

#### **Account Credit to Bank Alfalah Account Holders**

Beneficiaries maintaining an account relationship with Bank Alfalah can receive home remittances directly via auto credit facility.

#### **Cash Over the Counter Transactions**

Beneficiaries who do not maintain an account relationship within the banking network, and/or would like to receive their funds in cash form go for Cash Over the Counter. In these types of transactions, funds are available for beneficiaries to collect at all branches of Bank Alfalah on a real-time basis.

#### **Account Credit to Other Bank Account Holders**

Remittances can be received by beneficiaries maintaining an account relationship with banks other than Bank Alfalah. Payments to such beneficiaries can be made through IBFT (Interbank Funds Transfer), Real Time Gross Settlement (RTGS) and Banker's Cheques.

### **Consumer Finance Product Information**

Bank Alfalah Consumer Finance offers a diverse product suite that caters to our customers' evolving personal

financial needs. Be it a range of bespoke cards driven by market segments, or the convenience of desired loan tenures and repayment options, our design thinking and customer experience are always at the heart of whatever we deliver.

### **Credit Cards**

#### **VISA Classic Credit Card**

Our Visa Classic Credit Card offers customers a high utility solution to meet their day to day financial needs without any annual membership fee. In addition to its global acceptability at more than 30 million establishments, Classic Card members are also offered exciting discounts and alliances at various merchants' outlets across Pakistan. Value added services such as balance transfer facility, instalment plans, credit on phone and cash withdrawal facilities are also offered to card holders to enhance their experience.

#### **Ultra Cashback Card**

Our Ultra Cashback Card is the ultimate solution to an individual's daily expenses. With the highest cashback rate in the market at 7%, Ultra card allows its members to earn a cash rebate on 2 out of 6 lifestyle categories - Supermarket, Clothing, Airline, Fuel, Hospital and Hotel. It also offers its holders exciting discounts, alliances and other value added services.

#### **VISA Gold Credit Card**

Our Visa Gold Credit Card - designed especially for a segment that likes to spend, accumulate orbits and occasionally travel - offers exclusive discounts and lifestyle privileges to its customers. The Gold Card also allows its members to avail 50% of their assigned credit limit in cash advance at numerous ATM's across Pakistan. An array of value added services are also offered on the card for our customer's convenience.

### **Master Card Titanium Credit Card**

Our Master Card Titanium Credit Card provides its members with the finest credit card services tailored to meet their lifestyle needs. Offering worldwide recognition and acceptability at more than 28 million establishments, Titanium card holders can also access premium privileges and promotions offered by MasterCard. Other value added services are also offered on the card to provide customers with flexibility and convenience.

### **Visa Platinum Credit Card**

Our Visa Platinum Credit Card is more than just a card, it is a lifestyle. Offering an unparalleled service experience and exclusive discounts and privileges, the Visa Platinum Card is designed specifically keeping its members' needs in mind. With access to CIP lounges and personalised concierge services, platinum members are guaranteed a luxurious, convenient and comfortable travel experience. Additionally, our 24 hour platinum phone banking service ensures you can avail all our value added services at anytime.

### **Alfalalah Corporate Credit Card**

The Alfalah Corporate Credit Card serves as a premium expense management system for businesses, allowing them to seamlessly conduct daily business operations without the burden of carrying excess cash. An exclusive service, every card comes with a dedicated Relationship Manager tasked with catering to your business's financing needs and crunching out customised expense reports for performance measurement. In keeping with our corporate clients' needs, the corporate card offers a hassle-free payment process, automated settlements and industry leading added benefits such as complimentary CIP Lounge access and reward points.

### **American Express Gold Credit Card**

Our upcoming Credit Card, American Express Gold, will offer customers the finest privileges and services. Recognised worldwide, the card will provide its customers with global acceptability along with access to a wide array of benefits such as discounts on dining, shopping and travel around the globe. But that's not all, AMEX Gold Credit Card will also provide card members with unlimited cashback of 1% on all local retail spend and 1.5% on all international retail spend.

### **Debit Cards**

The Bank Alfalah Debit Card suite offers customers an array of solutions to meet all their cash needs. With six different options to choose from – PayPak Classic Debit Card, Visa Classic Debit Card, Visa Gold Debit Card, Visa Platinum Debit Card and Visa Signature Debit Card – our debit cards provide customers a 24/7 nationwide access to their Bank account along with the facility to make payments at merchant establishments. Additionally, our Visa Platinum Debit

Card and Signature Debit Card also offer customers exciting discounts and alliances at 250+ local restaurants and lifestyle outlets nationwide.

### **Alfalalah Auto Loan**

Alfalalah Auto Loan offers financing solutions that are simple, convenient and customer centric making our product the preferred choice among consumers. Our product suite has industry leading product offerings specially designed to cater to the customer's need, affordability and convenience. We offer loans for all vehicle categories (New, Used, semi commercial and Imported). Our industry leading product variants designed to meet the diverse needs of consumers include Residual Value (RV) Product, Deferred Insurance and Registration, Vehicle Replacement Option, Option for Fixed and Variable Rate, Option for Balloon Payment, and Co-Borrower Option.

### **Personal Loan**

Bank Alfalah's Personal Loan facility is the go-to solution for our customers' financing needs. A hassle free product with quick processing time and no collateral requirement, the personal loan offers some of the most affordable markup rates in the market. Our top of the line product variants directed towards enhancing customer experience include cash loans, balance transfer facility, top-ups and purchase loans. Offering both fixed and variable pricing along with partial repayment options, the personal loan serves as a vital instrument in facilitating our customers.

### **Alfalalah Home Finance**

Alfalalah Home Finance helps fulfill our customers' dream of owning a home – be that buying, renovating or simply switching their present home finance facility from any other bank, as well as offering advisory services in selecting a home. With a re-payment period ranging from 3 to 20 years, along with balloon payment and settlement options, our customers can choose from a variety of Home Finance options that best suit their needs, including, Alfalah Home Buyer, Alfalah Home Construct, Alfalah Home Improver, Alfalah Home Start, Alfalah Home BTF, Alfalah Plot Purchase and Construct and Green Mortgage.

### **Bancassurance**

Bank Alfalah's Bancassurance solutions are specially designed to help our valued customers protect and secure a stable future with their loved ones. Partnering with leading insurance companies in the country, we offer a diverse range of insurance plans, customised to meet savings, education, marriage and retirement needs of our customers at every stage in life. We offer a variety of need based Bancassurance products for our conventional and Islamic customers.

The Bank plans to further enhance its product suite by offering a balanced portfolio to its conventional and Islamic customers, while introducing innovative products covering both life and non-life protection needs of the customers.

### **Roshni Education Plan**

An education savings plan, underwritten by Jubilee Life Insurance is designed to help customers meet their children's education and career milestones, while ensuring their family stays financially secure even after the untimely death of the life assured.

### **Rida Marriage Plan**

Rida Marriage Plan, underwritten by Jubilee Life Insurance, is designed to help customers save for the wedding expenses of their children while ensuring their family stays financially secure even after the untimely death of the life assured.

### **Sahara Retirement Plan**

Sahara Retirement Plan, underwritten by Jubilee Life Insurance, is designed to help customers save for a joyful and comfortable life after retirement and help customers in coping with the increasing everyday expenses that continue even after they retire. The plan also offers coverage to customers that ensures their family stays financially secure even after their untimely death.

### **Rehnuma Plan**

Rehnuma Plan, underwritten by Jubilee Life Insurance, is a low ticket affordable plan designed to help customers meet personal, academic and career milestones of their children, while insuring their family against the untimely death of the life assured.

### **Rahat Savings and Protection Plan**

A women specific savings and protection plan, underwritten by Jubilee Life Insurance, specifically designed to help female customers meet their wedding, education and career milestones while insuring their family against their untimely death. The plan also provides an additional benefit of financial protection against the unfortunate death of the policy owner's husband.

### **Kamil Takaful Savings Plan**

Kamil Takaful Savings Plan is a family Takaful plan, underwritten by Jubilee Life Insurance – Window Takaful Operator, which is based on Shariah principles of mutual cooperation, solidarity and well-being of the community. The plan helps customers plan for unforeseen needs they might face, while ensuring their family stays financially secure even after their untimely death.

### **Kohsar Plan**

A flexible plan, underwritten by Jubilee Life Insurance, that helps customers get better and optimised returns on their savings/investments along with life and health insurance benefits under the same plan.

### **Kafeel Plan**

A hospitalisation/health insurance plan underwritten by Jubilee Life Insurance that helps customers plan for their unforeseen medical expenses and provide a death benefit which will be payable to the beneficiaries in case of their untimely death. The plan provides in-patient hospitalisation cover with additional coverage in case of an accident.

### **Danish Education Plan**

Shariah Compliant Takaful Child Education Plan, underwritten by IGI Life - Window Takaful Operations is designed to offer Takaful benefits to the customers along with growth of funds to meet their children's education expenses by making scheduled payments regularly. This provides a way to our customers to save over time so that they can afford the best of education for their child whatever the future circumstances are.

### **Uroos Marriage Plan**

Shariah Compliant Takaful Marriage Plan, underwritten by IGI Life - Window Takaful Operations is designed to offer Takaful benefits to customers along with growth of funds to meet their children's marriage expenses by making scheduled payments regularly. This provides a way for our customer to save over time so that at the time of the wedding of their beloved daughter/son they can celebrate the occasion without any financial worries.

### **Tadbeer Multi-purpose Savings Plan**

Shariah compliant multipurpose savings plan, underwritten by IGI Life - Window Takaful Operations is designed to help customers save for their dreams and fund the lifestyle they desire in a purely Islamic manner. It also provides Takaful coverage to ensure that the family of the participant remains financially stable in case of participant's death.

### **Bank Alfalah's Digital Banking Services**

Digital Banking is defined as digital and electronic customer interactions (financial and non-financial) that takes place outside the traditional branch network. These include but are not limited to ATMs, Cards, Internet Banking, Mobile-led payment initiatives, transactional alerts, e-Statements, inbound/out-bound call centres, new-age social media space, smartphones and services and products created through a combination of some of the above.

### **Alfa Mobile App**

March 2016 marked the start of Mobile play which started onboarding and interaction with our customers through mobile. 2017 saw the opening of mobile wallets (Alif) through Alfa, which will change the new to bank customer and payments landscape in the coming years. In addition to this, Orbit Mall and Orbits redemption were also enabled on Alfa. This is in line with our customer-centric approach and fulfilment of the promises the Bank has made in its values and mission.

AlfaPay, a new way of making payments through Alfa using QR Codes at Merchants, was soft launched in 2017. The service is available for all customer segments such as Account, Credit Card, Orbit and Wallet holders. The monthly throughput of payments through mobile has crossed PKR 6 billion with a customer base of 170,000+. More than 4 million Customer Bank interactions were recorded in 2017.

### **Alfalsh Contact Centre**

Our state-of-the-art contact centre interactive voice response (IVR) is the only solution implemented in the financial industry that handles both payment and transfers facilities on an IVR platform and reflects our focus to promote digitisation to improve customer services. The simplest way to bank is with the 24/7 Alfalah Contact Centre, which blends innovation and convenience to provide banking services that go beyond expectations.

The contact centre is serving customers through both traditional and digital means i.e. Inbound and Webchat, which sums up to over 300,000 interactions a month with our branchless banking, government to public and Alfalah retail clients. These interactions are managed at a 96% customer satisfaction score gauged via independent surveys and post-call feedback on IVR through customers.

Over the last couple of years, the contact centre outbound unit has proven as a concrete sales channel for the Bank, actively working on migrating customers to digital channels and building revenue for the Bank. In 2017, the channel has activated 350,000+ customers on digital channels.

Alfalsh Contact Centre enables the customer to manage their Credit/Debit Cards, confirm account balances, get information on previous transactions, pay utility bills, and register complaints. It has played a key role in building businesses and creating transactional convenience.

Convenience and innovation are the foundations of our strategy. This year, the centre introduced a unique and first-of-its-kind SMS based customer authentication process on inbound calls that is driving efficiency, ease and securing customers from risks in the market.

### **Alfalsh Internet Banking**

A secure and convenient way for customers to access their account(s) 24/7. It allows customers to transfer funds, pay utility/mobile bills, make donations, and download account statement and much more. Credit Card and Corporate Bank customers can also use this service and more than 50 billers/merchants are now available in payment options.

The Internet Banking customer base has also increased to 170,000+ with a monthly throughput of PKR 3.5 billion.

### **Alfalsh ATMs and CDMs**

An ATM footprint of 650+, covering more than 150 cities across the country, has allowed our customers the convenience of banking in an efficient and secure manner. Alfalah ATMs provide our customer 24/7 convenience to withdraw cash, make utility payments and transfer funds with successful transactions in seconds. The strategic offsite ATM deployments have helped in building the digital perception of the Bank.

### **Alfalsh SMS Alerts**

Stay updated on your banking transactions through instant SMS Alerts. Alfalah has successfully started broadcasting customers the preset messages against customers reply to 8287. This has now opened up a new communication channel between customers and the Bank where customers can ask for certain products/services by replying to a system-generated message.

### **Alfalsh e-Statement**

The Bank Alfalah's e-Statement application includes features like IBAN, simplified and easy to read format and resending facility of last-generated e-Statement through the call centre. This service is available for our customers on various frequencies, including 'Daily' & 'Weekly' frequency. This service is free for our customer base.

### **Alfalsh Orbit Rewards**

In January 2017, Bank Alfalah launched Pakistan's first enterprise wide loyalty programme – Alfalah Orbit Rewards, that allows customers to earn points called Orbits on multiple bank products such as current and savings accounts, debit and credit cards, digital banking products, consumer loans, Bancassurance and investment service products.

We also scaled-up and modernised the redemption experience by developing industry first transactions such as bill payments and transfers using Orbits and combination payments that let customers use their Orbits, accounts and/or cards to make payments. An e-store called Orbit Mall was also developed that lets customers redeem their Orbits for a wide range of gadgets, home appliances and lifestyle accessories through Alfa and Internet Banking.

Alfalsh Orbit Rewards was recognised as the Best Loyalty and Rewards Programme in MEA at Mastercard's Leadership Forum in March 2017 in London. Regional level recognition amongst industry peers is a true testament to the innovation and value created through the programme.

Going forward in 2018, the programme will further enhance the redemption experience by enabling redemption at retail outlets using Bank Alfalah's award-winning debit and credit cards and launch the first of its kind e-Commerce experience in partnership with Pakistan's second largest e-commerce player Yayvo.com, allowing customers to make purchases and use of Orbits even more enjoyable.



## AlfaPay - QR Payments

At the forefront of digital innovation and payments, Bank Alfalah has enabled its Alfa mobile application to make transactions using QR codes.

QR payment offers a simple, safe and convenient way for customers to pay by simply scanning a QR code using their mobile phone. Customer can pay for items in-store, online or pay their bills through their Bank Alfalah bank account, credit card, Orbits or wallet. It is a fast and secure payment that is done within seconds with the customer having complete control of his or her transaction.

## Investment Services

Investment Services run an open architecture model where funds from our group company, Alfalah Investments along with other large Asset Management Companies, are currently part of our product suite. Conventional and Shariah compliant funds are offered at Bank Alfalah to cater to individuals of different financial needs and risk appetites. Our product suite includes Income, Balanced and Equity based funds. Investment Services caters to all client segments, including individuals, educational institutions, government organisations, NGOs and large corporates. In order to further diversify their client portfolio, the Voluntary Pension Scheme (VPS) was launched in 2017, which is a self-contributory pension fund that allows individuals to create their own personalised pension as most private sector companies no longer offer pensions. This also allows investors to claim an additional tax rebate over and above the rebate which an individual already receives due to their mutual fund investment.

## Bank Alfalah Premier

With the launch of our first two Premier Lounges last year, we embarked upon a journey of transformation, a journey envisaged to change the Priority Banking landscape across Pakistan. It was a well-deliberated and thought out strategy, focused on serving our High Net Worth customers with a product suite and customised solutions in line with their sophisticated needs. At Bank Alfalah Premier, customers are at the front and centre of our universe as we invest time and effort in order to understand their unique needs and create tailor made solutions. Our Premier Lounges offer an unparalleled banking experience with key elements of our strategy encompassing industry firsts, including but not limited to: seamless onboarding (instant account opening and debit card issuance), dedicated Relationship Managers, coffee counter alliances across the lounge network, Premier Orbit Rewards, market leading card strategy and top notch alliances.

2017 has been a fruitful year for Bank Alfalah Premier whereby the newly setup customer touch points over achieved the assigned budget. During the year, the business segment displayed an upward trajectory in growth momentum and mobilised new deposits. This contribution is attributed primarily to new customer acquisition and has been achieved in the backdrop of fewer than planned lounges. This exciting year also marked the inauguration of state-of-the-art Premier hospitality lounges at the domestic and international terminal of Jinnah International Airport, Karachi by His Highness Sheikh Nayahan Mabarak Al Nayahan.





## Bank Alfalah's Branchless Banking Products and Services

Branchless Banking provides easy access to financial services to the masses. It enables consumers to access banking services without having to visit a branch and requires minimal documentation. It promotes financial inclusion of the unbanked population and digitises financial transactions. The following services are offered under Bank Alfalah's branchless banking portfolio.

### Branchless Banking Wallets

Wallets are offered under branchless banking regulations coupled with Union Pay debit card. Bank Alfalah branchless banking in line with its segmented approach has launched different variants of wallets such as:

**Carded Payroll Wallets:** Ideal Salary Disbursement creation with Union Pay International offering branded payroll cards specifically designed to target the non-management staff of organisations with features like daily transactional limits of Rs. 25,000. The payroll card serves as a means of cash withdrawal through ATMs and purchase through POS machines across Pakistan.

**Co-branded Wallets:** Bank Alfalah has designed the co-branded wallet to integrate with partner institutions to offer innovative financial solutions bundled with different features and programmes desired by the partner institution. Co-brands can be achieved with various institutions such as Cinema Houses, Hospitals, Educational Institutions, etc. We have already partnered with Cinepax, a cinema chain and Golootlo.pk a joint collaboration of Lootlo.pk, Union Pay International and Bank Alfalah to issue Pakistan's first Discount Debit Card.

**Corporate Wallets:** The Corporate Wallet is a new product, the first of its kind to be launched in the

market. The idea is to provide employees access to a wallet under the name of the corporate entity through which they can dispense cash for dealing with expenses related to the organisation.

**Wallets now Available on Alfa:** Customers can open wallets via branches/agents and now also through Bank Alfalah's mobile app, Alfa, which incorporates a new feature to register for a branchless banking wallet and obtain a debit card linked to it. The idea to incorporate a self-registration distribution model will empower customers to register for Bank Alfalah mobile wallets on their own – without the assistance of an agent.

**Pension Payment EOBI:** Bank Alfalah has acquired a pension disbursement and contribution collection mandate from EOBI for 5 years. This has been done in order to digitise and automate the disbursement of welfare and pension payments in the economy, to result in a secure payment system for government and for Institutions to channel funds to beneficiaries. Pension is disbursed to over 380,000+ pensioners.

**Social Payments:** Bank Alfalah is also disbursing social welfare funds to around more than 1 million beneficiaries in different districts of the country through ATMs and Biometric cash out via various agent locations.

## Islamic Banking

Bank Alfalah Islamic Banking offers a wide choice of Shariah compliant solutions to cater to investment as well as the financing needs of customers.

### IBG's Product Suite – Liability Products

On the deposit side, from current deposits, basic banking, term deposits, foreign currency to structured savings products, daily banking services can easily be catered through the vast branch network and self-service banking solutions.

#### Current Accounts

**Alfalah Islamic Current Accounts:** Based on the concept of Qardh, this product is offered to specifically cater to the liquidity and daily transaction requirements of customers. This product is available in four currencies: PKR, USD, GBP and EUR.

**Alfalah Islamic Basic Banking Account:** Based on the concept of Qardh, this product provides an opportunity for individuals to avail a basic low cost account.

**Alfalah Islamic Asaan Account:** Based on the concept of Qardh, this product offers simplified account opening requirements to extend the benefits of financial services to unbanked segments of society.

#### Savings Accounts

**Alfalah Islamic Business Way:** A Remunerative Current Account based on the concept of Mudarabah, aims at providing necessary tool for individuals, proprietors, traders, businessmen and commercial customers to transact their entire bank related activities nationwide through a single platform. Additionally, this product is packed with exceptional waivers to deliver an unbeatable combination for our valued customers. This also caters to the payroll requirements of corporate clients in a Shariah compliant manner.

**Alfalah Islamic Classic Savings Account:** Based on the concept of Mudarabah, the product provides steady growth to your savings and access to a complete range of the Bank's services in a Shariah compliant manner.

**Alfalah Islamic Musharakah Savings Account:** A tier based savings account that not only gives monthly halal profit on a customer's investments, but also makes day to day business banking needs extremely convenient through a host of banking services.

**Alfalah Islamic Business Account:** A tier based business account designed to cater to profit and day to day transaction requirements.

**Alfalah Islamic Mahana Amdani Account:** A Shariah complaint account that helps customers achieve their saving goals along with monthly profits.

**Alfalah Islamic Asaan Account:** Based on the concept of Mudarabah, the product is offered with simplified account

opening requirements to extend the benefits of our financial services to unbanked segments of society.

**FCY Savings Account:** Based on the concept of Mudarabah, the product offers attractive returns in a Shariah compliant manner. The product is available in three currencies: USD, GBP and EUR.

#### Term Deposits

**Alfalah Islamic Premium Term Deposit:** A product designed to cater to profit rate requirements of High Net Worth client in accordance with Shariah and regulatory guidelines. The deposits are available up to a 1 year term with different payment options as per customer needs.

**Alfalah Islamic Term Deposits:** Based on the concept of Mudarabah, the TDRs offer attractive short to mid-term investment options with flexibility and convenience. With various tenure options available, customers can choose the one that suits their needs. This is combined with different profit pay-out options and the added facility of being able to avail credit facility against their investments.

**Foreign Currency Term Deposits:** Based on the concept of Mudarabah, the TDRs are offered in USD, GBP and EUR to cater to investment requirements in FCY.

#### Wealth Management

Bank Alfalah offers investment services whereby it enables customers to manage their investment needs through investments in Alfalah GHP's Shariah compliant funds.

#### Alfalah Transact

Alfalah Transact is a cash management service that caters to different collections and payment needs of corporate clients in a Shariah compliant manner.

#### Asset Products

On the asset side, a number of financing/investments solutions are available for Corporate/Commercial/SME as well as Consumer customers.

#### Corporate

**Alfalah Running Musharakah:** Under the Alfalah Running Musharakah Product, Bank as a partner invests its fund to finance operating activities of Shariah compliant businesses. The Running Musharakah financing facility is structured on principles of Shirkat-ul-aqd, which enables the Bank to participate in profit/loss as per the actual performance of the customer's business. It's an Islamic alternative to the Running Finance Product.

#### Corporate/SME/Commercial

**Murabaha/Import Murabaha:** Murabaha Finance Facility allows customers to purchase goods/raw material/finished goods for use of business from time to time, up to a specific limit. Murabaha is a sale transaction, in which

the seller/bank discloses the cost and profit to the buyer/customer at the time of execution of sale. Bank Alfalah Islamic via the Murabaha product sells the required asset to the customer on both spot and deferred basis.

**Istisna:** Alfalah Istisna allows financing facility in transactions where manufacturing or construction is involved. Istisna allows the luxury to the customer to utilise the funds disbursed for payment of wages, overhead, etc. Istisna is a sale transaction, where the buyer places an order to manufacture certain asset(s) and the sale is completed upon delivery of the asset(s) to the buyer.

**Salam – Commodity:** Alfalah Salam is used as a mode of finance to cater to the working capital needs of the agriculture sector and manufacturers/exporters of homogenous commodities that are standardised and readily available in the market. Salam is a sale transaction, where the buyer is required to make an advance payment for goods, which are to be delivered later/in future.

**Diminishing Musharakah:** The said product offers a long-term financing facility to finance corporate/commercial assets (vehicles, plant and machinery, equipment, etc.) on the basis of Diminishing Musharakah. Under a Diminishing Musharakah transaction, the Bank and the customer jointly own an asset, and thereafter the bank leases its share in the asset to the customer. Moreover, the customer is required to periodically purchase units of ownership in the asset in order to completely transfer ownership of the asset to the customer.

**Ijarah:** The said product offers a long-term financing facility to finance corporate/commercial assets (vehicles, plant and machinery, equipment, etc.) on basis of Ijarah. Ijarah, by definition means to 'give something on rent'. In the said product, the bank acquires the asset required by the customer, and then leases that asset to the customer at an agreed period of time.

**Falah Tijarah:** Falah Tijarah is a short-term trade based financing facility designed to meet the liquidity requirements of the customer. The facility enables the customers to sell their finished goods stock to meet their working capital requirements and enjoy the benefits of cash sales.

## SME

**Alfalah Islamic Karobar Finance (SME/Commercial):** A package product aimed at saving credit approval time and book financing against existing approved Shariah compliant products being offered by Bank Alfalah Islamic. As Small and Medium Enterprises (SMEs) are considered to be the engine of growth for developing countries like Pakistan, in order to enhance economic growth and to increase economic activity in the country, Alfalah Islamic Karobar Finance efficiently caters to the needs of such businesses.

## Treasury

**Bai-Muajjal of Sukuk:** Bai-Muajjal may be defined as a contract between a buyer and a seller under which the seller sells certain specific goods (permissible under Islamic Shariah and the law of the country), to the buyer at an agreed fixed price payable at a certain fixed future date in lump-sum or within a fixed period by fixed instalments. Treasury uses the same for Liquidity Management purposes.

## Trade

**Islamic Export Refinance Scheme (IERS):** To ensure smooth flow of credit to genuine exporters, SBP has put in place necessary mechanisms under the Islamic Export Refinance Scheme. Bank Alfalah provides the said facility to its customers for availing refinance against financing facilities provided by them to exporters for eligible commodities.

**Currency Salam:** Currency Salam product is designed to meet the requirements of clients involved in the export business. It can be referred as an Islamic alternative for Export Bill discounting. In a Currency Salam transaction, instead of providing a loan to its customers, the Islamic bank keeps the export bill as security and extends fresh Salam transactions at a spot rate. Thus the Bank purchases FCY against Pak rupees from the customer.

**Forward Contracts:** A forward exchange contract is a contract between the Bank and its customer, whereby a rate of exchange is fixed immediately, for buying or selling of a currency for another, for delivery at an agreed future date.

**Letters of Guarantee and Letters of Credit:** IBG offers guarantees, including performance, financial and payment guarantees. Moreover, L/C facilities are also made available to the customers, through which customers are facilitated for export/import financing. Both funded and non-funded facilities are available at IBG.

## Consumer

**Car Ijarah (Islamic Car Finance):** Car Ijarah is an Islamic Car Financing facility under the principles of Ijarah for consumers/individuals. Under the Car Ijarah transaction, the bank purchases a new/used car keeping in view its customer's choice and thereafter rents out the said car to the customer under a rental agreement.

**Home Musharakah (Islamic House Finance):** Home Musharakah is an Islamic House Financing facility under the principles of Diminishing Musharakah for consumers/individuals. Under Home Musharakah, the customer has an option to buy, build and renovate a house. Moreover, the customer may also replace an existing home financing facility (from both conventional and Islamic) with Alfalah's Home Musharakah facility.



## **Treasury, Capital Markets and Financial Institutions Group**

### **Fixed Income Trading**

The Bank's Treasury remains a leading Primary Dealer ('PD') and secondary market player in the fixed income market. Our Fixed Income Trading team has managed to increase its presence and market volumes over the years, which has resulted in the improvement of our PD ranking.

The Fixed Income Trading desk acts proactively to align our investment portfolio in accordance with yield expectations.

### **Financial Institutions and Remittances**

Our Financial Institutions ('FI') team is responsible for facilitating the varying requirements of financial institutions through robust national and international branches, correspondent banking and networks. The Home Remittances team is in constant collaboration with foreign and local partners to ensure a smooth transition of payments to end customers.

The priority of this department is to provide premium services to the Bank's clients. To that effect, the FIs team offers a diverse mix of solutions for trade finance and payment services, at highly competitive rates.

Significant milestones were accomplished during the last financial year as well since the FI team currently maintains an efficient correspondence network with close to 500 institutions globally. Likewise, the remittances counter witnessed a triple-fold increase in transactions, establishing several partnerships with international services and boasting a year-on-year growth of 140.15% in comparison with FY2016.

On the back of an economy fueled by growth in trade and an increased presence of Pakistani citizens around the world, Bank Alfalah is well-positioned to establish itself as an industry leader in correspondence banking and remittance inflows.

### **Interbank Foreign Exchange**

The Bank's Foreign Exchange ('FX') desk remained the leading market maker in a highly competitive interbank market. 2017 was challenging from the perspective of market environment, however, the FX desk proactively managed currency risk while delivering value for the Bank and its clients. The trading desk's pricing capability for big-ticket transactions provides us with the advantage to cater to the needs of large corporate and institutional clients.

### **Treasury Sales**

#### **Corporate Sales**

Bank Alfalah has a dedicated, qualified and competent team of corporate sales staff, which caters to corporate as well as retail clients. Apart from providing plain vanilla FX solutions, the team provides client-specific hedging solutions both foreign exchange as well as interest rates. Furthermore, sales also provides advisory services and market updates to clients. The overall trade volume touched PKR 690 billion in 2017.

The year was marred with low exchange rate volatility and there were only two instances of volatility during the year, one in July and the other in December. During the course of the year, the Rupee depreciated by 5%. External account challenges adversely affected market liquidity, which were prevalent by depressed premiums, which hence discouraged exporters from booking forwards, thus negatively impacting forward volumes.

## Institutional Sales

Bank Alfalah provides comprehensive fixed income investment solutions to corporations, private and public entities, money managers, financial institutions, foundations and endowments. We work closely with our clients to define their investment parameters and liquidity needs, and then develop innovative and customised portfolio solutions to meet their distinctive requirements.

Bank Alfalah Fixed Income Sales desk remained very active in the primary and secondary market throughout 2017. This was also accredited by considerable improvement in its Primary Dealer ranking from 8th to 4th. Bank Alfalah continued to offer expedient and sophisticated trading solutions to its fixed income clients mainly through its state-of-the-art trading (Electronic Investor Portfolio System - eIPS) platform and through the Bank's wealth management network.

Moreover, the desk successfully concluded the Pre-IPO of additional Tier I TFC of Bank Alfalah amounting to PKR 6.30 billion. Bank Alfalah's ADT1 TFC would be the first of its kind listed instrument in Pakistan's capital market history.

## Islamic Treasury

The Bank's Islamic Banking Treasury desk manages our Islamic Investment portfolio.

In recent times, due to the absence of sizeable issuances of the Government of Pakistan's Ijara Sukuks or fresh issuance of Ministry of Finance backed Bai-Muajjal transactions, our Islamic Treasury has had to deploy a large portion of its residual liquidity in lending to conventional and Islamic financial institutions.

All investment decisions are considered after due diligence and monitoring of market opportunities.

## Capital Markets

The Capital Markets business was consolidated with the Treasury and Financial Institutions Group to form the Treasury, Capital Markets and FIs Group. Capital Markets offers a full spectrum of equity related solutions and is bifurcated into two segments; Public Markets and Private Markets.

Public Markets manages the Bank's investments in listed equities with a mandate to base investments on sound fundamental research and maximise risk-adjusted returns for the Bank. The importance of research based fundamental investing plays out fully in volatile years like 2017, where the market was a tale of two halves i.e. bullish during the first five months and under pressure in the remaining months.

The initial excitement at the bourse revolved around Pakistan's upgrade to MSCI Emerging Markets in May, with the market being up 10% for the year at that stage.

However, the expected foreign portfolio inflows did not materialise and the market reflected disappointment which, combined with increasing economic and political noise, saw the benchmark KSE-100 index recede from highs of around 53,000 and closed at the index level of 40,000, down 15.34% for the year.

Private Markets manages the unlisted investments of the Bank, identifying long-term plays, effecting turnarounds and unlocking value. The team also explores Equity Capital Markets, Mergers and Acquisitions Advisory, Structured Products and Strategic Advisory opportunities for its existing and potential corporate clientele.

Additionally, the Capital Markets team manages the Bank's Investor Relations, apprising shareholders and market participants regarding the Bank's performance via quarterly result calls and one-on-one meetings. Inculcation of best practices has resulted in Bank Alfalah Limited being consistently ranked as the top listed entity with the 'Best Investor Relations' award by the CFA Society Pakistan.

## Asset Liability Management

Asset and Liability Management ('ALM') desk manages the interest rate and liquidity risk of the Bank within the risk appetite approved by the Board of Directors (BoD). The ALM desk optimises profitability of the Bank by managing the interest rate and liquidity risk gaps. During 2017, the interest rates were relatively stable, however, near the end of the year steepening was observed at the longer end of the yield curve.

The investment portfolio was also accordingly re-aligned with the developing situation and it was tilted towards shorter tenure Treasury Bills.



## Corporate and Investment Banking

Our Corporate and Investment Banking business provides premier quality financial services to top-tier clients across the country. We aim to contribute towards the sustainable growth of our clients by providing them innovative, diverse and flexible banking solutions, tailor-made to their specific financing needs.

We offer a holistic range of solutions designed to allow our clients the freedom to choose from a wide array of financing options. Our services include long-term and short-term lending with flexibility for structured products, a complete array of trade finance facilities, flexible options for cash management through transaction banking, options for raising funds through our Capital Market services, and possibilities for syndications through our Investment Banking and Advisory services.

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# Our International Presence

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## Afghanistan

Branch Banking Operations

Largest foreign bank in term of assets and third most profitable bank in Afghanistan

Services offered to clients include retail and wholesale banking.

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## Bahrain

Offshore Banking Unit

Services offered to corporate clients include deposits, trade finance, advances, treasury and foreign exchange services.

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## Dubai

Wholesale Banking Branch

Received license of incorporation in 2017.

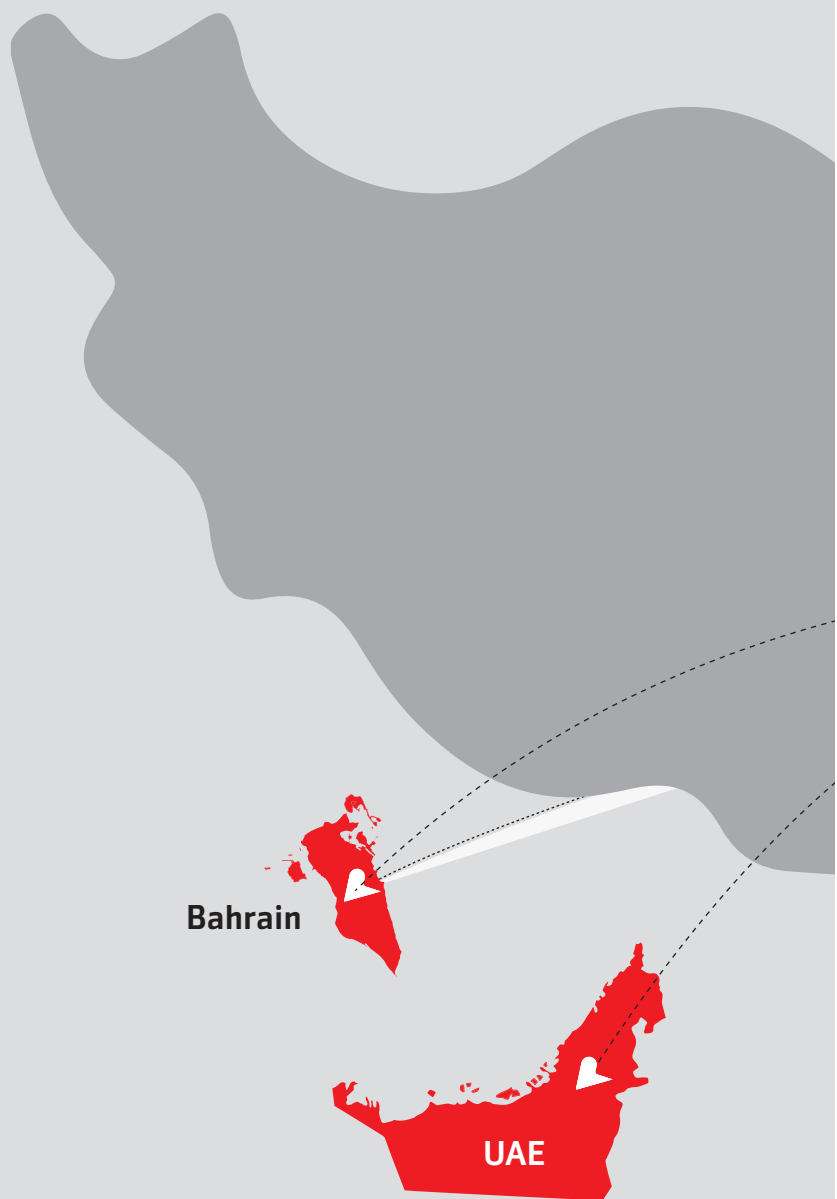
Services offered to corporate clients include deposits, trade finance, advances, treasury and foreign exchange services.

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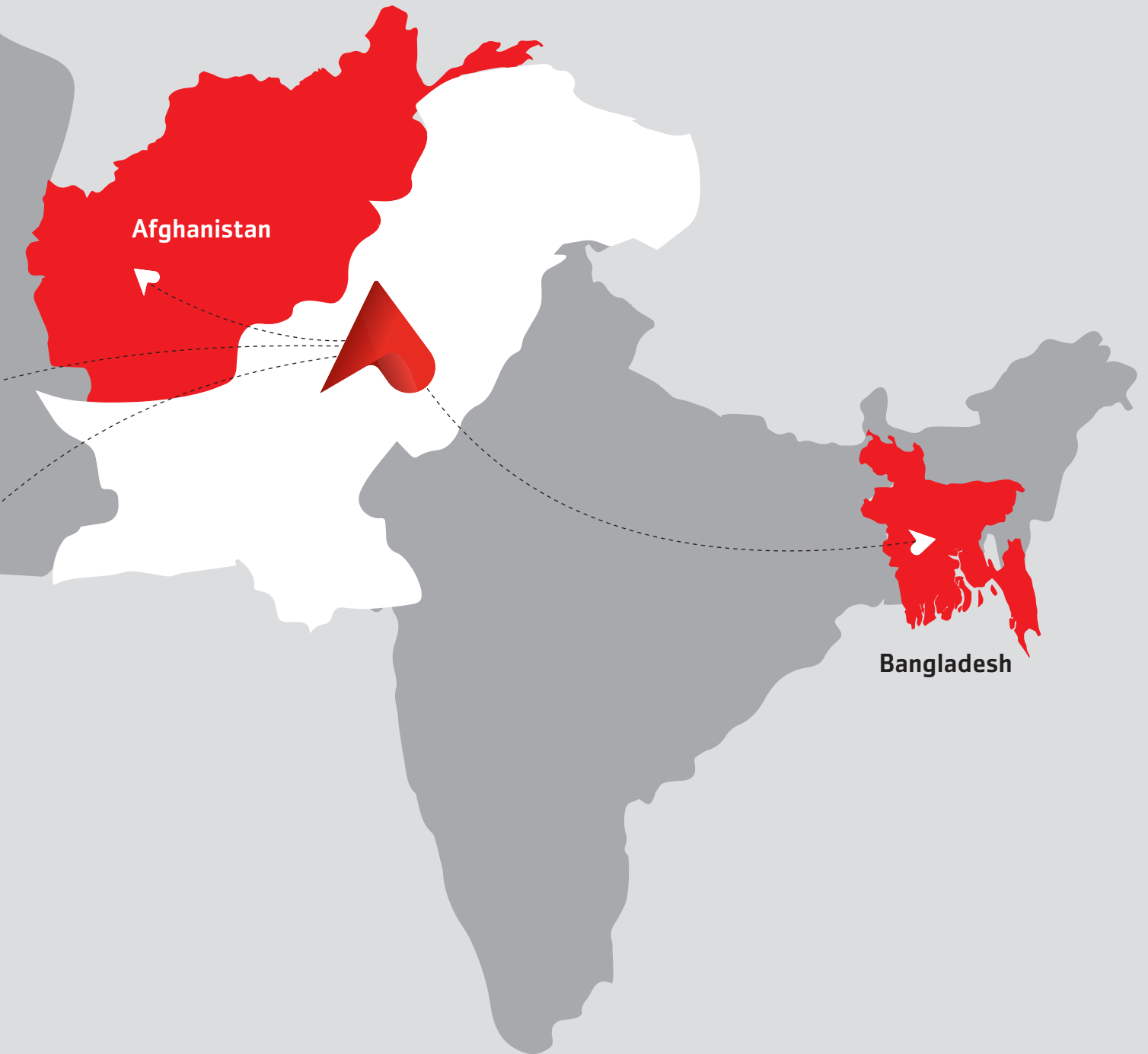
## Bangladesh

Branch Banking Operations

7 branches providing financial solutions to consumers, corporates and government through a broad spectrum of products and services, including deposit accounts, self service banking and wholesale banking.







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# Our People

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## Introduction

In the year 2017, Human Resources and Learning Group (HRLG) further strengthened its focus on productivity, innovation and efficiency-driven initiatives in our human capital platform, to drive the strategic agenda of the Bank.

To sustain our momentum of consistently outperforming the competition in the industry, Bank Alfalah accelerated the transformation of our businesses with a view to ensuring the right organisational structure is in place and strengthening our connections with a growing universe of customers and business partners.

## Facebook Workplace

Bank Alfalah became the pioneer in the banking industry in Pakistan by deploying 'Facebook Workplace'. The purpose of this next generation employee communication platform included connecting, communicating, collaborating and innovating the Bank's engagement culture.

## The Way Forward

HRLG kicked off Bank Alfalah's organisation-wide series of continuous communications on different themes emanating from our vision, mission, values and desired culture. Each theme includes quotes, employee polls, videos, activities and blog posts.

## Employee Engagement Survey

The Employee Engagement Survey 2016 results showed a healthy improvement of 15% on the Engagement Index underscoring the efforts that have gone into creating an engaged workforce. In 2017, a process of Impact Planning Workshops was initiated to cover groups and teams across the organisation, enabling them to create action plans, with a focus on building upon our strengths and fostering continuous improvement leading to higher levels of engagement, and consequently performance.

## Engagement Initiatives

In 2017, HRLG launched key initiatives, through the platform of Bank Alfalah Societies, namely, Health and

Lifestyle, Music and Talent, and Adventure and Photography. Bank Alfalah Movie Nights were successfully organised bank-wide in collaboration with Cinepax, which received an overwhelming staff response.

To further strengthen staff engagement, Wall of Fame-Photography Competition, was conducted across Bank Alfalah based on the theme of Ramadan/Eid encouraging passionate photographers to participate followed by the display of winning photographs on the 'Wall of Fame' in the South, Central and North regions. A Badminton Championship in Karachi was also conducted to promote well-being amongst the staff that stimulated a great deal of interest amongst the employees.

To promote gender diversity, HRLG introduced 'CEO Recognition Letters' whereby customised letters were sent to all the female staff of the Bank across Pakistan on International Women's Day.

Bank Alfalah celebrated Pakistan's 70th Independence Day with patriotic fervour and zeal. From cake-cutting ceremonies to decorating the office premises on the theme of the Nation's traditional colours, the entire staff from all regions celebrated together via Facebook Workplace.

## Management Trainee Programme

Bank Alfalah continued hiring the best young talent to supplement its leadership pipeline by successfully integrating the 2017 batch to its already market leading 2015 and 2016 Management Trainee Batches.

The Bank's MT Programme has secured one of the best reputations in the market and that is reflected in our high retention rates that are unparalleled in the banking industry.

In addition to various bespoke initiatives that form part of this programme, activities such as Executive Career Café and CSR activities are augmented within the framework to increase exposure and allow MTs to become responsible corporate citizens. Owing to outstanding performance and involvement on key initiatives bank wide, MTs are also part of the Bank's succession planning.

## Succession Planning

In accordance with SBP guidelines, internal successors were highlighted in addition to earmarking key potential external resources to ensure a robust pipeline across all levels at the Bank.

## Learning and Core Development

With the learning agenda focused on innovation, digital learning, technical and soft skills knowledge and development, HRLG rolled out initiatives in 2017 for the staff across all functions, providing learning opportunities spanning over 1,494 training days. Online learning management systems, gamification and e-learning platforms such as e-library for Islamic Banking, equipped the Bank with a digital learning platform presenting a wide array of features.

Bank Alfalah is the first Bank to introduce gamified training on AML-CFT Regulations with the launch of the 'Chevron' app on Play Store and App Store for android and iOS devices. To enhance mobile learning programmes, delegates in distant areas were trained through learning programmes.

To develop in-house talent, Potential Development Programmes were conducted empowering potential candidates for the available slots of the Branch and Operation Managers at different locations. A major initiative of the indigenously developed modular programme was run successfully to conduct in-house assessment of credit skills in business and risk functions. Among other initiatives, strategic linkages

were also made to facilitate and enrich the learning process.

## Rewards and Recognition

To encourage a high performance-oriented culture, Alfalah Sales Performance Incentives and Rewards (ASPIRe) was launched last year, initially catering to the Branch Managers with an objective of bolstering sales across the branch network.

In the year 2017, HRLG took a step ahead through the extension of ASPIRe incentive programme for Relationship Managers/Relationship Executives (Retail Liabilities).

## Integrated Human Capital Management Software

With the launch of the Human Capital Management Software last year, automation of major processes was achieved. In the year 2017, further HR core systems were integrated into the software, comprising of staff loans portfolio, performance management module, etc.

## HRLG Way Forward in 2018

As Bank Alfalah continues to evolve our business for the digital age, HRLG will focus its efforts on 'Employee Centricity' creating a wow experience for our staff and enabling them to navigate the challenges and capitalise on the opportunities in a way that is smart, nimble and efficient.



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# Our Way of Doing Business

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## Business Ethics and Code of Conduct

Integrity and honesty is at the heart of our business and brand. Our internal ethical standards and code of business conduct are the results of shared moral convictions.

The objectives of our underlying policies are to ensure that the Bank is recognised as a professionally run and successfully managed institution with high ethical standards.

A detailed statement of Code of Ethics and Business Practices is in place and is signed off by every employee and submitted to the Bank's Human Resource and Learning Group on an annual basis. The Code of Ethics is also readily available on the Bank's website.

The Code contains detailed guidelines which aim to facilitate the Bank's employees to:

- Conduct business with honesty, transparency and integrity in a professional manner
- Understand and comply with the legal/regulatory requirements and internal policies and procedures of the Bank
- Exhibit exemplary personal conduct towards the Bank, its employees and customers and maintain the desired decorum both during office hours and at other times

Besides emphasising adherence to legal/regulatory requirements and internal policies and procedures of the Bank, the Code contains specific guidelines with reference to managing conflicts of interest, political affiliations, conduct, KYC, gifts and entertainment, corporate ethical policies, fraud, theft, illegal activities, etc.

## Corporate Social Responsibility

At Bank Alfalah, we see Corporate Social Responsibility as one of the most important aspects of our business. We believe that, by creating shared values, our success and our customers' successes are intertwined. As we continue to build responsible business practises across the Bank, we ensure that we are also active in giving back to society.

We believe in supporting programmes that address societal problems. Building on our past philanthropic investments, the priority areas for Bank Alfalah include education, health, social welfare, environmental sustainability, leadership development, and promotion of sports, arts and culture. Some of the Bank's major philanthropic initiatives in 2017 are shown below.

### Aga Khan University Hospital and Medical College Foundation

Bank Alfalah supported the Aga Khan Foundation's Patient Welfare Fund for Congenital Heart Disease, helping to provide treatment for patients and their families who cannot afford surgical and medical care at the Aga Khan University Hospital. Over 60,000 children are born with congenital heart disease every year in Pakistan alone. As many of the cases are life-threatening, early diagnosis and timely treatment is necessary.

### Karachi Lions Paediatric Nephrology Project

Bank Alfalah joined forces with the National Institute of Child Health (NICH) to help provide dialysis treatment for children. NICH, one of the largest children's hospitals in the province of Sindh, is part of Jinnah Hospital and provides tertiary care services for almost all types of paediatric patients. It also provides teaching and training facilities, both at the undergraduate and postgraduate levels.

### The Aman Foundation

Bank Alfalah partnered with the Aman Foundation to support their life-saving ambulance programme. The Aman Foundation's flagship ambulances have made 900,000+ interventions to date. In Pakistan, only a small percentage of patients avail ambulance services during emergencies, and these are usually also not equipped with the necessary facilities or staff to handle emergencies effectively. Aman ambulances carry life-saving medicines and medical equipment, along with trained medical personnel.

### Sponsorships

Bank Alfalah also sponsored several fundraising efforts in 2017, with the proceeds going towards charitable, non-profit, or welfare institutions. Some of the organisations Bank Alfalah has partnered with in this regard are shown below:



- The Kidney Centre
- Special Olympics Pakistan
- Patients' Aid Association
- Marie Adelaide Leprosy Centre
- Karwan-e-Hayat
- International Women Leaders' Summit
- Sindh Swimming Association
- Pakistan Hockey Federation
- Pakistan Foundation Fighting Blindness

## Whistle Blowing Policy and Procedures

### Overview

Bank Alfalah aims to continually operate at the highest standards of conduct in the business. Integrity being the core value, drives every employee to work with absolute honesty and professional due care.

At Bank Alfalah, we are committed to create an environment of trust and transparency, which eventually contributes to a culture based on openness and the highest ethical standards.

### Purpose

The core purpose of the Whistle Blowing Policy is to provide a safe and secure channel to the Bank's staff or any other person, having genuine suspicions about any wrong doing/irregularity, for raising concerns/complaints without any fear of reprisal or adverse consequences.

The objective of the policy is to encourage employees to come forward and register their concerns on a secure and confidential channel, for onward redressal of complaints and concerns for

prevention, or further detection, of any impropriety or malpractice, and to safeguard the interest and repute of Bank Alfalah. It remains an ethical responsibility of all directors, senior management and employees to comply and report violations in accordance with the Whistle Blowing Policy.

### Scope

The scope includes deliberate, voluntary disclosures by a person about all type of actual, suspected or anticipatory wrongdoing/improprieties at individual or organisation level, including unethical, fraudulent activities and misconducts that may pose threat to the Bank's operations, financial performance and reputation.

### Process of the Whistle Blow

Any employee with the intention to disclose any wrongdoing/impropriety, whether it is actual, suspected or anticipated, should immediately report it in writing to Head-Audit and Inspection using any of the communication channels i.e. email, surface mail and facsimile. Confidentiality of the complainant's identity, the nature of the reported incident and the identity of the suspected person is strictly maintained in accordance with the contents of the policy.

Keeping in view the nature, materiality and seriousness of the allegation, Head-AIG is authorised to initiate an immediate investigation in the matter specified as per the policy.

An alleged employee, who retaliates against someone who has blown a whistle in good faith, is subject to disciplinary action up to and including termination of employment. It remains the responsibility of management to safeguard the whistle blower from harassment, retaliation, or adverse consequences.

A whistle blower may even be rewarded if any significant/critical nature issue is raised by him. The employees can access the Whistle Blowing channel through Bank's employee portal.

Reported instances are presented through Head-AIG, for oversight of the Board Audit Committee (BAC) in every BAC meeting. The instructions from the BAC are immediately circulated to concerned departments for enforcement of the actions required on a real time basis. 12 whistles were blown during the year 2017 and details thereof have been duly submitted to the BAC.

## Investors' Grievance Policy

Bank Alfalah Limited (BAFL) is a public limited bank listed on the Pakistan Stock Exchange (PSX) and ensures timely disclosure of all material information to its shareholders through the Exchange. The Bank also strives to remain proactive in providing its current and potential shareholders with quality services and access to information.

For this purpose, the Bank has a two-pronged strategy i.e. a fully functional Investor Relations (IR) department ensures that all material developments are communicated to investors via statutory announcements and quarterly result briefings. The presentation material of these briefings is readily available on the website for investors to access. In addition, designated personnel in the IR department are available to address any queries or take meetings from investors to discuss in detail the impact of external and internal developments on the Bank's operations, profitability and/or share price.

The other part of the strategy pertains to the operational logistics where the Bank's in-house staff and contracted third parties (Share Registrar etc.) strive for timely dissemination of dispatch material to shareholders.

However, in the event of any grievances arising from shareholders, there is dedicated staff in the Company Secretariat to address all such concerns. The contact details of the designated people are prominently displayed in the relevant section of the Bank's website.

The shareholders can reach out with their complaints electronically, over the phone or in writing, which are addressed promptly by the Bank.

## Customer Experience

Being customer-centric, drives us to continuously engage with our customers and deliver services that surpass their expectations. The customer is the focus of the Bank's core values. The reason for such engagement is to inspire and help our customers to find their way in pursuing what they want. Developing a deeper understanding of their evolving needs and offering insightful advice with a 'can do' attitude contributes greatly to the objective.

We have always aimed to maintain continuous visibility of service performance across various streams, branch network and other service touch points to ensure that we meet our service standards. While, such engagements are not only limited to the interactions made through our branch network, but are extended across multiple channels like



call centres, social media, customer surveys, awareness sessions, roadshows and various other advertising campaigns.

Our experienced teams take pride in understanding customer requirements and accordingly giving them end to end service largely appreciated by the customers, while ensuring that the Bank interacts with its customers in a Fair and Transparent manner.

To meet our collective service commitments and promote 'Fair Treatment of Customers', the Bank Alfalah continues to work upon several customer experiential tangents, which are:

**Consumer Protection Policy:** We have a comprehensive consumer protection policy that encompasses broad guidelines for management of customers throughout their lifecycle; ranging from product development, sales practices, marketing activities, communication protocols and handling of customers.

**Voice of Customer Programme:** We have a strong Voice of Customer Programme (VOC) consisting of internal and external studies under which customer surveys/ consumer insights initiatives are done to not only understand customer needs but also use the insights to drive Process Optimisations and steer customer experience strategy.

**Quality Assurance:** The Bank has a comprehensive Quality Assurance Platform that spans across various products, channels including but not limited to Digital Channels, Branch Banking, Consumer Finance, Centralised Operations and support segments with an aim to identify gaps resulting in high turnaround times, while driving efforts to meet our committed service standards.

**Knowledge Initiatives:** We drive a robust knowledge enhancement programme focused towards increasing our staff awareness levels on products, processes and customer handling techniques. The programme serves a parallel knowledge enhancement plan, which not only includes product based trainings, but also service-based snippets and campaigns to improve the service mind-set across the Bank. Additionally, in 2017, the online testing platform was introduced to electronically test and train staff for knowledge enhancements.

**Process Optimisation:** Based on strategical inputs emanating from complaints and other programmes mentioned above, the Bank invests towards process optimisation initiatives, with a view towards making our delivery to our customers quick, convenient and reliable.

**Market Competition Scan:** The Bank continuously carries out competitive scans on various aspects and explores global researches/reviews to understand the key drivers behind best market practices.

## Complaint Management Unit

The Complaint Resolution at Bank Alfalah is to ensure due diligence complaint closures, while maintaining high FTC (Fair Treatment of Customers) standards.

In 2018, the Bank directly received a total of 84,778 complaints which were resolved in an average of 3 working days. In addition, we at Bank Alfalah conduct thorough root cause analysis to facilitate/drive continuous improvement in tandem with the business and product management teams via various avenues as elaborated above. One of the testaments to our service commitment came in 2017 at the 'Pakistan Banking Awards' when Bank Alfalah bagged the 'Best Customer Franchise Awards' for the second consecutive time.

## Innovation and Technology

At Bank Alfalah, we aim to ensure that our overall strategy ensures strategic alignment between business needs and systems. Effective IT governance aims to transform systems to fulfil the needs and expectations of the business and its customers.

We realise the importance of efficient systems that support core competencies, increase overall efficiency, and facilitate timely responsiveness to market developments. To ensure sound and cost-effective systems, a detailed and comprehensive management policy has been put in place, engineered by the IT team under the supervision of the IT Steering Committee.

The IT management policy underlines working areas, including Strategic Alignment, Value Delivery, Resource Management, Risk Management and Performance Measures, in accordance with the Bank's financial and technological accountability.

The IT group is entrusted to ensure seamless quality, management and value of technology used in the Bank and to ensure technological harmonisation across the organisation to deliver exceptional value. All related functional units are managed by the Chief Information Officer, who reports directly to the Chief Executive Officer, and works in close coordination with other Business Groups, as well as the IT Steering Committee. The CIO oversees the entire framework, policies and controls, keeps the Bank abreast of all technological developments in the banking sector, and ensures that the Bank is equipped with innovative, world-class and robust IT solutions to outperform the competition. The CIO is also responsible for monitoring, improving and strengthening the IT governance framework by providing guidance and valuable strategic insight.

Following the formation of a new strategy (2016-2018), the Bank's IT Group has been reorganised, realigned and reinforced to effectively spearhead the implementation of the new strategy with a special focus on customer service-excellence, operational-excellence and information security, enhanced through digitisation and the adoption of innovative technologies.



The new approach is designed to ensure that the Bank is fully equipped with innovative, next-generation, robust IT solutions to outperform competition. The implementation of the IT strategy roadmap has produced outstanding results. 2017 brought in multiple accolades and matchless achievements, along with local and international recognition. Exceptional performance improvements in the Bank's Core Banking System T24 (CBS) during the past year has resulted in international recognition. Bank Alfalah was included by TEMENOS among a selective group of superior-performing nominees for the global award of 'Best Customer' in 'T24 Efficiency Gain in System Improvements'. Bank Alfalah's CBS is widely considered as the most efficient and stable system among the peer banks having the same CBS.

Bank Alfalah's CBS has also shown marked system improvements as a result of carefully planned performance-enhancements, architectural redesigning, optimisation along with a large number of successfully developed in-house T24 new products and features, managed completely by the in-house team in a very short span of time, including the capability to manage T24 International Operations from the Karachi Production Site.

The T24 Islamic Banking Core capability was successfully catered to and effectively enhanced through major in-house developments. This in-turn has resulted in large benefits in terms of time, quality and customer experience.

In line with the IT strategy, bank-wide technological enhancements have been successfully implemented in

the areas of Enterprise Service Oriented Architecture (SOA) with external and internal architectural enhancements, API gateway to integrate with multiple FinTechs, Alfalah Payment Gateway (APG) for secure and reliable real-time transaction processing for third party e-Commerce portals, MRS Loyalty Programme, major enhancements in the Alfa Mobile Banking App and Internet Banking, IPT Collaboration, (BPM) Business Process Automations to automate various internal workflows/processes to digitalised business and operational flows to reduce TATs and cost, including digital paperless account opening, Facebook At Work, etc. Infrastructure consolidation covering server virtualisation, implementation of next generation Infrastructure.

The core infrastructure includes RISC architecture based system for core banking which are designed for mission-critical applications. Enterprise Level SAN Storages to manage Bank databases and other core banking applications. Clustered high available virtualised infrastructure for core banking surrounding applications.

In 2017, Bank Alfalah enhanced its CRM/Contact Centre to enable a 360 degree view of customer profiles with related products availed across the Bank. The outbound Contact Centre has been equipped with campaign management tools integrated with CRM for automated preview dialing, SMS and email campaigns. Infrastructure consolidation and rationalisation has brought huge cost savings on the data centre in terms of power, cooling, rack space, and the overall operational cost.



Bank Alfalah Networking is one of the most sophisticated in the local banking industry with improved resilience in 2017, through enhanced QoS at Core and Branch Level, WAN ACL's enhancements, improved branch link optimisation and deployment of next generation network switches and firewalls.

Security control enhancements included the implementation of advanced threat analytics and advanced threat protection with the capability to detect advanced cyber attacks along with cyber attack incident response and forensics service deployment, enhanced automated technical vulnerability compliance management solutions deployed, improved DDOS Protection deployed. PMO evinced an efficiency boost with the implementation of Enterprise Project Management (EMP).

This in turn has resulted in improved customer satisfaction, improved efficiency, uptime and turnaround times, along with operational cost-savings and improved bank-wide automation.

In September 2017, Bank Alfalah unveiled a unique and unparalleled Disaster Recovery Strategy, which included a complete bank-wide DR Drill having geographical diversity, covering all core and core supporting applications, involving 70+ fully-functional applications running from our DR Site. The seamless and smooth execution was a complete success and went beyond expectations. On the basis of technological developments made during 2017, Bank Alfalah is recognised as a 'Technology-Driven Bank'.

## Energy Conservation

The people at Bank Alfalah firmly believe that minimising the unnecessary usage of energy at all levels

across the organisation is fundamental for improved efficiency. For this purpose, various campaigns and drills on energy conservation at the workplace are carried out. These include curtailed energy consumption and deploying solar powered ATMs to reduce the impact of carbon emissions from such sources.

Our approach towards energy conservation and the preservation of the environment is driven by a long-term strategy of adopting eco-friendly and cost-effective alternatives at all levels of operations. Some of these environment-friendly measures are described below.

### Installation of Solar Panels at ATMs

With an ongoing energy deficit and countrywide power shutdowns, it was essential to aid the ATMs with a power backup solution and like all peer banks, heavy duty generators were installed at the ATMs. However, keeping in mind the harmful emissions from diesel operated generators, an initiative to adopt a more eco-friendly and cost-effective alternative has been in force since then.

This comprised of installing solar panels in 153 branches where the generators are shut down during non-banking hours. This not only reduced the consumption of scarce fuel, but ultimately contributed to the reduced carbon footprints. Going forward, the Bank intends to include more branches within this scope.

In case of power outages, solar systems can provide uninterrupted backup for about 5 to 6 hours, which adds to the reduced operating cost. This initiated Bank Alfalah's journey towards a healthier environment.



## Right-sizing of Generator Units

Right-sizing of high capacity generators and replacing them with low capacity generators was valuable to the cause of energy conservation. This not only proved instrumental in minimising the hazardous impact of such generators, but also curtailed energy wastage.

## Conversion to LED Lights

Our commitment towards the eco-system was further realised when we installed LED lights at Bank Alfalah's Head Office. This led to a drastic reduction in our electricity consumption. In view of these encouraging results, LED lights were also installed in Shadin Manzil and selected branches/office in Lahore and Karachi.

## Business Continuity and Disaster Recovery

Business Continuity Planning (BCP) is 'planning which identifies the organisation's exposure to internal and external threats, and synthesises hard and soft assets to provide effective prevention and recovery for the organisation, whilst maintaining competitive advantage and value system integrity'.

The purpose of Business Continuity Planning is to establish procedures whereby the critical business processes at the Bank can be restored in a timely and orderly manner and can be operated on an interim basis, thereby helping to ensure that all critical business functions continue in the case of a disaster. The Business Continuity Plan is intended to be used by BCP teams and all concerned staff as an action guide in the event of a disruption, providing a pre-planned response to a disaster event.

Business continuity is to minimise the effects in the event of a major incident affecting the operations of the Bank. These include chores such as Project Management, System Backups, Change Control and Helpdesk. BCP is an uninterrupted process which assures that the Bank remains fortified against all possible threats.

Business Impact Analysis (BIA) is key to Bank Alfalah's Business Continuity Plan (BCP). It includes risk identification via potential threats and vulnerabilities as well as a mitigation strategy to address those identified risks. At Bank Alfalah, a thorough and comprehensive BCP has been placed which comprises of all the relevant measures that shall be taken to avoid adverse events. The document is periodically reviewed and aligned with the changing business environment that the Bank operates in.

The most important and noteworthy aspect of Business Continuity is testing; testing is the validation of documentation and processes given in the Business Continuity. Process recovery procedures, manual workarounds, server build procedures, resource listings and call trees.

The disaster Recovery Framework incorporates three primary notions which are:

**Recovery Time Objective (RTO):** The period of time within which the process should be recovered after an outage.

**Recovery Point Objective (RPO):** The point in time to which data must be restored in order to perform the process. RPO is the basis on which a data backup strategy is developed.

**Maximum Tolerable Downtime (MTD):** The period of time within which the process must be recovered after an outage.

The efforts to date constitute the development of a Comprehensive Business Continuity Management Framework through various BCP documents, including:

1. Business Continuity Policy Document
2. Business Continuity Plan Document
3. Disaster Recovery Plan
4. Recovery Strategy Document (for each Department)
5. Implementation Plan Document
6. Training Plan Document
7. Testing Plan Document

## Policy for Safety of Records

Management at Bank Alfalah has implemented comprehensive and dedicated policies and controls for effectively managing, recording and controlling its massive database that includes valuable as well as confidential information like customer records, employee documents, business records, and legal and operational documents.

Core aspects include voucher management, physical document maintenance, electronic data, movement on record, retention of record on premises, destruction of records and data management.

## Outsourced Arrangements

In order to enable Financial Institutions to effectively manage the risks arising out of outsourcing, the State Bank of Pakistan has updated the Guidelines on Outsourcing Arrangements issued vide BPRD Circular No. 09 of 2007. The revised instructions are called 'Framework for Risk Management in Outsourcing Arrangement by Financial Institutions'. The new framework is based on international standards and best practices. These instructions aim to enhance the proactive environment in FIs on various aspects of the outsourcing including, but not limited to, governance,



risk management, in-sourcing of services, group outsourcing, information technology outsourcing and collaboration/outsourcing arrangements by FIs with financial technologies. As required under the guidelines, all outsourcing arrangements already in place at FIs,

shall be streamlined to comply with this framework latest by 30th June, 2018.

The Bank, based on initial assessment, has identified the following third party services that can be classified as material outsourcing arrangements:

Name of Outsourced Activity	Name of Service Provider	Nature of Service
Phone Banking and Business Development Services	Prime Human Resources Services (Pvt) Ltd. Bulls & Bulls (Pvt) Ltd. Rondon Enterprises (Pvt) Ltd. G. M. B. Rass Services (Pvt) Ltd.	This includes identifying sales leads, pitching services to new clients and maintaining a good working relationship with new contacts. Communicating new product developments to prospective clients.
Cash Transportation Services	Wackenhut Pakistan (Pvt) Ltd. Askari Guards (Pvt) Ltd. Phoenix Armour (Pvt) Ltd. Security Organizing System Pakistan (Pvt) Ltd.	This includes physical transfer of banknotes from one location to another. The locations include branches, ATM points and cash processing cells.
Printing Services	TCS (Pvt) Ltd. Leopards Courier Services (Pvt) Ltd. Constellation Printing Company Apex Printery (Pvt) Ltd.	This includes printing of cheque books and bank statements.
Other Critical Services	Various	This includes services for reward scheme, etc.

The total cost incurred on these identified outsourced activities during 2017 was approximately Rs. 710.756 million.

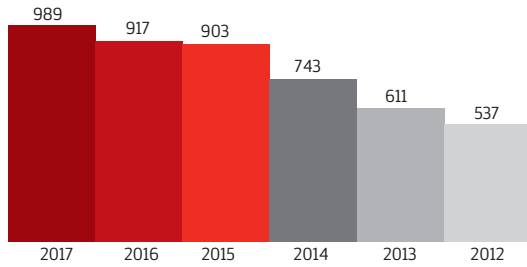


# Key Financial Information

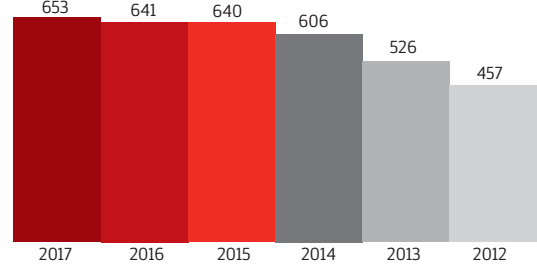


# SIX YEARS FINANCIAL POSITION

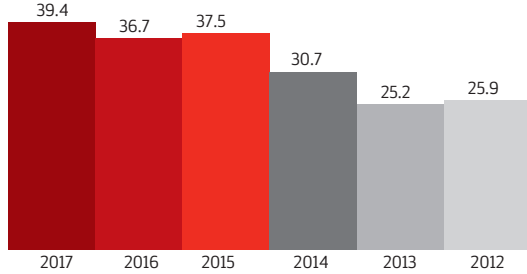
**Total Assets (Rs. in Bn)**  
CAGR 13.01%



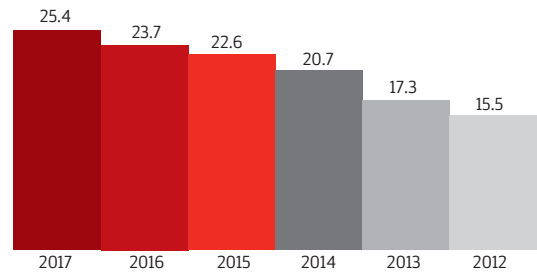
**Deposits (Rs. in Bn)**  
CAGR 7.41%



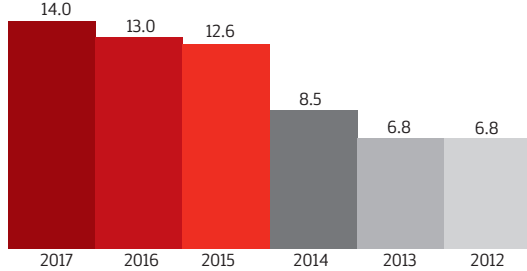
**Total Net Income (Rs. in Bn)**  
CAGR 8.80%



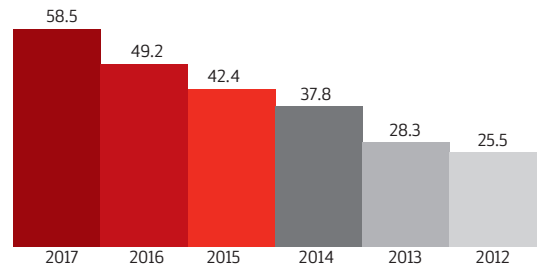
**Expenses (Rs. in Bn)**  
CAGR 10.35%



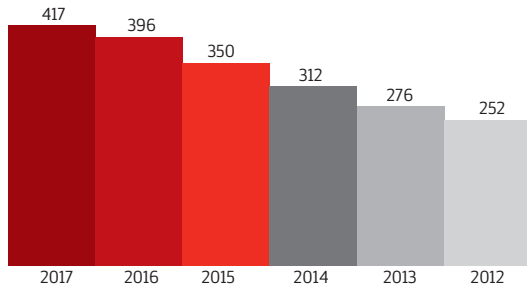
**Profit Before Tax (Rs. in Bn)**  
CAGR 15.67%



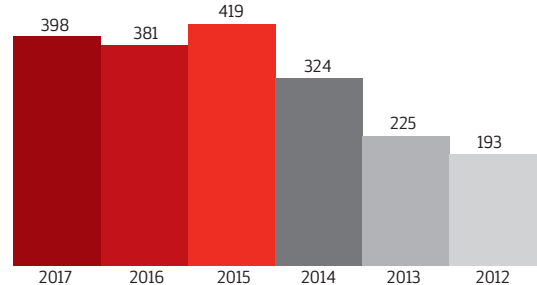
**Shareholders' Equity (Rs. in Bn)**  
CAGR 18.08%



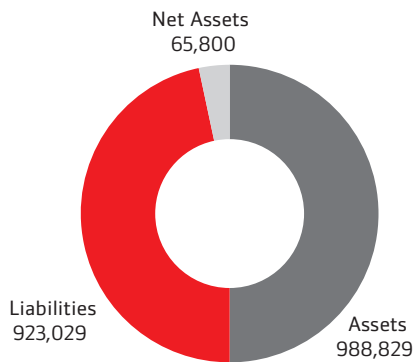
**Advances - Gross (Rs. in Bn)**  
CAGR 10.59%



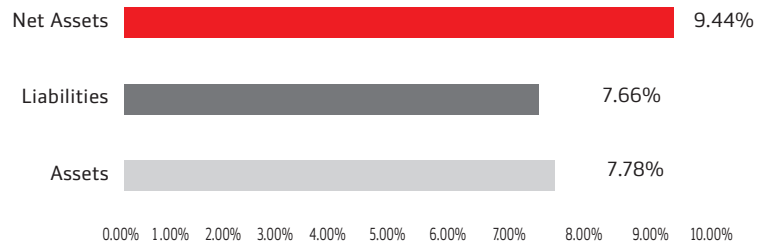
**Investment at Cost (Rs. in Bn)**  
CAGR 15.53%



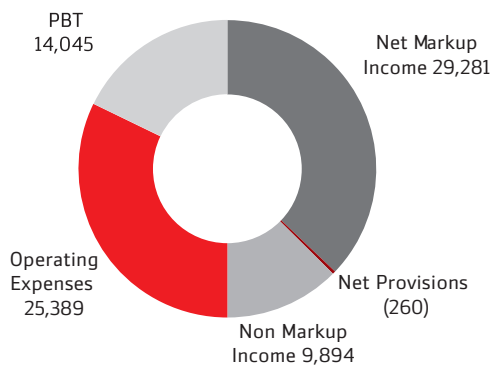
# GRAPHICAL PRESENTATION



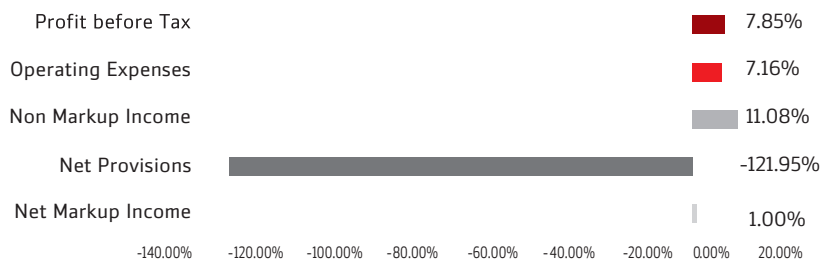
**Statement of Financial Position - 2017**



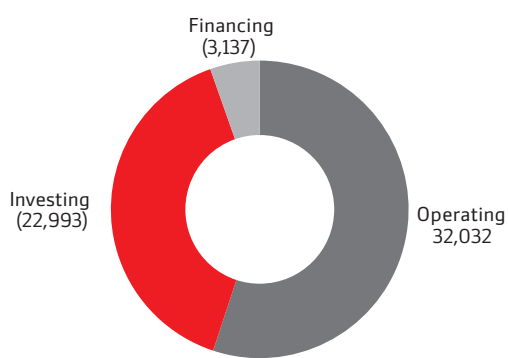
**Variance from Prior Year**



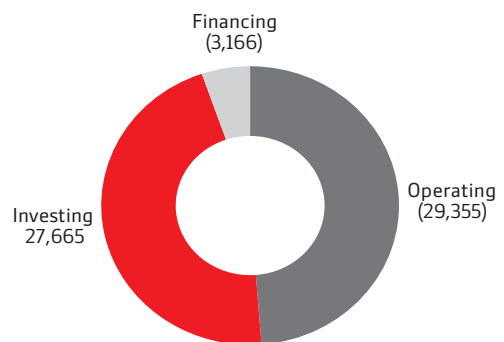
**Profit and Loss - 2017 (Rs. in Mn)**



**Variance from Prior Year**



**Cash Flows - 2017 (Rs. in Mn)**



**Cash Flows - 2016 (Rs. in Mn)**

# SIX YEARS FINANCIAL SUMMARY

		2017	2016	2015	2014	2013	2012
<b>Profit &amp; Loss Account</b>							
Mark-up / return / interest earned	Rs. Mn	56,919	57,144	61,458	55,378	43,961	46,080
Mark-up / return / interest expensed	Rs. Mn	27,639	28,153	32,811	33,505	27,066	27,500
Non-Fund based income	Rs. Mn	9,894	8,907	8,841	8,876	8,279	7,281
Total Income	Rs. Mn	39,174	37,898	37,488	30,749	25,174	25,861
Operating Expenses	Rs. Mn	25,389	23,692	22,598	20,702	17,313	15,519
Operating Profit before tax and provision	Rs. Mn	13,785	14,206	14,891	10,048	7,861	10,342
Provisions / write-offs	Rs. Mn	(260)	1,183	2,287	1,534	1,054	3,559
Profit before tax	Rs. Mn	14,045	13,023	12,604	8,514	6,807	6,783
Profit after tax	Rs. Mn	8,367	7,900	7,523	5,641	4,676	4,556
<b>Statement of Financial Position</b>							
Authorised Capital	Rs. Mn	23,000	23,000	23,000	23,000	23,000	23,000
Paid up Capital	Rs. Mn	16,076	15,952	15,898	15,872	13,492	13,492
Reserves	Rs. Mn	18,157	15,896	14,164	12,338	7,274	5,636
Unappropriated Profit	Rs. Mn	24,312	17,337	12,363	9,614	7,500	6,374
Shareholders' equity	Rs. Mn	58,545	49,185	42,425	37,824	28,266	25,502
Surplus on revaluation of assets - net of tax	Rs. Mn	7,255	10,940	10,928	6,995	3,636	4,558
Net Assets	Rs. Mn	65,800	60,124	53,353	44,819	31,902	30,060
Total Assets	Rs. Mn	988,829	917,456	902,608	743,128	611,427	536,569
Earning Assets	Rs. Mn	873,197	818,135	809,511	664,925	523,420	465,870
Gross Advances	Rs. Mn	417,182	395,863	350,351	311,507	276,039	252,173
Advances - net of Provision	Rs. Mn	400,655	378,720	334,159	297,256	262,992	237,760
Non Performing Loans	Rs. Mn	17,579	19,019	18,455	19,412	17,947	22,182
Investments - at Cost	Rs. Mn	398,189	381,458	419,329	324,336	225,035	193,473
Investments - Net	Rs. Mn	400,733	389,093	423,100	324,319	219,690	189,487
Total Liabilities	Rs. Mn	923,029	857,332	849,254	698,309	579,526	506,509
Deposits & Other Accounts	Rs. Mn	653,406	640,944	640,189	605,963	525,526	457,044
Borrowings	Rs. Mn	206,224	178,311	172,393	55,233	23,115	21,228
<b>Profitability Ratios:</b>							
Profit before tax ratio	%	24.68	22.79	20.51	15.37	15.48	14.72
Gross Yield on Average Earning Assets	%	6.73	7.02	8.34	9.32	8.89	10.62
Gross Spread	%	51.44	50.73	46.61	39.50	38.43	40.32
Non Interest income to total income	%	14.81	13.49	12.58	13.81	15.85	13.65
Return on equity (ROE)	%	15.46	17.35	19.14	18.86	18.04	19.46
Return on average assets (ROA)	%	0.88	0.89	0.95	0.85	0.83	0.92
Cost to income ratio	%	64.81	62.51	60.28	67.32	68.77	60.01
<b>Investment Ratios:</b>							
Earnings per share	Rs	5.21	4.93	4.73	4.09	3.41	3.38
Diluted Earnings per share	Rs	5.19	4.93	4.73	4.09	3.41	3.38
Breakup value per share (excl. surplus on rev. of assets)	Rs	36.42	30.83	26.69	23.83	20.95	18.90
Net assets per share	Rs	40.93	37.69	33.56	28.24	23.65	22.28
<b>Market Ratios</b>							
Cash Dividend	%	15	-	10	20	20	20
Dividend Yield ratio ( based on cash dividend)	%	3.53	-	3.47	5.73	7.40	11.89
Dividend Payout ratio	%	-	-	21.14	48.90	58.65	59.17
Price to book value ratio	Times	1.00	1.01	0.86	1.24	1.14	0.76
Price to earning ratio	Times	7.00	7.65	6.09	8.53	7.93	4.98
Dividend cover ratio	Times	-	-	4.73	2.05	1.71	1.69
<b>Share Information</b>							
Market value per share - Dec 31 (Closing Rate)	Rs.	42.50	37.96	28.82	34.88	27.04	16.82
High - during the year	Rs.	47.24	38.15	35.05	35.10	28.39	19.12
Low - during the year	Rs.	36.03	23.70	23.82	24.91	14.75	11.14
Market Capitalisation	Rs. Mn	68,323	60,554	45,818	55,362	36,482	22,693
No. of Shares outstanding		1,608	1,595	1,590	1,587	1,349	1,349



		2017	2016	2015	2014	2013	2012
<b>Assets Quality and Liquidity Ratios</b>							
Gross Advances to Deposits ratio	%	63.85	61.76	54.73	51.41	52.53	55.17
Net Advances to Deposits ratio	%	61.32	59.09	52.20	49.06	50.04	52.02
Net Investments to Deposits ratio	%	61.33	60.71	66.09	53.52	41.80	41.46
Weighted Average Cost of Deposits	%	2.59	2.91	3.76	4.91	4.64	5.43
NPLs to Gross Advances ratio	%	4.21	4.80	5.27	6.23	6.50	8.80
Coverage Ratio (specific provision / NPLs)	%	89.22	86.06	83.73	70.07	69.32	62.54
Earnings assets to total assets ratio	%	88.31	89.17	89.69	89.48	85.61	86.82
Deposits to shareholders equity	Times	11.16	13.03	15.09	16.02	18.59	17.92
Assets to Equity	Times	16.89	18.65	21.28	19.65	21.63	21.04
<b>Capital Adequacy</b>							
Tier 1 Capital	Rs. Mn	53,260	42,550	36,850	33,399	25,251	23,813
Total Eligible Capital	Rs. Mn	65,350	56,902	50,957	44,490	36,085	35,499
Risk Weighted Assets (RWA)	Rs. Mn	475,713	431,628	384,122	348,833	299,297	281,662
Tier 1 to RWA	%	11.20	9.86	9.59	9.57	8.44	8.45
RWA to Total Assets	%	48.11	47.05	42.56	46.94	48.95	52.49
Capital Adequacy Ratio	%	13.74	13.17	13.27	12.75	12.06	12.60
<b>Cash Flow Summary</b>							
Cash and cash equivalents at the beginning of the year	Rs. Mn	88,751	93,596	65,880	97,880	85,556	69,927
Cash flow from Operating Activities	Rs. Mn	32,032	(29,355)	103,243	51,772	44,162	46,194
Cash flow from Investing Activities	Rs. Mn	(22,993)	27,665	(72,611)	(87,293)	(30,172)	(31,306)
Cash flow from Financing Activities	Rs. Mn	(3,137)	(3,166)	(3,127)	3,925	(2,368)	115
Exchange difference on translation of the net investment in foreign branches	Rs. Mn	493	11	211	(404)	702	625
Increase in cash and cash equivalents	Rs. Mn	6,395	(4,845)	27,716	(32,000)	12,324	15,629
Cash and cash equivalents at the end of the year	Rs. Mn	95,146	88,751	93,596	65,880	97,880	85,556
<b>DuPont Analysis</b>							
Net Operating Margin	%	12.52	11.96	10.70	8.78	8.95	8.54
Asset Utilization	%	7.05	7.43	8.88	9.69	9.20	10.77
Return on Assets	%	0.88	0.89	0.95	0.85	0.83	0.92
Leverage Ratio / Equity Multiplier	Times	17.51	19.51	20.15	22.19	21.73	21.15
Return on Equity	%	15.46	17.35	19.14	18.86	18.04	19.46
<b>Trade</b>							
Imports - Volume	Rs. Mn	509,036	415,187	400,879	374,901	370,556	322,633
Exports - Volume	Rs. Mn	194,993	199,230	211,785	202,369	212,871	192,132
<b>Others</b>							
No of Branches		638	639	653	648	574	471
No of Permanent Employees		7,698	7,615	7,565	7,509	6,853	6,666

# SIX YEARS VERTICAL ANALYSIS

## Statement of Financial Position / Profit & Loss

	2017		2016		2015		2014		2013		2012	
	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>ASSETS</b>												
Cash and balances with treasury banks	70,382	7%	74,071	8%	62,369	7%	50,516	7%	61,205	10%	58,044	11%
Balances with other banks	4,509	0%	9,373	1%	16,552	2%	12,332	2%	34,764	6%	26,721	5%
Lendings to financial institutions	48,896	5%	30,149	3%	27,626	3%	18,313	2%	2,522	0%	877	0%
Investments - net	400,733	41%	389,093	43%	423,100	47%	324,319	44%	219,690	36%	189,487	35%
Advances - net	400,655	40%	378,720	41%	334,159	37%	297,256	40%	262,992	43%	237,760	44%
Operating fixed assets	17,628	2%	18,133	2%	17,242	2%	15,740	2%	14,835	3%	13,748	3%
Deferred tax assets	-	0%	-	0%	-	0%	-	0%	1,204	0%	486	0%
Other assets	46,026	5%	17,917	2%	21,559	2%	24,652	3%	14,215	2%	9,446	2%
	<b>988,829</b>	<b>100%</b>	<b>917,456</b>	<b>100%</b>	<b>902,607</b>	<b>100%</b>	<b>743,128</b>	<b>100%</b>	<b>611,427</b>	<b>100%</b>	<b>536,569</b>	<b>100%</b>
<b>LIABILITIES</b>												
Bills Payable	12,462	1%	12,887	1%	9,734	1%	11,758	2%	9,543	1%	8,431	1%
Borrowings	206,224	21%	178,311	19%	172,393	19%	55,233	7%	23,115	4%	21,228	4%
Deposits & other accounts	653,406	66%	640,944	70%	640,189	71%	605,963	82%	525,526	86%	457,044	85%
Subordinated loans	4,991	1%	8,318	1%	9,983	1%	9,987	1%	9,991	2%	5,875	1%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	3,154	0%	2,650	0%	1,824	0%	853	0%	-	0%	-	0%
Other Liabilities	42,793	4%	14,222	2%	15,131	2%	14,515	2%	11,350	2%	13,931	3%
	<b>923,029</b>	<b>93%</b>	<b>857,332</b>	<b>93%</b>	<b>849,254</b>	<b>94%</b>	<b>698,309</b>	<b>94%</b>	<b>579,525</b>	<b>95%</b>	<b>506,509</b>	<b>94%</b>
<b>NET ASSETS</b>	<b>65,800</b>	<b>7%</b>	<b>60,124</b>	<b>7%</b>	<b>53,353</b>	<b>6%</b>	<b>44,819</b>	<b>6%</b>	<b>31,902</b>	<b>5%</b>	<b>30,060</b>	<b>6%</b>
<b>REPRESENTED BY :</b>												
Authorized Capital	23,000		23,000		23,000		23,000		23,000		23,000	
Share capital	16,076	2%	15,952	2%	15,898	2%	15,872	2%	13,492	2%	13,492	3%
Reserves	18,157	2%	15,896	2%	14,164	2%	12,338	2%	7,274	1%	5,636	1%
Unappropriated profit	24,312	2%	17,337	2%	12,363	1%	9,614	1%	7,500	1%	6,374	1%
<b>Share Holder's Equity</b>	<b>58,545</b>	<b>6%</b>	<b>49,185</b>	<b>6%</b>	<b>42,425</b>	<b>5%</b>	<b>37,824</b>	<b>5%</b>	<b>28,266</b>	<b>4%</b>	<b>25,502</b>	<b>5%</b>
Surplus on revaluation of fixed assets - net of tax	7,255	1%	10,940	1%	10,928	1%	6,995	1%	3,636	1%	4,558	1%
Net Assets	<b>65,800</b>	<b>7%</b>	<b>60,125</b>	<b>7%</b>	<b>53,353</b>	<b>6%</b>	<b>44,819</b>	<b>6%</b>	<b>31,902</b>	<b>5%</b>	<b>30,060</b>	<b>6%</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Mark-up / return / interest earned	56,919	85%	57,144	87%	61,438	87%	55,378	86%	43,961	84%	46,080	86%
Mark-up / return / interest expensed	(27,639)	-41%	(28,153)	-43%	(32,811)	-47%	(33,505)	-52%	(27,066)	-52%	(27,500)	-52%
<b>-Net mark-up / interest income (NMR)</b>	<b>29,280</b>	<b>44%</b>	<b>28,991</b>	<b>44%</b>	<b>28,627</b>	<b>41%</b>	<b>21,873</b>	<b>34%</b>	<b>16,895</b>	<b>32%</b>	<b>18,580</b>	<b>35%</b>
Provision and Write-offs	260	0%	(1,183)	-2%	(2,287)	-3%	(1,534)	-2%	(1,054)	-2%	(3,559)	-7%
<b>Net mark-up / interest income after provisions</b>	<b>29,540</b>	<b>44%</b>	<b>27,808</b>	<b>42%</b>	<b>26,340</b>	<b>37%</b>	<b>20,340</b>	<b>32%</b>	<b>15,841</b>	<b>30%</b>	<b>15,021</b>	<b>28%</b>
Non mark-up/interest Income	9,894	15%	8,907	13%	8,862	13%	8,876	14%	8,279	16%	7,281	14%
Non mark-up/interest expenses	(25,389)	-38%!	(23,692)	-36%	(22,598)	-32%	(20,702)	-32%	(17,313)	-33%	(15,519)	-29%
<b>Profit Before Taxation</b>	<b>14,045</b>	<b>21%</b>	<b>13,023</b>	<b>20%</b>	<b>12,604</b>	<b>18%</b>	<b>8,514</b>	<b>13%</b>	<b>6,807</b>	<b>-13%</b>	<b>6,783</b>	<b>13%</b>
Taxation	(5,678)	-8%	(5,123)	-8%	(5,081)	-7%	(2,873)	4%	(2,131)	-4%	(2,227)	-4%
<b>Profit After Taxation</b>	<b>8,367</b>	<b>13%!</b>	<b>7,900</b>	<b>12%</b>	<b>7,523</b>	<b>11%</b>	<b>5,641</b>	<b>9%</b>	<b>4,676</b>	<b>9%</b>	<b>4,556</b>	<b>9%</b>

# SIX YEARS HORIZONTAL ANALYSIS

## Statement of Financial Position / Profit & Loss

	2017	17 vs 16	2016	16 vs 15	2015	15 vs 14	2014	14 vs 13	2013	13 vs 12	2012	12 vs 11
	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%	Rs in Mn	%
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>ASSETS</b>												
Cash and balances with treasury banks	70,382	-5%	74,071	19%	62,369	23%	50,516	-17%	61,205	5%	58,044	14%
Balances with other banks	4,509	-52%	9,373	-43%	16,552	34%	12,332	-65%	34,764	30%	26,721	53%
Lendings to financial institutions	48,896	62%	30,149	9%	27,626	51%	18,313	626%	2,522	188%	877	-89%
Investments - net	400,733	3%	389,093	-8%	423,100	30%	324,319	48%	219,690	16%	189,487	14%
Advances - net	400,655	6%	378,720	13%	334,159	12%	297,256	13%	262,992	11%	237,760	18%
Operating fixed assets	17,628	-3%	18,133	5%	17,242	10%	15,740	6%	14,835	8%	13,748	3%
Deferred tax assets	-	0%	-	0%	-	0%	-	-100%	1,204	148%	486	-10%
Other assets	46,026	157%	17,917	-17%	21,559	-13%	24,652	73%	14,215	50%	9,446	-14%
	<b>988,829</b>	<b>8%</b>	<b>917,456</b>	<b>2%</b>	<b>902,607</b>	<b>21%</b>	<b>743,128</b>	<b>22%</b>	<b>611,427</b>	<b>14%</b>	<b>536,569</b>	<b>15%</b>
<b>LIABILITIES</b>												
Bills Payable	12,462	-3%	12,887	32%	9,734	-17%	11,758	23%	9,543	13%	8,431	56%
Borrowings	206,224	16%	178,311	3%	172,393	212%	55,233	139%	23,115	9%	21,228	17%
Deposits & other accounts	653,406	2%	640,944	0%	640,189	6%	605,963	15%	525,526	15%	457,044	14%
Subordinated loans	4,991	-40%	8,318	-17%	9,983	0%	9,987	0%	9,991	70%	5,875	-18%
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	3,154	19%	2,650	45%	1,824	114%	853	-	-	-	-	-
Other Liabilities	42,793	201%	14,222	-6%	15,131	4%	14,515	28%	11,350	-19%	13,931	29%
	<b>923,029</b>	<b>8%</b>	<b>857,332</b>	<b>1%</b>	<b>849,254</b>	<b>22%</b>	<b>698,309</b>	<b>20%</b>	<b>579,525</b>	<b>14%</b>	<b>506,509</b>	<b>14%</b>
<b>NET ASSETS</b>	<b>65,800</b>	<b>9%</b>	<b>60,124</b>	<b>13%</b>	<b>53,353</b>	<b>19%</b>	<b>44,819</b>	<b>40%</b>	<b>31,902</b>	<b>6%</b>	<b>30,060</b>	<b>18%</b>
<b>REPRESENTED BY :</b>												
Share capital	16,076	1%	15,952	0%	15,898	0%	15,872	18%	13,492	0%	13,492	0%
Reserves	18,157	14%	15,896	12%	14,164	15%	12,338	70%	7,274	29%	5,636	37%
Unappropriated profit	24,312	40%	17,337	40%	12,363	29%	9,614	28%	7,500	18%	6,374	27%
<b>Share Holder's Equity</b>	<b>58,545</b>	<b>19%</b>	<b>49,185</b>	<b>16%</b>	<b>42,425</b>	<b>12%</b>	<b>37,824</b>	<b>34%</b>	<b>28,266</b>	<b>11%</b>	<b>25,502</b>	<b>13%</b>
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<b>Net mark-up / interest income (NMR)</b>	<b>29,281</b>	<b>1%</b>	<b>28,991</b>	<b>1%</b>	<b>28,627</b>	<b>31%</b>	<b>21,873</b>	<b>29%</b>	<b>16,895</b>	<b>-9%</b>	<b>18,580</b>	<b>0%</b>
Provision and Write-offs	260	-122%	(1,183)	-48%	(2,287)	49%	(1,534)	46%	(1,054)	-70%	(3,559)	-18%
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# Review of Six Years' Performance

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## Statement of Financial Position

### Total Assets

The asset base of the Bank has grown remarkably over the last 6 years, from Rs. 536.568 billion at December 2012 to Rs. 988.829 billion at December 2017 – a CAGR of 13.01 percent. Key contributions to the increase have been through investments and advances, which are detailed below. Our strategy over the years has been to manage the asset mix in a way that maximises returns to stakeholders.

### Advances

The Bank's ADR ratio continues to remain one of the highest in the industry. At December 2017, the Bank's Gross ADR stands at 63.8 percent, and has been consistently above the industry average over the last six years. Over the period, the Bank's Gross Advances grew at a CAGR of 10.59 percent. The Bank has continued to strengthen its risk management framework over the years and with full automation under the belt, the credit approval processes have been refined to make decision-making effective and client-centric.

### Non-performing Loans

Owing to our branch-led model and robust credit underwriting criteria, the Bank has consistently had one of the lowest infection ratios amongst top-tier banks, while our growth trajectory in advances has been maintained. Our infection ratio has witnessed a significant drop, from 8.8 percent in 2012 to 4.2 percent in 2017 - a testimony to our focus on maintaining asset quality. The Bank's dedicated Special Assets Management Group has been able to facilitate significant recoveries over the years. As a result, our NPLs have been reduced from a peak level of Rs. 22.182 billion in 2012 to Rs. 17.579 billion at end 2017. Most importantly, the Bank's coverage ratio stands significantly improved from 62.54 percent in 2012 to 89.22 percent in 2017.

### Investments

Our investments portfolio has grown over the years. In line with the overall industry trend that prevailed over the last few years, investments were made predominantly in high yielding Government Securities. With a CAGR of 15.53 percent over the

last six years, the investment base (at cost) of the Bank has grown from Rs. 193.473 billion in 2012 to Rs. 398.189 billion at end 2017. Post 2012, no significant impairment charge has been considered against investment, which is indicative of the quality of our investment book.

### Deposits

The deposit base of the Bank has continued to grow over the last six years, which has supported the balance sheet growth indicated above. Total Deposits have increased from Rs.457.044 billion in 2012 to Rs.653.406 billion in 2017. The Bank's CASA percentage at December 2017 stands at 77.1 percent. Over the years, the Bank's high cost deposits have strategically been tapered off, which along with the reduction in minimum rates resulted in the Bank's cost of deposits coming down from 5.43 percent in 2012 to 2.60 percent in 2017. The Bank enjoys a diversified product suite, with products catered to meet varying customer needs. Our focus remains on maintaining service excellence, and providing adequate returns to our depositors together with transactional convenience through our Digital Banking and Alternate Delivery Channels.

### Equity

The paid-up capital of the Bank has grown from Rs. 13.492 billion in 2012 to Rs. 16.076 billion in 2017. In 2014, IFC acquired a stake of 15 percent in the Bank, which represented a key strategic alliance in the Bank's history. This alliance has continued to bring in synergies in technology, human resource and trade business.

Furthermore, the Bank's first-ever Employee Stock Option scheme successfully ran from 2014 to 2016, in which options were granted to certain key executives and employees as approved by the Board Compensation Committee. Under the scheme, selected employees granted with options are eligible to exercise the same over the defined exercise periods, and subscribe for new shares (without rights) at an agreed discount. Till December 2017, 20.329 million additional shares have been subscribed by the employees who have exercised their options, and the final vesting period under the scheme shall end in 2019.

Following the Bank's fifth, Quoted, Unsecured, Rated and Listed TFC issue in the year 2013, the Bank is in process of issuing its first ever additional Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative

and contingent convertible debt instruments, subject to all regulatory approvals. The Pre-IPO of Rs. 6.3 billion of the proposed issue has been successfully closed in January 2018. The proceeds from the issue will contribute towards the bank's additional Tier-1 capital and are intended to be utilised towards enhancement of the bank's business operations.

## Dividends

Over the years, the Bank has had a consistent dividend payout stream, however, for 2015 and 2016, profit retention was also focused to increase the Bank's risk absorption capacity, and in turn facilitate greater returns over the medium to long term. The Bank's Capital Adequacy Ratio is currently above the requirement (including capital conservation buffer). The Board has recommended a payout of 15 percent as final Dividend for the year 2017.

## Profit and Loss Account

### Income

The composition of markup income saw a shift in recent years on the back of concentration shift in the Bank's earning asset base, as referred to above. The contribution from markup income earned on advances has reduced from 54.3 percent in 2012 to 49.7 percent in 2017 while markup income from investments has increased to 45.6 percent (2012: 42.6 percent). A consistently low interest rate regime, and regulatory revisions covering minimum deposit rates has kept the sectors net interest margins under pressure. The Bank's Balance Sheet growth has been managed in a way to compensate for declining yields through volumetric growth, with a view to maximise returns.

Contributions from non-fund income during the last six years have supported bottom line profitability. Core fee, commission income, foreign exchange income, have all indicated growth, while capital gains on both capital and money market fronts have supplemented the NFI. Over the course of the years, key changes

to our technology platform, cross-sell initiatives, branch transformation programmes, have helped the Bank deliver further transactional convenience to its customers, and have facilitated contribution from non-fund based income.

## Operating Expenses

Over the years, the Bank has seen a significant transformation. More than 150 branches have been opened over the period from 2012 to 2017. The overall growth in administrative costs has primarily been on account of costs attributable to additional branches under the Bank's expansion plan, rising rentals and utility costs, and significant IT costs relating to infrastructural improvements to the core banking system and the overall technological platform. However, the Bank has kept a check on these factors, and strict cost discipline measures were introduced with a focus on improving the cost to income ratio. Centralisation of various expenses and regular revisits to expenditure approval authorities were undertaken to keep costs in check. Non-recurring items continue to be tracked separately.

The year 2017 witnessed certain restructuring costs due to organisational changes. Going forward, the management intends to further bring in cost savings through cost rationalisation measures and a greater discipline over spending.

## Bank's Significant Resources

### Deposits

Deposits remain the core resource for any commercial banking unit. Core Deposits comprise of current accounts and savings accounts (CASA). Deposits, like any other source, have an attached cost - which include competitive returns to depositors, remuneration for deposit gathering teams and additional services to facilitate the customers. The Banks CASA mix remains healthy, and the behavioural maturity profiling appears adequate.



## Capital Employed

Shareholders' Equity represents capital commitments of shareholders and investors. Such funding constitutes of diversified sources and types, each entitling investors with unique income distribution, liquidation and voting privileges. Several regulatory ratios and requirements such as CAR are based on the shareholder's capital. Equity capital, being an expensive source is raised in case of strategic decisions like expansion, acquisitions and mergers, and in some cases to restore the capital position of an entity. On the Debt side, the principal component consists of Long-Term Debt. Typical debt instruments include Term Finance Certificates repayable over a defined term. The Bank has successfully issued five Term Finance Certificates, of which fourth issues have matured.

The Bank is in process of issuing additional Tier-1 Capital in the form of listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments, subject to regulatory approvals. The Pre-IPO of Rs. 6.3 billion has been successfully closed in January 2018.

## Human Capital

Bank Alfalah's emphasis has always been on the quality of our human capital. Our strength lies in our people. We have a sound and seasoned management team, capable of delivering results, by inspiring our employees to do things the right way. Learning objectives at the organisation are clearly defined to nurture and retain the best talent pool, and to reward the best talent.

## Technology

The Bank sees technological advancements as vital in terms of attaining long-term growth and sustainability. The integration

of technology into the banking sector has witnessed significant breakthroughs like paperless operations, branchless banking through digital channels and on the go 'single-platform but multi-purpose solutions'. Bank Alfalah's vision to be the only 'Real Digital Bank in Pakistan' has seen us deploy cutting-edge technology to equip our customers with end to end solutions.

## Capital Structure and Ratios

The capital structure is a key driver of exposure limits available to the entity under applicable Prudential Regulations. Bank Alfalah's planned capital structure is designed to meet regulatory and market expectations. Our targeted capital structure enables us to invest in and grow our business, satisfy our customers' financial needs in varying environments, access markets, and maintain flexibility to return capital to our shareholders. Our targeted capital structure also considers capital levels sufficient to exceed Basel III capital requirements.

Capital targets are subject to change based on various factors, including changes to the regulatory capital framework and expectations for large banks promulgated by bank regulatory agencies, planned capital actions, changes in our risk profile and other factors.

Quality of the capital is evident from the Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which, at 11.20 percent at 2017 end, is in excess of the requirement of 6 percent. The Bank has an ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.5 percent of the total RWA, to be maintained in the form of Capital Equity Tier 1 by the year end 2019.





## Prospects of the Entity including Financial and Non-financial Measures

Bank Alfalah is one of the fastest growing banks in Pakistan. Going forward, the Bank is well positioned towards leading the way to become the only real Digital Bank in Pakistan. We aim to extend our outreach through a broader distribution footprint, digitised front channels and back-end processes. Furthermore, our focus remains on nurturing human capital, and we shall continue to invest in our people through extensive trainings and development initiatives. This is what makes us the Best Bank in Pakistan.

### Financial Measures

The Bank incorporates various financial measures while arriving at future projections. Targets defined against the following broad financial measures:

- **Deposits:** The Bank periodically reviews the quality of its deposit mix with focus towards CASA. Apart from the deposit mix, it is essential that the cost of such deposits is kept at such a level that the Bank remains competitive within the industry.
- **Advances:** Sustainable growth in advances is the key behind profitability, as advances remain the prime revenue source for the institution. The Bank places great emphasis on credit quality and segmental diversification of its advances portfolio. Growth in advances needs to be managed effectively, as this has a direct impact on earnings if resources are not adequately deployed. A robust Risk Assessment mechanism is essential to maintain quality of the advances portfolio.
- **Business Volume:** Business Volume refers to the application of a bank's resources to cater to customers' demands. This incorporates New-to-Business customer advances, trade business volumes, advisory services, over the counter services and services channeled through digital platforms. One-shop solutions and cross-sell initiatives have been a major breakthrough in terms of escalating business volumes.

- **Cost to Income Ratio:** The Bank continues to prioritise cost efficiency. Centralisation of expenses and removal of redundancies remains a key initiative towards cost control.
- **Returns on Earning Assets (ROEA):** The ROEA depicts the ability of a bank's earning assets to generate income. This is often the result of sound management policies as well as the company's ability to garner a larger share of the market.
- **Net Spread:** Net spread is a key financial measure in evaluating the core profitability of the Bank. Interest earned on advances and other interest bearing assets, interest paid out on deposits and borrowings is prudently managed for all sources and uses of funds.
- **Return on Equity:** Remains a key measure to assess returns for our shareholders.

### Non-Financial Measures

Non-financial measures are of equal significance when setting the path for the future. Projections outlined against such measures confirm that the Bank is not only sound and transparent in terms of business operations but also recognises its due role as a responsible corporate citizen. Although such standards are qualitative in nature, their value to the business has been decisive in recent years. Non-financial measures mainly consist of:

- Compliance with the regulatory framework
- Corporate image
- Stakeholders' engagement
- Brand preference
- Relationship with customers and business partners
- Employee satisfaction and well-being
- Responsibility towards the society
- Environmental protection

# STATEMENT OF VALUE ADDED

	2017		2016	
	Rs in Mns		Rs in Mns	
<b>Value Added</b>				
Net Interest Income	29,281		28,991	
Non Interest Income	9,894		8,907	
Operating Expenses excluding Staff costs depreciation, amortization and WWF	(12,718)		(12,007)	
Provision against advances, Investments & Others	280		(1,073)	
<b>Value added available for distribution</b>	<b>26,737</b>		<b>24,819</b>	
<b>Distribution of Value Added</b>		%		%
<b>To Employees</b>				
Remuneration, provident fund and other benefits	10,157	38%	9,603	39%
<b>To Government</b>				
Worker Welfare Fund	259	1%	113	0%
Income Tax	5,678	21%	5,123	21%
	5,937	22%	5,236	21%
<b>To providers of capital</b>				
Cash dividends to shareholders	-	0%	-	0%
Bonus Shares	-	0%	-	0%
	-	0%	-	0%
<b>To Society</b>				
Donations	10	0.04%	32	0.13%
<b>To Expansion and growth</b>				
Depreciation	1,820	7%	1,691	7%
Amortization	446	2%	357	1%
Retained Earnings	8,367	31%	7,900	32%
	10,633	40%	9,948	40%
	26,737	100%	24,819	100%



## Share Price Sensitivity Analysis

Below is a list of some key factors that can influence the share price of Bank Alfalah Limited. The list is not exhaustive by any means and intends to cover the major areas:

### Regulatory/Policy Changes

Any regulatory or policy changes that directly impact the banking landscape and cost and/or revenue drivers are likely to exert the biggest influence on the Bank's stock price. For example, a change in the discount rate which directly impacts yields on government securities and advances, and to a certain extent on funding costs can materially impact profitability and hence the share price as well.

Similarly any regulatory changes such as a change in the minimum rate of deposit payable on certain types of deposits can have a significant impact on the cost of funds, profitability and most likely the stock price.

### Investor and Market Sentiment

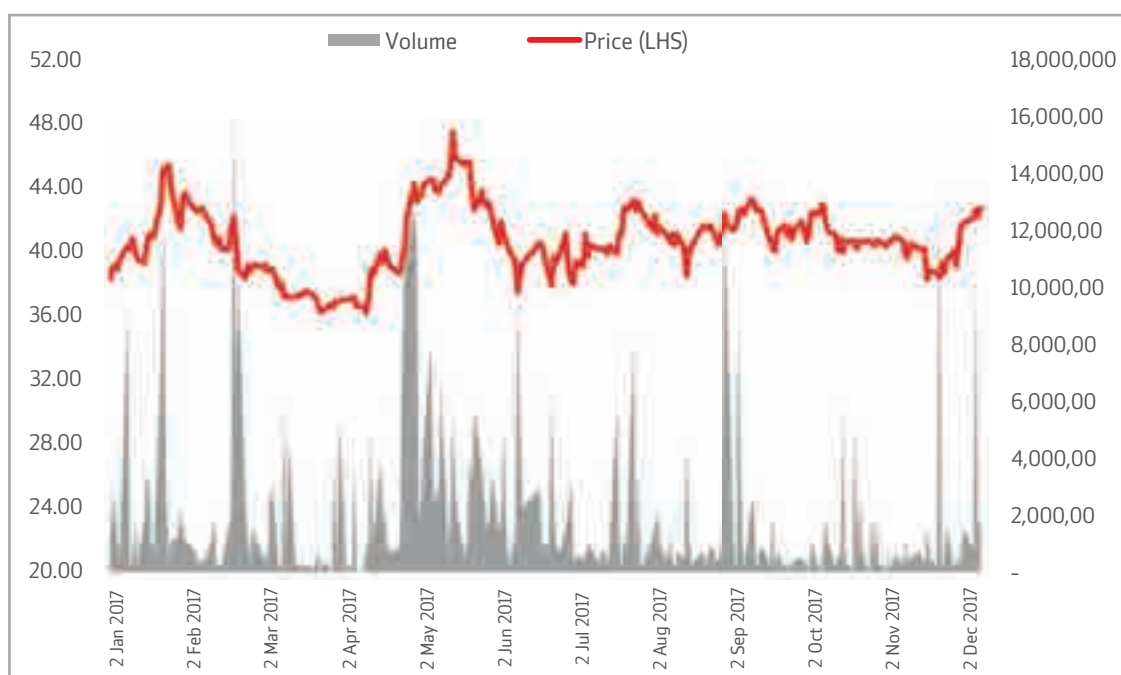
While difficult to quantify in numeric terms, but a change in sentiments regarding the investment climate in general or the stock market in particular can have an impact on the Bank's stock price, even if there is no fundamental development or change in the Bank's investment or business case.

### Change in Macro Environment

Any changes in the macro environment, such as political, law and order, inflation and/or currency pressures could see the stock price of the Bank move alongside as the market preempts the developments and extrapolates the impact of these developments on policy/regulatory changes in the Bank's share price. Hence, there could be a situation where the stock price of the Bank moves well in advance of the regulatory/policy change actually happening.

### Share Price Information

High Price	Rs. 47.24
Low Price	Rs. 36.03
Average Volume	2,029,379
No. of Trading Days	248
Days Traded	248
% of Days Traded	100%



The image features a background with a diagonal split between a gold upper-left section and a red lower-right section, separated by a white diagonal line. The text 'Corporate Governance' is centered in the red area in a white, sans-serif font. A white curved shape is visible at the bottom left corner.

# Corporate Governance



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# Board of Directors

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## **His Highness Sheikh Nahayan Mabarak Al Nahayan**

Chairman

His Highness Sheikh Nahayan Mabarak Al Nahayan is a prominent member of the ruling family of Abu Dhabi, United Arab Emirates. Currently, His Highness is UAE Cabinet Member and Minister of State for Tolerance. Prior to his current responsibility, he served as Minister of Culture and Knowledge Development; Minister of Culture, Youth, and Social Development, and Minister of Higher Education and Scientific Research.

Besides his ministerial responsibilities, he has been playing a leading and distinguished part in educational advancements, focusing on the role of education in achieving development and progress. His Highness owns substantial business interests, hotels and other investments in UAE, Pakistan, Africa, US and Central Asia. His Highness also holds various offices as Chairman and Director at Boards and Trusts along with Patronship of various local and foreign organisations and affiliates. His direct and indirect business interests spread throughout various industry sectors such as banking, telecom, insurance, hospitality, healthcare, construction, project financing and investment management. Moreover, he supports many charitable institutions and devotes special attention to the disabled children as the Honorary President of Abu Dhabi Future Rehabilitation Center, formerly known as Future Center for Special Needs.

His Highness is also recipient of Pakistan's highest civilian award, the 'Hilal-e-Pakistan', which was conferred upon him in 2005 for his contribution to the economic growth of Pakistan. His Highness received his education from the British Midfield School until the high secondary level before joining Magdalen College at Oxford University, UK.



## **Abdulla Nasser Hawaileel Al Mansoori**

Director

Abdulla Nasser Hawaileel Al Mansoori is a prominent businessman of Abu Dhabi, UAE. He is Chairman of Al Nasser Holdings and Group Companies. He was also Director of the National Investor, Abu Dhabi, UAE. In the past, Abdulla Nasser Hawaileel Al Mansoori was Director of United Arab Bank, Water & Electricity Department of Abu Dhabi, Director of Projects, ADNOC, General Industries Corporation, Abu Dhabi, and Director General & Vice Chairman of General Industrial Corporation, Abu Dhabi. In addition, he held other Board positions and Chairmanships of Abu Dhabi Ship Building Co, PJSC. He was also a nominated member of Federal National Council.

Abdulla Nasser Hawaileel Al Mansoori holds a B.Sc. (Hons) Degree in Electrical Engineering from Swansea University, UK.



## **Abdulla Khalil Al Mutawa**

Director

Abdulla Khalil Al Mutawa is the General Manager of H.E. Sheikh Suroor Bin Mohammad Al Nahyan. He is also a Director of the Abu Dhabi Commercial Bank Ltd, and Chairman of Makhazen Investment Company in Abu Dhabi. Abdulla Khalil Al Mutawa is a non-Executive Member of the Board of EFG Hermes Holding, S.A.E.

Abdulla Khalil Al Mutawa holds a B.Sc. Degree in Business Administration from the University of North Carolina, USA.



## **Khalid Mana Saeed Al Otaiba**

Director

Khalid Mana Saeed Al Otaiba is the Office Manager of His Excellency Dr. Mana Saeed Al Otaiba (Personal Advisor to His Highness, the President of UAE). He is also Deputy Chairman of Al Otaiba Group of Companies. Khalid Mana Saeed Al Otaiba is a Director of Alfalah Insurance Company Limited, Pakistan and EFG Hermes Holding, S.A.E. He is also Chairman of Liwa International Investment Tourism and Royal Mirage Hotel & Resort Ltd, Morocco. He is also a Director of Ghantout International.

Khalid Mana Saeed Al Otaiba holds a Bachelor of Arts & Science Degree in International Economics from Suffolk University of Massachusetts, Boston, USA.



## Efstratios Georgios Arapoglou

Director

Efstratios Georgios Arapoglou is a Corporate Advisor, with an international executive career in Corporate and Investment Banking, International Capital Markets, and in managing, restructuring and advising Financial Institutions.

He has been CEO of Commercial Banking at EFG Hermes Holding, S.A.E. Group, operating in the Middle East and Africa (2010-2013). Earlier, he was Chairman and CEO of the National Bank of Greece Group (2004-2009), Chairman of the Hellenic Banks Association (2005-2009), and Managing Director and Global Head of the Banks and Securities Industry for Citigroup (1999-2004).

Efstratios Georgios Arapoglou has served on several boards of publicly listed companies in Europe, the Middle East and Africa, as well as on Boards of Educational Foundations, including the Institute of Corporate Culture Affairs in Frankfurt, as Chairman. He is currently holding the following non-executive board positions: Chairman of Tsakos Energy Navigation (TEN) Ltd. Listed in the NYSE; Chairman of Titan Cement SA, listed in the Athens SE; Board Member of EFG Hermes Holding, S.A.E., listed in Cairo and the London SE, Board Member of Credit Libanais SAL and Board Member of Bank Alfalah Ltd., listed in Pakistan, representing the International Finance Corporation (IFC).

Efstratios Georgios Arapoglou is Chairman of the International Advisory Board of Tufts University in Boston, Ma, and a Member of the Business Advisory Council for the International MBA Program of Athens University of Economics and Business. He has degrees in Mathematics, Naval Architecture & Ocean Engineering and Management from Greek and British Universities.



## Khalid Qurashi

Director

Khalid Qurashi is a recently retired banker with considerable international banking experience. He has worked for 38 years with a major US international bank, where his area of expertise was in corporate risk management and profit centre/franchise management. He was responsible for risk management for the Middle East, Africa and Turkey operations. He contributed materially to overall institutional policy debate and strategy formulation. Before he took over responsibilities as a risk senior, he managed a couple of large country franchises in the Middle East and Africa, where the portfolio encompassed a wide spectrum ranging from large corporates, to governments, to financial institutions as well as SMEs and PE companies. Khalid Qurashi was Vice Chairman of and Board Member of Citi Islamic Bank Bahrain as well as Chairman of the Credit Committee of a local African subsidiary.

Khalid Qurashi has a Masters Degree in Administration from Karachi University.



## **Kamran Y. Mirza**

Director

Kamran Y. Mirza is a qualified Chartered Accountant (Nov. 1968) from United Kingdom and started his career in Pakistan as an Auditor with A.F. Ferguson & Co. Kamran Y. Mirza then made a career move in December 1970 and joined Abbott Laboratories (Pakistan) Limited, a multinational pharmaceutical cum healthcare company as Chief Financial Officer. He became one of the youngest Managing Directors of his time in the year 1977 and remained in that position, i.e. Managing Director Abbott Pakistan, for 29 years.

Kamran Y. Mirza held the position of Chairman Export Processing Zones Authority from February 2007 to March 2009 and then joined PBC (Pakistan Business Council) as its Chief Executive Officer, a position he held till December 2015. PBC is a Think Tank cum Business Policy Advocacy Forum.

He is the Chairman of Philip Morris (Pakistan) Ltd. and Unilever Pakistan Foods Ltd. (UPFL), as well as Karwan-e-Hayat (NGO). He is also serving as Director on the Boards of Abbott Laboratories, International Steel (ISL), Bank Alfalah, Safari Club Ltd., and Education Fund for Sindh (EFS), of which he was the Chairman from December 2012 to October 2016.

Previously, he served as Chairman of Pakistan Mercantile Exchange Ltd. (PMEX) - formerly National Commodity Exchange Ltd. (NCEL), Chairman of Karachi Stock Exchange (KSE), President of Overseas Chamber of Commerce & Industry (OICCI), President of American Business Council (ABC), and Chairman of Pharma Bureau - (Association of Pharmaceutical Multinationals).

He served as Director on the Boards of State Bank of Pakistan (SBP), Pakistan State Oil (PSO), Pakistan Steel (PS), National Bank of Pakistan (NBP), Pakistan Textile City Limited, Competitiveness Support Fund (CSF), Genco Holding Company and NAVTEC. Further, he represented PBC on the Board of BOI (Board of Investment) and other government bodies/institutions.

Kamran Y. Mirza has also been a past Chairman of a Task Force set up by the Planning Commission on pharmaceutical industry, a Member of the Economic Advisory Board of the Federal Government and Sindh Wild Life Board. He has served as a Member on Quality Control Board of Institute of Chartered Accountants of Pakistan (ICAP). He also lectures regularly at the Pakistan Institute of Corporate Governance (PICG).



## **Nauman Ansari**

President and CEO/Director

Nauman Ansari joined Bank Alfalah Limited as President & CEO in July 2017. Prior to this, Nauman Ansari served various banks during his 24 year professional career, including leading institutions like Standard Chartered Bank, Bank of America, ABN Amro, Fortis Bank and Samba. He began his career with Standard Chartered Bank, Karachi in 1993, followed by three years at the Bank of America. After joining ABN Amro Bank in 1998, he was appointed Director Portfolio Strategy & Execution in 2004. He then joined Fortis Bank, Dubai, in 2006, as Head of Institutional Banking – Middle East & Pakistan, followed by the role of Head of Corporate Banking at Samba Bank Limited (formerly known as Crescent Commercial Bank) in 2007. He joined Faysal Bank as Group Head, Corporate & Investment Banking in 2008 and was appointed President & CEO in 2014.

Nauman Ansari is reputed to be a seasoned banker with strong professional acumen. He is a business graduate of Miami University, USA.



# Senior Management



**Left to Right**

Tahir Khurshid (Head Audit and Inspection Group)  
Anjum Hai (Chief Financial Officer)  
Mohib Hasan Khan (Chief Information Officer)  
Suhail Yaqoob Khan (Chief Risk Officer)

Haroon Khalid (Head Compliance and Control)  
Mian Ejaz Ahmad (Company Secretary, Group Head Legal and Corporate Affairs)  
Muhammad Yahya Khan (Group Head Digital Banking)  
Mehreen Ahmed (Group Head Retail Banking)





**Bilal Asghar** (Group Head Corporate, Investment Banking and International Business)  
**Nauman Ansari** (President and Chief Executive Officer)  
**Rizwan Ata** (Group Head Islamic Banking)  
**Syed Ali Sultan** (Group Head Treasury, Capital Markets and Financial Institutions)

**Khawaja Muhammad Ahmad** (Group Head Operations and Corporate Services)  
**Bashir Ahmed Sheikh** (Group Head Special Assets Management)  
**Aasim Wajid Jawad** (Head Strategy)  
**Hafsa Abbasy** (Head Human Resources and Learning)

## **Nauman Ansari**

President and Chief Executive Officer

Nauman Ansari joined Bank Alfalah as President and CEO in July 2017. He is reputed to be a seasoned banker with strong professional acumen. Prior to this, Nauman served various banks during his 24 years of professional career, including leading institutions like Standard Chartered Bank, Bank of America, ABN AMRO Bank, Fortis Bank (Dubai) and Samba Bank Limited (formerly known as Crescent Commercial Bank). He is a business graduate of Miami University, USA.



## **Suhail Yaqoob Khan**

Chief Risk Officer

Suhail Yaqoob Khan joined Bank Alfalah as Chief Risk Officer in May 2013. With well-diversified exposure in the banking and financial services industry, Suhail has over 21 years of experience in local as well as global organisations like Faysal Bank Limited, ABN AMRO Pakistan and ABN AMRO/Fortis UK. He is a Chartered Financial Analyst (CFA) and holds an MBA Degree in Finance from the Institute of Business Administration (IBA).



## **Anjum Hai**

Chief Financial Officer

Anjum Hai joined Bank Alfalah as Chief Financial Officer in November 2017. She has over 22 years of work experience in the financial sector in institutions like Soneri Bank Limited, Citibank N. A. Pakistan, Faysal Bank Limited and A. F. Ferguson & Company. She is a Fellow Member of the Institute of Chartered Accountants of Pakistan as well as Fellow Member of Associated Chartered Certified Accountants and holds Accelerated Certificate in Company Direction from Institute of Directors, UK.



## **Hafsa Abbasy**

Head Human Resources and Learning

Hafsa Abbasy joined Bank Alfalah as Head of Human Resources and Learning Group in December 2017. She has over 27 years of experience in Banking and Human Resource Management in leading organisations like Citibank, RBS (formerly known as ABN AMRO), Engro Polymer and Chemicals, Standard Chartered Bank and Habib Bank Limited. She holds an MBA Degree in Finance and Marketing from the Institute of Business Administration (IBA).



## **Mehreen Ahmed**

Group Head Retail Banking

Mehreen Ahmed is currently heading the Retail Banking Group of Bank Alfalah. She joined Bank Alfalah in April 2012 as Group Head Consumer Business and New Initiatives. She carries 30 years of banking and non-banking experience, including institutions like Soneri Bank, MCB Bank and Standard Chartered Bank. She holds an MBA Degree in Finance and Marketing from the Institute of Business Administration (IBA).

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## **Rizwan Ata**

Group Head Islamic Banking

Rizwan Ata joined Bank Alfalah as Group Head Islamic Banking in March 2013. He has over 28 years of vast banking experience in various institutions, including Emirates Bank International, Meezan Bank Limited and Allied Bank Limited. He has done his EMBA from Lahore University of Management Sciences (LUMS) and MBA from Clayton University London.

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## **Bilal Asghar**

Group Head Corporate, Investment Banking and International Business

Bilal Asghar joined Bank Alfalah as Group Head Corporate, Investment Banking and International Business in December 2017. He possesses over 22 years of experience in the banking industry, including well-known institutions like Faysal Bank Limited, Soneri Bank Limited, RBS, NIB Bank Limited, Dubai Islamic Bank, ABN AMRO Bank and Citibank. He is a graduate of the University of Southern California, USA.

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## **Syed Ali Sultan**

Group Head Treasury, Capital Markets and Financial Institutions

Syed Ali Sultan joined Bank Alfalah in February 2012 and is currently heading Treasury, Capital Markets and Financial Institutions Group. He has over 26 years of experience in the financial sector in Pakistan and overseas, including institutions like Standard Chartered Bank (Pakistan and Dubai), BNP Paribas Bank (Bahrain) and State Bank of Pakistan. He holds a Master Degree in Applied Mathematics from the University of Karachi.

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## **Aasim Wajid Jawad**

Head Strategy

Aasim Wajid joined Bank Alfalah as Head Strategy in June 2013. Prior to this, he served various senior and leading positions in institutions like United Bank Limited, Associated Industries Garments Pakistan Pvt. Limited, Ernst & Young LLP (London), Deloitte & Touche LLP (London), RSM Robson Rhodes LLP, Chartered Accountants (London) and Blick Rothenberg, Chartered Accountants (London). He is a Fellow Chartered Accountant and holds a Bachelor of Science Degree from London School of Economics.



## **Khawaja Muhammad Ahmad**

Group Head Operations and Corporate Services

Khawaja Muhammad Ahmad joined Bank Alfalah in April 2015. He is currently heading the Operations and Corporate Services Group. He has over 25 years of experience in diverse facets of banking for well-known institutions like Standard Chartered Bank, Prime Commercial Bank, The Bank of Punjab, Dubai Islamic Bank (UAE), Allied Bank and Soneri Bank Limited. He holds a Bachelors Degree in Finance from Drake University Iowa, USA.



## **Mohib Hasan Khan**

Chief Information Officer

Mohib Hasan Khan joined Bank Alfalah as Chief Information Officer in January 2016. He holds over 25 years of rich experience in Information Technology, including financial institutions like Habib Bank Limited and Bank Al Habib Limited, and international work experience of handling IT affairs globally in 28 countries. He holds a Bachelor of Engineering in Computer Systems and an MS Degree in Electrical Engineering from NED University.



## **Bashir Ahmed Sheikh**

Group Head Special Assets Management

Bashir Ahmed Sheikh joined Bank Alfalah as Group Head Special Assets Management in April 2012. He has vast banking experience of over 48 years in institutions like Faysal Bank Limited, Al-Faysal Investment Bank Limited, Askari Commercial Bank Limited, Indus Bank Limited, BCCI, BCC (Emirates) and United Bank Limited. He holds an MBA Degree from University of Cornell, USA.



### **Haroon Khalid**

Head Compliance and Control

Haroon Khalid is currently heading the Compliance and Control Group of Bank Alfalah. He carries over 23 years of banking experience, primarily in MCB Bank and 12 years of association with Bank Alfalah as he joined the Bank in May 2007. He holds an MBA Degree from the Lahore University of Management Sciences (LUMS).

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### **Mian Ejaz Ahmad**

Company Secretary, Group Head Legal and Corporate Affairs

Mian Ejaz Ahmad joined Bank Alfalah as General Manager - Legal and Corporate Affairs in February 2012. He carries more than 10 years of banking experience in institutions like RBS (formerly known as ABN AMRO) and Faysal Bank Limited, and over 12 years of non-banking experience in various fields of Law. He has done his L.L.B. from University of Punjab, Lahore.

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### **Tahir Khurshid**

Head Audit and Inspection Group

Tahir Khurshid is currently heading the Audit and Inspection Division of Bank Alfalah. He has over 22 years of experience. Prior to joining Bank Alfalah in August 2002, he worked at MCB Bank Limited and Ford Rhodes Robson Morrow. He holds an M.Com Degree from the University of Lahore and an MBA (Finance) from American International University.

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### **Muhammad Yahya Khan**

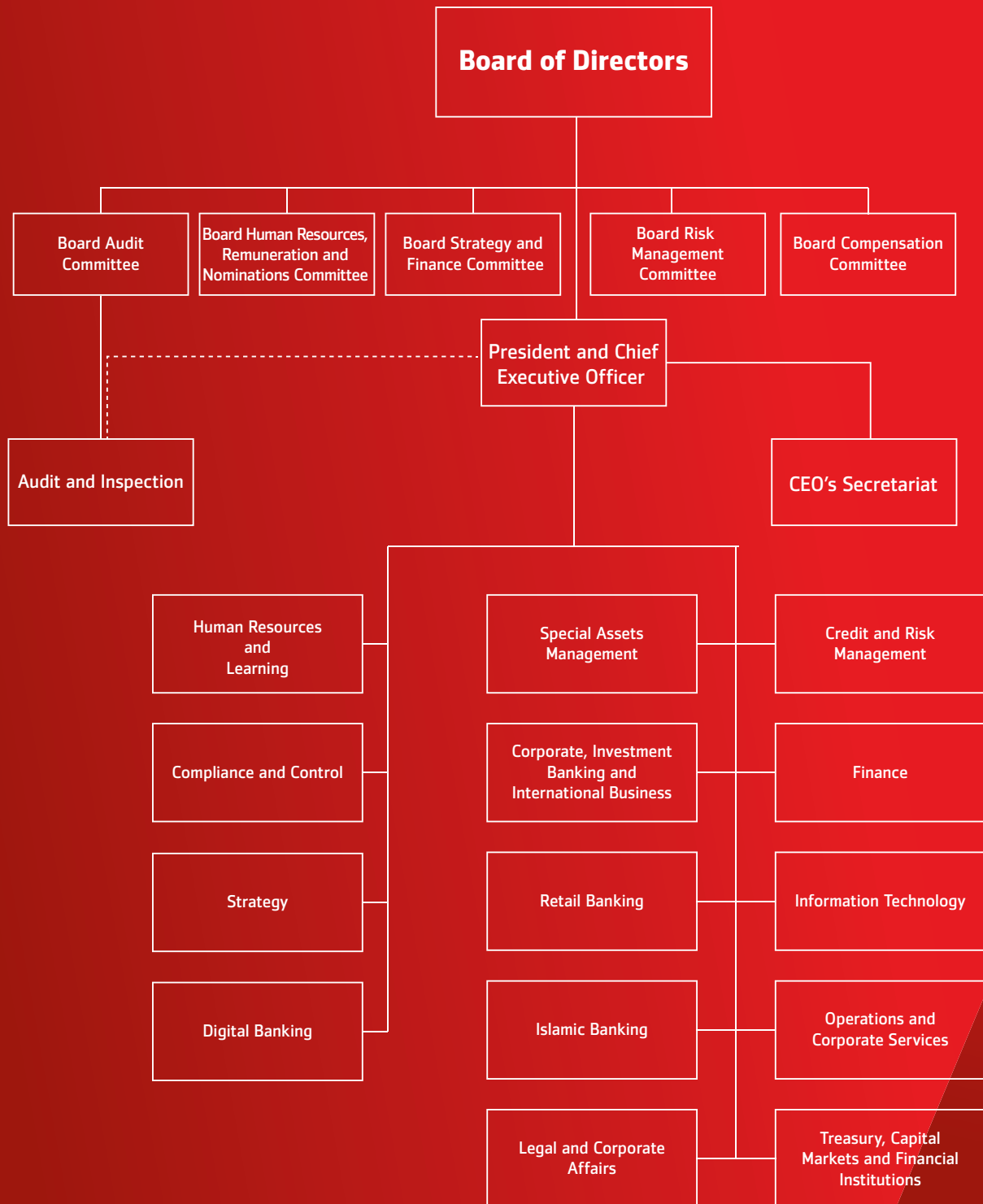
Group Head Digital Banking

Muhammad Yahya Khan joined Bank Alfalah as Group Head Digital Banking in February 2018. He carries over 22 years of banking and non-banking experience in leading organisations like ICI Pakistan, Engro Chemical, Unilever Pakistan, AXA Sun Life Services (UK), PricewaterhouseCoopers (London), J. P. Morgan Chase Bank (London) and Telenor Bank. He is a Fellow Chartered Accountant and holds an M.Sc. Degree from Cranfield University, UK.

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# Organisational Structure



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# Board Committees and Terms of Reference

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## Board Audit Committee

- To oversee the integrity of the accounting and financial reporting processes and the Bank's compliance with legal and regulatory requirements
- To review and recommend approval of periodic financial statements of the Bank to the Board
- To ensure an independent and objective Internal Audit Function covering all activities and functions of the Bank with emphasis on risk management and internal control
- To oversee the Shariah Audit Function and Credit Risk Reviews (CRR) of the corporate portfolio as per the Board's approved CRR policy
- To ensure that Internal Audit activities conform to International Standards
- To review and monitor implementation of the Annual Audit Plan on periodical basis
- To ensure that compliance of audit observations is given due importance by the management and any significant delay in their compliance is timely reported to the appropriate management level
- To review the scope and terms of reference of the External Auditors, to ensure that it is in accordance with regulatory requirements; and recommend their appointment, retention or removal to the Board along with engagement fees etc. to the Board
- To review and evaluate the effectiveness of the Bank's overall control environment and systems, including information technology security and controls and the contingency planning process

## Committee Members

Kamran Y. Mirza  
Chairman

Abdulla Khalil Al Mutawa  
Member

Khalid Mana Saeed Al  
Otaiba  
Member

Efstratios Georgios  
Arapoglou  
Member

## Board Human Resources, Remuneration and Nominations Committee\*

- To ensure that HR policies and practices are in line with market dynamics and business objectives of the Bank
- To design competitive compensation programmes that attract, retain and motivate staff to achieve business objectives of the organisation while enhancing and sustaining shareholder value
- To review and recommend the HR policies of the Bank to the Board. Ensure development of new policies to help attract, retain, develop and motivate talent
- To review the Management Structure/Organogram of the Bank
- To review and recommend the selection/appointment/re-appointment, evaluation, compensation, increments, performance bonuses, fringe benefits, including retirement benefits and terms and conditions of service agreement of the CEO to the Board
- To review and recommend to the Board the selection, evaluation and compensation of key executives of the Bank as defined in the State Bank of Pakistan's Fit and Proper Test Criteria ('SBP's FPT')
- To review and confirm the Job Descriptions of key executives; review and recommend the appointment and promotions of all key executives and General Managers to the Board
- To design succession planning policies for the CEO, key executives and General Managers
- To periodically examine the Bank's compensation strategy
- To investigate and recommend resolutions to the Board of major violations of the code of business conduct and ethics that may relate to personnel or internal controls relating to human resource policies or benefits
- To consider/review and recommend to the Board, the remuneration to be paid to the non-executive Directors of the Bank for attended Board and Board Committee meetings
- To look after any other matters relating to Human Resource Management

\*Previously Human Resources and Nominations Committee

### Committee Members

Kamran Y. Mirza  
Chairman

Abdulla Khalil Al Mutawa  
Member

Khalid Mana Saeed Al  
Otaiba  
Member



## Board Strategy and Finance Committee

- To assist the Board in performing its functions and responsibilities with focus on policy making and general direction, supervision, within the framework of applicable Regulations and without involvement into the day to day operations of the Bank
- To review all matters relating to Strategy and Finance, as well as all other matters not specifically covered in the Terms of Reference of other Board specialised committees
- To review the strategic plan of the Bank, annual business and capital expenditure budgets and periodic reviews of the Bank's performance, vis-a-vis approved budget, major capital expenditure, acquisitions, investments (including strategic investments and equity investments) etc.
- To oversee aspects of capital management including issuance of shares to raise further capital, issuance of Term Finance Certificates, Issuance of cash/stock dividend and Capital injection decisions for overseas operations
- To review and approve capital expenditure as per thresholds defined
- To review and recommend annual branch network expansion plans including plans for existing overseas operations, setting up companies/operations/offices in new overseas locations, for approval to the Board
- To review and recommend nomination of members from the Senior Management team, on Board of Directors of the Bank's subsidiaries and associates (if BOD approval is required)
- To review and recommend appointment of Shariah Advisor for Islamic Banking operation of the Bank in Pakistan and overseas, and terms of his contract or renewal/revision for approval of the Board
- To review and recommend matters relating to the shareholders and related parties to the Board, in consultation with the Chairman
- To review and recommend the Management's strategy for establishing communication with shareholders, as well as the corporate strategy of the Bank for approval of the Board

## Committee Members

Abdulla Khalil Al Mutawa  
Chairman

Khalid Mana Saeed Al  
Otaiba  
Member

Efstratios Georgios  
Arapoglou  
Member

Khalid Qurashi  
Member

Nauman Ansari  
Member

## Board Risk Management Committee

- To establish and maintain a system to oversee risk management policies and principles
- To review the adequacy and effectiveness of the risk management process across the Bank
- To establish and maintain a risk management framework to identify risks and to evaluate the alignment and effectiveness of risk management activities
- To review the Bank's strategy from a risk perspective and ensure that it is prepared in accordance with the Bank's policies
- To approve the Bank's overall risk appetite and delineating risk tolerance in relation to credit market, liquidity and operational activities; approve the exposure limits in relation to risk management strategies and review compliance with these limits
- To ensure a system to identify any exceptions to the appetite/limits and the risk management policies and procedures; and to take timely corrective measures
- To review Risk Management Information System reports, evaluate the findings and the appropriateness of the remedial measures and direct necessary actions, besides approving Credit related policies, Internal Risk Rating policy and recommending the same for Board approval
- To approve the Terms of Reference of the Bank's Central Credit Committee (CCC)

### Committee Members

Khalid Mana Saeed Al  
Otaiba  
Chairman

Abdulla Khalil Al Mutawa  
Member

Khalid Qurashi  
Member

Nauman Ansari  
Member

## Board Compensation Committee (BCC)

- To select eligible employees from time to time, to be granted Options under the Scheme, as per the terms of the Public Companies (Employees Stock Option Scheme) Rules, 2001 and the Bank's approved Employee Stock Option Scheme
- To determine the Share Entitlement to be offered to each designated employee selected from time to time
- To determine the time when an option may be granted and any conditions that must be satisfied by eligible employees and/or designated employees before an option is offered
- To determine the Exercise Price, as per the terms of the Scheme, and the Share Entitlement in respect of which option may be granted to designated employees
- To develop a suitable policy and system to ensure that there is no violation of the insider trading provisions of the Securities and Exchange Ordinance, 1969, and the Securities and Exchange Commission of Pakistan Act, 1997
- To oversee any other matters relating to Human Resource Management as may be assigned by the Board

### Committee Members

Abdulla Khalil Al Mutawa  
Chairman

Khalid Mana Saeed Al  
Otaiba  
Member

Kamran Y. Mirza  
Member

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# Management Committees

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## Central Management Committee

Nauman Ansari - **Chairman**  
Suhail Yaqoob Khan  
Anjum Hai  
Hafsa Abbasy  
Mehreen Ahmed  
Rizwan Ata  
Bilal Asghar  
Syed Ali Sultan  
Aasim Wajid Jawad  
Khawaja Mohammad Ahmad  
Mohib Hasan Khan  
Mian Ejaz  
Haroon Khalid  
Muhammad Yahya Khan  
Zahra Anwar Furniturewalla - **Secretary**

## Central Credit Committee

Nauman Ansari - **Chairman**  
Suhail Yaqoob Khan  
Mehreen Ahmed  
Rizwan Ata  
Syed Ali Sultan  
Javed Iqbal  
Najam uz Zaman  
Beena Fawad - **Secretary**

## Investment Committee

Nauman Ansari - **Chairman**  
Suhail Yaqoob Khan  
Anjum Hai  
Bilal Asghar  
Syed Ali Sultan  
Kamran Khawaja - **Secretary**

## Process Improvement Committee

Khawaja Mohammad Ahmad - **Chairman**  
Riaz Hamdani  
Haroon Khalid  
Imran Mahmood  
Farhan Ali  
Afsheen Jalal - **Secretary**

## Controls and Compliance Committee

Nauman Ansari - **Chairman**  
Suhail Yaqoob Khan  
Anjum Hai  
Hafsa Abbasy  
Mehreen Ahmed  
Rizwan Ata  
Bilal Asghar  
Khawaja Mohammad Ahmad  
Mohib Hasan Khan  
Haroon Khalid  
Muhammad Ayyaz Ashraf  
Aamir Patel  
Faisal Ahmed - **Secretary**

## Asset and Liability Committee

Nauman Ansari - **Chairman**  
Syed Ali Sultan  
Suhail Yaqoob Khan  
Anjum Hai  
Mehreen Ahmed  
Rizwan Ata  
Bilal Asghar  
Hasan Ahmed Khan - **Secretary**

## Information Technology Steering Committee

Nauman Ansari - **Chairman**  
Suhail Yaqoob Khan  
Anjum Hai  
Mehreen Ahmed  
Rizwan Ata  
Khawaja Mohammad Ahmad  
Mohib Hassan Khan  
Kamran Mehmood  
Razi Ahmed Farooqui  
Jerome Andrades - **Secretary**

## Expenditure Approval Committee

Anjum Hai - **Chairman**  
Khawaja Muhammad Ahmad  
Mohammed Maqsood Ali Usmani  
Amin Sukhiani  
Muhammad Ashraf  
Syed Adeel Ehtesham - **Member and Secretary**

# Shariah Board

## **Dr. Mufti Khalil Ahmad Aazami, Chairperson**

Dr. Mufti Khalil Ahmad Aazami is a renowned Shariah Scholar in Islamic Banking industry.

He joined Bank Alfalah Islamic Banking in 2003 as a Shariah Advisor and is now serving as Chairperson Shariah Board. Dr. Aazami graduated from Jamia Darul Uloom, Karachi. He obtained Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi and holds a Doctorate Degree in 'Islamic Jurisprudence' from Karachi University.

He has also served as an Advisor/Shariah Board Member in different financial institutions, including Takaful Pakistan Limited (2005-2014) and Alfalah GHP Islamic Fund (2007-2014).

He is currently, serving as Shariah Board Member of Faysal Bank-Barkat Islamic Banking and National Bank of Pakistan-Aitemaad Islamic Banking. Moreover, he is a Member of Shariah Standard Committee Pakistan of AAOIFI.

Dr. Aazami has 19 years of research experience related to Islamic Finance and other Shariah related subjects. He is an author of numerous publications.

He is also an experienced lecturer and trainer in the field of Islamic Finance, Economics, Fiqh, Islamic Financial Laws and General Islamic Science. He is involved as Faculty Member - Jamia Darul Uloom, Karachi since 1999 and has been associated with the Centre for Islamic Economics, Karachi, National Institute of Banking and Finance – SBP and Sheikh Zaid Islamic Research Centre - University of Karachi.

## **Mufti Mohib ul Haq Siddiqui, Member**

Mufti Mohib ul Haq Siddiqui graduated from Jamia Darul Uloom, Karachi.

He obtained Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (Specialization in Islamic Jurisprudence and Fatwa) qualifications from Jamia Darul Uloom, Karachi.

He has substantial and diversified experience in the field of Islamic Finance and has served several financial institutions as a Member of Shariah Boards.

He currently works as Chairperson Shariah Board at Faysal Bank Ltd and is also a member of the State Bank of Pakistan's Committee for Shariah review, standardisation of Islamic products and processes, and formalisation of AAOIFI Shariah standards for the Pakistan banking industry.

Mr. Siddiqui has served as Shariah Scholar/Facilitator at the following institutions:

- Shariah Advisor - Faysal Bank Ltd since 2011
- Member Shariah Board - Takaful Pakistan Ltd since 2006
- Member Shariah Board - JS Islamic Fund since 2003
- Faculty Member - Jamia Darul Uloom, Karachi since 2003
- Faculty Member - Centre for Islamic Economics, Karachi since 2004
- Visiting Faculty Member - NIBAF and PAF-KIET (Karachi Institute of Economics and Technology)

## **Mufti Ovais Ahmed Qazi, Resident Member**

Mufti Ovais Ahmed Qazi graduated from Jamia Darul Uloom, Karachi.

He obtained Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (Specialization in Islamic Jurisprudence and Fatwa) qualifications from Jamia Darul Uloom, Karachi and holds a Masters Degree in Business Administration from the Institute of Business Management, Karachi.

Mr. Qazi has also served Bank Alfalah Islamic Banking as Assistant Shariah Advisor since 2013. Prior to his time at Bank Alfalah, he worked as a Shariah Consultant at Burque Corporation (Pvt) Ltd.

He is also a Faculty Member of Centre of Islamic Economics, Karachi.

# Roles and Responsibilities

The Chairman of the Board and the Chief Executive Officer of the Bank, both play a substantial and significant role in overall growth of the Bank by providing the management with a strategic direction and helping it materialise its mission and vision statement.

In this regard, key roles and responsibilities of the Chairman and the CEO are described below.

## **Roles and Responsibilities of the Chairman**

The Chairman of the Board acts as a leading figure for both the Board of Directors as well as the management; who is entrusted with numerous responsibilities and roles ranging from monitoring Board level decision making activities to safeguarding the Bank's commercial interests.

### **Other responsibilities include:**

- Serving as a leader and driving agent of the Board of Directors (BoD), monitoring and managing all of its activities, aligning the Board's goals and decisions with that of the management. The Chairman also ensures that the Board stays on the right direction with respect to achieving its objectives;
- Presiding over the Board's meetings and general meetings, and ensuring that these meetings are executed productively and key agenda is discussed along with a valuable conclusion/decision. The Chairman also oversees the Board's key decision-making activities; and
- Exercising powers and authorities that are vested in and conferred to him under Terms of Reference of Board Committees as approved by the Board of Directors.

## **Roles and Responsibilities of the President/CEO**

The Chief Executive Officer at Bank Alfalah also plays a critical and significant role and is entrusted with numerous responsibilities, subject to control and supervision of the Board of Directors.

### **Key responsibilities include:**

- Managing and administering the affairs of the Bank in accordance with laws, rules, regulations, and the Memorandum and Articles of Association of the Bank;
- Complying with and arranging for implementation and compliance within the Bank, of all policies, procedures and manuals approved by the Board of Directors and any directives given by the Board of Directors or Board Committee(s);
- Preparation of plans for growth and expansion of the Bank's operations in Pakistan and abroad, and submitting the same for consideration and approval of the Board of Directors;
- To appoint, promote, transfer, suspend or dismiss employees of the Bank and fix their remuneration and other entitlements in accordance with the policies and procedures approved by the Board of Directors; and
- To deal with, represent and act on behalf of the Bank before the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, Federal and Provincial Ministries, Government departments, local bodies, corporations, courts, stock exchanges and any other competent authority.

# Annual Evaluation of Board's Performance

The Board of Directors at Bank Alfalah is responsible for devising strategies that help the Bank in reaching its desired goals, monitoring overall performance of the Bank, providing management with strategic direction, and ensuring management's compliance with the Code of Corporate Governance and Ethical Conduct.

In order to ensure that interests of stakeholders in the Bank are well-protected and timely achieved, the Board plays a pivotal role as a fiduciary to act and communicate with management on their behalf.

The roles and responsibilities as specified by regulatory Acts / Ordinances and the State Bank's Prudential Regulations are well-defined in the established Code of Corporate Governance.

To evaluate and monitor the performance of the Board, and to ensure that desired purpose is effectively achieved, a descriptive evaluation criteria has been established at Bank Alfalah, which takes into account numerous criteria to assess the functions and behaviours of the Board of Directors and Board Committees holistically.

Key performance indicators or criteria that are in place to benchmark the Board's performance include:

**Strategic Direction:** To ensure that the Board is actively involved in setting and devising key strategies that provide the Bank with futuristic directions going forward, and all of the management proposals, challenges, assumptions and alternatives are duly considered prior to deciding such strategy.

**Management's Performance:** To ensure that the management's performance and its progress towards achieving its set targets is periodically monitored by the Board members.

**Internal Controls:** To oversee and ensure that appropriately designed internal control framework is in place and is routinely tested to address all types of key risks.

**Audit and Compliance:** To ensure that there is an active compliance function in the Bank, and to monitor its compliance with external laws and regulations and internal codes, and to monitor the organisation's abidance by audit principles.

**Understanding of Corporate Governance and Conduct Code:** To ensure that the Directors fully understand the Bank's agreed policies on Corporate Governance and Ethics.

**Understanding of Roles and Responsibilities:** To ensure that the Board has a clear understanding of the Bank's goals, vision and mission statements.

**Committee Composition:** To ensure that each of the Board Committees is appropriately structured to effectively achieve its underlying goals and objectives, and its key functions are also clear and well-defined.

The Board of Directors, along with numerous other functions and responsibilities, also holds a duty of care and duty of loyalty towards the Bank to act honestly in the interests of the Bank, and exercise its roles with complete integrity and care.

The evaluation framework established assesses the Board's performance on numerous criteria, including those described above. A well-founded scoring scale is used to rate the Board's performance.

Over the past years, the Board of Directors at Bank Alfalah has efficiently fulfilled their vested roles and responsibilities towards stakeholders and management to steer the Bank in the right direction and ensure maximum shareholder value.

# Statement of Compliance with the Code of Corporate Governance

Year ended December 31, 2017

This statement is being presented to comply with the Code of Corporate Governance ('CCG') contained in Regulation No. 19 of Chapter 5 (Listing of Companies and Securities Regulations) of the Rule Book of Pakistan Stock Exchange Limited ('PSX'), for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Non-Executive Directors (5)	HH Sheikh Nahayan Mabarak Al Nahayan* Mr. Abdulla Nasser Hawaileel Al Mansoori Mr. Abdulla Khalil Al Mutawa Mr. Khalid Mana Saeed Al Otaiba Mr. Efstratios Georgios Arapoglou
Independent Directors** (2)	Mr. Khalid Qurashi Mr. Kamran Y. Mirza
Executive Director (1)	Mr. Nauman Ansari*** (President and Chief Executive Officer)

\*The Board co-opted/appointed His Highness Sheikh Nahayan Mabarak Al Nahayan, as Director of the Bank, effective from 15th January, 2017, in place and for the remainder of the term of the outgoing Director, His Highness Sheikh Hamdan Bin Mubarak Al Nahayan.

The Board of Directors also elected His Highness Sheikh Nahayan Mabarak Al Nahayan as the new Chairman of the Board of Directors of the Bank in place of His Highness Sheikh Hamdan Bin Mubarak Al Nahayan, with effect from 15th January, 2017.

\*\*The independent directors meet the criteria of independence under clause 5.19.1.(b) of the CCG.

\*\*\*Also during the current year, the Board of Directors approved the appointment of Mr. Nauman Ansari as President and Chief Executive Officer, effective 16th July, 2017, following the resignation of Mr. Atif Bajwa, who served as Director and Chief Executive Officer of the Bank till 15th July, 2017.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.
3. All the resident Directors of the Bank are registered as taxpayers and none of them, in their personal capacity, have defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, have been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred on the Board on 15th January, 2017 and 15th July, 2017, and were filled up by the Directors immediately.



5. The Bank has prepared a 'Code of Conduct - Ethics and Business Practices' and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration, and terms and conditions of employment of the CEO, non-executive and independent directors, have been taken by the Board/Shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except the emergent meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Bank is compliant with the requirements of the Directors' Training Programme under the Code of Corporate Governance/Clause 5.19.7 of the PSX Rule Book.
10. The Board has approved the appointment of Ms. Anjum Hai as Chief Financial Officer (CFO), including her remuneration, and terms and conditions of employment, whereas there was no new appointment of the Company Secretary or Head of Internal Audit during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives of the Bank do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding. The shares issued by the Bank to its eligible employees/executives as a result of exercise of options granted to them under the Bank's approved Employees Stock Option Scheme (ESOS) are included in the said pattern under the category 'Executives'. All options issued under the scheme have a defined vesting period and are exercisable over the period specified in the scheme. This information has been disclosed as part of the Annual Report.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of 4 members, all being non-executive Directors, and the Chairman of the Committee is an independent Director.
16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board had earlier formed a Human Resources and Nomination Committee, which comprised of 4 members, of whom 3 members were non-executive Directors including the Chairman of the Committee. However, in view of the requirements of SBP Guidelines on Remuneration Practices and the Listed Companies (Code of Corporate Governance) Regulations 2017, the Committee has been reconstituted on 15th February, 2018 as 'Board Human Resources, Remuneration & Nomination Committee (BHR&NC)', and now comprises of 3 members, all being non-executive Directors, while the Chairman is an Independent Director. The Board has also constituted a Compensation Committee comprised of 3 non-executive Directors, for the administration and superintendence of the Bank's Employees Stock Option Scheme ("ESOS").
18. The Board has set up an effective internal audit function conversant with the policies and procedures of the Bank.

19. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Bank's securities, was determined and intimated to Directors, Executives and the Stock Exchange. During the year, the management identified three instances (involving nominal amounts) where two executives inadvertently sold shares of the Bank during the closed period. The employees were immediately informed of the non-compliance at their part, and were advised to be vigilant in future.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record, including basis for inclusion or exclusion of names of persons from the said list.
24. Details of related party transactions have been presented before the Audit Committee and upon their recommendation to the Board for review and approval periodically. The definition of related party used is in accordance with the repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been issued.
25. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

**Nauman Ansari**

President and Chief Executive Officer

25th February, 2018

Abu Dhabi

# Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of Bank Alfalah Limited ('the Bank') for the year ended 31st December, 2017 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange ('PSX') where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31st December, 2017.

25th February, 2018  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Iftikhar Anjum

# Statement on Internal Controls

This Statement of Internal Controls is based on an ongoing process designed to identify the significant risks in achieving the Bank's policies, aims and objectives, and to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been continuously in place for the year ended December 31, 2017.

It is the responsibility of the Bank's management to establish and maintain an adequate and effective system of Internal Control, and every endeavour is made to implement sound control procedures and to maintain a suitable control environment.

The Bank's Internal Control Policy outlines the understanding of the overall Control Objectives, the Bank's Controls Framework as well as our approach towards implementation of Controls Framework. Bank Alfalah Control Framework is built on the lines of globally recognised 'Three Line of Defense Model' in which Business/Support Unit serves as the First Line of Defense, the various Risk, Controls and Compliance oversight functions are serving as Second Line of Defense, while independent assurance is the Third (Audit and Inspection Group).

The Control Framework focuses on devising policies and procedures that outline control activities so that process owners perform their functions without any risk exposure. This aspect is further evaluated and monitored through various organisational functions, part of Risk Management, Compliance, Internal Controls, etc.

The Board of Directors have instituted an effective Audit and Inspection Group, which not only monitors compliance with the Bank's policies, procedures and controls, and reports significant deviations regularly to the Board Audit Committee, but also regularly reviews the adequacy of the Internal Control system. Furthermore, observations and weaknesses pointed out by the Bank's external auditors are also addressed promptly, and necessary steps are taken by the management to eliminate such weaknesses.

The Bank's Controls and Compliance Committee, which comprises of CEO and Senior Executives of the Bank has been entrusted with enhanced governance and monitoring as part of the overall Control Environment. There is a Process Improvement Committee (PIC), also comprising of Senior Executives, which, as part of regular periodic evaluations, considers improvements to and changes in required policies and procedures in place at the Bank. Recommendations from stakeholders, such as Risk, Operations and Compliance are sought as part of such exercises.

The Bank has adopted the internationally accepted COSO Internal Control - Integrated Framework. The Bank follows SBP guidelines on Internal Controls over Financial Reporting (ICFR). In order to ensure consistency in the process of compliance with the relevant guidelines, the Bank has followed a structured roadmap. Accordingly, the Bank has completed a detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design and development of implemented remediation plans for the gaps.

While concerted efforts have always been made to comply with the SBP Guidelines issued, the identification, evaluation and management of risks within each of the Bank's key activities, and their continued evaluation and changes to procedures remains an ongoing process.

Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring ongoing operating effectiveness of a majority of key controls and has significantly addressed the design improvement opportunities identified to complete the project related initiatives.

In accordance with SBP directives, the Bank's external auditors are engaged annually, to provide the management with their Long Form Report on the extent of ICFR, which is then submitted to the SBP.

## **Management's Evaluation on Effectiveness of ICFR**

The system of Internal Control is designed to manage rather than eliminate the risk of failure to achieve the Bank's business strategies and policies. It can therefore only provide reasonable and not absolute assurance against material misstatement and loss.

The management believes that the Bank's existing system of Internal Control is considered reasonable in design and is being effectively implemented and monitored. In addition, further Internal Control improvements are expected from the Bank's adoption of COSO framework, as described above. Based on the work performed, the management identifies areas for process improvements as well as additional controls required to be put in place, and areas requiring strengthening of existing controls. The management takes all reasonable steps to ensure that the timelines and priorities assigned to the same are adhered to.

The Bank shall continue in its endeavour to further enhance its Internal Control design and assessment process in accordance with industry best practices.

For and on behalf of the Board,

**Nauman Ansari**

President and Chief Executive Officer

25th February, 2018

Abu Dhabi

# Management Statement of Compliance with Employees Stock Option Scheme (ESOS)

Bank Alfalah Limited as of 31st December, 2017 has implemented its Employees Stock Option Scheme (ESOS) as approved by the shareholders and the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SMD/CIW/ESOS/02/2013 dated 27th December, 2013.

The Bank has complied in all material respects with the requirements of the Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) issued by the Securities and Exchange Commission of Pakistan vide SRO 300(I) 2001 dated 11th May, 2001. The details of the scheme including pricing formula, options granted, lapsed, etc. have been disclosed in note 36.2 to the unconsolidated financial statements. A summary of the scheme is described in the annexure attached with this statement.

**Nauman Ansari**

President and Chief Executive Officer

25th February, 2018

Abu Dhabi

# Independent Assurance Report to the Members on Management Statement of Compliance with Employees Stock Option Scheme (ESOS)

We were engaged by the Board of Directors of Bank Alfalah Limited ('the Bank'), to report on Bank's Compliance with the Employees Stock Option Scheme ('the Scheme') approved by the shareholders in their Annual General Meeting held on 29th March, 2013 and the Public Companies (Employees Stock Option Scheme) Rules, 2001 ('the Rules'), as set out in the Statement of Compliance with Employees Stock Options Scheme ('the Statement') prepared by the Bank as of 31st December, 2017, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Bank's compliance with the Scheme and the Rules.

## Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprise of the Scheme and the Rules.

## Responsibilities of the Management

The Bank's management is responsible for preparation and presentation of the Statement in accordance with the applicable criteria. This responsibility includes designing, implementing and maintaining internal control relevant to compliance with the terms and conditions of the Scheme and the Rules and preparation of the Statement that is free from material misstatement whether due to fraud or error.

## Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Our Responsibility

Our responsibility is to examine the annexed statement prepared by the Bank and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly, in all material respects, presents the status of the Bank's compliance with the Scheme and the Rules.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with the Scheme and the Rules whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Bank in accordance with the Scheme and the Rules in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Bank's internal control. Reasonable assurance is less than absolute assurance.

The procedures performed included:

1. Verifying that only eligible employees have participated in the Scheme in compliance with the Rules;
2. Verifying that the share options granted, vested, lapsed or surrendered under the Scheme have been recorded in the books of accounts in accordance with the requirements of the Rules; and
3. Ensuring that adequate disclosures have been made in respect of the Scheme in the Annual Report as required under the Rules.

## **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Bank's compliance with the Scheme and the Rules as of 31st December, 2017.

25th February, 2018  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Iftikhar Anjum



# Report of Shariah Board

For the year ended December 31, 2017

By the grace of Almighty Allah, the year under review was the 14th year of Islamic Banking Operations of Bank Alfalah Limited (herein referred to as 'the Bank'). While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank Alfalah Limited Islamic Banking Group are conducted in a manner that complies with Shariah principles at all times, the scope of this report is to cover the affairs of the Bank from Shariah perspective as described under Shariah Governance Framework of the State Bank of Pakistan.

During the year under consideration, the Bank mainly focused on revamping PPGs, manuals and relevant documents of existing asset and liability products. Further, systems, policies and procedures of Islamic Banking Operations of the Bank were designed/revised. Shariah Board (SB), in this regard, reviewed and approved the same ensuring the products and services offered by the Bank to be valid as per Shariah.

The Bank primarily used Murabaha, Ijarah, Diminishing Musharakah, Istisna, Running Musharakah, Salam and Tijarah for Consumer, SME and Corporate customers. As a new proposition, Alfalah Islamic Karobar Financing was launched for SME segment of the market enabling businesses to receive maximum possible financings with minimum load on its existing cash flows.

Shariah Compliance Department and Internal Shariah Audit Department (ISAD) are the two main pillars on which a well-defined Shariah compliance environment is established in the Bank. ISAD plays a pivotal role in achieving complete Shariah compliance in all matters of the Bank. During the year, Shariah Audit of 89 IBG branches and windows was conducted. Moreover, 4 departments dedicated to Islamic Banking Operations and 4 Centralised Units were audited and concluded in light of Shariah guidelines.

Apart from ensuring overall Shariah Compliance environment of the Bank, Shariah Compliance Department (SCD) makes extra efforts to facilitate the customers by formulating customized process flows after assessment of the customers' business models and determining the most suitable product. The department has structured 347 process flows for Corporate and Commercial clients after visiting various customers and reviews of business processes. As a part of the department's responsibilities Shariah Compliance also oversaw the process of profit distribution to the depositors on monthly basis. SCD has also conducted Shariah Compliance Reviews of Centralised Units and branches for onward submission to SB.

To form our opinion as expressed in this report, we have reviewed the reports of Shariah Compliance Department, Internal Shariah Audit and working and report of RSBM. Based on above, we are of the view that:

- i) Business affairs of Bank Alfalah Islamic Banking Group, especially with reference to transactions, relevant documentation and procedures performed and executed by the Bank during the year 2017 are, by and large, in conformity with the principles and guidelines of Shariah and other guidelines issued by the Shariah Board and the State Bank of Pakistan.
- ii) The Bank has a well-defined system in place in form of Internal Shariah Audit and Shariah Compliance Review to ensure that earnings realised from sources or means prohibited by Shariah will be credited to the charity account to warrant that the income distributed among stakeholders generally remains Halal and pure. In year 2017, an income of Rs. 15.551 million has been transferred to the charity account as per the Shariah Board's instructions due to the violations of Shariah guidelines observed and highlighted during Internal Shariah Audit Reviews.
- iii) The allocation of Profit and charging of Losses to Mudarabah based remunerative deposits, which was reviewed and approved on monthly basis, is generally in conformity with Shariah Rules and Principles, and Pool Management guidelines of the State Bank of Pakistan.

- iv) The Bank has, by and large, complied with the Fatawa/opinions/advices issued by Shariah Board from 1st January, 2017 to 31st December, 2017.
- v) The Bank is continuously giving attention towards enhancing the Islamic Banking skills of the staff. Learning and Development Department of the Bank has provided Basic Islamic Banking training to almost the entire staff of the Group. In this regard, 65 sessions were conducted as refresher programmes covering a total of 1,066 participants. Moreover, 16 specific Islamic Banking Certification courses and Shariah documentation courses were conducted. These initiatives taken by Learning and Development of the Bank clearly distinguish the Bank in Islamic Banking industry.
- vi) The Bank has also increased its focus on Customers' Awareness regarding Islamic Banking and conducted 13 programmes in different cities.
- vii) During the year, an amount of Rs. 19.463 million was recovered from the customers as charity on account of delay in payments. A substantial amount of Rs. 132.503 million has been granted to various charitable institutions against current collection and previous years' balances.
- viii) Management is gradually providing resources in Shariah Compliance Department as per Shariah Board requirements.

May Almighty Allah grant us success in this world and the next, and on the Day of Judgment forgive our mistakes that we may have committed willingly or unwillingly.

**Dr. Khalil Ahmad Aazami**  
Chairperson Shariah Board

**Mufti Mohib ul Haq Siddiqui**  
Member Shariah Board

**Mufti Ovais Ahmed Qazi**  
Member Shariah Board

7th February, 2018/Jama-dul-Awal 20, 1439 A.H

4. بینک نے شریعہ بورڈ کی طرف سے یکم جنوری 2017 تا 31 دسمبر 2017 کے دوران جاری ہونے والے فتاویٰ/آراء/ ہدایات کی مجموعی طور پر پابندی کی۔

5. بینک مسلسل اسلامی بینکاری سے متعلق عملہ کی صلاحیتوں کی بہتری کی طرف متوجہ ہے۔ بینک کے شعبہ تعلیم و تربیت (Department Development & Learning) نے تقریباً بینک کے تمام عملہ کو اسلامی بینکاری کے بنیادی تربیتی کورسز کرائے۔ اس حوالہ سے بطور ریفریشر پروگرام 65 کورسز کا انعقاد کیا گیا جن سے 1,066 شرکاء مستفید ہوئے۔ نیز 16 اسلامک بینکنگ سرٹیفیکیشن کورسز اور ڈاکومنٹیشن سے متعلقہ کورسز کا انعقاد کیا گیا۔ شعبہ تعلیم و تربیت کی طرف سے اٹھائے جانے والے یہ اقدامات بینک الفلاح - اسلامک بینکنگ گروپ کو اسلامی بینکاری کے میدان میں دیگر بینکوں سے واضح طور پر نمایاں کرتے ہیں۔

6. بینک نے عوام اور گاہکوں کے اندر اسلامی بینکاری سے متعلق آگاہی میں اضافہ پیدا کرنے پر خاص توجہ دی اور ملک کے مختلف شہروں میں 13 معلوماتی و تربیتی سیمینار اور پروگراموں کا انعقاد کیا۔

7. سال کے دوران 19,463 ملین روپے گاہکوں کی جانب سے ادائیگی میں تاخیر کی وجہ سے صدقہ کی مد میں وصول کیے گئے۔ اب تک گذشتہ اور رواں سال کے دوران حاصل شدہ رقوم سے 132,503 ملین روپے کی خطیر رقم مختلف فلاحی اداروں میں تقسیم کی جا چکی ہے۔

8. شریعہ بورڈ کی ہدایات کے مطابق انتظامیہ شریعہ کمپلائنس ڈیپارٹمنٹ کو رفتہ رفتہ مزید وسائل فراہم کر رہی ہے۔

اللہ تعالیٰ سے دعا ہے کہ وہ ہمیں دنیا و آخرت کی کامیابی سے نوازیں اور بروز قیامت دستگیری فرمائیں اور دعا ہے کہ اللہ تعالیٰ ہمارے اختیاری اور غیر اختیاری گناہوں اور لغزشوں سے درگزر فرمائیں۔

مفتی اویس احمد قاضی

ریزیڈنٹ شریعہ بورڈ ممبر

مفتی محب الحق صدیقی

ممبر شریعہ بورڈ

ڈاکٹر مفتی خلیل احمد اعظمی

چیئر پرسن شریعہ بورڈ

تاریخ: 07 فروری 2018/ 20 جمادی الاول، 1439

اللہ تعالیٰ کے فضل و کرم سے بینک الفلاح - اسلامک بینکنگ گروپ کے چودھویں سال کی سالانہ رپورٹ پیش خدمت ہے۔ جہاں ایک طرف بینک الفلاح - اسلامک بینکنگ گروپ کے تمام معاملات کی شریعت کے عین مطابق انجام دہی کی مکمل ذمہ داری بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ (Executive Management) پر ہے، بینک کا شریعیہ بورڈ بینک الفلاح - اسلامک بینکنگ گروپ کے مجموعی معاملات کی شریعت سے مطابقت کے بارے میں رپورٹ پیش کرنے کا ذمہ دار ہے۔

اس سال کے دوران بینک نے اثاثوں (Assets) اور ذمہ داریوں (Liabilities) سے متعلق پراڈکٹس کی متعلقہ دستاویزات اور معاہدات پر نظر ثانی کرنے پر توجہ مرکوز رکھی۔ نیز اسلامک بینکنگ آپریشنز کے لیے بنائے گئے سسٹم، پالیسی، اور طریقہ کار (Systems, Policies, & Procedures) پر بھی نظر ثانی اور ضروری تبدیلیاں کی گئیں۔ اس سلسلے میں شریعیہ بورڈ نے تمام مجوزہ تبدیلیوں کا شرعی نقطہ نظر سے جائزہ لینے اور ان میں اصلاح کرنے کے بعد ان کی منظوری دی۔

سال کے دوران سمال میڈیم انٹریپرائزز، کارپوریٹ اور کنزیومر کے کسٹمرز کو تمویل کی فراہمی کے لیے عام طور سے 'مراہجہ'، 'اجارہ'، 'شرکت متناقصہ' (Diminishing Musharaka)، 'استصناع'، 'زنگ مشارکہ'، 'سلم'، اور 'تجارہ' کے طریقے تمویل اختیار کئے گئے۔ مارکیٹ میں سمال میڈیم انٹریپرائزز کے طبقہ کے فروغ کے لیے "الفلاح اسلامک کاروبار فنانانس" کے نام سے ایک ایسا پراڈکٹ متعارف کرایا گیا جس کے ذریعہ چھوٹے اور درمیانے درجہ کے کاروباروں کے لیے زیادہ سے زیادہ تمویل کا حصول کم از کم مالی بوجھ کے ساتھ ممکن ہو سکے۔

شریعیہ کمپلائنس ڈیپارٹمنٹ اور شریعیہ آڈٹ ڈیپارٹمنٹ وہ اہم ستون ہیں جن پر اسلامک بینکنگ میں شرعی احکام کے مکمل نفاذ کی عمارت استوار کی جاتی ہے۔ داخلی شریعیہ آڈٹ بینک کی تمام سرگرمیوں میں شریعت سے مطابقت کے حوالہ سے کلیدی کردار ادا کرتا ہے۔ اس سال کے دوران بینک کی 89 شاخوں اور اسلامک بینکنگ ونڈوز کا آڈٹ کیا گیا، نیز اسلامک بینکنگ آپریشنز کے لیے مخصوص 4 یونٹز اور 4 سینٹرلائزڈ (Centralized) شعبوں کا آڈٹ بھی عمل میں آیا۔

شریعیہ کمپلائنس ڈیپارٹمنٹ بینک کے شریعت کی خلاف ورزی کی روک تھام کے داخلی نظام کی نگرانی کے علاوہ بینک کے ہر گاہک کے کاروباری نظام کے معائنے اور گاہک کی ضرورت کو پیش نظر رکھتے ہوئے مناسب ترین پراڈکٹ کی تعیین کے بعد پراسس فلو ترتیب دیتا ہے۔ شریعیہ کمپلائنس ڈیپارٹمنٹ نے بیشتر کارپوریٹ اور کمرشل کلانٹس کے کاروبار کے معائنے اور کاروباری نظام کو سمجھنے کے بعد 347 پراسس فلوز مرتب کیے۔ اپنے فرائض کی سرانجامی کے دوران ڈیپارٹمنٹ نے کھاتہ داروں کو نفع کی تقسیم کے عمل کی نگرانی ماہانہ بنیادوں پر کی۔ نیز شعبہ نے سینٹرلائزڈ شعبوں اور برانچز کا شریعیہ کمپلائنس جائزہ (Review) بھی کیا۔

شریعیہ بورڈ کی رائے شریعیہ کمپلائنس ڈیپارٹمنٹ، داخلی شریعیہ آڈٹ، اور ریزیڈنٹ شریعیہ بورڈ ممبر کی جانب سے مختلف عقود کے جائزے اور پیش کی گئی رپورٹس پر مبنی ہے۔ مذکورہ معلومات کی بنا پر شریعیہ بورڈ کی رائے یہ ہے کہ:

1. بینک الفلاح - اسلامک بینکنگ گروپ کے معاملات، بالخصوص عقود، متعلقہ معاہدات، طریقہ کار اور ان پر عمل درآمد مجموعی طور پر 2017 کے دوران شریعت کے اصول کے مطابق رہے، نیز اسٹیٹ بینک آف پاکستان اور شریعیہ بورڈ کی طرف سے جاری کردہ ہدایات پر عمل درآمد بھی اطمینان بخش رہا۔

2. بینک میں داخلی شریعیہ آڈٹ اور شریعیہ کمپلائنس جائزے کی شکل میں ایک منظم طریقہ کار موجود ہے جو اس بات کو یقینی بناتا ہے کہ بینک کو حاصل ہونے والی آمدنی صرف جائز ذرائع سے ہے اور شرعی اعتبار سے غیر اطمینان بخش آمدنی صدقہ کر دی جائے تاکہ حصہ داروں کو حاصل ہونے والی آمدنی حلال ہو۔ سال 2017 کے دوران داخلی شریعیہ آڈٹ کے دوران مشاہدہ میں آنے والی شرعی اصولوں کی خلاف ورزی کی بنا پر شریعیہ بورڈ کی ہدایات کے مطابق 15.551 ملین روپے کی آمدنی صدقہ کی مد میں جمع کرائی گئی۔

3. نفع کی تقسیم اور مضاربت پر مبنی کھاتوں میں نقصان کے تعیین کا ماہانہ بنیادوں پر جائزہ لیا گیا اور اسے مجموعی طور پر شرعی اصول و ضوابط اور اسٹیٹ بینک کی Pool Management Guidelines کے مطابق پایا گیا۔



The cover page features a bold, geometric design. The top-left corner is a gold triangle, separated from the rest of the page by a white diagonal line. The remaining area is a solid red color. The text 'Financial Statements' is centered in the red area in a white, sans-serif font. At the bottom, there is a white curved shape on the left side, suggesting a page fold or a decorative element.

# Financial Statements



# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of Bank Alfalah Limited (the Bank) as at 31 December 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for sixty branches which have been audited by us and eight branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the repealed Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the repealed Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches and the offshore banking unit have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the unconsolidated statement of financial position and the unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the repealed Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied,
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the repealed Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2017 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 25th February, 2018  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Iftikhar Anjum



# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	Note	2017 (Rupees in '000)	2016
<b>ASSETS</b>			
Cash and balances with treasury banks	6	70,381,435	74,071,384
Balances with other banks	7	4,508,835	9,373,123
Lendings to financial institutions	8	48,895,828	30,149,029
Investments - net	9	400,733,286	389,092,637
Advances - net	10	400,655,424	378,720,349
Operating fixed assets	11	17,627,997	18,133,267
Deferred tax assets		-	-
Other assets	12	46,026,023	17,917,264
		988,828,828	917,457,053
<b>LIABILITIES</b>			
Bills payable	13	12,461,866	12,886,990
Borrowings	14	206,223,572	178,311,035
Deposits and other accounts	15	653,406,071	640,944,254
Sub-ordinated loans	16	4,991,000	8,317,670
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	3,153,750	2,650,428
Other liabilities	18	42,792,829	14,221,914
		923,029,088	857,332,291
<b>NET ASSETS</b>		<u>65,799,740</u>	<u>60,124,762</u>
<b>REPRESENTED BY</b>			
Share capital	19	16,075,720	15,952,076
Reserves		18,156,669	15,895,652
Unappropriated profit		24,312,240	17,337,458
		58,544,629	49,185,186
Surplus on revaluation of assets - net of tax	20	7,255,111	10,939,576
		<u>65,799,740</u>	<u>60,124,762</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	22		

The annexed notes 1 to 47 and Annexures I and II form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR



# UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 (Rupees in '000)	2016
Profit after taxation		8,367,295	7,899,908
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit and loss account</b>			
Exchange differences on translation of net investments in foreign branches		492,787	11,054
<b>Items that will never be reclassified to profit and loss account</b>			
Remeasurement of defined benefit plan	36.1.4	380,229	309,314
Related tax on remeasurement of defined benefit plan		(133,080)	(108,260)
		247,149	201,054
Comprehensive income - transferred to statement of changes in equity		9,107,231	8,112,016
<b>Components of comprehensive income not reflected in equity</b>			
<b>Items that are or may be reclassified subsequently to profit and loss account</b>			
Deficit on revaluation of available for sale securities		(5,696,653)	(88,251)
Related deferred tax liability		1,988,788	60,736
		(3,707,865)	(27,515)

The annexed notes 1 to 47 and Annexures I and II form an integral part of these unconsolidated financial statements.

# UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		14,044,985	13,023,159
Dividend income		(460,319)	(584,805)
		<u>13,584,666</u>	<u>12,438,354</u>
<b>Adjustments</b>			
Depreciation	29	1,819,620	1,691,261
Amortisation	29	446,135	357,473
(Reversal) / provision against non-performing loans and advances - net	10.5	(434,162)	1,082,506
Provision for diminution in value of investments - net	9.24	174,413	100,766
Reversal of provision against off-balance sheet obligations	18.1	(1,338)	(7,508)
Reversal of provision against other assets	12.3	(18,979)	(102,305)
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	9.26	7,351	(109)
Gain on sale of operating fixed assets - net	28	(11,655)	(53,226)
Charge for defined benefit plan	36.1.3	250,153	260,795
		<u>2,231,538</u>	<u>3,329,653</u>
		15,816,204	15,768,007
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(3,797,453)	(11,944,621)
Held for trading securities		(7,376,396)	3,891,325
Advances		(22,609,576)	(45,644,116)
Other assets (excluding advance taxation)		(13,809,497)	4,223,462
		<u>(47,592,922)</u>	<u>(49,473,950)</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		(416,549)	3,153,061
Borrowings		27,912,537	5,971,645
Deposits and other accounts		36,952,995	755,519
Other liabilities		4,647,528	(576,087)
		<u>69,096,511</u>	<u>9,304,138</u>
		37,319,793	(24,401,805)
Contribution made to gratuity fund	36.1.3	(250,153)	(260,795)
Income tax paid		(5,037,257)	(4,692,207)
<b>Net cash generated from / (used in) operating activities</b>		<u>32,032,383</u>	<u>(29,354,807)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(23,774,461)	(28,968,156)
Net investments in held to maturity securities		1,541,900	57,927,823
Investment in subsidiaries / associated companies		(769,230)	(8,481)
Disposal of investment in subsidiaries / associated companies		1,280,627	890,400
Dividend income received		488,730	549,605
Investments in operating fixed assets		(1,850,956)	(2,837,372)
Sale proceeds of property and equipments disposed-off	11.4	90,208	111,326
<b>Net cash (used in) / generated from investing activities</b>		<u>(22,993,182)</u>	<u>27,665,145</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of share capital		191,722	84,895
Redemption of sub-ordinated loans		(3,326,670)	(1,665,330)
Dividend paid		(1,931)	(1,585,581)
<b>Net cash used in financing activities</b>		<u>(3,136,879)</u>	<u>(3,166,016)</u>
Exchange difference on translation of net investments in foreign branches		492,787	11,054
<b>Increase / (decrease) in cash and cash equivalents</b>		<u>6,395,109</u>	<u>(4,844,624)</u>
Cash and cash equivalents at beginning of the year		90,124,073	93,351,641
Effects of exchange rate changes on cash and cash equivalents		(1,372,976)	244,080
		<u>88,751,097</u>	<u>93,595,721</u>
<b>Cash and cash equivalents at end of the year</b>	33	<u>95,146,206</u>	<u>88,751,097</u>

The annexed notes 1 to 47 and Annexures I and II form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED DECEMBER 31, 2017

	Capital Reserves				Revenue Reserves		Total
	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropriated profit	
	(Rupees in '000)						
<b>Balance as at January 1, 2016</b>	15,898,062	4,329,648	8,140,904	1,572,966	120,602	12,362,596	42,424,778
<b>Changes in equity for 2016</b>							
<b>Total comprehensive income</b>							
Profit after taxation	-	-	-	-	-	7,899,908	7,899,908
<b>Other comprehensive income</b>							
Exchange difference on translation of net investment in foreign branches	-	-	-	11,054	-	-	11,054
Remeasurement of defined benefit plan (Note 36.1.4)	-	-	-	-	-	309,314	309,314
Related tax charge	-	-	-	-	-	(108,260)	(108,260)
	-	-	-	11,054	-	8,100,962	8,112,016
Transfer to statutory reserve	-	-	1,579,982	-	-	(1,579,982)	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	43,688	43,688
<b>Transactions with owners recorded directly in equity</b>							
Shares issued during the year	54,014	30,881	-	-	-	-	84,895
Final cash dividend for the year ended December 31, 2015 @ 10%	-	-	-	-	-	(1,589,806)	(1,589,806)
Recognition of fair value charge of share based payments (Note 36.2)	-	-	-	-	132,026	-	132,026
Unamortised portion of deferred employee compensation expense	-	-	-	-	(22,411)	-	(22,411)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	56,597	-	-	(56,597)	-	-
<b>Balance as at December 31, 2016</b>	15,952,076	4,417,126	9,720,886	1,584,020	173,620	17,337,458	49,185,186
<b>Changes in equity for 2017</b>							
<b>Total comprehensive income</b>							
Profit after taxation	-	-	-	-	-	8,367,295	8,367,295
<b>Other comprehensive income</b>							
Exchange difference on translation of net investment in foreign branches	-	-	-	492,787	-	-	492,787
Remeasurement of defined benefit plan (Note 36.1.4)	-	-	-	-	-	380,229	380,229
Related tax charge	-	-	-	-	-	(133,080)	(133,080)
	-	-	-	492,787	-	8,614,444	9,107,231
Transfer to statutory reserve	-	-	1,673,459	-	-	(1,673,459)	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	33,797	33,797
<b>Transactions with owners, recorded directly in equity</b>							
Shares issued during the year	123,644	68,078	-	-	-	-	191,722
Recognition of fair value charge of share based payments (Note 36.2)	-	-	-	-	26,693	-	26,693
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	127,787	-	-	(127,787)	-	-
<b>Balance as at December 31, 2017</b>	16,075,720	4,612,991	11,394,345	2,076,807	72,526	24,312,240	58,544,629

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

The annexed notes 1 to 47 and Annexures I and II form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## 1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange (formerly Karachi, Lahore and Islamabad Stock Exchanges). The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 475 conventional banking branches including 22 sub branches (2016: 475 branches including 18 sub branches), 10 overseas branches (2016: 10 branches), 152 Islamic banking branches (2016: 153 branches) and 1 offshore banking unit (2016: 1 unit). The credit rating of the Bank is disclosed in note 34 of the unconsolidated financial statements.

## 2 BASIS OF PRESENTATION

- 2.1 These unconsolidated 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.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the repealed Companies Ordinance, 1984.
- 2.3 Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements

## 3 STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the repealed Companies Ordinance, 1984, the provisions of and directives issued under the repealed Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the repealed Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by SECP and SBP shall prevail.
- 3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and 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 Securities and Exchange Commission of Pakistan 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. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 3.3 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 Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank.
- 3.4 The Companies Ordinance, 1984, was repealed by enactment of the Companies Act, 2017, on May 30, 2017. The SECP vide its Circular No. 23 of 2017, dated October 04, 2017, has clarified that all those companies whose financial year closes on or before December 31, 2017 shall prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.

### 3.5 New and revised approved accounting standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Bank's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Bank's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Bank's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Bank's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Bank's financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS3 'Business Combinations' and IFRS11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Bank's financial statements.

The Companies Act, 2017 and the revised format of financial statements notified by SBP will be effective from the accounting year ending December 31, 2018. The Companies Act, 2017 and the revised format would result in additional disclosures and certain changes in the financial statement presentation.

## **4 BASIS OF MEASUREMENT**

### **4.1 Accounting convention**

These unconsolidated financial statements have been prepared under the historical cost convention except that certain fixed assets and other assets are stated at revalued amounts, and held for trading and available for sale investments and derivative financial instruments are measured at fair value.

### **4.2 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.

### **4.3 Critical accounting estimates and judgements**

The preparation of these unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against non-performing loans and advances (notes 5.4 and 10)
- iii) income taxes (notes 5.9 and 31)
- iv) accounting for defined benefit plan and compensated absences (notes 5.10 and 36)
- v) depreciation / amortisation of operating fixed assets (notes 5.5 and 11)
- vi) impairment of assets (notes 5.3.5, 5.4.1 and 5.8)

## **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These have been consistently applied to all years presented.



## **5.1 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, any overdrawn nostro accounts and call lendings having maturity of three months or less.

## **5.2 Lendings to / borrowings from financial institutions**

The Bank enters into transactions of repo and reverse repo at contracted rates for a specified period of time. These are recorded as under:

### **Sale of securities under repurchase agreements**

Securities sold subject to a repurchase agreement (repo) are retained in these unconsolidated financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as an expense.

### **Purchase of securities under resale agreements**

Securities purchased under agreement to resell (reverse repo) are not recognised in these unconsolidated financial statements as investments and the amount extended to the counter party is included in lendings. The difference between the purchase and contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.

## **5.3 Investments**

### **5.3.1 Classification**

The Bank classifies its investments as follows:

#### **Held for trading**

These are investments, which are either acquired for generating profits from short-term fluctuations in market prices, interest rate movements, dealers' margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

#### **Held to maturity**

These are investments with fixed or determinable payments and fixed maturities and the Bank has the positive intent and ability to hold them till maturity.

#### **Available for sale**

These are investments, other than those in subsidiaries and associates, which do not fall under the 'held for trading' and 'held to maturity' categories.

#### **Associates**

Associates are all entities over which the Bank has significant influence but not control. Investment in associates is carried at cost less accumulated impairment losses, if any.

#### **Subsidiaries**

Subsidiary is an entity over which the Bank has control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

### **5.3.2 Regular way contracts**

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date at which the Bank commits to purchase or sell the investments.

### **5.3.3 Initial recognition and measurement**

Investments are initially recognised at fair value. Transaction costs associated with investments other than held for trading securities are included in cost of investments. Transaction costs on held for trading securities are expensed in the profit and loss account.

### 5.3.4 Subsequent measurement

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those classified as 'held to maturity', investment in associates and investment in subsidiaries are subsequently remeasured to market value. Surplus / (deficit) arising on revaluation of securities classified as 'available for sale' is taken to a separate account shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of investments classified as 'held for trading' is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost.

Unquoted equity securities, excluding investment in subsidiaries and associates are valued at lower of cost and the break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any.

### 5.3.5 Impairment

Impairment loss in respect of equity securities classified as available for sale, subsidiaries and associates and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position below equity is removed there from and recognised in the profit and loss account. For investments classified as held to maturity and investment in subsidiaries and associates, the impairment loss is recognised in the profit and loss account.

Gains or losses on disposal of investments during the year are taken to the profit and loss account.

## 5.4 Advances

### Loans and advances

Loans and advances including net investment in finance lease are stated net of provision against non-performing advances. Specific and general provisions against loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas loans and advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery.

### Islamic Financing and Related Assets

The Bank provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah, Musharakah, Running Musharakah, Salam, Istisna, Tijara and Export Refinance under SBP Islamic Export Refinance Scheme. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financings is recognised in accordance with the principles of Islamic Shariah. The Bank determines specific and general provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

### Net investment in Finance Lease

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. The Bank determines specific provisions against investment in finance lease on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against net investment in finance lease. The assets are written off when there are no realistic prospects of recovery.

#### 5.4.1 Ijarah Assets (IFAS 2)

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received/ receivable on Ijarah under IFAS 2 are recorded as income / revenue.

##### **Depreciation**

The Bank charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method.

##### **Impairment**

Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

#### 5.5 Operating Fixed assets

##### **Tangible assets**

Operating fixed assets, except office premises which are carried at revalued amount less accumulated depreciation, are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged to income by applying the straight-line method using the rates specified in note 11.2 to these unconsolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Office premises are revalued by professionally qualified valuers every three years to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of operating fixed assets account. Deficit arising on subsequent revaluation of operating fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the repealed Companies Ordinance, 1984. The surplus on revaluation of operating fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of operating fixed assets are taken to the profit and loss account except that the related surplus / deficit on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

##### **Intangible assets**

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any.

#### 5.6 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

## 5.7 Non-current assets held for sale

The Bank classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

## 5.8 Impairment

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the unconsolidated financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

## 5.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in statement of comprehensive income.

### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebate, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments during the year.

### Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 5.10 Employee benefits

### a) Defined benefit plan

The Bank operates an approved funded gratuity scheme, administered by the trustees, covering eligible employees whose period of employment with Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised immediately in other comprehensive income.

### b) Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 8.33% of the basic salary in accordance with the terms of the scheme.

### c) **Compensated absences**

The Bank recognises the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision has been recognised on the basis of actuarial recommendations.

### d) **Employees Stock Option Scheme**

The Bank has granted share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP. Under the scheme, the employees can subscribe to new ordinary shares for which options have been granted to them under the scheme upto the period of 2019. As per the scheme the entitlements and exercise price are subject to adjustments because of issuance of right shares and bonus issues.

The grant date fair value of equity settled share based payments to employees, determined as option discount as allowed by Public Companies (Employee Stock Option Scheme) Rules 2001, is recognized as employee compensation expense on a straight line basis over the vesting period with a consequent credit to equity as employee stock option compensation reserve. The deferred employee stock option cost is shown as a deduction from employee stock option compensation reserve. Option discount means the excess of market price of the share at the date of grant of an option under a Scheme over exercise price of the option.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the profit and loss account, such employee compensation expense is reversed in the profit and loss account equal to the amortized portion with a corresponding effect to employee stock option compensation reserve equal to the un-amortized portion.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit or loss is reversed with a corresponding reduction to employee stock option compensation reserve.

When the options are exercised, employee stock option compensation reserve relating to these options is transferred to share capital and share premium. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium.

## **5.11 Non-banking assets acquired in satisfaction of claim**

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the 'surplus on revaluation of fixed assets' account, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to bank is accounted as an expense in the profit and loss account. Furthermore, revaluation surplus on such assets shall not be admissible for calculating bank's Capital Adequacy Ratio (CAR) and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

## **5.12 Borrowings / deposits and their cost**

- a) Borrowings / deposits are recorded at the proceeds received.
- b) Borrowing costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

## **5.13 Deposits - Islamic Banking**

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Modaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio.

Rab-ul-Maal (Customer) share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (Bank) can distribute its share of profit to Rab-ul-Maal upto a specified percentage of its profit.

Profits are distributed from the pool so the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period.

Asset pools are created at the Bank's discretion and the Bank can add, amend, transfer an asset to any other pool in the interests of the deposit holders.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

#### **5.14 Provisions**

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to the profit and loss account is stated net-of expected recoveries.

Other provisions are recognised when the Bank has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

#### **5.15 Acceptances**

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

#### **5.16 Revenue recognition**

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Bank and the revenue can be reliably measured.

##### **Advances and investments**

Income on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognized on a receipt basis. Income on rescheduled / restructured advances and investments is recognized as permitted by SBP regulations or by the regulatory authorities of the countries where the Bank operates.

Murabaha income is recognised on deferred income basis.

##### **Lease financing**

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

Ijarah income is recognised on an accrual basis as and when the rentals becomes due.

#### **Non Markup / interest income**

Fee, commission and brokerage income except income from guarantees and bancaassurance business are accounted for on receipt basis.

Other income is recognised on accrual basis.

Dividend income is recognised at the time when the Bank's right to receive the dividend has been established.

### **5.17 Foreign currency translation**

#### **Functional and presentation currency**

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates.

#### **Transactions and balances**

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

#### **Commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

#### **Foreign operations**

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year. Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

### **5.18 Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to the profit and loss account.

### **5.19 Off-setting**

Financial assets and financial liabilities are off-set and the net amount reported in the unconsolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

### **5.20 Dividend and appropriation to reserves**

Dividend and appropriation to reserves, except appropriations which are required under the law, after the reporting date, are recognised in the Bank's unconsolidated financial statements in the year in which these are approved.

## 5.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

## 5.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure of the Bank. Segmented performance is reported to the senior management of the Bank on monthly basis for the purpose of strategic decision making and performance management.

### a) Business segments

#### Retail banking

This includes loans, deposits, trading activity, wealth management and other banking transactions with retail, commercial and small and middle sized customers of the Bank.

#### Corporate banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities / with Bank's corporate and public sector customers.

#### Treasury

This segment includes liquidity management activities carried out through borrowing, lending, money market, capital market and merchant banking operations. The investments of the Bank primarily towards government securities and risk management activities via use of forward contracts & derivatives are reported here.

#### Consumer banking

This segment primarily constitutes consumer financing activities with individual customers of the Bank. Product suite offered to these customers include credit cards, auto loans, housing finance and personal loans.

#### Islamic banking

This segment pertains to full scale Islamic Banking operations of the Bank.

#### International operations

This segment includes amounts related to Bank's overseas operations, namely, commercial banking activities in Bangladesh, Afghanistan, United Arab Emirates and wholesale banking activities in the Kingdom of Bahrain.

#### Others

This includes the head office related activities, and all other activities not readily tagged to the segments above.

### b) Geographical segments

The Bank operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East



	Note	2017 (Rupees in '000)	2016
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency (including in transit 2017: Rs. 7 million, 2016: Rs. 12.122 million)		10,464,270	10,187,393
Foreign currencies (including in transit 2017: Rs. 4.230 million, 2016: Rs. 4.189 million)		4,031,567	2,579,051
<b>With State Bank of Pakistan in</b>			
Local currency current accounts	6.1	28,767,491	28,662,461
Foreign currency current accounts	6.2	2,927,953	2,553,016
Foreign currency deposit accounts	6.3	6,998,393	5,972,553
<b>With other central banks in</b>			
Foreign currency current accounts	6.4	1,403,720	4,117,412
Foreign currency deposit accounts	6.4	555,392	678,906
<b>With National Bank of Pakistan in</b>			
Local currency current account		15,208,850	19,292,758
<b>National Prize Bonds</b>		23,799	27,834
		<u>70,381,435</u>	<u>74,071,384</u>

**6.1** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

**6.2** As per BSD Circular No. 9 dated December 3, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

**6.3** Special cash reserve of 15% is required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry markup rates ranging from 0.22% to 0.37% per annum (2016: Nil).

**6.4** These represent deposits with other central banks to meet their minimum cash reserves and capital requirements pertaining to the overseas operations of the Bank.

## **7 BALANCES WITH OTHER BANKS**

	Note	2017 (Rupees in '000)	2016
<b>In Pakistan</b>			
On current accounts		519,902	306,450
On deposit accounts		-	1,000,555
<b>Outside Pakistan</b>			
On current accounts	7.1	2,056,222	4,375,099
On deposit accounts	7.2	1,932,711	3,691,019
		<u>4,508,835</u>	<u>9,373,123</u>

- 7.1 This includes amount held in Automated Investment Plans. The Bank is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount.
- 7.2 This includes placement of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 1.00% to 8.40% per annum (2016: 1.00% to 5.50% per annum) having maturities upto March 2018 (2016: March 2017).

	Note	2017	2016
(Rupees in '000)			
<b>8</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call money lendings	8.1	20,255,936	5,306,590
Bai Muajjal	8.2	16,791,356	24,497,227
Repurchase agreement lendings	8.3	11,848,536	345,212
		<u>48,895,828</u>	<u>30,149,029</u>

8.1 These represent lendings to financial institutions at interest rates ranging from 1.5% to 9.75% per annum (2016: 0.25% to 9.00% per annum) having maturities upto March 2018 (2016: March 2017).

8.2 These represent Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) / other commercial banks, whereby the Bank sold Sukuks having carrying value of Rs. 16,791 million (2016: Rs. 24,497 million) on deferred payment basis. The rates of return range from 5.71% to 5.80% per annum (2016: 5.62% to 5.97% per annum), and these are due to mature by March 2018 (2016: June 2017).

8.3 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 5.8% to 6.2% per annum (2016: 6.15% per annum) with maturities upto June 2018 (2016: January 2017).

**8.3.1 Securities held as collateral against lending to financial institutions**

	2017			2016		
	Held by bank	Further given as collateral / sold	Total	Held by bank	Further given as collateral / sold	Total
----- (Rupees in '000) -----						
Market Treasury Bills	5,593,265	-	5,593,265	345,212	-	345,212
Pakistan Investment Bonds	1,003,918	5,251,353	6,255,271	-	-	-
	<u>6,597,183</u>	<u>5,251,353</u>	<u>11,848,536</u>	<u>345,212</u>	<u>-</u>	<u>345,212</u>

	2017	2016
(Rupees in '000)		
<b>8.4</b>	<b>Particulars of lendings to financial institutions</b>	
In local currency	43,346,538	28,842,439
In foreign currencies	5,549,290	1,306,590
	<u>48,895,828</u>	<u>30,149,029</u>

9 INVESTMENTS - NET

9.1 Investments by types

Note	2017			2016		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rupees in '000) -----						
<b>Held for trading securities</b>						
Market Treasury Bills	22,759,650	-	22,759,650	14,120,130	-	14,120,130
Pakistan Investment Bonds	-	-	-	20,207	-	20,207
Overseas Bonds	19,443	-	19,443	549,615	-	549,615
Fully paid up ordinary shares / units - Listed	28,140	-	28,140	740,776	-	740,776
	22,807,233	-	22,807,233	15,430,728	-	15,430,728
<b>Available for sale securities</b>						
Market Treasury Bills	77,610,358	85,274,643	162,885,001	38,584,821	-	38,584,821
Pakistan Investment Bonds	43,168,310	64,920,622	108,088,932	78,936,759	128,150,711	207,087,470
Fully paid up ordinary shares / units - Listed	5,773,258	-	5,773,258	6,223,937	-	6,223,937
Fully paid up ordinary shares / units - Unlisted	350,507	-	350,507	82,056	-	82,056
Term Finance Certificates	1,297,084	-	1,297,084	514,483	-	514,483
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted	25,000	-	25,000	25,000	-	25,000
Redeemable Participating Certificates	1,133,659	-	1,133,659	501,938	-	501,938
Commercial papers	90,201	-	90,201	-	-	-
Pakistan Euro Bonds	1,435,375	845,802	2,281,177	2,688,770	-	2,688,770
Overseas Bonds	1,479,097	2,526,175	4,005,272	7,819,677	4,839,993	12,659,670
Sukuk Bonds	36,191,513	6,939,721	43,131,234	38,663,395	5,023,937	43,687,332
	168,663,197	160,506,963	329,170,160	174,149,671	138,014,641	312,164,312
<b>Held to maturity securities</b>						
Market Treasury Bills	1,470,741	-	1,470,741	1,995,857	-	1,995,857
Pakistan Investment Bonds	31,637,988	-	31,637,988	31,793,773	-	31,793,773
Term Finance Certificates	524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds	193,239	-	193,239	706,255	-	706,255
Commercial Papers	-	-	-	661,557	-	661,557
Overseas Bonds	4,945,043	1,095,269	6,040,312	9,714,052	1,036,079	10,750,131
Sukuk Bonds	4,097,810	-	4,097,810	3,847,273	-	3,847,273
	42,869,087	1,095,269	43,964,356	49,243,033	1,036,079	50,279,112
<b>Subsidiaries</b>						
Alfalah Securities (Private) Limited	300,000	-	300,000	1,126,000	-	1,126,000
Alfalah GHP Investment Management Limited	130,493	-	130,493	130,493	-	130,493
Alfalah GHP Cash Fund	-	-	-	525,474	-	525,474
	430,493	-	430,493	1,781,967	-	1,781,967
<b>Associates</b>						
Alfalah Insurance Limited	68,990	-	68,990	68,990	-	68,990
Sapphire Wind Power Company Limited	978,123	-	978,123	978,123	-	978,123
Alfalah GHP Money Market Fund	-	-	-	55,153	-	55,153
Alfalah GHP Income Multiplier Fund	-	-	-	250,000	-	250,000
Alfalah GHP Sovereign Fund	-	-	-	200,000	-	200,000
Alfalah GHP Islamic Stock Fund	-	-	-	250,000	-	250,000
TriconBoston Consulting Corporation (Private) Limited	769,230	-	769,230	-	-	-
	1,816,343	-	1,816,343	1,802,266	-	1,802,266
<b>Investments at cost</b>	236,586,353	161,602,232	398,188,585	242,407,665	139,050,720	381,458,385
<b>Provision for diminution in the value of investments</b>	(1,349,330)	-	(1,349,330)	(2,079,781)	-	(2,079,781)
<b>Investments (net of provisions)</b>	235,237,023	161,602,232	396,839,255	240,327,884	139,050,720	379,378,604
Surplus on revaluation of held for trading securities - net	(7,351)	-	(7,351)	109	-	109
Surplus on revaluation of available for sale securities - net	1,976,459	1,924,923	3,901,382	7,636,113	2,077,811	9,713,924
<b>Total investments</b>	237,206,131	163,527,155	400,733,286	247,964,106	141,128,531	389,092,637

9.1.1 Market value of held to maturity securities is Rs. 43,844 million (2016: Rs. 48,528 million).

	Note	2017 (Rupees in '000)	2016
<b>9.2 Strategic Investments</b>			
<b>Available for sale</b>			
<b>Fully paid up ordinary shares - Unlisted</b>			
Al Hamra Avenue (Private) Limited (Percentage of holding: 3.12% (2016: 3.12%))	9.11	50,000	50,000
<b>Subsidiaries</b>			
Alfalah Securities (Private) Limited (Percentage of holding: 97.91% (2016: 97.91%))	9.20	300,000	1,126,000
Alfalah GHP Investment Management Limited (Percentage of holding: 40.22% (2016: 40.22%))	9.20	130,493	130,493
<b>Associates</b>			
Alfalah Insurance Limited (Percentage of holding: 30% (2016: 30%))	9.21	68,990	68,990
Alfalah GHP Income Multiplier Fund (Percentage of holding: Nil (2016: 13.17%))		-	250,000
Sapphire Wind Power Company Limited (Percentage of holding: 30% (2016: 30%))	9.21	978,123	978,123
Alfalah GHP Islamic Stock Fund (Percentage of holding: Nil (2016: 6.45%))		-	250,000
		<u>1,527,606</u>	<u>2,853,606</u>
Provision for diminution in the value of investments		<u>(50,000)</u>	<u>(876,000)</u>
		<u>1,477,606</u>	<u>1,977,606</u>

**9.2.1** Strategic investments are those which the Bank makes with the intention of holding them for a long term duration and are marked as such at the time of investment. Disposals of such investments can only be made subject to the fulfilment of the requirements prescribed by the SBP. Further, as per the SBP instructions in BPRD Circular Letter No. 16 of 2006 dated August 01, 2006, investments marked as strategic have a minimum retention period of 5 years from the original purchase date. However, these can be sold before the stipulated period with the prior permission of the SBP.

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>9.3 Investments by segments</b>			
<b>Federal Government Securities</b>			
- Market Treasury Bills	9.5	187,115,392	54,700,808
- Pakistan Investment Bonds	9.6	139,726,920	238,901,450
- Overseas Government Bonds	9.7	5,511,613	18,042,785
- Sukuk Bonds	9.8	38,408,132	41,567,768
- Pakistan Euro Bonds	9.9	2,474,416	3,395,025
- Commercial Papers		-	132,277
		373,236,473	356,740,113
<b>Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates</b>			
- Listed companies / mutual funds	9.10	5,801,398	6,964,713
- Un-listed companies	9.11	350,507	82,056
- Preference Shares - Listed	9.12	108,835	108,835
- Preference Shares - Unlisted	9.13	25,000	25,000
		6,285,740	7,180,604
<b>Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates</b>			
- Listed TFCs	9.14	99,860	99,900
- Un-listed TFCs	9.15	1,721,490	938,849
- Sukuk Bonds	9.16	8,820,912	5,966,837
- Commercial Papers	9.17	90,201	529,280
- Overseas Bonds	9.18	4,553,414	5,916,631
- Redeemable Participating Certificates	9.19	1,133,659	501,938
		16,419,536	13,953,435
<b>Investment in Subsidiaries</b>	9.20	430,493	1,781,967
<b>Investment in Associates</b>	9.21	1,816,343	1,802,266
<b>Total investments at cost</b>		398,188,585	381,458,385
Provision for diminution in the value of investments	9.24	(1,349,330)	(2,079,781)
<b>Investments (net of provisions)</b>		396,839,255	379,378,604
Surplus on revaluation of held for trading securities - net	9.26	(7,351)	109
Surplus on revaluation of available for sale securities - net	20.2	3,901,382	9,713,924
<b>Total investments</b>		400,733,286	389,092,637

**9.4** Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

**9.5** Market Treasury Bills are for the periods of three months, six months and one year. The effective rates of profit on Market Treasury Bills range between 5.93% to 6.19% per annum (2016: 5.85% to 6.21% per annum) with maturities upto March 2018 (2016: September 2017).

9.6 Pakistan Investment Bonds (PIBs) are for the periods of three, five, ten years and fifteen years. The rates of profit range from 6.36% to 12.72% per annum (2016: 6.21% to 12.73% per annum) with maturities from March 2018 to July 2022 (2016: July 2017 to July 2022).

#### 9.7 Federal Government Securities - Overseas Government Bonds

Country	Date of Maturity	Profit / interest rate per annum 2017	Profit / interest rate per annum 2016	2017 Rupees in '000)	2016
Afghanistan	January 2018 to February 2018	-	0.35% to 1.68%	-	3,659,152
Bangladesh	January 2018 to November 2034	2.97% to 12.48%	6.62% to 12.55%	4,964,487	5,567,738
Kazakhstan	October 2024	-	3.88%	-	309,038
Kingdom of Bahrain	-	-	0.055%	-	553,251
Kingdom of Jordan	January 2026 and January 2027	-	5.75% to 6.13%	-	208,419
Kingdom of Saudi Arabia	October 2026	-	3.25%	-	1,964,712
Sultanate of Oman	June 2026	-	4.75%	-	2,290,336
State of Qatar	June 2026	3.25%	2.38% to 3.28%	547,126	2,796,606
Republic of Indonesia	January 2022 to July 2025	-	2.63% to 4.35%	-	481,566
Republic of Sri Lanka	January 2022 and May 2027	-	5.75%	-	156,898
United Mexican State	March 2024	-	1.63%	-	55,069
				<u>5,511,613</u>	<u>18,042,785</u>

#### 9.8 Federal Government Securities - Sukuk Bonds

Investee company	Date of Maturity	Profit / interest rate per annum 2017	Profit / interest rate per annum 2016	2017 (Rupees in '000)	2016
Indonesia Sovereign	-	-	4.35%	-	524,754
Kingdom of Bahrain Sukuk	February 2024	5.60%	5.62%	552,041	522,993
Neelum Jhelum Hydro Power Company	June 2026 and October 2026	7.30% and 7.34%	7.19% and 7.28%	2,600,000	2,600,000
Pakistan Government Ijarah Sukuk XVI	Decemeber 2018	5.51%	5.45%	20,518,922	20,519,468
Pakistan Government Ijarah Sukuk XVII	February 2019	6.10%	6.10%	5,603,700	5,606,994
Pakistan Government Ijarah Sukuk XVIII	March 2019	5.59%	5.59%	4,000,000	4,000,000
Pakistan International Sukuk	December 2019	6.75%	6.75%	959,941	909,084
Pakistan International Sukuk	October 2021	5.50%	5.50%	3,202,099	4,719,034
South Africa Sovereign	-	-	3.90%	-	418,394
Turkey Sukuk	-	-	4.25%	-	366,095
WAPDA-III	October 2021	7.17%	7.06%	971,429	1,380,952
				<u>38,408,132</u>	<u>41,567,768</u>

9.9 These represent Pakistan Euro Bonds of US Dollar 26.75 million (2016: US Dollar 33.14 million) issued by the Government of Pakistan. These bonds carry interest 8.25% per annum (2016: 7.25% to 8.25% per annum) with maturities upto September 2025 (2016: September 2025).

**9.10 Particulars of investments in listed companies / mutual funds include the following:**

2017 (Number of shares / certificates / units)	2016		2017 (Rupees in '000)	2016
<b>OIL AND GAS EXPLORATION COMPANIES</b>				
3,110,000	2,275,000	Oil and Gas Development Corporation Limited	476,564	324,333
446,950	475,000	Pakistan Oilfields Limited	232,365	147,629
800,000	591,800	Pakistan Petroleum Limited	126,698	75,012
<b>OIL AND GAS MARKETING COMPANIES</b>				
12,750	140,000	Attock Petroleum Limited	6,790	74,552
920,000	560,100	Pakistan State Oil Company Limited	290,240	209,845
225,000	-	Sui Northern Gas Pipelines Limited	21,949	-
-	200,000	Hi-Tech Lubricants Limited	-	22,898
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>				
375,000	592,200	Agriauto Industries Limited	123,882	139,293
-	200,000	Thal Limited	-	83,906
<b>CHEMICALS</b>				
2,273,531	2,273,531	Agritech Limited	17,909	17,909
1,464,100	1,773,800	Engro Corporation Limited	444,315	497,166
-	3,745,500	Engro Fertilizer Limited	-	277,450
-	1,200,000	Fatima Fertilizer Company Limited	-	37,184
-	4,429,500	Fauji Bin Qasim Limited	-	232,669
-	1,875,000	Fauji Fertilizer Company Limited	-	232,121
<b>PHARMACEUTICALS</b>				
-	300,000	Abbot Laboratories (Pakistan) Limited	-	255,055
<b>CEMENT</b>				
1,326,300	851,300	Cherat Cement Company Limited	170,278	128,283
4,302,300	2,191,400	D G Khan Cement Limited	629,071	322,308
7,740,000	1,200,00	Fauji Cement Company Limited	218,265	44,363
1,092,200	997,700	Lucky Cement Limited	653,764	532,555
1,100,000	2,722,000	Pioneer Cement Limited	80,869	330,591
<b>ENGINEERING</b>				
1,900,000	1,300,000	Amreli Steels Limited	167,071	69,969
-	124,000	Mughal Iron and Steel Industries Limited	-	11,810
<b>TECHNOLOGY &amp; COMMUNICATION</b>				
-	550,000	Avanceon Limited	-	19,416
<b>PAPER &amp; BOARD</b>				
-	128,900	Cherat Packaging Limited	-	48,034
Balance carried forward			3,660,030	4,134,351

2017 (Number of shares / certificates / units)	2016		2017 (Rupees in '000)	2016 (Rupees in '000)
		Balance brought forward	3,660,030	4,134,351
		<b>REAL ESTATE INVESTMENT TRUST</b>		
41,622,117	41,622,117	Dolmen City Real Estate Investment Trust (REIT)	457,843	457,843
		<b>PERSONAL GOODS</b>		
-	624,500	Gul Ahmed Textile Mills Limited	-	34,007
-	250,000	Nishat (Chunian) Limited	-	14,434
		<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>		
-	100,250	Al Shaheer Corporation Limited	-	5,432
		<b>CABLE &amp; ELECTRICAL GOODS</b>		
-	250,000	Pak Elektron Limited	-	17,480
		<b>POWER GENERATION &amp; DISTRIBUTION</b>		
1,849,000	221,000	Altern Energy Limited	73,633	7,949
667,000	5,540,000	K-Electric Limited	4,015	51,055
-	1,942,500	Kot Addu Power Company Limited	-	148,452
3,449,500	4,000,000	Nishat (Chunian) Power Company Limited	115,727	132,117
6,043,000	2,500,000	Nishat Power Company Limited	222,999	106,994
4,500,000	6,116,700	The Hub Power Company Limited	439,587	553,530
		<b>BANKS</b>		
-	891,700	Allied Bank Limited	-	88,485
1,261,500	5,500,000	Bank Al Habib Limited	51,852	226,069
1,800,720	1,800,720	First Dawood Investment Bank Limited	15,000	15,000
-	1,775,000	Habib Bank Limited	-	331,519
4,200,000	-	Habib Metropolitan Bank Limited	138,821	-
734,000	1,227,200	MCB Bank Limited	147,136	301,077
-	525,000	National Bank of Pakistan Limited	-	39,093
2,200,000	1,800,000	United Bank Limited	474,755	299,826
		<b>Financial Services</b>		
47,460	47,460	Visa Inc.	-	-
			<u>5,801,398</u>	<u>6,964,713</u>

#### 9.11 Investments in unlisted companies

2017 (Number of shares)	2016		2017 (Rupees in '000)	2016 (Rupees in '000)
572,531	572,531	<b>Pakistan Export Finance Guarantee Agency Limited</b> Liquidator: Mr. Usman Khawaja Break-up value per share: Rs. 0.5 Date of financial statements: June 30, 2010 (Audited)	5,725	5,725
		Balance carried forward	<u>5,725</u>	<u>5,725</u>



2017 (Number of shares)	2016		2017 (Rupees in '000)	2016 (Rupees in '000)
		Balance brought forward	5,725	5,725
24	24	<b>Society for Worldwide Interbank Financial Telecommunication</b> Chief Executive: Mr. Gottfried Leibbrandt Break-up value per share: Rs. 498,730 (2013: Rs. 425,866) Date of financial statements: December 31, 2016 (Audited)	4,096	4,096
5,000,000	5,000,000	<b>Al-Hamra Avenue (Private) Limited (Related party)</b> Chief Executive: Mr. Habib Ahmed Break-up value per share: Rs. 9.52 Date of financial statements: June 30, 2010 (Un-audited)	50,000	50,000
2,223,452	2,223,452	<b>Pakistan Mobile Communication Limited (Related party)</b> Chief Executive: Mr. Aamir Ibrahim Break-up value per share: Rs. 15.18 (2016: Rs. 15.52) Date of financial statements: December 31, 2016 (Audited)	22,235	22,235
10,800,000	-	<b>AGP Pharma</b> Chief Executive: Ms. Nusrat Munshi Break-up value per share: Rs. 19.68 Date of financial statements: December 31, 2017 (Audited)	256,211	-
1,224,000	-	<b>Pakistan Mortgage Refinance Company Limited (Related party)</b> Chief Executive: Mr. N. Kokularupan Narayanasamy Break-up value per share: Rs. 10.04 Date of financial statements: December 31, 2017 (Un-audited)	12,240	-
			<u>350,507</u>	<u>82,056</u>
<b>9.12 Investments in preference shares - Listed</b>				
10,883,486	10,883,486	<b>Agritech Limited</b> Chief Executive: Mr. Faisal Muzammil Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. 1.12 (2015: Rs. 12.51) Date of financial statements: December 31, 2016 (Audited)	108,835	108,835
			<u>108,835</u>	<u>108,835</u>
<b>9.13 Investments in preference shares - Unlisted</b>				
2,500,000	2,500,000	<b>Trust Investment Bank Limited</b> Chief Executive: Mr. Ahsan Rafique Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. 11.08 (2016: Rs. 14.92) Date of financial statements: June 30, 2017 (Audited)	25,000	25,000
			<u>25,000</u>	<u>25,000</u>

9.14	Particulars of Term Finance Certificates - Listed	2017	2016
		(Rupees in '000)	
	<b>MCB Bank formerly NIB Bank Limited - (2nd Issue)</b>	99,860	99,900
	20,000 (2016: 20,000) certificates of Rs. 5,000 each		
	Mark up: Average six months KIBOR + 115 basis points per annum with no floor and cap.		
	Redemption: The TFC is structured to redeem 0.3 percent of principal semiannually in the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month. The repayment obligations of the issuer pursuant to the TFCs unsecured and sub-ordinated to all other financial obligations of the issuer.		
	Maturity: June 2022		
	Rating: AAA (PACRA)		
	Chief Executive: Mr. Imran Maqbool		
		99,860	99,900
<b>9.15</b>	<b>Particulars of Term Finance Certificates - Unlisted</b>		
	<b>Agritech Limited</b>	499,586	499,586
	100,000 (2016: 100,000) certificates of Rs. 5,000 each		
	Mark up: Average six months KIBOR (Ask Side) + 175 basis point per annum (no floor & no cap)		
	Redemption: The principal and markup repayments are overdue.		
	Maturity: July 2017		
	Rating: Unrated		
	Chief Executive: Mr. Muhammad Faisal Muzammil		
	<b>Askari Bank Limited</b>	99,880	99,920
	20,000 (2016: 20,000) certificates of Rs. 5,000 each		
	Mark up: Average six months KIBOR plus 120 basis points per annum		
	Redemption: TFC is structured to redeem 0.36% of the issue amount during the tenor of the issue with 99.64% of the issue amount in year ten in 2 equal semi annual instalments of 49.82% each. The TFCs shall be sub-ordinated to the payment of the principal and profit to all other indebtedness of the issuer including deposits, and are not redeemable before maturity without the prior approval of the State Bank of Pakistan.		
	Maturity: September 2024		
	Rating: AA (PACRA)		
	Chief Executive: Mr. Syed Majeedullah Hussaini		
	<b>Azgard Nine Limited - Note 9.15.1</b>	43,350	43,350
	20,000 (2016: 20,000) certificates of Rs.5,000 each		
	Mark-up: Average Six months KIBOR (Ask Side) + 100 basis points per annum		
	Redemption: The principal and markup repayments are overdue.		
	Maturity: December 2017		
	Rating: Unrated		
	Chief Executive: Mr. Ahmed H. Shaikh		
		642,816	642,856
	Balance carried forward		

	2017	2016
	(Rupees in '000)	
Balance brought forward	642,816	642,856
<b>Azgard Nine Limited - Note 9.15.2</b>	32,870	32,870
6,574 (2016: 6,574) certificates of Rs.5,000 each		
Mark-up: Zero Rated		
Redemption: The principal and markup repayments are overdue.		
Maturity: March 2017		
Rating: Unrated		
Chief Executive: Mr. Ahmed H. Shaikh		
<b>Faysal Bank Limited</b>	-	74,850
Nil (2016: 30,000 certificates of Rs. 5,000 each)		
<b>Fauji Akber Portia Marine Terminals Limited (FAP) - Note 9.15.4</b>	224,499	161,408
8 certificates of various PKR denominations (2016: 6 certificates of various PKR denominations)		
Mark up: Zero rated		
Redemption: Repayment will commence after the repayment of entire principal of reduced STF facility of FAP and will be made in 3 un-equal semi-annual instalments commencing from 2021.		
Maturity: May 2022		
Rating: Unrated		
Chief Executive: Commodore (Retd) Pervaiz Ahmed Khan		
<b>New Allied Electronics - Note 9.15.3</b>	2,185	2,185
437 (2016: 437) certificates of Rs. 5,000 each		
Mark up: Average three months KIBOR plus 275 basis points		
Redemption: The principal and markup repayments are overdue.		
Maturity: May 2011		
Rating: Unrated		
Chief Executive: Mr. Zeeshan Pervaiz Akhtar		
<b>Silk Bank Limited</b>		
20,000 (2016: Nil) certificates of Rs. 5,000 each	100,000	-
Mark up: Average 6 month KIBOR plus 185 basis points per annum		
Redemption: The instrument is structured to redeem 0.14 percent of principal semi-annually during the first seven years and remaining amount in 2 equal semi-annual instalments of 49.93%. The TFCs are sub-ordinated to all other indebtedness of the issuer including deposits.		
Maturity: May 2025		
Rating: A- (JCR-VIS)		
Chief Executive: Mr. Azmat Tareen		
Balance carried forward	1,002,370	914,169

	2017 (Rupees in '000)	2016
Balance brought forward	1,002,370	914,169
<b>WAPDA - Dasu Hydro Power Project</b>	694,440	-
69,444 (2016: Nil) certificates of Rs. 10,000 each		
Mark up:	Average six months KIBOR plus 145 basis points per annum	
Redemption:	20 equal semi-annual instalments commencing from the 66th month from the first drawdown.	
Maturity:	May 2032	
Rating:	AAA (PACRA)	
Chief Executive:	Lieutenant General Muzammil Hussain (Retd)	
<b>Zulekha Textile Mills Limited</b>	24,680	24,680
300 (2016: 300) certificates of Rs. 100,000 each		
Mark-up:	Average Six Months KIBOR + 300 basis points per annum	
Redemption:	10 equal semi-annual instalments commencing from the 24th months from first drawdown.	
Maturity:	October 2019	
Rating:	Unrated	
Chief Executive:	Mr. Shanzae Amjad	
	<u>1,721,490</u>	<u>938,849</u>

**9.15.1** In the year 2012, the Bank's exposure in the TFCs of Azgard Nine Limited (ANL) amounting to Rs. 99.920 million was restructured under a Debt / Asset Swap arrangement. As per the terms of the restructuring, the Bank received 1,616,036 shares of Agritech Limited (AGL) (valued at Rs. 35 per share) as partial settlement of the ANL's TFC exposure. In addition, the Bank also injected additional equity amounting to Rs. 11.631 million for acquisition of additional 332,297 shares in AGL. Subsequent to this settlement, Bank's exposure in the TFC of ANL has reduced to Rs. 43.350 million (as reflected in note 9.15). This exposure in TFC is fully provided while investment in shares has been held at fair value.

As per the terms of agreement, AGL shares shall be held by the respective trustees for the TFC issue in their name and on behalf of the TFC Holders who shall be the beneficial owners of the subject shares in proportion to their holdings. The Trustees of the TFC issue are authorised pursuant to shareholders investors agreement to hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer. Hence, 1,616,036 shares received by the Bank are held by the trustees of the TFCs.

Under the terms of Investor's Buy-Back Agreement entered into by the Bank in 2012, the strategic investor issued a put option notice to the Bank in January 2016. The Bank being one of the financing investors has purchased 325,198 shares of AGL at a price of Rs. 35 per share.

Subsequent to the year end, in line with the term of the agreement, 1,616,036 shares of AGL have been transferred to the Bank by the Trustee of the TFC on January 29, 2018.

**9.15.2** This represents Zero Rated Term Finance Certificates of Azgard Nine Limited (ANL) received in settlement of overdue mark-up outstanding on the actual TFC exposure of the Bank, amounting to Rs. 99.920 million. The settlement was made as per the Investor Agreement entered into between ANL and the Bank. As at December 31, 2017, this investment is fully provided.

**9.15.3** These represent TFCs of New Allied Electronics amounting to Rs. 2.185 million, received partially in lieu of the fully impaired unlisted TFCs of First Dawood Investment Bank previously held by the Bank. As at December 31, 2017, this investment is fully provided.

**9.15.4** During the year 2017, the Bank received zero rated TFCs of Fauji Akbar Portia Marine Terminal Limited (FAP) amounting to Rs. 63.091 million (2016: Rs. 59.339 million). These TFCs were received in settlement of overdue mark-up instalments on reduced STF facility of FAP. The Bank will continue to receive TFCs in settlement of mark-up to be accrued on semi-annual basis till May 2021. As at December 31, 2017, the exposure in the TFCs amounts to Rs. 224.499 million which stands fully provided.

#### 9.16 Investments in sukuk bonds

Investee company	Date of Maturity	Profit rate per annum	Number of Certificates	2017 (Rupees in '000)	2016
Albaraka Turk Katilim Bankasi	June 2019	6.25%	925,697	977,192	925,697
BRR Guardian Modaraba	December 2016	1 months KIBOR	20,000	20,593	36,177
Dubai Islamic Bank	February 2022	3.66%	Not applicable	1,545,841	-
Kuveyt Turk Katilim Bankasi	June 2019	5.16%	-	-	522,993
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00%	100,000	254,917	297,132
Pakistan Mobile Communication Limited	December 2019	3 months KIBOR plus 0.88 %	340,000	1,133,333	1,700,000
Qatar Islamic Bank	May 2022	3.25%	Not applicable	1,656,258	-
Quetta Textile Mills Limited	September 2019	6 months KIBOR plus 1.50%	30,000	72,619	72,619
Security Leasing Corporation Limited-I	January 2022	3% Cash + 3% accrual	5,000	6,418	6,418
Security Leasing Corporation Limited-II	September 2022	6 months KIBOR plus 1.95%	35,000	52,350	52,350
Sharjah International Bank	May 2021	3.08%	418,394	441,669	418,394
Sitara Peroxide (Private) Limited	August 2016	3 months KIBOR plus 1.00%	60,000	118,052	118,052
Sui Southern Gas Company Limited	October 2019	3 months KIBOR plus 0.4%	300,000	1,500,000	1,500,000
TF Varlik Kiralama AS	April 2019	5.38%	-	-	317,005
WAPDA - Dasu Hydro Power Project	May 2032	7.60%	104,167	1,041,670	-
				8,820,912	5,966,837

**9.17** These represent Commercial papers amounting to Rs. 90.201 million (2016: Rs. 529.280 million), Interest rate on these commercial papers is 9 months KIBOR+1% (2016: ranges between 7.75% to 9.50% per annum ), and are due for maturity upto September 2018 (2016: upto April 2017 ).

#### 9.18 Overseas Bonds

Investee company	Date of Maturity	Profit rate per annum	2017 (Rupees in '000)	2016
ABQ Finance Limited	February 22, 2022	3.50%	549,512	-
ADCB Finance Cayman Ltd	-	-	-	1,045,995
Africa Finance Corp	April 29, 2020	4.38%	219,322	-
African Import Export	May 24, 2021	4.00%	548,143	518,251
Afrin 2020	June 24, 2020	3.90%	659,321	623,371
Burgan Senior SPC Limited	September 14, 2021	3.13%	439,332	415,625
Deutsche Bank AG	March 17, 2025	1.13%	264,092	216,011
Gulf International Bank	March 25, 2022	3.50%	879,304	-
Halk Bank	-	-	-	521,933
Qatar National Bank	September 7, 2021	3.05%	214,443	812,695
RAK Funding Cayman Limited	-	-	-	208,412
TC Zirrat Bankasi A.S	-	-	-	260,908
Turkey Halk Bankasi	-	-	-	52,281
Turkey IS Bankasi A.S	June 25, 2021	5.00%	328,896	310,991
Turkey Sanai	May 18, 2021	4.88%	54,911	51,945
Turkiye Garanti Bankasi A.S	July 8, 2019	3.38%	396,138	326,014
Union National Bank	-	-	-	552,199
			4,553,414	5,916,631

**9.19** These represents redeemable participating certificates amounting to USD 10.267 million (2016 USD 4.8 million) issued by Baltoro Growth Fund, registered in Mauritius. The fund has a life of ten years and distributions would be made at the end of the life.

## 9.20 Particulars of investment in subsidiaries

The paid up value of these shares / units is Rs. 10 unless otherwise stated.

2017 (Number of shares / units)	2016		2017 (Rupees in '000)	2016 (Rupees in '000)
-	1,050,926	<b>Alfalalah GHP Cash Fund</b>	-	525,474
13,049,070	13,049,070	<b>Alfalalah GHP Investment Management Limited</b> Percentage of holding: 40.22% (2016: 40.22%) Break-up value per share: Rs. 21.35 (2015: Rs. 16.24) Date of un-audited financial statements: December 31, 2017 Chief Executive: Ms. Maheen Rehman	130,493	130,493
24,478,043	112,600,000	<b>Alfalalah Securities (Private) Limited - Note 9.24.1</b> Percentage of holding: 97.91% (2016: 97.91%) Break-up value per share: Rs. 9.27 (2016: Rs. 1.98) Date of un-audited financial statements: December 31, 2017 Chief Executive: Atif Mohammed Khan	300,000	1,126,000
			<u>430,493</u>	<u>1,781,967</u>

## 9.21 Particulars of investments in associates

The paid up value of these shares / units is Rs. 10 unless otherwise stated.

2017 (Number of shares / units)	2016		2017 (Rupees in '000)	2016 (Rupees in '000)
-	5,481,236	<b>Alfalalah GHP Income Multiplier Fund</b>	-	250,000
-	5,590,077	<b>Alfalalah GHP Islamic Stock Fund</b>	-	250,000
-	567,660	<b>Alfalalah GHP Money Market Fund</b>	-	55,153
-	1,978,187	<b>Alfalalah GHP Sovereign Fund</b>	-	200,000
14,997,825	14,997,825	<b>Alfalalah Insurance Limited</b> Percentage of holding: 30% (2016: 30%) Break-up value per share: Rs. 21.14 (2016: Rs. 19.70) Date of un-audited financial statements: December 31, 2017 Chief Executive: Mr. Nasar us Samad Qureshi	68,990	68,990
97,812,317	97,812,317	<b>Sapphire Wind Power Company Limited</b> Percentage of holding: 30% (2016: 30%) Break-up value per share: Rs. 15.63 (2016: Rs. 12.19) Date of un-audited financial statements: December 31, 2017 Chief Executive: Mr. Nadeem Abdullah	978,123	978,123
76,922,999	-	<b>TriconBoston Consulting Corporation (Private) Limited</b> Percentage of holding: 9.25% Break-up value per share: Rs. 9.80 Date of un-audited financial statements: December 31, 2017 Chief Executive: Nadeem Abdullah	769,230	-
			<u>1,816,343</u>	<u>1,802,266</u>

		2017	2016
		(Rupees in '000)	
<b>9.22</b>	<b>Particulars of Assets and Liabilities of Subsidiaries and Associates</b>		
	<b>SUBSIDIARIES</b>		
	<b>Alfalah Securities (Private) Limited</b>		
	Date of un-audited financial statements: December 31, 2017		
	Assets	929,124	1,150,647
	Liabilities	697,447	922,533
	Revenue	192,868	92,430
	Profit / (loss) for the year	19,537	(36,811)
	<b>Alfalah GHP Investment Management Limited</b>		
	Date of un-audited financial statements: December 31, 2017		
	Assets	947,545	760,053
	Liabilities	254,687	225,661
	Revenue	539,105	394,273
	Profit for the year	164,739	90,184
	<b>ASSOCIATES</b>		
	<b>Alfalah Insurance Limited</b>		
	Date of un-audited financial statements: December 31, 2017		
	Assets	3,169,013	2,781,815
	Liabilities	2,111,909	1,851,276
	Revenue	187,093	173,803
	Profit for the year	122,720	126,723
	<b>Sapphire Wind Power Company Limited</b>		
	Date of un-audited financial statements: December 31, 2017		
	Assets	13,782,491	13,634,295
	Liabilities	8,685,366	9,658,325
	Revenue for the six months period	1,184,593	873,864
	Profit for the six months period - after tax	468,632	155,593
	<b>TriconBoston Consulting Corporation (Private) Limited</b>		
	Date of un-audited financial statements: December 31, 2017		
	Assets	24,253,943	-
	Liabilities	16,107,746	-
	Revenue for the six months period	161	-
	(Loss) for the six months period - after tax	(35,196)	-

## 9.23 Quality of available for sale securities

	Market value		Cost		Long / Medium Term Credit Rating	Rated by
	2017	2016	2017	2016		
------(Rupees in '000) -----						
<b>Market Treasury Bills</b>	162,802,351	38,574,968	162,885,001	38,584,821	(Unrated - Government Securities)	
<b>Pakistan Investmet Bonds</b>	111,245,404	213,763,528	108,088,932	207,087,470	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited	100,113	101,769	99,880	99,920	AA	PACRA
MCB Bank formerly						
NIB Bank Limited - (2nd Issue)	101,413	101,034	99,860	99,900	AAA	PACRA
Faysal Bank Limited	-	75,457	-	74,850	AA	PACRA
Silk Bank Limited	89,740	-	100,000	-	A-	JCR-VIS
WAPDA - Dasu Hydro Power Project	694,440	-	694,440	-	AAA	PACRA
New Allied Electronics *	Not Applicable	Not Applicable	2,185	2,185	------(Unrated)-----	
Fauji Akbar Portia Marine Terminals Limited *	Not Applicable	Not Applicable	224,499	161,408	------(Unrated)-----	
Azgard Nine Limited *	Not Applicable	Not Applicable	43,350	43,350	------(Unrated)-----	
Azgard Nine Limited (Zero rated) *	Not Applicable	Not Applicable	32,870	32,870	------(Unrated)-----	
	985,706	278,260	1,297,084	514,483		

\* These Term Finance Certificates are quoted, however due to absence of trading their market value is not available. Adequate provision has been made against these certificates.

### Shares in Listed Companies / Certificates / Units

Agritech Limited	11,072	28,828	17,909	17,909	------(Unrated)-----	
Allied Bank Limited	-	106,300	-	88,485	AA+	PACRA
Amreli Steels Limited	176,054	86,567	167,071	69,969	A	PACRA
Altern Energy Limited	79,544	9,116	73,633	7,949	------(Unrated)-----	
Abbot Laboratories (Pakistan) Limited	-	287,127	-	255,055	------(Unrated)-----	
Agriauto Industries Limited	119,258	212,002	123,882	139,293	------(Unrated)-----	
Attock Petroleum Limited	6,669	95,847	6,790	74,552	------(Unrated)-----	
Bank Al Habib Limited	73,621	324,445	51,852	226,069	AA+	PACRA
Cherat Cement Company Limited	147,100	121,828	170,278	103,254	A	PACRA
Cherat Packaging Limited	-	43,566	-	48,034	------(Unrated)-----	
Dolmen City Real Estate Investment Trust (REIT)	457,843	452,432	457,843	457,843	RR1	JCR-VIS
Engro Fertilizer Limited	-	254,619	-	277,450	AA-	PACRA
Engro Corporation Limited	402,261	458,330	444,315	397,140	AA	PACRA
Fatima Fertilizer Limited	-	44,268	-	37,184	AA-	PACRA
Fauji Bin Qasim Limited	-	226,835	-	232,669	------(Unrated)-----	
Fauji Cement Company Limited	193,577	49,588	218,265	40,218	------(Unrated)-----	
Fauji Fertilizer Company Limited	-	195,694	-	232,121	AA	PACRA
First Dawood Investment Bank Limited	3,025	6,501	15,000	15,000	------(Unrated)-----	
Habib Metropolitan Bank Limited	144,900	-	138,821	-	AA+	PACRA
Kot Addu Power Company Limited	-	153,069	-	148,452	AA+	JCR-VIS
K-Electric Limited	4,209	-	4,015	-	AA	JCR-VIS
Lucky Cement Limited	565,115	779,634	653,764	452,197	------(Unrated)-----	
DG Khan Cement Limited	575,304	443,460	629,071	281,352	------(Unrated)-----	
Habib Bank Limited	-	485,019	-	331,519	AAA	JCR-VIS
MCB Bank Limited	155,843	219,984	147,136	230,466	AAA	PACRA
Nishat (Chunian) Power Company Limited	113,523	221,920	115,727	132,117	------(Unrated)-----	
Nishat Power Company Limited	205,462	160,225	222,999	106,994	A+	PACRA
Oil & Gas Development Corporation Limited	506,277	330,700	476,564	279,433	AAA	JCR-VIS
Pakistan Oilfields Limited	265,605	253,945	232,365	147,629	------(Unrated)-----	
Pioneer Cement Limited	69,432	351,673	80,869	300,277	A	PACRA
Pakistan Petroleum Limited	164,728	111,365	126,698	75,012	------(Unrated)-----	
Balance carried forward	4,440,422	6,514,887	4,574,867	5,205,642		



	Market value		Cost		Long / Medium Term Credit Rating	Rated by
	2017	2016	2017	2016		
------(Rupees in '000)-----						
Balance brought forward	4,440,422	6,514,887	4,574,867	5,205,642		
Thal Limited	-	101,706	-	83,906	------(Unrated)-----	
Pakistan State Oil Company Limited	263,799	217,105	284,049	185,526	AA	PACRA
The Hub Power Company Limited	409,500	648,269	439,587	449,037	AA+	PACRA
United Bank Limited	413,534	430,020	474,755	299,826	AAA	JCR-VIS
Visa Shares	597,510	387,310	-	-	------(Unrated)-----	
	6,124,765	8,299,297	5,773,258	6,223,937		
<b>Shares in Un-listed Companies</b>						
Pakistan Export Finance Guarantee Agency Limited	Not Applicable		5,725	5,725	------(Unrated)-----	
Society for Worldwide Interbank Financial Telecommunication	Not Applicable		4,096	4,096	------(Unrated)-----	
Al-Hamra Avenue (Private) Limited	Not Applicable		50,000	50,000	------(Unrated)-----	
Pakistan Mobile Communication Limited	Not Applicable		22,235	22,235	AA-	PACRA
AGP Pharma	Not Applicable		256,211	-	------(Unrated)-----	
Pakistan Mortgage Refinance Company Limited	Not Applicable		12,240	-	------(Unrated)-----	
			350,507	82,056		
<b>Preference Shares in Listed Companies</b>						
Agritech Limited	Not Applicable		108,835	108,835	------(Unrated)-----	
<b>Preference Shares in Un-listed Companies</b>						
Trust Investment Bank Limited	Not Applicable		25,000	25,000	------(Unrated)-----	
<b>Commercial Papers</b>						
U Micro finance Bank Limited	90,201	-	90,201	-	A-	JCR-VIS
<b>Overseas Bonds</b>						
Kingdom of Bahrain Bond	-	545,314	-	553,251	BB+	Fitch
Kazakistan Sovereign Bond	-	315,076	-	309,038	BBB	Fitch
State of Qatar 2026	-	1,010,354	-	1,035,677	AA-	Fitch
Oman International Bond 2021	-	1,045,906	-	1,044,923	BBB-	S&P
Oman International Bond 2026	-	1,210,450	-	1,245,414	BBB-	S&P
Republic of Sri Lanka (2022)	-	152,043	-	156,898	B+	Fitch
Republic of Indonesia (2027)	-	156,959	-	156,261	BBB	Fitch
Republic of Indonesia (2022)	-	52,536	-	52,179	BBB	Fitch
Saudi International Bond	-	1,028,153	-	1,032,378	A+	Fitch
Abu Dhabi Commercial Bank Cayman Limited	-	1,047,062	-	1,045,995	A+	Fitch
United Mexican State	-	53,781	-	55,069	BBB+	Fitch
Indonesia Government Bond	-	226,902	-	218,302	BBB-	Fitch
Republic of Indonesia 2023 (Euro)	-	55,712	-	54,825	BB+	S&P
Kingdom of Saudi Arabia	-	913,644	-	932,332	AA-	Fitch
Qatar 21	-	512,815	-	517,972	AA	Fitch
Qatar 26	-	202,221	-	207,291	AA	Fitch
TC Zirrat Bankasi A.S	-	257,677	-	260,908	BBB-	Fitch
Turkiye Halk Bankasi	-	51,493	-	52,281	BBB-	Fitch
RAK Funding Cayman Limited	-	209,189	-	208,412	BBB+	Fitch
Turkiye IS Bankasi A.	332,411	298,865	328,896	310,991	BB+	Fitch
Turkiye Garanti Bankasi A.S	406,743	330,617	396,138	326,014	BBB-	Fitch
Africa Finance Corporation	222,853	644,304	219,322	623,370	A3	Moody's
Deutsche Bank	271,162	207,408	264,092	216,011	BBB+	Fitch
Turkey Sanai	54,861	48,965	54,911	51,945	BB+	Fitch
Halk Bank 21	-	514,499	-	521,933	BBB-	Fitch
Balance carried forward	1,288,030	11,091,945	1,263,359	11,189,670		

	Market value		Cost		Long / Medium Term Credit Rating	Rated by
	2017	2016	2017	2016		
------(Rupees in '000) -----						
Balance carried forward	1,288,030	11,091,945	1,263,359	11,189,670		
Burgan Senior SPC Limited	439,827	412,850	439,332	415,625	A+	Fitch
Qatar National Bank	211,064	497,486	214,443	502,176	A+	Fitch
Union National Bank	-	540,718	-	552,199	A+	Fitch
Afrin 2020	682,338	-	659,322	-	BB+	Fitch
Gulf Investment	883,028	-	879,304	-	A2	Moody's
ABQ Finance	541,326	-	549,512	-	BBB+	Fitch
	4,045,613	12,542,999	4,005,272	12,659,670		
Pakistan Euro Bonds	2,386,528	2,790,198	2,281,177	2,688,770	B	Fitch
<b>Redeemable Participating Certificates</b>						
Baltoro Growth Fund	1,133,659	501,938	1,133,659	501,938	------(Unrated)-----	
<b>Sukuk Bonds</b>						
Pakistan Sukuk Bond 19	996,778	964,535	959,942	909,084	B	Fitch
Pakistan Sukuk Bond 21	3,233,640	4,273,644	3,202,099	4,183,940	B	Fitch
TF Varlik Kiralama AS	-	321,644	-	317,005	BBB	Fitch
Kuveyt Turk Katilim Bankasi	-	534,917	-	522,992	BBB	Fitch
Albaraka Turk Katilim Bankasi	972,658	923,623	977,192	925,697	BB-	S&P
Sharjah International Bank	439,186	414,984	441,669	418,394	A3	Moody's
Dubai Islamic Bank UH Sukuk	1,564,545	-	1,545,841	-	A3	Moody's
Qatar Islamic Bank Sukuk	1,607,846	-	1,656,258	-	A	Fitch
Pakistan International Sukuk	-	534,173	-	535,094	B	Fitch
Indonesia Sovereign	-	524,687	-	524,754	BBB-	Fitch
South Africa Sovereign	-	424,448	-	418,394	BBB-	Fitch
Turkey Sukuk	-	355,372	-	366,095	BBB-	Fitch
Kingdom of Bahrain	553,999	536,643	552,041	522,993	BB+	Fitch
GoP - Ijara Sukuk XVI	20,664,083	21,021,100	20,518,921	20,519,468	------(Unrated)-----	
GoP - Ijara Sukuk XVII	5,675,600	5,782,560	5,603,700	5,606,994	------(Unrated)-----	
GoP - Ijara Sukuk XVIII	4,029,600	4,080,400	4,000,000	4,000,000	------(Unrated)-----	
Neelam Jehlum Hydel Power Company	2,600,000	2,600,000	2,600,000	2,600,000	AAA	JCR-VIS
WAPDA Sukuk III	1,014,991	1,267,973	971,429	1,214,286	------(Unrated)-----	
Security Leasing Corporation Limited I	Not Applicable	Not Applicable	6,418	6,418	------(Unrated)-----	
Security Leasing Corporation Limited II	Not Applicable	Not Applicable	23,105	23,105	------(Unrated)-----	
Quetta Textile Mills limited	Not Applicable	Not Applicable	72,619	72,619	------(Unrated)-----	
	43,352,926	44,560,703	43,131,234	43,687,332		

	2017 (Rupees in '000)	2016
<b>9.24 Particulars of provision for diminution in value of investments - net</b>		
Opening balance	2,079,781	6,345,811
Charge for the year	189,997	100,766
Reversals during the year	(15,584)	-
	174,413	100,766
Provision adjusted during the year	(904,864)	(4,366,796)
Closing balance	1,349,330	2,079,781

**9.24.1** In the EOGM held on November 20, 2015, the members of Alfalah Securities (Private) Limited had resolved to reduce the paid up capital of the company from Rs. 1,150 million (115 million ordinary shares of Rs.10 each) to Rs. 250 million (25 million ordinary shares of Rs. 10 each). The reduction was affected in the current year, whereby the paid-up capital of the company was reduced by Rs. 900 million, by cancelling 90 million ordinary shares of the company without payment of any amount to the shareholders.

This reduction of capital was carried out pursuant to the provision of Section 96 of the repealed Companies Ordinance, 1984 and was confirmed by the High Court of Sindh at Karachi on March 14, 2017.

Pursuant to the aforementioned capital reduction exercise, the Bank has fully adjusted the provision held against its investment in the subsidiary, amounting to Rs. 826 million during the year ended December 31, 2017.

	Note	2017 (Rupees in '000)	2016
<b>9.25 Particulars of provision for diminution in value of investments by type and segment</b>			
<b>Available for sale securities</b>			
<b>Listed companies / mutual funds</b>			
- Fully paid up ordinary shares / units			
- First Dawood Investment Bank Limited		15,000	15,000
- Preference shares			
- Agritech Limited		108,835	108,835
<b>Unlisted companies</b>			
- Fully paid up ordinary shares of Rs. 10 each			
- AGP Limited		43,632	-
- Al-Hamra Avenue (Private) Limited		50,000	50,000
- Pakistan Export Finance Guarantee Agency Limited		5,725	5,725
- Pakistan Mobile Communications Limited (Related party)		3,936	3,936
<b>Unlisted securities</b>			
- Term finance certificates / sukuks			
- Azgard Nine Limited		76,220	76,220
- Fauji Akbar Portia Marine Terminals Limited		224,499	161,407
- New Allied Electronics		2,185	2,185
- Quetta Textile Mills Limited		72,619	72,619
- Security Leasing Corporation Limited I		6,418	6,418
- Security Leasing Corporation Limited II		23,105	23,105
- Preference shares			
- Trust Investment Bank Limited		25,000	25,000
<b>Held to maturity securities</b>			
<b>Unlisted securities</b>			
- Term finance certificates / sukuk bonds			
- Agritech Limited		499,586	499,586
- BRR Guardian Modaraba		20,593	36,177
- Security Leasing Corporation Limited		29,245	29,245
- Sitara Peroxide (Private) Limited		118,052	113,643
- Zulekha Textile Mills		24,680	24,680
<b>Investment in subsidiaries</b>			
<b>Unlisted company</b>			
- Fully paid up ordinary shares of Rs. 10 each			
- Alfalah Securities (Private) Limited (Related party)	9.24.1	-	826,000
		1,349,330	2,079,781

9.26 Unrealised gain / (loss) on revaluation of investments classified as held for trading - net

	Unrealised gain / (loss)		Cost	
	2017	2016	2017	2016
	------(Rupees in '000)-----			
Market Treasury Bill	(11,486)	(3,790)	22,759,650	14,120,130
Pakistan Investment Bonds	-	(441)	-	20,207
Overseas Bonds	5,125	(16,137)	19,443	549,615
Fully paid up ordinary shares / units - Listed	(990)	20,477	28,140	740,776
	<u>(7,351)</u>	<u>109</u>	<u>22,807,233</u>	<u>15,430,728</u>

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>10 ADVANCES - NET</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		331,070,523	309,121,955
Outside Pakistan		14,338,182	13,181,132
		<u>345,408,705</u>	<u>322,303,087</u>
Net investment in finance lease			
In Pakistan	10.2	4,090,945	4,181,047
Outside Pakistan		-	-
		4,090,945	4,181,047
Islamic financing and related assets (gross)	10.3	56,880,169	57,908,118
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		5,444,779	5,033,339
Payable outside Pakistan		5,357,334	6,437,71
		10,802,113	11,471,057
	10.1	417,181,932	395,863,309
Provision against advances			
Specific provision against non-performing loans and advances	10.5	(15,683,771)	(16,366,993)
General provision against advances	10.5	(842,737)	(775,967)
		(16,526,508)	(17,142,960)
		<u>400,655,424</u>	<u>378,720,349</u>
<b>10.1 Particulars of advances - gross of provisions</b>			
In local currency		391,178,231	362,259,686
In foreign currencies		26,003,701	33,603,623
		<u>417,181,932</u>	<u>395,863,309</u>
Short term (upto one year)		263,051,133	249,579,074
Long term (over one year)		154,130,799	146,284,235
		<u>417,181,932</u>	<u>395,863,309</u>

10.2 Net investment in finance lease

	2017				2016			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	------(Rupees in '000)-----							
Lease rentals receivable	925,485	2,089,153	70,316	3,084,954	501,660	2,568,669	55,185	3,125,514
Residual value	370,194	911,824	40,100	1,322,118	146,820	1,237,330	-	1,384,150
Minimum lease payments	1,295,679	3,000,977	110,416	4,407,072	648,480	3,805,999	55,185	4,509,664
Financial charges for future periods	(94,838)	(220,262)	(1,027)	(316,127)	(48,731)	(276,485)	(3,401)	(328,617)
Present value of minimum lease payments	<u>1,200,841</u>	<u>2,780,715</u>	<u>109,389</u>	<u>4,090,945</u>	<u>599,749</u>	<u>3,529,514</u>	<u>51,784</u>	<u>4,181,047</u>

10.3 These represents financing and related assets placed under shariah permissible modes and presented in note A-II.1 and A-II.2

10.4 Advances include Rs. 17,579 million (2016: Rs. 19,019 million) which have been placed under non-performing status as detailed below:

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

Category of Classification	2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Other Assets Especially									
Mentioned (Agri Financing)	149,224	-	149,224	4,318	-	4,318	4,318	-	4,318
Substandard	2,336,995	-	2,336,995	577,634	-	577,634	577,634	-	577,634
Doubtful	1,990,208	-	1,990,208	1,483,906	-	1,483,906	1,483,906	-	1,483,906
Loss	<u>14,223,167</u>	<u>318,921</u>	<u>14,542,088</u>	<u>14,061,997</u>	<u>239,138</u>	<u>14,301,135</u>	<u>14,061,997</u>	<u>239,138</u>	<u>14,301,135</u>
	<u>18,699,594</u>	<u>318,921</u>	<u>19,018,515</u>	<u>16,127,855</u>	<u>239,138</u>	<u>16,366,993</u>	<u>16,127,855</u>	<u>239,138</u>	<u>16,366,993</u>

10.5 Particulars of provisions against non-performing loans and advances

Note	2017			2016		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	16,366,993	775,967	17,142,960	15,452,555	739,904	16,192,459
Exchange adjustment and other movements	2,221	(9,425)	(7,204)	347	(1,135)	(788)
Charge for the year	2,230,902	169,445	2,400,347	3,408,125	157,643	3,565,768
Reversals / recoveries during the year	(2,741,259)	(93,250)	(2,834,509)	(2,362,817)	(120,445)	(2,483,262)
	(510,357)	76,195	(434,162)	1,045,308	37,198	1,082,506
Amounts written off	10.6.1	(175,086)	(175,086)	(131,217)	-	(131,217)
Closing balance	<u>15,683,771</u>	<u>842,737</u>	<u>16,526,508</u>	<u>16,366,993</u>	<u>775,967</u>	<u>17,142,960</u>

10.5.1 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2017 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 29.899 million (2016: Rs. 95.817 million).

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

10.5.3 Exposure amounting to Rs. 8.421 billion relating to certain facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, has not been classified as non-performing, pursuant to a relaxation given by SBP in this respect. The relaxation is valid upto December 31, 2017.

#### 10.5.4 Particulars of provisions against advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
In local currency	15,425,432	701,035	16,126,467	16,127,855	655,224	16,783,079
In foreign currencies	258,339	141,702	400,041	239,138	120,743	359,881
	<u>15,683,771</u>	<u>842,737</u>	<u>16,526,508</u>	<u>16,366,993</u>	<u>775,967</u>	<u>17,142,960</u>

10.5.5 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.

#### 10.6 Particulars of write-offs

	2017 (Rupees in '000)	2016 (Rupees in '000)
10.6.1 Against provisions Directly charged to profit and loss account	175,086	131,217
	<u>175,086</u>	<u>131,217</u>
10.6.2 Write offs of Rs. 500,000 and above Write offs of below Rs. 500,000	113,741	75,143
	<u>61,345</u>	<u>56,074</u>
	<u>175,086</u>	<u>131,217</u>

#### 10.7 Details of loans written-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of loans written-off or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2017 is given in Annexure-I.

#### 10.8 Particulars of loans and advances to directors, executives, associated companies, etc.

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
- Balance at beginning of the year		6,273,449	5,735,039
- Loans granted during the year		3,768,906	2,722,298
- Repayments during the year		(3,513,141)	(2,183,888)
- Balance at end of the year		<u>6,529,214</u>	<u>6,273,449</u>
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
- Balance at beginning of the year		3,308,831	1,499,410
- Loans granted during the year		10,746,475	5,374,930
- Repayments during the year		(9,554,990)	(3,565,509)
- Balance at end of the year		<u>4,500,316</u>	<u>3,308,831</u>
Debts due by subsidiary company, controlled firms, managed modarabas and other related parties			
- Balance at beginning of the year		4,731,405	4,840,404
- Loans granted during the year		4,874,252	16,687,444
- Repayments during the year		(6,514,646)	(16,796,079)
- Balance at end of the year		<u>3,091,011</u>	<u>4,731,405</u>
Total		<u>14,120,541</u>	<u>14,313,685</u>

#### 11 OPERATING FIXED ASSETS

Capital work-in-progress	11.1	209,328	775,408
Property and equipment	11.2	16,076,088	16,098,712
Intangible assets	11.3	1,342,581	1,259,147
		<u>17,627,997</u>	<u>18,133,267</u>

#### 11.1 Capital work-in-progress

Civil works	14,816	292,809
Equipment	43,868	34,439
Intangibles	129,689	397,849
Advances to suppliers and contractors	12,968	54,015
Others	7,987	1,496
	<u>209,328</u>	<u>780,608</u>
Provision against capital work-in-progress	-	(5,200)
	<u>209,328</u>	<u>775,408</u>

11.2 Property and equipment

Description	2017													
	Cost / revaluation as at January 1, 2017	Additions / (disposals) / *adjustments	Surplus on revaluation / (adjustment against accumulated depreciation)	Write Off Cost	Cost of assets held for sale	Cost / Revaluation as at December 31, 2017	Accumulated depreciation as at January 1, 2017	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Depreciation on Revaluation	Write Off Accumulated Depreciation	Accumulated depreciation on assets held for sale	Accumulated depreciation as at December 31, 2017	Net book value as at December 31, 2017	Rate of depreciation %
	----- (Rupees in '000) ----- per annum													
Office premises	5,732,324	206,273	-	-	-	5,904,407	82,594	80,077	-	-	-	162,671	5,741,736	2.5%
		(34,190)						-	-	-				
		*						*						
Revaluation	5,435,838	-	-	-	-	5,419,868	49,995		49,800	-		99,569	5,320,299	2.5%
		(15,970)						(226)						
		*						*						
	11,168,162	206,273	-	-	-	11,324,275	132,589	80,077	49,800	-	-	262,240	11,062,035	
		(50,160)						(226)						
		*						*						
Lease hold improvements	4,802,297	518,612	-	-	-	5,110,322	3,200,899	329,842	-	-	-	3,375,387	1,734,935	10%-20%
		(1,633)	(156,636)					(1,203)		(119,147)				
		*	(17,320)		(34,998)			* (939)			(34,065)			
Furniture and fixtures	1,975,248	26,106	-	-	-	1,973,238	1,423,640	141,091	-	-	-	1,541,720	431,518	10%- 25%
		(7,531)	(4,033)					(6,356)		(3,950)				
		* 1,061			(17,613)			* 1,014			(13,719)			
Office equipment	10,364,540	1,058,880	-	-	-	11,553,14	7,630,817	1,140,613	-	-	-	8,509,580	2,645,734	12.5%- 50%
		(223,005)	(3,044)					(215,888)		(3,019)				
		* 14,150		(56,207)				* 6,173			(49,116)			
Vehicles	413,895	123,575	-	-	-	429,009	237,486	78,197	-	-	-	227,143	201,866	25%
		(93,878)						(73,981)						
		* 813		(15,396)				* 837			(15,396)			
	28,724,142	1,933,446	-	-	-	29,992,158	12,625,431	1,769,820	49,800	-	-	13,916,070	16,076,088	
		(376,207)		(163,713)				(297,654)		(126,116)				
		* (1,296)		(124,214)				* 7,085			(112,296)			

Description	2016													
	Cost / revaluation as at January 1, 2016	Additions / (disposals) / *adjustments	Surplus on revaluation / (adjustment against accumulated depreciation)	Write Off Cost		Cost / Revaluation as at December 31, 2016	Accumulated depreciation as at January 1, 2016	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Depreciation on Revaluation	Write Off Accumulated Depreciation		Accumulated depreciation as at December 31, 2016	Net book value as at December 31, 2016	Rate of depreciation %
----- (Rupees in '000 -----) ----- per annum														
Office premises	4,893,362	751,091	-	-		5,732,324	-	75,982	-	-		82,593	5,649,731	2.5%
		(36,519)		-				-	-	-				
		** 124,390		-				** 6,611	-	-				
Revaluation	5,399,467	-	-	-		5,435,838	-		49,995	-		49,995	5,385,843	2.5%
		(11,191)		-				-	-	-				
		** 47,562		-				-	-	-				
	10,292,829	751,091	-	-		11,168,162	-	75,982	49,995	-		132,588	11,035,574	
		(47,710)		-				-	-	-				
		** 171,952		-				** 6,611	-	-				
Lease hold	4,777,757	160,912	-	-		4,802,297	2,909,432	336,691	-	-		3,200,899	1,601,398	10% - 20%
improvements		(1,516)		(128,096)				(1,471)		(37,390)				
		* (6,760)						* (6,363)						
Furniture and	1,944,494	62,931	-	-		1,975,248	1,291,442	158,338	-	-		1,423,640	551,608	10% - 25%
fixtures		(32,408)						(26,332)						
		* 231						* 192						
Office equipment	9,422,103	1,155,990	-	-		10,364,540	6,834,037	1,006,830	-	-		7,630,817	2,733,723	20% - 25%
		(207,925)						(203,656)						
		* (5,628)						* (6,394)						
Vehicles	347,956	144,518	-	-		413,895	252,612	63,425	-	-		237,486	176,409	25%
		(78,646)						(78,646)						
		* 67						* 95						
	26,785,139	2,275,442	-	-		28,724,142	11,287,523	1,641,266	49,995	-		12,625,430	16,098,712	
		(368,205)		(128,096)				(310,105)	-	(37,390)				
		* 159,862						* (5,859)	-	-				

\*\* This includes cost and surplus of two properties transferred from non-banking assets acquired in satisfaction of claims



- 11.2.1** Included in cost of property and equipment are fully depreciated items still in use have cost of Rs. 8,644.77 million (2016: Rs. 7,611.24 million).
- 11.2.2** Office premises were last revalued on December 31, 2015 on the basis of market values determined by independent valuer M/s. Akbani & Javed Associates, M/s. Harvester Services (Private) Limited and M/s. Asif Associates (Private) Limited. Had there been no revaluation, the net book value of the office premises would have been Rs. 5,741.736 million (2016: Rs. 5,649.731 million).
- 11.2.3** During the year, the management of the Bank has revised its estimate of the useful life of ATM machines, which have been increased from 5 years to 8 years. The revision has been made after taking into account the expected pattern of recovery of economic benefits associated with the use of these assets. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standards. Had the revision in useful life of ATMs not been made, depreciation expense for the year would have been higher by Rs. 37.422 million and consequently profit before taxation would have been lower by the same amount. The revision would have almost similar effect on next year's profit.
- 11.2.4** The Companies Act, 2017, which shall be applicable for financial periods beginning on 1 January 2018, shall require a change in accounting policy related to surplus on revaluation of fixed assets. Under the new requirement, the treatment of such surplus shall be in line with the requirements of IAS 16 – Property, plant and equipment, since Section 235 of the repealed Companies Ordinance, 1984 has not been carried forward in the Companies Act, 2017. This change will result in retrospective restatement of retained earnings, which shall be lower by Rs. 45.583 million.

**11.3 Intangible assets**

Description	2017							Book value as at December 31, 2017	Rate of amortisation %
	Cost			Accumulated Amortisation					
	As at January 1, 2017	Additions/ (deletions)/ *adjustment	As at December 31, 2017	As at January 1, 2017	Amortisation (deletions) / *adjustment	As at December 31, 2017			
(Rupees in '000)								per annum	
Computer software	2,918,660	529,449	3,446,404	1,659,513	446,135	2,103,823	1,342,581	20%	
		-			-				
		* (1,705)			* (1,825)				
Goodwill	56,031	-	56,031	56,031	-	56,031	-		
	2,974,691	529,449	3,502,435	1,715,544	446,135	2,159,854	1,342,581		
		-			-				
		* (1,705)			* (1,825)				

Description	2016							Book value as at December 31, 2016	Rate of amortisation %
	Cost			Accumulated Amortisation					
	As at January 1, 2016	Additions/ (deletions)/ *adjustment	As at December 31, 2016	As at January 1, 2016	Amortisation (deletions) / *adjustment	As at December 31, 2016			
(Rupees in '000)								per annum	
Computer software	2,341,848	578,813	2,918,660	1,302,477	357,473	1,659,513	1,259,147	20%	
		-			-				
		* (2,001)			* (437)				
Goodwill	56,031	-	56,031	56,031	-	56,031	-		
	2,397,879	578,813	2,974,691	1,358,508	357,473	1,715,544	1,259,147		
		-			-				
		* (2,001)			* (437)				

- 11.3.1** Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 1,010.07 million (2016: Rs. 836.84 million)

#### 11.4 Details of disposals of operating fixed assets

Details of disposals of operating fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or above are given below:

Description	Cost	Accumulated depreciation	Net book Value	Sale proceeds	Mode of disposal	Particulars of purchaser
------(Rupees in '000)-----						
<b>Land &amp; Building</b>						
Leasehold Land	48,000	166	47,834	48,340	Negotiation	Mr. Jawwad Moosa & Others
Leasehold Building	2,160	60	2,100	2,160	Negotiation	Mr. Jawwad Moosa & Others
	<b>50,160</b>	<b>226</b>	<b>49,934</b>	<b>50,500</b>		
<b>Leasehold Improvements</b>						
Civil & Electrical Works	1,076	810	266	332	Insurance Claim	Alfalah Insurance
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	557	393	164	172	Insurance Claim	Alfalah Insurance
	<b>1,633</b>	<b>1,203</b>	<b>430</b>	<b>504</b>		
<b>Furniture and fixtures</b>						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	7,531	6,356	1,175	1,136	Various	Various
	<b>7,531</b>	<b>6,356</b>	<b>1,175</b>	<b>1,136</b>		
<b>Computers</b>						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	18,633	17,336	1,297	2,222	Various	Various
	<b>18,633</b>	<b>17,336</b>	<b>1,297</b>	<b>2,222</b>		
<b>Office equipment</b>						
ATM	1,197	1,197	-	8	Bid	M/S Hafeez Traders
ATM	3,578	3,578	-	24	Bid	M/S Hafeez Traders
ATM	1,175	1,175	-	15	Bid	M/S M.ASons
ATM	1,142	1,142	-	10	Bid	M/S Mian
ATM	1,072	1,072	-	9	Bid	M/S M.Ibraheem
ATM	1,194	1,194	-	10	Bid	M/S National Traders
ATM	1,042	1,042	-	10	Bid	M/S Abdul Rab
ATM	1,073	1,073	-	10	Bid	M/S Mian
ATM	1,625	1,625	-	10	Bid	M/S Mian
ATM	1,051	1,051	-	10	Bid	M/S Mian
ATM	1,025	1,025	-	10	Bid	M/S Mian
ATM	1,088	1,088	-	6	Bid	M/S Computer Corner
ATM	1,270	1,270	-	8	Bid	M/S Qadri Computers
ATM	1,194	1,194	-	18	Bid	M/S M Ejaz
ATM	1,197	1,197	-	14	Bid	M/S M Ejaz
ATM	1,197	1,197	-	14	Bid	M/S Muhammad Usman Akram
ATM	1,108	1,108	-	15	Bid	M/S M.Aashiq
ATM	1,625	1,625	-	14	Bid	M/S M Ejaz
ATM	1,128	1,128	-	16	Bid	M/S Hanif
ATM	1,625	1,625	-	15	Bid	M/S M Ejaz
ATM	1,194	1,194	-	15	Bid	M/S Muhammad Usman Akram
ATM	1,194	1,194	-	14	Bid	M/S M Ejaz
ATM	1,105	1,105	-	18	Bid	M/S M Ejaz
ATM	1,174	1,174	-	18	Bid	M/S M Ejaz
ATM	1,175	1,175	-	12	Bid	M/S Muhammad Usman Akram
ATM	1,175	1,175	-	16	Bid	M/S Zaid & Hassan
ATM	1,174	1,174	-	14	Bid	M/S M Ejaz

Description	Cost	Accumulated depreciation	Net book Value	Sale proceeds	Mode of disposal	Particulars of purchaser
------(Rupees in `000)-----						
ATM	1,175	1,175	-	8	Bid	M/S National Traders
ATM	1,051	1,051	-	12	Bid	M/S Muhammad Usman Akram
ATM	1,043	1,043	-	14	Bid	M/S Muhammad Usman Akram
ATM	1,043	1,043	-	14	Bid	M/S M Ejaz
ATM	1,082	1,082	-	8	Bid	M/SQadri Computers
ATM	1,088	1,088	-	18	Bid	M/S M Ejaz
ATM	1,088	1,088	-	14	Bid	M/S Muhammad Usman Akram
NAC Chassis	12,648	12,648	-	580	Bid	Citi Bank
Generators	1,276	947	329	1,252	Insurance Claim	Alfalaha Insurance
Generators	1,350	1,350	-	344	Bid	Sarfraz Ahmed
Elevator	1,889	1,889	-	200	Bid	Mr. Uzair Abdul Sattar
Sign Board	421	122	299	350	Insurance Claim	Alfalaha Insurance
Sign Board	527	106	421	424	Insurance Claim	Alfalaha Insurance
Sign Board	333	82	251	308	Insurance Claim	Alfalaha Insurance
Sign Board	517	127	390	221	Insurance Claim	Alfalaha Insurance
Sign Board	449	167	282	250	Insurance Claim	Alfalaha Insurance
Sign Board	404	150	254	227	Insurance Claim	Alfalaha Insurance
Sign Board	557	85	472	93	Insurance Claim	Alfalaha Insurance
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	141,634	138,512	3,122	7,256	Various	Various
	204,372	198,552	5,820	11,946		
<b>Vehicles</b>						
Toyota Land Cruiser	8,500	8,500	-	850	As Per Policy	Mr. Rizwan Ata
Honda City	1,515	1,515	-	152	As Per Policy	Mr. Sajan Malik
Toyota Prado	8,500	8,500	-	850	As Per Policy	Mr. Sohail Yaqoob
Toyota Land Cruiser	8,500	8,500	-	850	As Per Policy	Mr. Aly Mustansir
Honda City	1,754	1,754	-	175	As Per Policy	Mr. Haroon Khalid
Toyota Corolla	1,846	937	909	908	As Per Policy	Mr. Imran Zafar
BMW	12,566	4,111	8,455	8,446	As Per Policy	Dr. Mushtaq A. Khan
Mercedes Benz	13,706	3,173	10,533	10,524	As Per Policy	Mr. Khurram Hussain
Toyota Prado	1,642	1,642	-	571	Negotiation	M/S. Al Futtaim Motors
Toyota Corolla	922	922	-	572	Negotiation	M/S. Al Futtaim Motors
Honda Accord	6,617	6,617	-	-	As Per Policy	Mr. Atif Bajwa
Range Rover	27,750	27,750	-	-	As Per Policy	Mr. Atif Bajwa
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	60	60	-	2	Various	Various
	93,878	73,981	19,897	23,900		
<b>Total - December 31, 2017 (Note 11.2)</b>	<b>376,207</b>	<b>297,654</b>	<b>78,553</b>	<b>90,208</b>		
<b>Total - December 31, 2016</b>	<b>368,205</b>	<b>310,105</b>	<b>58,100</b>	<b>111,326</b>		

\* Disposal as per Bank's policy represents vehicles sold to employees as per the terms of their employment.

	Note	2017	2016
		(Rupees in '000)	
<b>12 OTHER ASSETS</b>			
Income / mark-up accrued in local currency		11,595,263	13,797,059
Income / mark-up accrued in foreign currencies		461,959	661,808
Advances, deposits, advance rent and other prepayments		2,477,690	2,116,356
Tax recoverable		1,067,133	-
Non-banking assets acquired in satisfaction of claims	12.1	775,211	471,365
Dividend receivable		13,892	42,303
Unrealised gain on forward foreign exchange contracts		1,960,858	320,749
Unrealised gain on interest rate swaps		31,700	55,336
Stationery and stamps on hand		67,522	95,569
Defined benefit plan	36.1.3	729,546	349,317
Assets held for sale - Afghanistan Operations	21	26,821,724	-
Balance held with bank	12.2	-	413,074
Others		170,779	218,206
		<u>46,173,277</u>	<u>18,541,142</u>
Provision held against other assets	12.3	<u>(147,254)</u>	<u>(623,878)</u>
		<u>46,026,023</u>	<u>17,917,264</u>
<b>12.1</b> Market value of non-banking assets acquired in satisfaction of claims		<u>782,636</u>	<u>519,570</u>
<b>12.2</b> This represents an amount of USD 3.949 million held in the Bank's Nostro Account in New York, United States of America, which has been put on hold by a commercial bank pursuant to receipt of notice of seizure based on the order passed by the District Court, District of Columbia, USA.			
Based on the fact that the said amount is not readily available for use of the Bank, the amount has been reclassified from Balances with Other banks to Other Assets. Although the management is confident that the matter will be decided in the Bank's favour, as at December 31, 2017, the Bank has maintained full provision against the same (December 31, 2016: USD 3.949 million).			
As at December 31, 2017, the entire balance and the related provision there against has been classified as part of Assets Held for Sale - Afghanistan Operations.			
<b>12.3</b> Provision held against other assets			
Opening balance		623,878	774,156
(Reversal) / charge for the year		(18,979)	(102,305)
Amount written off		(1,229)	(35,304)
Exchange and other adjustments		(20,363)	(12,669)
Classified as held for sale		<u>(436,053)</u>	<u>-</u>
Closing balance		<u>147,254</u>	<u>623,878</u>
<b>13 BILLS PAYABLE</b>			
In Pakistan		12,370,898	12,743,285
Outside Pakistan		<u>90,968</u>	<u>143,705</u>
		<u>12,461,866</u>	<u>12,886,990</u>
<b>14 BORROWINGS</b>			
In Pakistan		186,966,566	161,138,463
Outside Pakistan		<u>19,257,006</u>	<u>17,172,572</u>
		<u>206,223,572</u>	<u>178,311,035</u>
<b>14.1 Particulars of borrowings with respect to currencies</b>			
In local currency		186,966,566	161,138,463
In foreign currencies		<u>19,257,006</u>	<u>17,172,572</u>
		<u>206,223,572</u>	<u>178,311,035</u>

	Note	2017	2016
		(Rupees in '000)	
<b>14.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	14.3	20,568,840	18,725,467
Long-Term Finance Facility	14.4	7,173,372	2,851,400
Financing Facility for Storage of Agriculture Produce (FFSAP)	14.5	56,536	92,049
Repurchase agreement borrowings	14.6	125,220,096	136,763,030
Borrowings from other central banks		-	198,418
Bai Muajjal	14.7	37,650,637	-
		190,669,481	158,630,364
<b>Unsecured</b>			
Call borrowings	14.8	10,332,574	13,461,835
Bai Muajjal		-	6,218,836
Trading liabilities	14.9	5,221,517	-
		15,554,091	19,680,671
		<u>206,223,572</u>	<u>178,311,035</u>

- 14.3** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 1.00% to 3.00% per annum (2016: 1.00% to 2.00% per annum) payable on a quarterly basis.
- 14.4** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 5.00% per annum (2016: 2.00% to 5.00% per annum) payable on a quarterly basis.
- 14.5** This represents repurchase agreement borrowing from SBP and other banks at the rate of 2.50% to 10.00% per annum respectively (2016: 3.25% to 6.50% per annum).
- 14.6** This represents repurchase agreement borrowing from SBP and other banks at the rate of 1.55% to 5.82% per annum respectively (2016: 1.10% to 5.95% per annum) having maturities upto February 2018 (2016: February 2017).
- 14.7** This represents borrowings from financial institutions at mark-up rates ranging from 5.73% to 5.83% per annum respectively (2016: Nil) having maturities upto October 2018 (2016: Nil).
- 14.8** This represents borrowings from financial institutions at mark-up rates ranging from 0.60% to 5.75% per annum respectively (2016: 0.55% to 5.80%) having maturities upto March 2018 (2016: March 2017).
- 14.9** This represents liability in respect of short selling of Pakistan Investment Bonds held as collateral against repurchase agreement lendings.

2017                      2016  
(Rupees in '000)

**15 DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	131,010,038	94,268,250
Savings deposits	215,129,943	229,010,684
Current accounts - non-remunerative	266,018,609	283,711,087
Others	6,505,849	4,721,828
	618,664,439	611,711,849

**Financial institutions**

Remunerative deposits	29,548,087	27,435,848
Non-remunerative deposits	5,193,545	1,796,557
	34,741,632	29,232,405
	653,406,071	640,944,254

**15.1 Particulars of deposits**

In local currency	582,846,073	557,824,338
In foreign currencies	70,559,998	83,119,916
	653,406,071	640,944,254

2017                      2016  
(Rupees in '000)

**16 SUB-ORDINATED LOANS**

**Term Finance Certificates IV - Private, Unsecured** -                      3,324,670

**Term Finance Certificates V - Quoted, Unsecured** 4,991,000                      4,993,000

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).

Subordination                      The TFCs are subordinated as to the payment of principal and profit to all other indebtedness of the bank.

Issue date                      February 2013

Rating                      AA

Tenor                      Eight years

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.

Maturity                      February 2021

4,991,000	8,317,670
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	2017	2016
	(Rupees in '000)	
<b>17 DEFERRED TAX LIABILITIES - NET</b>		
<b>Deferred debits arising due to</b>		
Provision for doubtful debts	(118,504)	(392,066)
Provision against off-balance sheet obligations	-	(13,078)
Impairment in the value of investments	(174,218)	(2,264,329)
Provision against other assets	(244,487)	(309,218)
	(537,209)	(2,978,691)
<b>Deferred credits arising due to</b>		
Accelerated tax depreciation	1,454,141	1,388,669
Gain on remeasurement of held for trading investments	(2,573)	38
Surplus on revaluation of available for sale investments	1,411,085	3,399,873
Surplus on revaluation of operating fixed assets	828,306	840,539
	3,690,959	5,629,119
	3,153,750	2,650,428

**17.1 Reconciliation of deferred tax assets/ liabilities**

	January 2016	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2016	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2017
	----- (Rupees in '000) -----						
<b>Deferred debits arising due to</b>							
Provision for doubtful debts	(1,434,609)	1,042,543	-	(392,066)	273,562	-	(118,504)
Provision against off-balance sheet obligations	(15,706)	2,628	-	(13,078)	13,078	-	-
Impairment in the value of investments	(2,247,184)	(17,145)	-	(2,264,329)	2,090,111	-	(174,218)
Provision against other assets	(334,501)	25,283	-	(309,218)	64,731	-	(244,487)
	(4,032,000)	1,053,309	-	(2,978,691)	2,441,482	-	(537,209)
<b>Deferred credits arising due to</b>							
Accelerated tax depreciation	1,473,306	(84,637)	-	1,388,669	65,472	-	1,454,141
Gain on remeasurement of held for trading investments	80,172	(80,134)	-	38	(2,611)	-	(2,573)
Surplus on revaluation of available for sale investments	3,460,609	-	(60,736)	3,399,873	-	(1,988,788)	1,411,085
Surplus on revaluation of operating fixed assets	841,967	(17,500)	16,072	840,539	(18,198)	5,965	828,306
	5,856,054	(182,271)	(44,664)	5,629,119	44,663	(1,982,823)	3,690,959
<b>Net deferred tax liabilities</b>	1,824,054	871,038	(44,664)	2,650,428	2,486,145	(1,982,823)	3,153,750

	Note	2017	2016
		(Rupees in '000)	
<b>18 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		1,388,149	1,549,223
Mark-up / return / interest payable in foreign currencies		203,540	175,609
Unearned commission and income on bills discounted		230,353	238,539
Accrued expenses		5,689,011	3,393,977
Branch adjustment account		1,741,333	816,333
Payable against redemption of credit card reward points		200,433	142,453
Taxation payable		-	257,212
Security deposits		5,767,660	5,225,935
Unclaimed dividend		60,729	62,660
Unrealised loss on forward foreign exchange contracts		968,982	555,131
Unrealised loss on interest rate swaps		6,202	37,078
Provision against off-balance sheet obligations	18.1	65,463	69,708
Workers' Welfare Fund	30.1	578,831	588,278
Compensated Absences	18.2	393,496	401,644
Liabilities held for sale - Afghanistan Operations	21	24,759,096	-
Others		739,551	708,134
		<u>42,792,829</u>	<u>14,221,914</u>

#### 18.1 Provision against off-balance sheet obligations

Opening balance	69,708	77,590
(Reversal) / charge for the year	(1,338)	(7,508)
Exchange and other adjustments	(2,907)	(374)
Closing balance	<u>65,463</u>	<u>69,708</u>

18.2 During the year, a valuation for compensated absences has been carried out by an actuary appointed for the purpose. Major assumptions considered for the purposes of valuation are as follows:

Mortality Rate	SLIC 2001-2005
Salary Increase rate	8.0% p.a.

## 19 SHARE CAPITAL

### 19.1 Authorised capital

2017	2016		2017	2016
(Number of shares)			(Rupees in '000)	
<u>2,300,000,000</u>	<u>2,300,000,000</u>	Ordinary shares of Rs. 10 each	<u>23,000,000</u>	<u>23,000,000</u>

### 19.2 Issued, subscribed and paid up capital

2017	2016	Ordinary shares of Rs. 10 each	2017	2016
(Number of shares)			(Rupees in '000)	
883,165,724	870,801,304	Fully paid in cash	8,831,657	8,708,013
724,406,250	724,406,250	Issued as bonus shares	7,244,063	7,244,063
<u>1,607,571,974</u>	<u>1,595,207,554</u>		<u>16,075,720</u>	<u>15,952,076</u>

During the year the Bank has issued 12,364,420 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS) (note 35.2). The paid-up capital of the Bank before issuance of shares to employees was Rs. 15,952,075,540 (divided into 1,595,207,554 shares of Rs. 10 each) and after issuance of shares to the employees has increased to Rs. 16,075,719,740 (divided into 1,607,571,974 shares of Rs. 10 each).



	Note	2017 (Rupees in '000)	2016
<b>20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus arising on revaluation of:			
- Operating fixed assets	20.1	4,515,221	4,559,251
- Non-banking assets acquired in satisfaction of claims	20.1	104,372	36,942
		<u>4,619,593</u>	<u>4,596,193</u>
- Available for sale securities	20.2	2,550,831	6,343,383
- Surplus on revaluation of Investment held for sale in Afghanistan	20.2.1	84,687	-
		<u>7,255,111</u>	<u>10,939,576</u>
<b>20.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of operating fixed assets at January 01		5,436,733	5,399,467
Transferred to retained earnings in respect of incremental depreciation charged during the year - net of tax		(33,797)	(32,497)
Revaluation of fixed assets / non-banking assets during the year		78,906	50,890
Surplus on revaluation of fixed assets recognized during the year		-	47,562
Related deferred tax liability in respect of incremental depreciation charged during the year		(18,198)	(17,498)
Reversal of surplus on account of disposal of property	11.2	(15,744)	(11,191)
		<u>11,167</u>	<u>37,266</u>
		<u>5,447,900</u>	<u>5,436,733</u>
Related deferred tax liability on surplus as at January 01		840,540	841,968
Deferred tax liability charge / (reversal)		5,965	16,070
Deferred tax liability in respect of incremental depreciation charged during the year		(18,198)	(17,498)
		<u>(12,233)</u>	<u>(1,428)</u>
		<u>828,307</u>	<u>840,540</u>
		<u>4,619,593</u>	<u>4,596,193</u>
<b>20.2 Surplus on revaluation of available for sale securities</b>			
Government securities		3,539,730	7,642,123
Quoted shares / units / certificates / sukuks / bonds		370,126	2,068,211
Term finance certificates		(8,474)	3,590
		<u>3,901,382</u>	<u>9,713,924</u>
Related deferred tax liability		(1,365,484)	(3,399,873)
		<u>2,535,898</u>	<u>6,314,051</u>
Derivatives		14,933	29,332
		<u>2,550,831</u>	<u>6,343,383</u>
<b>20.2.1 Surplus on revaluation of Investment held for sale in Afghanistan</b>			
Investment securities		130,288	-
Related deferred tax liability		(45,601)	-
		<u>84,687</u>	<u>-</u>
		<u>2,635,518</u>	<u>6,343,383</u>

## 21 ASSETS AND LIABILITIES HELD FOR SALE

21.1 On August 17, 2017, the Board of Directors of the Bank Alfalah Limited (the Bank) in their meeting accorded its in-principle approval and authorized the management of the Bank to explore the possibility to sell the Afghanistan Operations of the Bank to the potential buyer, subject to obtaining all regulatory approvals, compliance with applicable laws and regulations in the matter.

Pursuant to receipt of a non-binding offer and in-principle approval from the State Bank of Pakistan, the Bank is in the process of completing all the above formalities including the due diligence of its Afghanistan Operations and the negotiations with the potential buyer.

As a result of above, the assets and liabilities related to above transaction have been classified as assets and liabilities held for sale.

21.2 The carrying amounts of the assets and liabilities classified as held for sale are as follows:

	2017
	(Rupees in '000)
<b>Assets Held for Sale</b>	
Cash and balances with treasury banks	7,594,852
Balances with other banks	1,025,996
Lendings to financial institutions	5,288,982
Investments - net	11,592,895
Advances - net	1,108,663
Operating fixed assets	11,918
Deferred tax assets	-
Other assets	198,418
	<u>26,821,724</u>
<b>Liabilities Held for Sale</b>	
Bills payable	8,575
Borrowings	-
Deposits and other accounts	24,491,178
Sub-ordinated loans	-
Liabilities against assets subject to finance lease	-
Deferred tax liabilities	45,601
Other liabilities	213,742
	<u>24,759,096</u>

	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>22 CONTINGENCIES AND COMMITMENTS</b>		
<b>22.1 Direct credit substitutes</b>		
i) Government	433,745	1,632,063
ii) Banking companies & other financial institutions	-	-
iii) Others	6,531	53,167
	<u>440,276</u>	<u>1,685,230</u>
<b>22.2 Transaction-related contingent liabilities</b>		
i) Government	50,621,775	32,243,564
ii) Banking companies & other financial institutions	1,030,744	544,762
iii) Others	12,083,556	11,725,088
	<u>63,736,075</u>	<u>44,513,414</u>
<b>22.3 Trade-related contingent liabilities</b>		
Letters of credit	<u>73,773,817</u>	<u>73,061,529</u>
Acceptances	<u>10,701,434</u>	<u>12,188,691</u>
<b>22.4 Other contingencies</b>		
<b>22.4.1 Claims against the Bank not acknowledged as debts</b>	<u>18,973,919</u>	<u>13,847,649</u>
<p>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.</p>		
	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>22.5 Commitments in respect of forward lendings</b>		
Commitments to extend credit	<u>22,628,329</u>	<u>28,450,269</u>
Commitments in respect of investments	<u>7,579,043</u>	<u>3,596,186</u>
<b>22.6 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>60,285,544</u>	<u>53,992,848</u>
Sale	<u>31,823,206</u>	<u>41,084,440</u>
<b>22.7 Commitments for the acquisition of fixed assets</b>	<u>318,978</u>	<u>336,774</u>
<b>22.8 Commitments in respect of repo transactions</b>		
Repurchase	<u>125,378,959</u>	<u>136,912,078</u>
Resale	<u>12,017,776</u>	<u>349,222</u>
<b>22.9 Other commitments</b>		
Interest rate swaps	<u>8,865,756</u>	<u>7,622,307</u>
Donations	<u>23,952</u>	<u>22,000</u>
<b>22.10 Contingency for tax payable (note 31.1)</b>		

## 23 DERIVATIVE INSTRUMENTS

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

At present the bank deals in the following instruments:

- Forward Exchange Contracts
- Interest Rate Swaps
- Share Options (note 9.15.1)

### 23.1 Product analysis

Counter Parties	Interest Rate Swaps				Forward Rate Agreements			
	2017		2016		2017		2016	
	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal *	No. of Contracts	Notional Principal *	No. of Contracts	Notional Principal *
<b>With Banks for</b>								
Hedging	23	8,865,756	20	7,622,307	-	-	-	-
Market Making	-	-	-	-	153	84,890,887	179	80,299,452
<b>With FIs other than banks</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
<b>With other entities for</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	382	7,217,863	620	14,777,835
<b>Total</b>								
Hedging	23	8,865,756	20	7,622,307	-	-	-	-
Market Making	-	-	-	-	535	92,108,750	799	95,077,288

\* At the exchange rate prevailing at the year end

### 23.2 Unrealised gain / (loss) on derivatives financial instruments.

	Contractual / notional amount		Unrealised gain / (loss)	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
Interest Rate Swaps	8,865,756	7,622,307	14,174	18,258
Forward Exchange Contract Purchase	60,285,544	53,992,848	1,955,858	(513,325)
Forward Exchange Contract Sale	31,823,206	41,084,440	(963,982)	278,943

### 23.3 Maturity Analysis - Forward Exchange Contract Purchase

#### Forward Exchange Contract Sale and Interest Rate Swap (Fixed Rate)

Remaining Maturity	Number of Contracts	Notional Principal	Mark to Market		Net
			Negative	Positive	
----- (Rupees in '000) -----					
Upto 1 month	136	35,487,790	(218,163)	863,516	645,353
1 to 3 months	153	35,044,225	(310,429)	879,123	568,694
3 to 6 months	153	19,434,459	(423,843)	145,834	(278,009)
6 months to 1 year	93	2,142,276	(16,547)	72,385	55,838
1 to 2 years	11	4,504,277	(5,168)	17,166	11,998
2 to 3 years	2	1,104,172	(1,033)	5,689	4,656
3 to 5 years	6	2,153,135	-	9,866	9,866
5 to 10 years	4	1,104,172	(13,275)	929	(12,346)
Interest rate swaps pertaining to Afghanistan Operations - Held for Sale	(5)	(1,877,092)	13,274	(1,950)	11,324
	553	99,097,414	(975,184)	1,992,558	1,017,374

24 MARK-UP / RETURN / INTEREST EARNED	2017	2016
	(Rupees in '000)	
a) On loans and advances to:		
i) customers	28,033,146	23,828,088
ii) financial institutions	257,693	106,941
b) On investments in:		
i) held for trading securities	883,176	969,854
ii) available for sale securities	21,521,406	22,420,671
iii) held to maturity securities	3,539,674	6,962,638
c) On deposits with financial institutions	2,189,247	2,602,799
d) On securities purchased under resale agreements	494,747	253,041
	<u>56,919,089</u>	<u>57,144,032</u>
 25 MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	15,956,982	18,553,408
Securities sold under repurchase agreements	8,802,388	7,189,657
Other short term borrowings	2,184,244	1,456,368
Term finance certificates	626,498	953,301
Reward points	68,390	-
	<u>27,638,502</u>	<u>28,152,734</u>

## 26 INCOME FROM DEALING IN FOREIGN CURRENCIES

This includes Rs. 1,051.8 million (2016: Rs. 405.4 million) being income on account of interest on cross currency swap transactions, which corresponds to the cost included under 'Mark-up / return / interest expensed' in this regard.

	Note	2017 (Rupees in '000)	2016
<b>27 GAIN ON SALE OF SECURITIES - NET</b>			
Federal Government Securities			
- Market Treasury Bills		(12,416)	41,607
- Pakistan Investment Bonds		639,959	748,725
Overseas Bonds		77,313	65,553
Shares / Mutual Funds		512,477	772,690
Sukuk Bonds		56,733	53,046
		<u>1,274,066</u>	<u>1,681,621</u>
<b>28 OTHER INCOME</b>			
Gain on sale of operating fixed assets	11.4	11,655	53,226
Gain on exchange of assets		-	22,235
Bad debts recovered		227,779	262,184
Others		14,775	60,599
		<u>254,209</u>	<u>398,244</u>
<b>29 ADMINISTRATIVE EXPENSES</b>			
Non executive directors fee & allowances		126,018	110,609
Salaries, allowances, etc.	29.1	9,566,750	8,818,110
Charge for defined benefit plan	36.1.3	250,153	260,795
Contribution to defined contribution plan	37	320,476	326,341
Charge for employee stock option scheme	36.2	26,693	109,615
Charge for staff compensated absences		(8,148)	87,714
Staff training expenses		155,637	226,702
Brokerage and commission		171,019	211,705
Rent, taxes, insurance, electricity, etc.		3,596,661	3,526,417
Legal and professional charges		1,353,361	664,892
Communications		793,166	839,619
Repairs and maintenance		1,651,961	1,564,255
Stationery and printing		442,859	420,001
Advertisement and publicity		669,192	801,164
Donations	29.2	9,948	31,960
Auditors' remuneration	29.3	33,015	30,704
Depreciation	11.2	1,819,620	1,691,261
Amortisation of intangible assets	11.3	446,135	357,473
Travelling, conveyance and fuel expenses		441,940	473,354
Entertainment		144,975	185,592
Subscription		27,792	32,499
Charge for outsourced services		1,295,009	1,198,399
Security service charges		972,387	984,093
Others		809,516	730,335
		<u>25,116,135</u>	<u>23,683,609</u>

**29.1** The Bank operates a short term employee benefit scheme which includes cash awards / performance bonus for all eligible employees. Under this scheme, the bonus for all executives, including the CEO is determined on the basis of employees' evaluation and Bank's performance during the year. The aggregate amount determined for the eligible employees in respect of the above scheme relating to the Key Management Personnel of the Bank and for Other Executives amounted to Rs. 260.190 million (2016: Rs. 423.464 million) and Rs. 369.285 million (2016: Rs. 549.710 million) respectively.

During the year, the Bank has also made ex-gratia payments to outgoing executives including the outgoing CEO. The amounts included in respect of Ex-gratia accrued / paid in respect of Executives in 2017 was Rs. 694.474 million (2016: Nil).

<b>29.2 Donations</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>(Rupees in '000)</b>	
Aman Foundation		6,300	-
Karachi Lions Pediatric Nephrology Project (NICH)		1,000	-
The Aga Khan University Hospital Medical College Foundation		2,000	-
Shabab Murshid Development Foundation - Bangladesh		648	-
Alif Noon Parents Foundation		-	20,000
Network of Organizations Working for People with Disabilities - Pakistan		-	3,000
Karachi Vocational Training Centre		-	2,460
Family Education Services Foundation		-	6,500
		<u>9,948</u>	<u>31,960</u>
<b>29.3 Auditors' remuneration</b>			
Audit fee		9,666	9,010
Half yearly review		2,430	2,268
Special certifications and sundry advisory services		8,618	10,360
Out-of-pocket expenses		1,810	1,947
		<u>22,524</u>	<u>23,585</u>
Fee for audit of foreign branches		10,491	7,119
		<u>33,015</u>	<u>30,704</u>
<b>30 OTHER CHARGES</b>			
Penalties imposed by the State Bank of Pakistan		34,650	5,690
Workers' Welfare Fund	30.1	258,875	112,709
		<u>293,525</u>	<u>118,399</u>

**30.1** 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 Supreme Court.

The 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 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.

31 TAXATION	2017	2016
	(Rupees in '000)	
<b>For the year</b>		
Current	5,074,748	4,689,525
Deferred	66,298	(157,060)
	5,141,046	4,532,465
<b>For prior years</b>		
Current	(1,883,205)	(437,312)
Deferred	2,419,849	1,028,098
	536,644	590,786
	<u>5,677,690</u>	<u>5,123,251</u>

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

In respect of tax years 2008, 2011, 2014 to 2017, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of leasehold improvements resulting in additional demand of Rs. 1,033.519 million (2016: Rs. 1,467.175 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 493.672 million (2016: Rs. 1,023.719 million) appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

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

- b) In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs. 42.539 million against tax demand for tax years 2016 and 2017. The Bank has filed appeals and the management is of the view that the matter will be settled in Bank's favour.
- 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 (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.



	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>31.2 Relationship between tax expense and accounting profit</b>			
Profit before taxation		<u>14,044,985</u>	<u>13,023,159</u>
Tax at the applicable rate of 35% (2016: 35%)		4,915,745	4,558,106
Effect of:			
permanent differences		42,844	1,992
tax charge pertaining to overseas branches		110,039	60,628
adjustment of prior years		536,644	590,786
others		<u>72,418</u>	<u>(88,261)</u>
Tax expense for the year		<u>5,677,690</u>	<u>5,123,251</u>
<b>32 EARNINGS PER SHARE</b>			
<b>32.1 BASIC EARNINGS PER SHARE</b>			
Profit after taxation for the year		<u>8,367,295</u>	<u>7,899,908</u>
		<b>(Number of shares in thousand)</b>	
Weighted average number of ordinary shares		1,605,989	1,601,035
		<b>(Rupees)</b>	
Basic earnings per share		<u>5.21</u>	<u>4.93</u>
<b>32.2 DILUTED EARNINGS PER SHARE</b>			
		<b>(Rupees in '000)</b>	
Profit after taxation for the year		8,367,295	7,899,908
		<b>(Number of shares in thousand)</b>	
Weighted average number of ordinary shares		<u>1,611,597</u>	<u>1,601,035</u>
		<b>(Rupees)</b>	
Diluted earnings per share		<u>5.19</u>	<u>4.93</u>
<b>32.3 Reconciliation of basic and diluted earning per share</b>			
		<b>(Number of shares in thousand)</b>	
Weighted average number of ordinary shares		1,605,989	1,601,035
Plus: Employee stock option scheme		5,608	-
Dilutive potential ordinary shares		<u>1,611,597</u>	<u>1,601,035</u>
<b>33 CASH AND CASH EQUIVALENTS</b>		<b>2017</b>	<b>2016</b>
		<b>(Rupees in '000)</b>	
Cash and balances with treasury banks	6	70,381,435	74,071,384
Balances with other banks	7	4,508,835	9,373,123
Call money lendings	8.1	<u>20,255,936</u>	<u>5,306,590</u>
		<u>95,146,206</u>	<u>88,751,097</u>

33.1 Reconciliation of movement of liabilities to cash flows from financing activities

	2017								
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated loans	Other liabilities	Share capital	Reserves	Unappropriated profit	Total
	(Rupees in '000)								
<b>Balance as at January 1, 2017</b>	12,886,990	178,311,035	640,944,254	8,317,670	14,221,914	15,952,076	15,895,652	17,337,458	903,867,049
<b>Change from financing cashflow</b>									
Issuance of share capital	-	-	-	-	-	123,644	68,078	-	191,722
Redemption of sub-ordinated loans	-	-	-	(3,326,670)	-	-	-	-	(3,326,670)
<b>Total Change from financing cash flows</b>	-	-	-	(3,326,670)	-	123,644	68,078	-	(3,134,948)
<b>The effect of changes due to foreign exchange translation</b>	-	-	-	-	-	-	492,787	-	492,787
<b>Changes due to liabilities being held for sale</b>	(8,575)	-	(24,491,178)	-	(213,742)	-	-	-	(24,713,495)
<b>Other equity related changes</b>	-	-	-	-	-	-	26,693	280,946	307,639
<b>Liability related changes</b>									
Changes in bills payable	(416,549)	-	-	-	-	-	-	-	(416,549)
Changes in borrowings	-	27,912,537	-	-	-	-	-	-	27,912,537
Changes in deposits and other accounts	-	-	-	-	-	-	-	-	36,952,995
Changes in other liabilities	-	-	36,952,995	-	-	-	-	-	-
Cash based	-	-	-	-	4,033,709	-	-	-	4,033,709
Non cash based - compensated absences	-	-	-	-	(8,148)	-	-	-	(8,148)
Liabilities held for sale	-	-	-	-	24,759,096	-	-	-	24,759,096
Transfer of profit to reserve	-	-	-	-	-	-	1,673,459	6,693,836	8,367,295
	(416,549)	27,912,537	36,952,995	-	28,784,657	-	1,673,459	6,693,836	101,600,935
	12,461,866	206,223,572	653,406,071	4,991,000	42,792,829	16,075,720	18,156,669	24,312,240	978,419,967
	2016								
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated loans	Other liabilities	Share capital	Reserves	Unappropriated profit	Total
	(Rupees in '000)								
<b>Balance as at January 1, 2016</b>	9,733,929	172,393,198	640,188,735	9,983,000	15,131,430	15,898,062	14,164,120	12,362,596	889,855,070
<b>Change from financing cashflow</b>									
Issuance of share capital	-	-	-	-	-	54,014	30,881	-	84,895
Redemption of sub-ordinated loans	-	-	-	(1,665,330)	-	-	-	-	(1,665,330)
<b>Total Change from financing cash flows</b>	-	-	-	(1,665,330)	-	54,014	30,881	-	(1,580,435)
<b>The effect of changes due to foreign exchange translation</b>	-	-	-	-	-	-	11,054	-	11,054
<b>Other equity related changes</b>	-	-	-	-	-	-	109,615	244,742	354,357
<b>Liability related changes</b>									
Changes in bills payable	3,153,061	-	-	-	-	-	-	-	3,153,061
Changes in borrowings	-	5,917,837	-	-	-	-	-	-	5,917,837
Changes in deposits and other accounts	-	-	755,519	-	-	-	-	-	755,519
Changes in other liabilities	-	-	-	-	-	-	-	-	-
Cash based	-	-	-	-	(997,230)	-	-	-	(997,230)
Non cash based - compensated absences	-	-	-	-	87,714	-	-	-	87,714
Dividend Paid	-	-	-	-	-	-	-	(1,589,806)	(1,589,806)
Transfer of profit to reserve	-	-	-	-	-	-	1,579,982	6,319,926	7,899,908
	3,153,061	5,917,837	755,519	-	(909,516)	-	1,579,982	4,730,120	15,227,003
	12,886,990	178,311,035	640,944,254	8,317,670	14,221,914	15,952,076	15,895,652	17,337,458	903,867,049

## 34 CREDIT RATING

The Bank has been assigned an upgraded 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 an upgraded credit rating of AA (double A). These ratings were upgraded at June 2017 and were maintained at December 2017.

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

The 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.

35 STAFF STRENGTH	2017 (Number of employees)	2016
Permanent	7,698	7,615
Temporary / on contractual basis	151	193
Total staff strength	<u>7,849</u>	<u>7,808</u>

## 36 EMPLOYEE BENEFITS

### 36.1 DEFINED BENEFIT PLAN

#### 36.1.1 Principal actuarial assumptions

The projected unit credit method, as required by the International Accounting Standard 19 - 'Employee Benefits', was used for actuarial valuation based on the following significant assumptions:

	2017	2016
Withdrawal rates	High	High
Mortality rates	Adjusted SLIC 2001 - 2005	Adjusted SLIC 2001 - 2005
Valuation discount rate (p.a)	9.50%	9.50%
Salary increase rate (p.a) - Short term (3 years)	5.75%	7.50%
Salary increase rate (p.a) - Long term	9.00%	9.50%
Expected rate of return on plan assets (p.a)	9.50%	9.50%
Normal retirement age	60 Years	60 Years
Duration	10 Years	10.46 Years

The disclosures made in notes 36.1 to 36.1.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2017.

	Note	2017 (Rupees in '000)	2016
<b>36.1.2 Reconciliation of receivable from defined benefit plan</b>			
Present value of defined benefit obligation	36.1.6	1,657,387	1,920,065
Fair value of plan assets	36.1.7	(2,386,933)	(2,269,382)
		<u>(729,546)</u>	<u>(349,317)</u>
<b>36.1.3 Movement in (receivable) / payable from defined benefit plan</b>			
Opening balance		(349,317)	(40,003)
Charge for the year - in profit and loss account	36.1.4	250,153	260,795
Other comprehensive Income	36.1.4	(380,229)	(309,314)
Bank's contribution to fund made during the year		(250,153)	(260,795)
Closing balance		<u>(729,546)</u>	<u>(349,317)</u>
<b>36.1.4 Charge for defined benefit plan</b>			
<b>Recognised in profit and loss account</b>			
Current service cost		306,923	277,835
Net interest		(56,770)	(17,040)
		250,153	260,795
<b>Recognised in other comprehensive income</b>			
Actuarial gain on obligations		433,234	55,216
Actuarial (loss) / gain on Assets		(53,005)	254,098
		380,229	309,314
<b>Total</b>		<u>(130,076)</u>	<u>(48,519)</u>
<b>36.1.5 Actual return on plan assets</b>		<u>171,531</u>	<u>434,975</u>
<b>36.1.6 Reconciliation of present value of obligation</b>			
Present value of obligation as at January 1		1,920,065	1,743,133
Current service cost		306,923	277,835
Interest cost		167,766	163,837
Benefits paid		(304,133)	(209,524)
Remeasurement gain on obligation		(433,234)	(55,216)
Present value of obligation as at December 31		<u>1,657,387</u>	<u>1,920,065</u>
<b>36.1.7 Changes in the fair value of plan assets are as follows</b>			
Opening fair value of plan assets		2,269,382	1,783,136
Expected return		224,536	180,877
Contributions by the Bank		250,153	260,795
Benefits paid		(304,133)	(209,524)
Remeasurement (loss) / gain		(53,005)	254,098
Fair value at end of the year	36.1.8	<u>2,386,933</u>	<u>2,269,382</u>

**36.1.8 Plan assets consist of the following:**

	2017		2016	
	(Rupees in '000)	%	(Rupees in '000)	%
Ordinary shares	1,172,369	49%	1,047,132	46%
Treasury bills	659,789	28%	-	0%
Pakistan Investment Bonds	-	0%	536,864	22%
Units of mutual funds	295,861	12%	283,810	13%
Cash and bank balances	258,914	11%	401,576	17%
	<u>2,386,933</u>	<u>100%</u>	<u>2,269,382</u>	<u>100%</u>

**36.1.9** Amount for the current year and the previous four years of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

	2017	2016	2015	2014	2013
	----- (Rupees in '000) -----				
Defined benefit obligation	1,657,387	1,920,065	1,743,133	1,770,352	1,547,856
Fair value of plan assets	2,386,933	2,269,382	1,783,136	2,008,875	1,429,334
Surplus / (deficit)	<u>729,546</u>	<u>349,317</u>	<u>40,003</u>	<u>238,523</u>	<u>(118,522)</u>
Experience adjustments on plan liabilities	433,234	55,216	252,372	267	(56,337)
Experience adjustments on plan assets	(53,005)	254,098	(451,334)	356,778	127,174

**36.1.10 Expected gratuity expense for the next year**

Expected gratuity expense for the year ending December 31, 2018, works out to Rs. 185.753 million.

**36.1.11 Sensitivity Analysis**

Particulars	Present Value of Defined Benefit Obligation (Rs. in '000)	Percentage Change
Current Liability	1,657,387	
+1% Discount Rate	1,501,935	-9.38%
-1% Discount Rate	1,839,706	11.00%
+1% Salary Increase Rate	1,848,535	11.53%
-1% Salary Increase Rate	1,492,009	-9.98%
+10% Withdrawal Rates	1,657,879	0.03%
-10% Withdrawal Rates	1,656,774	-0.04%
1 Year Mortality age set back	1,657,106	-0.02%
1 Year Mortality age set forward	1,657,666	0.02%

### 36.1.12 Maturity Profile

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	145,295
Year 2	105,860
Year 3	114,378
Year 4	115,521
Year 5	101,511
Year 6 to Year 10	635,082
Year 11 and above	4,622,736

### 36.1.13 Risks Associated with Defined Benefit Plans

(a) **Investment Risks:**

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

(b) **Longevity Risks:**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

(c) **Salary Increase Risk:**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

(d) **Withdrawal Risk:**

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

### 36.2 EMPLOYEES STOCK OPTION SCHEME

The Bank grants share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP vide its letter No. SMD/CIW/ESOS/02/2013 dated December 27, 2013.

Under the Scheme, the Bank has granted options over a period from 2014 to 2016 to certain critical employees selected by the Board Compensation Committee to subscribe to new ordinary shares over the defined vesting period. As per the Scheme, the entitlement and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

The grant dates and the vesting period for the options are laid down under the scheme. The options vest over a three year period with one third of the options vesting on completion of each year of service from the date of grant. The options not exercised on completion of first and second year of vesting may be carried forward to be exercised on completion of three year period. After the expiry of the third exercise period, the option holder will lose all the rights of exercise for any remaining options not exercised.

The details of the scheme including details of year wise option granted, shares issued, option lapsed and option discounts etc. are annexed as part of these financial statements, summary of which is as follow:

	Granted in the year 2016	Granted in the year 2015	Granted in the year 2014
	------(In '000)-----		
Option issued	13,737	12,614	11,331
Option no longer in issue	3,181	3,019	1,732
Options vested	4,415	7,811	9,919
Options exercised	3,838	6,892	9,599
Options available for exercise	6,718	2,703	-
Exercise price per share	Rs. 14.95	Rs. 15.15	Rs. 16.32
Option discount per share	Rs. 9.96	Rs. 10.10	Rs. 10.88

### 37 DEFINED CONTRIBUTION PLAN

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contribute @ 8.33% of basic salary in equal monthly contributions.

During the year, the Bank contributed Rs. 320.476 million (2016: Rs. 326.341 million) in respect of this fund.

### 38 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	------(Rupees in '000)-----					
Fee	-	-	126,018	110,609	-	-
Managerial remuneration - note 38.2	107,186	82,669	-	-	3,320,026	3,293,386
Post employment benefits	7,676	9,481	-	-	378,720	384,712
Rent and house maintenance	-	3,840	-	-	990,317	974,851
Utilities	4,607	5,691	-	-	249,635	244,947
	<u>119,469</u>	<u>101,681</u>	<u>126,018</u>	<u>110,609</u>	<u>4,938,698</u>	<u>4,897,896</u>
Number of persons *	<u>1</u>	<u>1</u>	<u>6</u>	<u>6</u>	<u>1,973</u>	<u>2,128</u>

\* During the year, Mr. Nauman Ansari was appointed President and Chief Executive Officer following the resignation of Mr. Atif Bajwa.

**38.1** The Chief Executive and certain Executives have been provided with the free use of cars and household equipment as per Bank's policy.

**38.2** All executives, including the CEO are entitled to certain short term employee benefits which are disclosed in note 29.1 to these financial statements. In addition, the Bank also granted share options to certain key employees of the Bank in the year 2014, 2015 and 2016, which shall vest till the year 2019 - refer note 36.2 and Annexure on Employee Stock Option Scheme.

## 39 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities is based on quoted market price. 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 audited 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.

**39.1** 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 below 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:



2017

	Carrying Amount							Fair value				
	HFT	AFS	HTM	Loans and	Subsidiaries & Associates	Derivative Instrument Receivables Held for Risk Management (Rupees in '000)	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On balance sheet financial instruments</b>												
<b>Financial assets measured at fair value</b>												
- Other assets												
Forward foreign exchange contracts	1,960,858	-	-	-	-	-	-	1,960,858		1,960,858		1,960,858
Interest rate swaps	31,700	-	-	-	-	-	-	31,700		31,700		31,700
- Investments												
Government Securities (Tbills, PIBs, GoP Sukus, Overseas Govt. Sukuk, Overseas and Euro bonds)	22,772,733	315,202,970	-	-	-	-	-	337,975,703		337,975,703		337,975,703
Overseas Bonds - others	-	4,045,616	-	-	-	-	-	4,045,616		4,045,616		4,045,616
Ordinary shares of listed companies	27,149	6,124,766	-	-	-	-	-	6,151,915	6,151,915			6,151,915
Debt securities (TFCs)	-	985,706	-	-	-	-	-	985,706		985,706		985,706
Sukuk-Other than Govt	-	4,584,236	-	-	-	-	-	4,584,236		4,584,236		4,584,236
<b>Financial assets not measured at fair value</b>												
- Cash and bank balances with treasury banks	-	-	-	70,381,435	-	-	-	70,381,435				
- Balances with other banks	-	-	-	4,508,835	-	-	-	4,508,835				
- Lending to financial institutions	-	-	-	48,895,828	-	-	-	48,895,828				
- Advances	-	-	-	400,655,424	-	-	-	400,655,424				
- Other assets	-	-	-	42,123,604	-	-	-	42,123,604				
- Investments												
Government Securities (PIBs, WAPDA Sukus, Overseas, Euro bonds and Commercial Paper)	-	-	38,794,138	-	-	-	-	38,794,138		39,352,880		39,352,880
Overseas Bonds - Others	-	-	548,143	-	-	-	-	548,143		561,046		561,046
Unlisted shares (Ordinary & Preference)	-	247,214	-	-	-	-	-	247,214				
Redemable Participating Certificate	-	1,133,659	-	-	-	-	-	1,133,659				
Commercial Paper	-	90,201	-	-	-	-	-	90,201				
Sukuk-Other than Govt	-	-	3,929,920	-	-	-	-	3,929,920				
Associates												
- Mutual Funds	-	-	-	-	-	-	-	-				
- Ordinary shares of unlisted companies	-	-	-	-	1,816,343	-	-	1,816,343				
Subsidiaries												
- Mutual Funds	-	-	-	-	-	-	-	-				
- Ordinary shares of unlisted companies	-	-	-	-	430,493	-	-	430,493				
	24,792,440	332,414,368	43,272,201	566,565,126	2,246,836	-	-	969,290,971				
<b>Financial liabilities measured at fair value</b>												
- Other liabilities												
Forward foreign exchange contracts	968,982	-	-	-	-	-	-	968,982		968,982		968,982
Interest rate swaps	6,202	-	-	-	-	-	-	6,202		6,202		6,202
<b>Financial liabilities not measured at fair value</b>												
- Bills Payable	-	-	-	-	-	-	12,461,866	12,461,866				
- Borrowings	-	-	-	-	-	-	206,223,572	206,223,572				
- Deposits and other accounts	-	-	-	-	-	-	653,406,071	653,406,071				
- Subordinated loans	-	-	-	-	-	-	4,991,000	4,991,000				
- Other liabilities	-	-	-	-	-	-	40,942,997	40,942,997				
	975,184	-	-	-	-	-	918,025,506	919,000,690				
<b>Off balance sheet financial instruments</b>												
- Forward Exchange Contracts Purchase	-	-	-	-	-	60,285,544	-	60,285,544		62,241,402		62,241,402
- Forward Exchange Contracts Sale	-	-	-	-	-	31,823,206	-	31,823,206		32,787,188		32,787,188
- Interest Rate Swaps	-	-	-	-	-	8,865,756	-	8,865,756		8,879,930		8,879,930

2016

	Carrying Amount							Fair value				
	HFT	AFS	HTM	Loans and	Subsidiaries & Associates	Derivative Instrument Receivables Held for Risk Management	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)												
<b>On balance sheet financial instruments</b>												
<b>Financial assets measured at fair value</b>												
- Other assets												
Forward foreign exchange contracts	320,749	-	-	-	-	-	-	320,749		320,749		320,749
Interest rate swaps	55,336	-	-	-	-	-	-	55,336		55,336		55,336
- Investments												
Government Securities (Tbills, PIBs, GoP Sukuks, Overseas Govt. Sukuk, Overseas and Euro bonds)	14,371,242	304,976,096	-	-	-	-	-	319,347,338		319,347,338		319,347,338
Overseas Bonds - others	298,341	5,061,134	-	-	-	-	-	5,359,475		5,359,475		5,359,475
Ordinary shares of listed companies	761,255	8,292,796	-	-	-	-	-	9,054,051	9,054,051			9,054,051
Debt securities (TFCs)	-	278,260	-	-	-	-	-	278,260		278,260		278,260
Sukuk-Other than Govt	-	2,195,167	-	-	-	-	-	2,195,167		2,195,167		2,195,167
<b>Fassets not measured at fair value</b>												
- Cash and bank balances with treasury banks	-	-	-	74,071,384	-	-	-	74,071,384				
- Balances with other banks	-	-	-	9,373,123	-	-	-	9,373,123				
- Lending to financial institutions	-	-	-	30,149,029	-	-	-	30,149,029				
- Advances	-	-	-	378,720,349	-	-	-	378,720,349				
- Other assets	-	-	-	16,974,249	-	-	-	16,974,249				
- Investments												
Government Securities (PIBs, WAPDA Sukuks, Overseas, Euro bonds and Commercial papers)	-	-	-	45,026,708	-	-	-	45,026,708		45,937,908		45,937,908
Overseas Bonds - Others	-	-	-	518,251	-	-	-	518,251				
Unlisted shares (Ordinary & Preference)	-	22,395	-	-	-	-	-	22,395				
Redeemable Participating Certificate	-	501,938	-	-	-	-	-	501,938				
Commercial papers	-	-	-	529,280	-	-	-	529,280				
Sukuk-Other than Govt	-	-	-	3,501,541	-	-	-	3,501,541				
Associates												
- Mutual Funds	-	-	-	-	755,153	-	-	755,153		1,009,483		1,009,483
- Ordinary shares of unlisted companies	-	-	-	-	1,047,113	-	-	1,047,113				
Subsidiaries												
- Mutual Funds	-	-	-	-	525,474	-	-	525,474		534,264		534,264
- Ordinary shares of unlisted companies	-	-	-	-	430,493	-	-	430,493				
	<u>15,806,923</u>	<u>321,327,786</u>	<u>49,575,780</u>	<u>509,288,134</u>	<u>2,758,233</u>	<u>-</u>	<u>-</u>	<u>898,756,856</u>				
<b>Financial liabilities measured at fair value</b>												
- Other liabilities												
Forward foreign exchange contracts	555,131	-	-	-	-	-	-	555,131		555,131		555,131
Interest rate swaps	37,078	-	-	-	-	-	-	37,078		37,078		37,078
<b>Financial liabilities not measured at fair value</b>												
- Bills Payable	-	-	-	-	-	-	12,886,990	12,886,990				
- Borrowings	-	-	-	-	-	-	178,311,035	178,311,035				
- Deposits and other accounts	-	-	-	-	-	-	640,944,254	640,944,254				
- Subordinated loans	-	-	-	-	-	-	8,317,670	8,317,670				
- Other liabilities	-	-	-	-	-	-	12,475,968	12,475,968				
	<u>592,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>852,935,917</u>	<u>853,528,126</u>				
<b>Off balance sheet financial instruments</b>												
- Forward Exchange Contracts Purchase	-	-	-	-	-	53,992,848	-	53,992,848	53,479,523			53,479,523
- Forward Exchange Contracts Sale	-	-	-	-	-	41,084,440	-	41,084,440	40,805,498			40,805,498
- Interest Rate Swaps	-	-	-	-	-	7,622,307	-	7,622,307	7,640,565			7,640,565

**39.2** Office premises are carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 11. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. 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 cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

#### 40 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

2017								
	Retail Banking	Corporate Banking	Treasury	Consumer Banking	Islamic Banking	International Operations	Others*	Total
------(Rupees in '000)-----								
Segment income	9,945,493	14,500,738	25,207,299	4,812,173	8,825,768	3,787,111	(265,501)	66,813,081
Inter-segment income / (expense)	15,078,988	(7,633,360)	(7,735,457)	(1,127,468)	(796)	-	1,418,093	-
Segment expenses	18,494,776	2,778,562	10,306,647	1,922,775	6,143,763	2,497,986	10,623,587	52,768,096
Profit before tax	6,529,705	4,088,816	7,165,195	1,761,930	2,681,209	1,289,125	(9,470,995)	14,044,985
Segment assets	151,491,709	203,974,935	353,898,318	27,372,009	139,066,088	74,522,709	38,503,060	988,828,828
Segment non-performing loans	8,330,204	7,124,711	-	300,465	1,595,173	303,018	(74,730)	17,578,841
Segment provision required against loans and advances	7,708,272	6,229,875	-	786,721	1,275,003	400,041	126,596	16,526,508
Segment liabilities	447,580,060	101,831,886	162,530,146	2,217,545	125,976,973	64,988,452	17,904,026	923,029,088
Segment return on assets (ROA) (%)	1.30%	1.50%	1.10%	6.60%	1.90%	1.90%	-8.10%	1.50%
Segment cost of funds (%)	3.10%	5.00%	5.70%	5.30%	2.60%	2.00%	3.00%	3.40%

2016								
	Retail Banking	Corporate Banking	Treasury	Consumer Banking	Islamic Banking	International Operations	Others*	Total
------(Rupees in '000)-----								
Segment income	7,298,058	13,531,759	29,756,911	4,112,573	8,328,274	3,574,977	(551,192)	66,051,360
Inter-segment income / (expense)	16,118,158	(5,651,265)	(10,727,863)	(953,836)	-	-	1,214,806	-
Segment expenses	19,221,682	6,209,065	8,191,894	1,847,509	6,669,397	1,919,015	8,969,639	53,028,201
Profit before tax	4,194,534	1,671,429	10,837,154	1,311,228	1,658,877	1,655,962	(8,306,025)	13,023,159
Segment assets - net	140,271,845	205,760,792	312,980,625	21,723,442	138,753,216	68,423,352	29,543,781	917,457,053
Segment non-performing loans	8,620,164	7,771,668	-	435,243	1,785,331	318,921	87,188	19,018,515
Segment provision required against loans and advances	7,959,603	6,703,930	-	909,939	1,187,405	361,707	20,376	17,142,960
Segment liabilities	428,263,389	80,352,604	143,261,894	1,490,927	127,051,522	59,363,853	17,548,102	857,332,291
Segment return on assets (ROA) (%)	0.87%	0.60%	1.57%	6.17%	1.24%	2.78%	-7.51%	1.49%
Segment cost of funds (%)	3.25%	5.07%	5.56%	5.46%	2.98%	2.10%	3.44%	3.63%

\* Profit before tax of this segment includes head office related expenses

#### 41 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers. In addition, the Bank is also holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

#### 42 RELATED PARTY TRANSACTIONS

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

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

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

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

2017

	Directors	Key management personnel	Subsidiaries	Associates	Others related parties	Total
------(Rupees in '000)-----						
<b>Statement of Financial Position</b>						
<b>Lendings</b>						
Balance at the beginning of the year	-	-	-	-	-	-
Placements during the period	-	-	-	-	89,750,000	89,750,000
Withdrawals during the period	-	-	-	-	(88,250,000)	(88,250,000)
Balance at the end of the period	-	-	-	-	1,500,000	1,500,000
<b>Investments</b>						
Balance at the beginning of the year	-	-	1,781,967	1,802,266	2,579,489	6,163,722
Investments during the period	-	-	-	769,230	1,819,585	2,588,815
Redemptions during the period	-	-	(1,351,474)	(755,153)	(3,081,266)	(5,187,893)
Balance at the end of the period	-	-	430,493	1,816,343	1,317,808	3,564,64
Provisions held against investments	-	-	-	-	53,936	53,936
<b>Advances</b>						
Balance at the beginning of the year	79,130	351,335	-	-	8,040,236	8,470,701
Placements during the period	21,130	314,797	-	-	15,620,727	15,956,654
Withdrawals / adjustments during the period	(100,260)	(221,547)	-	-	(16,069,636)	(16,391,443)
Balance at the end of the period	-	444,585	-	-	7,591,327	8,035,912
Provisions held against advances	-	-	-	-	1,540,029	1,540,029
<b>Mark-up held in suspense against classified advances</b>	-	-	-	-	1,161,382	1,161,382
<b>Other receivable</b>	-	-	2,496	-	8,936	11,432
<b>Borrowings</b>						
Balance at the beginning of the year	-	-	-	-	-	-
Borrowing during the period	-	-	-	-	34,192,883	34,192,883
Repayments during the period	-	-	-	-	(33,690,083)	(33,690,083)
Balance at the end of the period	-	-	-	-	502,800	502,800
<b>Deposits</b>						
Balance at the beginning of the year	10,201	164,506	90,030	1,031,859	8,662,986	9,959,582
Placements during the period	308,744	1,684,639	7,676,656	56,650,035	111,897,086	178,217,160
Withdrawals / adjustments during the period	(312,670)	(1,688,729)	(7,706,702)	(56,171,951)	(116,381,285)	(182,261,337)
Balance at the end of the period	6,275	160,416	59,984	1,509,943	4,178,787	5,915,405
<b>Sub-Ordinated Loans</b>						
Balance at the beginning of the year	-	132,348	-	79,003	332,467	543,818
Sub-Ordinated loans issued during the year	-	-	-	-	-	-
Sub-Ordinated loans redemption during the year	-	(112,384)	-	(33,959)	(332,467)	(478,810)
Balance at the end of the period	-	19,964	-	45,044	-	65,008
Other payables	-	-	316	-	9,444	9,760
<b>Off Balance Sheet Items</b>						
Letters of credit, acceptance and Guarantees outstanding	-	-	-	129,188	2,589,842	2,719,030
<b>Receipts / payments</b>						
Mark-up received on lendings	-	-	-	-	23,130	23,130
Mark-up received on investments	-	-	-	-	113,864	113,864
Mark-up received on advances	2,319	20,447	-	-	315,960	338,726
Mark-up paid on deposits	119	3,313	81,071	-	216,945	301,448
Mark-up paid on borrowing	-	-	-	-	20,333	20,333
Mark-up paid on sub-ordinated loans	-	16,355	3,693	-	37,404	57,452
Brokerage	-	-	967	-	-	967
Insurance Premium paid	-	-	505,826	-	-	505,826
Insurance Claim received-Fixed Assets	-	-	8,109	-	-	8,109
Rent paid	-	-	-	-	9,902	9,902
Purchase and maintenance of machines / equipments and services	-	-	-	-	229,182	229,182
<b>Profit and Loss Account</b>						
Provision / (reveral) against non-performing advances	-	-	-	-	(3,025)	(3,025)
Provision / (reveral) against investments	-	-	-	-	-	-
Dividend income	-	-	-	-	9,481	9,481
Capital gain	-	-	323,374	-	-	323,374
Other income	-	-	6,478	156,149	18,608	181,235
Administrative expenses	-	-	-	-	2,901	2,901

## 2016

	Directors	Key management personnel	Subsidiaries	Associates	Others related parties	Total
------(Rupees in '000)-----						
<b>Statement of Financial Position</b>						
<b>Lendings</b>						
Balance at the beginning of the year	-	-	-	-	-	-
Placements during the period	-	-	-	-	17,250,000	17,250,000
Withdrawals during the period	-	-	-	-	(17,250,000)	(17,250,000)
Balance at the end of the period	-	-	-	-	-	-
<b>Investments</b>						
Balance at the beginning of the year	-	-	2,131,967	2,334,185	4,716,796	9,182,948
Investments during the year	-	-	-	258,481	2,529,489	2,787,970
(Redemptions) / adjustments during the year	-	-	(350,000)	(790,400)	(4,666,796)	(5,807,196)
Balance at the end of the year	-	-	1,781,967	1,802,266	2,579,489	6,163,722
Provisions held against investments	-	-	826,000	-	53,936	879,936
<b>Advances</b>						
Balance at the beginning of the year	89,000	328,280	-	-	6,339,450	6,756,730
Placements during the period	-	287,570	-	-	22,062,374	22,349,944
Withdrawals / adjustments during the period	(9,870)	(264,515)	-	-	(20,361,588)	(20,635,973)
Balance at the end of the period	79,130	351,335	-	-	8,040,236	8,470,701
Provisions held against advances	-	-	-	-	1,543,054	1,543,054
<b>Mark-up held in suspense against classified advances</b>	-	-	-	-	886,583	886,583
<b>Other receivable</b>	-	-	416	112,350	-	112,766
<b>Borrowings</b>						
Balance at the beginning of the year	-	-	-	-	-	-
Borrowing during the period	-	-	-	-	2,200,000	2,200,000
Repayments during the period	-	-	-	-	(2,200,000)	(2,200,000)
Balance at the end of the period	-	-	-	-	-	-
<b>Deposits</b>						
Balance at the beginning of the year	14,825	120,281	130,841	271,252	6,095,049	6,632,248
Placements during the period	306,363	1,257,912	2,928,929	44,116,212	91,600,256	140,209,672
Withdrawals / adjustments during the period	(310,987)	(1,213,687)	(2,969,740)	(43,355,605)	(89,032,319)	(136,882,338)
Balance at the end of the period	10,201	164,506	90,030	1,031,859	8,662,986	9,959,582
<b>Sub-Ordinated Loans</b>						
Balance at the beginning of the year	-	186,591	-	94,018	498,800	779,409
Sub-Ordinated loans issued during the year	-	-	-	-	-	-
Sub-Ordinated loans redemption during the year	-	(54,243)	-	(15,015)	(166,333)	(235,591)
Balance at the end of the period	-	132,348	-	79,003	332,467	543,818
<b>Other payables</b>	-	-	296	-	9,164	9,460
<b>Off Balance Sheet Items</b>						
Letters of credit, acceptance and Guarantees outstanding	-	-	-	122,380	1,724,344	1,846,724
<b>Receipts / payments</b>						
Mark-up received on lendings	-	-	-	-	3,350	3,350
Mark-up received on investments	-	-	-	-	32,991	32,991
Mark-up received on advances	4,782	16,924	-	-	443,096	464,802
Mark-up paid on deposits	135	2,767	48,509	-	266,215	317,626
Mark-up paid on borrowing	-	-	-	-	362	362
Mark-up paid on sub-ordinated loans	-	29,407	5,997	-	74,813	110,217
Brokerage	-	-	943	-	-	943
Insurance Premium paid	-	-	544,525	-	-	544,525
Insurance claim received-fixed assets	-	-	1,137	-	-	1,137
Rent paid	-	-	-	-	5,910	5,910
Purchase and maintenance of machines / equipments and services	-	-	-	-	309,175	309,175
<b>Profit and Loss Account</b>						
Provision / (reveral) against non-performing advances	-	-	-	-	1,543,054	1,543,054
Provision / (reveral) against investments	-	-	-	-	3,936	3,936
Dividend income	-	-	108,704	-	-	108,704
Capital gain	-	-	104,800	-	139,200	244,000
Other income	-	-	34,038	111,090	17,096	162,224
Administrative expenses	-	-	3,304	-	2,900	6,204

2017                      2016  
(Rupees in '000)

**The key management personnel / directors compensation are as follows:**

Managerial remuneration (including allowances)	1,850,512	1,263,958
Fair value charge against employee stock option scheme	26,693	109,615
Contribution to employee funds	570,629	587,136
	2,447,834	1,960,709

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

Fee for attending Directors' meetings is disclosed in note 38 to these unconsolidated financial statements.

**43 CAPITAL ASSESSMENT AND ADEQUACY**

**43.1 Scope of Applications**

**Amounts subject to Pre - Basel III treatment**

The Basel-III Framework is applicable to the bank both at the consolidated level (comprising of wholly/partially owned subsidiaries & associates) and also on a stand alone basis. Subsidiaries are included while calculating Consolidated Capital Adequacy for the Bank using full consolidation method whereas associates in which the bank has significant influence on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risks, whereas, higher of Alternate Standardized Approach (ASA) or 70% of Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

**43.2 Capital Management**

**43.2.1 Objectives and goals of managing capital**

The Bank manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities, build and expand even in stressed times.

**43.2.2 Statutory Minimum Capital Requirement and Capital Adequacy Ratio**

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) of all locally incorporated banks to have a minimum paid-up capital of Rs. 10 billion. The paid up capital of the Bank for the year ended December 31, 2017 stands at Rs. 16.075 billion and is in compliance with the SBP requirement.

The capital adequacy ratio of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

**Phase-in arrangement and full implementation of the minimum capital requirements:**

Sr. No	Ratio	2016	2017	2018	As of December 31, 2019
1	CET 1	6.0%	6.0%	6.0%	6.0%
2	ADT 1	1.5%	1.5%	1.5%	1.5%
3	Tier 1	7.5%	7.5%	7.5%	7.5%
4	Total Capital	10.0%	10.0%	10.0%	10.0%
5	*CCB	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.65%	11.28%	11.90%	12.50%

\* Capital conservation buffer

**43.2.3 Bank's regulatory capital is analysed into three tiers**

Common Equity Tier 1 capital (CET1), includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 43.4).

Additional Tier 1 Capital (AT1), includes perpetual non-cumulative preference shares / TFCs and share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1 (refer to note 43.4).

Tier 2 capital, includes Subordinated debt/ Instruments, share premium on issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), net reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance, further in the current year additional benefit of revaluation reserves (net of tax effect) is availed at the rate of 80% per annum for the remaining portion of 55% of revaluation reserve and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2 (refer to note 43.4).

The required capital adequacy ratio (11.28% of the risk-weighted assets) was achieved by the Bank through improvement in the capital base, asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. As the Bank carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations. The Bank remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Bank's management of capital during the year.

**43.2.4 Leverage Ratio**

The leverage ratio of the Bank as at December 31, 2017 is 4.06% (2016: 3.45%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on December 31, 2017; Total Tier 1 capital of the Bank amounts to Rs. 53,260,259 thousand (2016: Rs. 42,549,933 thousand) whereas the total exposure measure amounts to Rs. 1,311,946,047 thousand (2016: Rs. 1,231,632,253 thousand).

Favourable shift in leverage ratio is mainly due to an increase in Bank's Tier 1 capital as compared to the last year.

### 43.3 Capital Adequacy

Bank's approach for assessing the adequacy of the capital to support current and future business operations based on the following:

- a. Capital Adequacy plays key consideration for not only arriving at the business projections / plans but is religiously monitored while undertaking transactions.
- b. Bank has demonstrated the capability to comfortably meet new & enhanced capital adequacy standards, therefore it is now following controlled growth strategy. The TFC was issued to support the growth but gradually the bank is enriching the Tier 1 capital while ensuring regular dividend to share holders.
- c. To further augment its capital base, the Bank is in process of issuing listed Additional Tier I Capital amounting to PKR 7 Billion.
- d. The capital base forms the very basic foundation of business plans. The capital base is sufficient to support the envisaged business growth and this would be monitored regularly.
- e. Current and potential risk exposures across all the major risk types are:

Risk Type	Materiality Level for Bank– High/Medium/Low	Adequacy of controls (Adequate / Partially adequate/ Not adequate)
Credit	High	Adequate
Market	Medium	Adequate
Operational	High	Adequate
Model	Low	Adequate
Concentration	Medium	Adequate
Interest rate risk in Banking Book	High	Adequate
Liquidity	High	Adequate
Country	Medium	Adequate
Reputation	Medium	Adequate
Strategic / Business	Medium	Adequate
Legal Risk	Medium	Adequate

- f. Bank also performs ICAAP exercise on annual basis in order to assess the adequacy of capital internally which yields surplus capital inclusive of stress testing and pillar 2 risks.
- g. The Bank enjoys strong sponsor support from Abu Dhabi Group and IFC , leading to increased investor confidence. Moreover, the Bank has been issuing TFCs successfully on a regular basis, demonstrating Bank's capacity to raise capital when required.
- h. Bank follows Standardised Approach for Credit and Market Risk, and Alternative Standardized Approach for Operational Risk. The assessment of capital adequacy is based on regulatory requirements.

#### 43.3.1 Stress Testing

Stress testing & scenario analysis examines the sensitivity of Bank's Capital for Regulatory capital as well as Economic capital under a number of scenarios and ensures that emerging risks stemming into its portfolio are appropriately accounted. The exercise is submitted to the regulator at regular intervals as per the requirements. The scope of this exercise has been expanded to incorporate internally developed scenarios based on macroeconomic situation & portfolio composition as well.



**43.4 Capital Adequacy Ratio as at December 31, 2017**

	2017	2016 (Restated)
	(Rupees in '000)	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital / Capital deposited with SBP	16,075,720	15,952,076
2 Balance in Share Premium Account	4,612,991	4,417,126
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General / Statutory Reserves	11,466,871	9,894,506
6 Gain / (losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	24,312,240	17,337,458
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 <b>CET 1 before Regulatory Adjustments</b>	56,467,822	47,601,166
10 Total regulatory adjustments applied to CET1 (Note 43.4.1)	3,207,563	5,051,233
11 <b>Common Equity Tier 1</b>	53,260,259	42,549,933
<b>Additional Tier 1 (AT 1) Capital</b>		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 <b>AT1 before regulatory adjustments</b>	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 43.4.2)	49,633	203,991
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-
21 <b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	53,260,259	42,549,933
<b>Tier 2 Capital</b>		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	2,992,200	3,990,400
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	907,449	820,775
27 Revaluation Reserves (net of taxes)	6,364,158	8,504,055
28 of which: Revaluation reserves on fixed assets	4,018,547	3,556,216
29 of which: Unrealized gains/losses on AFS	2,345,611	4,947,839
30 Foreign Exchange Translation Reserves	2,076,807	1,584,020
31 Undisclosed/Other Reserves (if any)	-	-
32 <b>T2 before regulatory adjustments</b>	12,340,614	14,899,250
33 <b>Total regulatory adjustment applied to T2 capital (Note 43.4.3)</b>	251,159	546,938
34 Tier 2 capital (T2) after regulatory adjustments	12,089,455	14,352,312
35 Tier 2 capital recognized for capital adequacy	12,089,455	14,352,312
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 <b>Total Tier 2 capital admissible for capital adequacy</b>	12,089,455	14,352,312
38 <b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	65,349,714	56,902,245
39 <b>Total Risk Weighted Assets (RWA) (for details refer Note 43.7)</b>	475,713,078	432,152,180
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40 <b>CET1 to total RWA</b>	11.20%	9.85%
41 <b>Tier-1 capital to total RWA</b>	11.20%	9.85%
42 <b>Total capital to total RWA</b>	13.74%	13.17%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.28%	6.65%
44 of which: capital conservation buffer requirement	1.28%	0.65%
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	5.20%	3.85%
<b>National minimum capital requirements prescribed by SBP</b>		
48 <b>CET1 minimum ratio</b>	6.00%	6.00%
49 <b>Tier 1 minimum ratio</b>	7.50%	7.50%
50 <b>Total capital minimum ratio [Inclusive of 1.275% CCB for 2017 (2016:0.65%)]</b>	11.28%	10.65%

Regulatory Adjustments and Additional Information	2017		2016	
	Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*
	(Rupees in '000)			
<b>43.4.1 Common Equity Tier 1 capital: Regulatory adjustments</b>				
1 Goodwill (net of related deferred tax liability)	-	-	-	-
2 All other intangibles (net of any associated deferred tax liability)	1,472,270	-	1,723,207	-
3 Shortfall in provisions against classified assets	-	-	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	431,826	107,956	1,787,215	1,191,477
5 Defined-benefit pension fund net assets	583,637	-	209,590	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	632,863	-	1,026,250	-
7 Cash flow hedge reserve	-	-	-	-
8 Investment in own shares/ CET1 instruments	37,334	-	100,980	-
9 Securitization gain on sale	-	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
15 Amount exceeding 15% threshold	-	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	49,633	-	203,991	-
22 <b>Total regulatory adjustments applied to CET1 (sum of 1 to 21)</b>	3,207,563	-	5,051,233	-
<b>43.4.2 Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>				
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-	-
24 Investment in own AT1 capital instruments	-	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	49,633	(49,633)	203,991	(203,991)
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
30 <b>Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)</b>	49,633	-	203,991	-
<b>43.4.3 Tier 2 Capital: regulatory adjustments</b>				
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	49,633	(49,633)	203,991	(203,991)
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	201,526	-	342,120	-
33 Investment in own Tier 2 capital instrument	-	-	827	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
36 <b>Total regulatory adjustment applied to T2 capital (sum of 31 to 35)</b>	251,159	-	546,938	-

\*The amount represents regulatory deductions that are still subject to pre-Basel-III treatment during the transitional period.

	2017	2016 (Restated)
	Rupees in '000	
<b>43.4.4 Additional Information</b>		
<b>Risk Weighted Assets subject to pre-Basel III treatment</b>		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	410,728,644	368,934,296
(i) of which: deferred tax assets	107,956	1,191,477
(ii) of which: Defined-benefit pension fund net assets	145,909	139,727
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	50,189	171,571
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	99,267	407,983
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
38 Non-significant investments in the capital of other financial entities	50,189	171,571
39 Significant investments in the common stock of financial entities	397,066	611,974
40 Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	907,449	820,775
42 Cap on inclusion of provisions in Tier 2 under standardized approach	5,139,150	4,635,563
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

#### 43.5 Capital Structure Reconciliation

Table: 43.5.1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2017 (Rupees in '000)	
<b>Assets</b>		
Cash and balances with treasury banks	70,381,435	70,381,435
Balances with other banks	4,508,835	4,508,835
Lending to financial institutions	48,895,828	48,895,828
Investments	400,733,286	400,733,286
Advances	400,655,424	400,655,424
Operating fixed assets	17,627,997	17,627,997
Deferred tax assets	-	-
Other assets	46,026,023	46,026,023
<b>Total assets</b>	<b>988,828,828</b>	<b>988,828,828</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	12,461,866	12,461,866
Borrowings	206,223,572	206,223,572
Deposits and other accounts	653,406,071	653,406,071
Sub-ordinated loans	4,991,000	4,991,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	3,153,750	3,153,750
Other liabilities	42,792,829	42,792,829
<b>Total liabilities</b>	<b>923,029,088</b>	<b>923,029,088</b>
Share capital/ Head office capital account	16,075,720	16,075,720
Reserves	18,156,669	18,156,669
Unappropriated/ Unremitted profit/ (losses)	24,312,240	24,312,240
Minority Interest	-	-
Surplus on revaluation of assets	7,255,111	7,255,111
<b>Total equity</b>	<b>65,799,740</b>	<b>65,799,740</b>
<b>Total liabilities &amp; equity</b>	<b>988,828,828</b>	<b>988,828,828</b>

Table: 43.5.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation 2017 (Rupees in '000)	Reference
<b>Assets</b>			
Cash and balances with treasury banks	70,381,435	70,381,435	
Balances with other banks	4,508,835	4,508,835	
Lending to financial institutions	48,895,828	48,895,828	
Investments	400,733,286	400,733,286	
- of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
- of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
- of which: Mutual Funds exceeding regulatory threshold	-	-	c
- of which: reciprocal crossholding of capital instrument	-	-	
CET1	632,863	632,863	d
AT1	-	-	
T2	201,526	201,526	
- of which: others (mention details)	-	-	e
Advances	400,655,424	400,655,424	
- shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
- general provisions reflected in Tier 2 capital	842,737	842,737	g
Fixed Assets	17,627,997	17,627,997	
- of which: Intangibles	1,472,270	1,472,270	k
Deferred Tax Assets	-	-	
- of which: DTAs that rely on future profitability excluding those arising from temporary differences	539,782	539,782	h
- of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	46,026,023	46,026,023	
- of which: Goodwill	-	-	j
- of which: Defined-benefit pension fund net assets	729,546	729,546	l
<b>Total assets</b>	<b>988,828,828</b>	<b>988,828,828</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	12,461,866	12,461,866	
Borrowings	206,223,572	206,223,572	
Deposits and other accounts	653,406,071	653,406,071	
Sub-ordinated loans	4,991,000	4,991,000	
- of which: eligible for inclusion in AT1	-	-	m
- of which: eligible for inclusion in Tier 2	2,992,200	2,992,200	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	3,153,750	3,153,750	
- of which: DTLs related to goodwill	-	-	o
- of which: DTLs related to intangible assets	-	-	p
- of which: DTLs related to defined pension fund net assets	-	-	q
- of which: other deferred tax liabilities	-	-	r
Other liabilities	42,792,829	42,792,829	
<b>Total liabilities</b>	<b>923,029,088</b>	<b>923,029,088</b>	
Share capital	16,075,720	16,075,720	
- of which: amount eligible for CET1	16,075,720	16,075,720	s
- of which: amount eligible for AT1	-	-	t
Reserves	18,156,669	18,156,669	
- of which: portion eligible for inclusion in CET1	16,079,862	16,079,862	u
General Reserve	11,466,871	11,466,871	
Share Premium	4,612,991	4,612,991	
- of which: portion eligible for inclusion in Tier 2	2,076,807	2,076,807	v
Unappropriated profit/ (losses)	24,312,240	24,312,240	w
Minority Interest	-	-	
- of which: portion eligible for inclusion in CET1	-	-	x
- of which: portion eligible for inclusion in AT1	-	-	y
- of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	7,255,111	7,255,111	
- of which: Revaluation reserves on Fixed Assets	4,515,221	4,515,221	aa
- of which: Non-banking assets acquired in satisfaction of claims	104,372	104,372	
- of which: Unrealized Gains/Losses on AFS	2,635,518	2,635,518	
- In case of Deficit on revaluation (deduction from CET1)	-	-	ab
<b>Total equity</b>	<b>65,799,740</b>	<b>65,799,740</b>	
<b>Total liabilities &amp; equity</b>	<b>988,828,828</b>	<b>988,828,828</b>	

Table: 43.5.3

	Component of regulatory capital reported by bank 2017 (Rupees in '000)	Reference
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	16,075,720	(s)
2 Balance in Share Premium Account	4,612,991	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	11,466,871	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge		
6 Unappropriated/unremitted profits/ (losses)	24,312,240	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
<b>8 CET 1 before Regulatory Adjustments</b>	<b>56,467,822</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	1,472,270	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	431,826	{(h) - (r)} * 80%
13 Defined-benefit pension fund net assets	583,637	{(l) - (q)} * 80%
14 Reciprocal cross holdings in CET1 capital instruments	632,863	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	37,334	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28 of which: Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	49,633	
<b>30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)</b>	<b>3,207,563</b>	
<b>31 Common Equity Tier 1</b>	<b>53,260,259</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
32 Qualifying Additional Tier-1 instruments plus any related share premium	-	
33 of which: Classified as equity	-	(t)
34 of which: Classified as liabilities	-	(m)
35 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36 of which: instrument issued by subsidiaries subject to phase out	-	
<b>37 AT1 before regulatory adjustments</b>	<b>-</b>	
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39 Investment in own AT1 capital instruments	-	
40 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	49,633	
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
<b>45 Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 43)</b>	<b>49,633</b>	
<b>46 Additional Tier 1 capital</b>	<b>-</b>	
<b>47 Additional Tier 1 capital recognized for capital adequacy</b>	<b>-</b>	
<b>48 Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	<b>53,260,259</b>	

Table: 43.5.3

	Component of regulatory capital reported by bank 2017 (Rupees in '000)	Reference
<b>Tier 2 Capital</b>		
49	2,992,200	(n)
50	-	
51	-	(z)
52	-	
53	907,449	(g)
54	6,364,158	
55	4,018,547	portion of (aa)
56	2,345,611	
57	2,076,807	(v)
58	-	
59	12,340,614	
<b>Tier 2 Capital: regulatory adjustments</b>		
60	49,633	
61	201,526	
62	-	(ae)
63	-	(af)
64	-	
65	251,160	
66	12,089,454	
67	12,089,454	
68	-	
69	12,089,454	
70	65,349,713	

### 43.6 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments			
S.No.	Main Features	Common Shares	Instrument - 2
1	Issuer	Bank Alfalah Limited	Bank Alfalah Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	BAFL	BAFL TFC 5
3	Governing law(s) of the instrument	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible
6	Eligible at solo/ group/ group&solo	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares	Subordinated debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	Rs. 16,075,720	Rs. 2,992,200
9	Par value of instrument	Rs. 10	Rs. 5,000
10	Accounting classification	Share holders' equity	Liability
11	Original date of issuance	21-Jun-92	Feb 19 & 20, 2013
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	NA	Feb 2021
14	Issuer call subject to prior supervisory approval	NA	No
15	Optional call date, contingent call dates and redemption amount	NA	NA
16	Subsequent call dates, if applicable	NA	NA
	Coupons / dividends		
17	Fixed or floating dividend/ coupon	NA	Floating
18	Coupon rate and any related index/ benchmark	NA	Floating at 6 Months KIBOR*(Base Rate) plus 125 basis points per annum without any floor or CAP
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	NA	Fully discretionary
21	Existence of step up or other incentive to redeem	NA	No
22	Noncumulative or cumulative	NA	Cumulative
23	Convertible or non-convertible	NA	Convertible
24	If convertible, conversion trigger (s)	NA	At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events, called point of non viability (PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.
25	If convertible, fully or partially	NA	May convert fully or partially
26	If convertible, conversion rate	NA	To be determined in the case of trigger event
27	If convertible, mandatory or optional conversion	NA	Optional
28	If convertible, specify instrument type convertible into	NA	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	NA	BAFL
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	NA	At the option of supervisor it can be either written off upon occurrence of a certain trigger event, called point of non viability (PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.
32	If write-down, full or partial	NA	either may be written-down fully or may be written down partially;
33	If write-down, permanent or temporary	NA	Temporary
34	If temporary write-down, description of write-up mechanism	NA	As may be determined by reversal of trigger event and subject to regulator's approval
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	Deposits
36	Non-compliant transitioned features	NA	No
37	If yes, specify non-compliant features	NA	N/A

## Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

Capital Requirements		Risk Weighted Assets	
2017	2016 (Restated)	2017	2016 (Restated)

(Rupees in '000)

### Credit Risk

#### On-Balance sheet

Portfolios subject to standardized approach (Simple or Comprehensive)

Cash & cash equivalents

Sovereign

Public Sector entities

Banks

Corporate

Retail

Residential Mortgages

Past Due loans

Operating Fixed Assets

Other assets

-	-	-	-
3,521,120	3,038,749	31,229,449	28,532,859
613,595	485,776	5,442,086	4,561,275
2,360,005	1,531,628	20,931,310	14,381,486
24,312,970	20,516,468	215,636,100	192,642,891
5,743,471	4,049,701	50,939,882	38,025,363
401,193	348,457	3,558,258	3,271,896
211,712	271,911	1,877,714	2,553,152
1,822,902	1,747,671	16,167,646	16,410,061
532,198	601,669	4,720,167	5,649,474
39,519,166	32,592,030	350,502,612	306,028,457

Portfolios subject to Internal Rating Based (IRB) Approach

e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.

#### Off-Balance sheet

Non-market related

Financial guarantees

Acceptances

Performance Related Contingencies

Trade Related Contingencies

Market related

Foreign Exchange contracts

Derivatives

1,818,001	2,767,404	16,124,179	25,985,017
905,914	120,141	8,034,715	1,128,089
1,188,855	1,235,126	10,544,176	11,597,424
1,255,892	1,197,543	11,138,740	11,244,536
5,168,662	5,320,214	45,841,810	49,955,066
70,359	52,978	624,033	497,446
4,979	5,225	44,168	49,064
75,338	58,203	668,201	546,510

#### Equity Exposure Risk in the Banking Book

Under simple risk weight method

Listed Equity Investment

Unlisted Equity Investment

Under Internal models approach

629,685	774,420	5,584,793	7,271,546
962,270	750,130	8,534,549	7,043,475
1,591,955	1,524,550	14,119,342	14,315,021
46,355,121	39,494,997	411,131,966	370,845,054

#### Market Risk

Capital Requirement for portfolios subject to Standardized Approach

Interest rate risk

Equity position risk

Foreign Exchange risk

189,215	181,139	2,365,188	2,264,238
4,344	156,890	54,300	1,961,125
95,048	10,455	1,188,100	130,688
288,607	348,484	3,607,588	4,356,051

Capital Requirement for portfolios subject to Internal Models Approach

**Operational Risk** [70% of BIA or ASA whichever is higher is taken as capital charge (2016: 70%)]\*

Capital Requirement for operational risks

4,877,882 4,556,086 60,973,525 56,951,075

#### Total Risk Weighted Exposures

51,521,610 44,399,567 475,713,078 432,152,180

\* SBP has accorded approval to the bank vide SBP letter No. BPRD/ BA&CP/ 614/ 17838/2013 dated December 03, 2013 for adoption of ASA based on the following capital floor i.e. operational risk charge under ASA should not fall below a certain percentage of operational risk capital charge calculated under Basic Indicator Approach (BIA)

Capital Floor (for operational risk capital charge only)		
December 2013 - December 2014	Year 2015	Year 2016 and Year 2017
90%	80%	70%

Capital Adequacy Ratios	2017		2016	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	11.20%	6.00%	9.85%
Tier-1 capital to total RWA	7.50%	11.20%	7.50%	9.85%
Total capital to total RWA	11.28%	13.74%	10.65%	13.17%



## 44 RISK MANAGEMENT

The variety of business activities undertaken by the Bank require effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC). To complement CMC and to supervise risk management activities within their respective scopes, CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee, Principal Investment Committee, Information Technology Steering Committee (ITSC), Internal Control & Compliance Committee (ICCC) and Process Improvement Committee.

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of policies and procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Bank's risk management framework has a well-defined organizational structure for effective management of credit risk, market risk, liquidity risk, operational risk, IT security risk and environment and social risk.

### 44.1 Credit risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Bank's exposure to credit risk. The Bank's credit risk management philosophy is based on Bank's overall business strategy/direction as established by the Board. The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately quantified, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Bank has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by BOD. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for corporate banking, Islamic banking, commercial & SME banking, agricultural financing, and overseas operations.

The Bank manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Credit & Risk Management Group.

A sophisticated internal credit rating system is in place, which is capable of quantifying counter-party & transaction risk in accordance with the best practices. The risk rating system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security and generates internal ratings at Obligor and Facility levels. The facility rating system, developed in line with SBP's guidelines, also provides estimated LGD (Loss Given Default). This has been implemented in Corporate Banking, Islamic Banking and Retail & Middle Market segments. Furthermore, this system has an integrated loan origination module, which is currently being used in Corporate Banking, Islamic Banking and Retail segments. The system is regularly reviewed for improvements as per SBP's guidelines for Internal Credit Rating and Risk Management. Furthermore, Bank has also automated Internal Rating validation process based on statistical tests for Corporate, Commercial, ME, SE & Agri rating models. It covers both discrimination & calibration statistical tests as per best international practices. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system has been enhanced to compute the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions.

A centralized Credit Administration Division (CAD) under Credit & Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD. Credit Monitoring, under CAD, keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and reports it to the appropriate authority with a view to arrest deterioration.

To handle the specialized requirements of managing delinquent and problem accounts, the Bank has a separate client facing unit to negotiate repayment/ settlement of the Bank's non-performing exposure and protect the interests of the bank's depositors and stakeholders. Unlike other banking groups, where the priority is the maximization of Bank's revenue, the priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAMG may proceed with legal recourse so as to maximize the recovery of the Bank's assets. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

#### **44.11 Credit Risk - General Disclosures Basel Specific**

Bank Alfalah Limited is using Standardized Approach (SA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under SA, banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adhered to.

#### **44.12 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights**

##### **44.1.2.1 External ratings**

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions - (ECAIs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by Credit Rating Agency of Bangladesh (CRAB) and CRISL. The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporate and banks incorporated in Bangladesh.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel III framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

#### **44.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach**

##### **44.1.3.1 Credit risk mitigation policy**

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

##### **44.1.3.2 Collateral valuation and management**

As stipulated in the SBP Basel II / III guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel III guidelines. In line with Basel II / III guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

##### **44.1.3.3 Types of collateral taken by the Bank**

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

#### 44.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Bank considers all types of financial collaterals that are eligible under SBP Basel III accord. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities (Government of Pakistan, Banks etc.) under substitution effect of Basel in general, for capital calculation purposes, in line with the SBP Basel III requirements, the Bank recognises only eligible collaterals as mentioned in the SBP Basel III accord.

#### 44.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, in order to restrict the industry concentration risk, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industry. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category) .

#### 44.1.4 Segmental information

##### 44.1.4.1 Segments by class of business

	2017					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Rupees in '000)	(Note 10) Percent	(Rupees in '000)	(Note 15) Percent	(Rupees in '000)	Percent
Agribusiness	6,958,483	1.67%	4,112,065	0.63%	160,841	0.11%
Automobile & Transportation Equipment	8,446,433	2.02%	10,426,331	1.60%	5,462,448	3.67%
Chemical and Pharmaceuticals	8,356,218	2.00%	8,707,432	1.33%	4,598,642	3.09%
Cement	8,187,225	1.96%	624,789	0.10%	2,624,005	1.77%
Communication	8,002,340	1.92%	3,581,438	0.55%	4,326,435	2.91%
Electronics and Electrical Appliances	9,876,062	2.37%	1,015,791	0.16%	2,058,532	1.38%
Educational Institutes	2,858,838	0.69%	22,401,752	3.43%	259,882	0.17%
Financial	6,426,199	1.54%	26,965,922	4.13%	21,367,955	14.37%
Fertilizers	9,390,324	2.25%	3,521,001	0.54%	68,945	0.05%
Food & Allied Products	44,367,216	10.63%	5,669,158	0.87%	1,261,412	0.85%
Glass & Ceramics	406,166	0.10%	383,783	0.06%	638,311	0.43%
Ghee & Edible Oil	12,260,174	2.94%	3,055,915	0.47%	4,036,595	2.72%
Housing Societies / Trusts	2,196,225	0.53%	14,461,710	2.21%	115,466	0.08%
Insurance	14,575	0.00%	5,824,657	0.89%	97,548	0.07%
Import & Export	6,729,325	1.61%	1,279,732	0.20%	4,448,217	2.99%
Iron / Steel	10,717,131	2.57%	3,119,998	0.48%	9,970,711	6.71%
Oil & Gas	18,278,658	4.38%	26,011,596	3.98%	12,763,578	8.59%
Paper & Board	3,901,426	0.94%	319,462	0.05%	2,024,110	1.36%
Production and Transmission of Energy	54,918,997	13.16%	14,022,366	2.15%	6,321,821	4.25%
Real Estate / Construction	11,464,098	2.75%	43,318,344	6.63%	16,039,865	10.79%
Retail / Wholesale Trade	19,026,791	4.56%	33,242,158	5.09%	8,387,755	5.64%
Rice Processing and Trading/ Wheat	14,036,860	3.36%	1,742,917	0.27%	57,343	0.04%
Sugar	11,040,365	2.65%	914,483	0.14%	1,034,309	0.70%
Shoes and Leather garments	1,415,212	0.34%	916,772	0.14%	390,888	0.26%
Sports Goods	379,159	0.09%	488,212	0.07%	74,685	0.05%
Surgical Goods	476,854	0.11%	446,577	0.07%	8,408	0.01%
Textile Spinning	27,683,766	6.64%	2,650,133	0.41%	8,836,061	5.94%
Textile Weaving	13,781,715	3.30%	3,433,765	0.53%	2,628,112	1.77%
Textile Composite	30,015,476	7.19%	4,197,487	0.64%	6,059,721	4.08%
Welfare Institutions	185,205	0.04%	9,260,966	1.42%	-	0.00%
Individuals	42,018,969	10.07%	350,603,677	53.66%	151,857	0.10%
Others	23,365,447	5.62%	46,685,682	7.10%	22,377,144	15.05%
	417,181,932	100.00%	653,406,071	100.00%	148,651,602	100.00%

	2017					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 15)		(Rupees in '000)	Percent
	(Rupees in '000)	Percent	(Rupees in '000)	Percent		
Agribusiness	5,683,533	1.44%	4,512,814	0.70%	676,226	0.51%
Automobile & Transportation Equipment	6,716,530	1.70%	6,896,102	1.08%	4,942,532	3.76%
Chemical and Pharmaceuticals	4,074,952	1.03%	4,367,174	0.68%	4,036,635	3.07%
Cement	6,310,583	1.59%	998,229	0.16%	4,105,149	3.12%
Communication	6,316,495	1.60%	5,688,168	0.89%	2,894,449	2.20%
Electronics and Electrical Appliances	4,299,732	1.09%	2,686,895	0.42%	4,467,410	3.40%
Educational Institutes	1,915,871	0.48%	7,980,970	1.25%	267,878	0.20%
Financial	8,621,617	2.18%	26,319,240	4.11%	16,187,989	12.32%
Fertilizers	10,855,791	2.74%	418,538	0.07%	130,998	0.10%
Food & Allied Products	51,950,136	13.12%	8,758,225	1.37%	2,755,962	2.10%
Glass & Ceramics	361,281	0.09%	401,428	0.06%	349,719	0.27%
Ghee & Edible Oil	9,421,674	2.38%	3,419,859	0.53%	5,259,148	4.00%
Housing Societies / Trusts	2,535,735	0.64%	23,360,992	3.64%	54,801	0.04%
Insurance	-	0.00%	3,497,192	0.55%	-	0.00%
Import & Export	6,645,776	1.68%	3,618,472	0.56%	8,483	0.01%
Iron / Steel	9,725,608	2.46%	4,467,572	0.70%	6,357,746	4.84%
Oil & Gas	18,578,938	4.69%	20,598,300	3.21%	17,873,323	13.60%
Paper & Board	3,652,792	0.92%	495,440	0.08%	1,361,049	1.04%
Production and Transmission of Energy	58,281,948	14.72%	19,430,454	3.03%	5,256,974	4.00%
Real Estate / Construction	10,281,339	2.60%	31,372,965	4.89%	5,653,556	4.30%
Retail / Wholesale Trade	14,605,147	3.69%	28,724,702	4.48%	12,486,802	9.50%
Rice Processing and Trading/ Wheat	9,470,043	2.39%	2,189,755	0.34%	67,897	0.05%
Sugar	8,501,559	2.15%	1,635,158	0.26%	733,111	0.56%
Shoes and Leather garments	2,373,883	0.60%	2,173,422	0.34%	342,355	0.26%
Sports Goods	402,310	0.10%	443,678	0.07%	126,329	0.10%
Surgical Goods	490,108	0.12%	521,150	0.08%	25,256	0.02%
Textile Spinning	31,099,133	7.86%	2,747,373	0.43%	6,469,700	4.92%
Textile Weaving	14,184,418	3.58%	3,147,400	0.49%	2,783,776	2.12%
Textile Composite	25,362,710	6.41%	4,963,715	0.77%	5,202,455	3.96%
Welfare Institutions	1,000,000	0.25%	17,551,301	2.74%	-	0.00%
Individuals	36,637,139	9.25%	347,531,549	54.22%	684,330	0.52%
Others	25,506,528	6.45%	50,026,022	7.81%	19,886,826	15.11%
	395,863,309	100.00%	640,944,254	100.01%	131,448,864	100.00%

#### 44.1.4.2 Segment by sector

	2017					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 15)		(Rupees in '000)	Percent
	(Rupees in '000)	Percent	(Rupees in '000)	Percent		
Public / Government	66,349,619	15.90%	61,248,565	9.37%	30,591,094	20.58%
Private	350,832,313	84.10%	592,157,506	90.63%	118,060,508	79.42%
	417,181,932	100.00%	653,406,071	100.00%	148,651,602	100.00%

	2016					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 15)		(Rupees in '000)	Percent
	(Rupees in '000)	Percent	(Rupees in '000)	Percent		
Public / Government	86,223,360	21.78%	18,982,770	2.96%	22,410,079	17.05%
Private	309,639,949	78.22%	621,961,484	97.04%	109,038,785	82.95%
	395,863,309	100.00%	640,944,254	100.00%	131,448,864	100.00%

\* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

**44.1.4.3 Details of non-performing advances and specific provisions by class of business segment**

	2017		2016	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Note 10.4)			
	(Rupees in '000)			
Agribusiness	229,657	144,776	378,541	216,924
Automobile & Transportation equipment	1,059,593	399,080	1,131,004	417,619
Chemical & Pharmaceuticals	88,462	72,711	225,513	225,513
Communication	1,788,981	1,788,981	1,870,813	1,870,813
Educational Institutes	38,699	37,931	52,322	45,972
Financial	951,150	951,150	1,302,880	1,288,470
Fertilizers	757,476	757,560	765,136	765,136
Food and allied products	359,269	341,556	257,302	175,802
Glass / Ceramics	7,346	7,079	17,133	17,133
Ghee & Edible Oil	328,286	328,286	457,638	457,638
Import & Export	733,558	682,557	885,121	829,730
Iron and steel	821,004	797,622	227,394	187,622
Oil and gas	635,574	635,574	1,701,406	1,356,224
Paper & Board	79,270	76,765	90,892	90,892
Production and transmission of energy	146,684	146,684	148,839	148,839
Real Estate / Construction	532,860	531,861	557,536	534,411
Retail Trade & Wholesale	2,117,306	1,772,832	2,002,294	1,400,352
Rice processing and trading / wheat	1,127,920	1,104,920	1,092,534	1,048,501
Sugar	7,132	6,690	7,322	6,737
Shoes & Leather garments	104,669	104,669	94,654	94,654
Sports	30,990	30,990	30,990	30,990
Surgical goods	48,453	39,428	32,153	32,153
Textile Spinning	1,666,854	1,563,266	1,398,435	1,391,135
Textile Weaving	1,062,503	1,019,001	1,104,051	1,024,229
Textile Composite	1,105,086	971,966	1,051,420	937,481
Individuals	810,209	661,408	982,412	790,055
Others	939,850	708,428	1,152,780	981,968
	<b>17,578,841</b>	<b>15,683,771</b>	<b>19,018,515</b>	<b>16,366,993</b>

**44.1.4.4 Details of non-performing advances and specific provisions by sector**

	2017		2016	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Public / Government	-	-	-	-
Private	17,578,841	15,683,771	19,018,515	16,366,993
	<b>17,578,841</b>	<b>15,683,771</b>	<b>19,018,515</b>	<b>16,366,993</b>

**44.1.4.5 Geographical segment analysis**

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	(Rupees in '000)			
Pakistan	12,755,860	914,306,119	56,265,483	144,077,498
Asia Pacific (including South Asia)	882,701	54,245,117	8,492,474	4,462,202
Middle East	406,424	20,277,592	1,041,783	111,902
	<b>14,044,985</b>	<b>988,828,828</b>	<b>65,799,740</b>	<b>148,651,602</b>
	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
	(Rupees in '000)			
Pakistan	11,367,197	849,033,701	51,065,263	125,163,263
Asia Pacific (including South Asia)	1,107,779	48,111,705	8,201,003	4,665,616
Middle East	548,183	20,311,647	858,496	1,619,985
	<b>13,023,159</b>	<b>917,457,053</b>	<b>60,124,762</b>	<b>131,448,864</b>

\* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

#### 44.2 Market risk

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a well-defined risk management structure, under Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines methods to measure and control market risk which are carried out at a portfolio level. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

The Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by Market Risk Management Unit of Risk Management Division (RMD). The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II / III. Currently, the Bank calculates 'Value at Risk (VaR)' on a regular basis. Moreover, the Bank also carries out stress testing on regular intervals by applying shocks on fixed income, equity and foreign exchange positions.

##### 44.2.1 Foreign exchange risk

Foreign exchange (FX) risk arises from the fluctuation in the value of financial instruments due to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer and currency-wise limits.

FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as forwards and swaps. VaR analysis are conducted on regular basis to measure and monitor the FX risk.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2017			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
------(Rupees in '000)-----				
Pakistan Rupee	895,191,571	803,555,816	(27,024,039)	64,611,716
United States Dollar	61,529,055	80,687,137	20,318,024	1,159,942
Great Britain Pound	1,659,845	5,457,565	3,808,651	10,931
Arab Emirates Dirham	189,571	198,056	12,024	3,539
Euro	2,409,902	5,286,262	2,881,809	5,449
Other currencies	27,848,884	27,844,252	3,531	8,163
Total foreign currency exposure	93,637,257	119,473,272	27,024,039	1,188,024
Total currency exposure	<u>988,828,828</u>	<u>923,029,088</u>	<u>-</u>	<u>65,799,740</u>
	2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
------(Rupees in '000)-----				
Pakistan Rupee	823,029,084	751,909,373	(10,905,418)	60,214,293
United States Dollar	67,833,338	72,455,525	4,491,512	(130,675)
Great Britain Pound	1,295,998	4,856,018	3,574,955	14,935
Arab Emirates Dirham	20,544	5,479	-	15,065
Euro	2,413,419	5,258,522	2,850,232	5,129
Other currencies	22,864,670	22,847,374	(11,281)	6,015
Total foreign currency exposure	94,427,969	105,422,918	10,905,418	(89,531)
Total currency exposure	<u>917,457,053</u>	<u>857,332,291</u>	<u>-</u>	<u>60,124,762</u>

Currency wise assets and liabilities considered above have been presented on gross basis as per respective currencies.

##### 44.2.2 Equity investment risk

Equity investment risk arises due to the risk of changes in the prices of individual stocks held by the bank. The Bank's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of investments classified as HFT portfolio is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Management Unit of RMD monitors and reports portfolio and scrip level internal and external limits.

#### 44.3 Interest rate risk

Interest Rate Risk is the adverse impact on the bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The Bank is exposed to interest rate risk primarily as a result of mismatches in the amounts of assets and liabilities and off-balance sheet instruments within a certain range of maturity due to re-pricing (whichever is earlier). The Bank has formulated a separate Interest Rate Risk Management (IRRM) framework which establishes aggregate and tenor-wise balance sheet level PV01 (Price Value of 1bps) limits to manage interest rate risk within the Board approved risk appetite. Treasury and FI Group is primarily responsible for management of interest rate risk on a daily basis, and the Asset and Liability Committee (ALCO) oversees the interest rate risk at Bank level. Market Risk Management Unit of Risk Management Division independently monitors, analyses and reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

#### 44.3.1 Mismatch of interest rate sensitive assets and liabilities

2017

Effective yield/ interest rate	Total	Exposed to yield / interest rate risk							Non-interest bearing financial instruments		
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years	Above 10 years
----- (Rupees in '000) -----											
<b>On-balance sheet financial instruments</b>											
<b>Financial Assets</b>											
		70,381,435	7,553,785	-	-	-	-	-	-	-	62,827,650
Cash and balances with treasury banks	0.02%	4,508,835	1,079,271	-	-	-	-	-	-	-	2,576,124
Balances with other banks	1.53%	48,895,828	30,693,824	2,170,182	-	-	-	-	-	-	-
Lendings to financial institutions	5.78%	400,733,286	88,286,210	142,701,377	26,814,457	24,753,061	43,682,519	25,299,396	33,959,355	6,300,078	290,869
Investments	6.83%	400,655,424	174,725,255	85,137,877	80,768,167	26,482,451	1,690,872	1,810,295	8,019,137	17,836,363	3,747,465
Advances	7.26%	44,116,162	-	-	-	-	-	-	-	-	-
Other assets		969,290,970	302,338,345	244,724,516	136,574,530	51,235,512	45,373,391	27,109,691	41,978,492	24,136,441	4,038,334
											91,781,718
<b>Financial Liabilities</b>											
		12,461,866	-	-	-	-	-	-	-	-	12,461,866
Bills payable		206,223,572	132,052,552	8,972,666	17,764,270	47,439	114,330	903,170	6,143,698	-	-
Borrowings	4.97%	653,406,071	51,264,080	67,373,239	16,091,928	610,096	306,949	82,329	-	-	276,877,103
Deposits and other accounts	2.60%	4,991,000	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	8.77%	41,918,181	-	24,759,096	-	-	-	-	-	-	-
Other liabilities		919,000,690	372,852,899	96,530,577	101,055,001	33,856,198	65,7535	421,279	985,449	6,143,698	306,498,054
		50,290,280	(70,514,554)	148,193,939	35,519,529	17,379,314	44,715,856	26,688,412	40,993,043	17,992,743	4,038,334
<b>On-balance sheet gap</b>											(214,716,336)
<b>Off-balance sheet financial instruments</b>											
		60,285,544	27,287,134	22,912,300	8,575,250	1,510,860	-	-	-	-	-
Forward exchange contracts - purchase		31,823,206	8,200,656	12,131,925	10,859,209	631,416	-	-	-	-	-
Forward exchange contracts - sale		8,865,756	1,942,598	6,923,158	-	-	-	-	-	-	-
Interest Rate Swaps - receipts		8,865,756	-	-	-	-	4,504,276	1,104,172	2,153,135	1,104,173	-
Interest Rate Swaps - payments											
		28,462,338	21,029,076	17,703,533	(2,283,959)	879,444	(4,504,276)	(1,104,172)	(2,153,135)	(1,104,173)	-
<b>Off-balance sheet gap</b>											-
<b>Total yield / interest rate risk sensitivity gap</b>			(49,485,478)	165,897,472	35,235,570	18,258,758	40,211,580	25,584,240	38,839,908	16,888,570	4,038,334
<b>Cumulative yield / interest rate risk sensitivity gap</b>			(49,485,478)	116,411,994	149,647,564	167,906,322	208,117,902	233,702,142	272,542,05	289,430,620	293,468,954

2016

Effective yield/interest rate	Exposed to yield / interest rate risk										Non-interest bearing financial instruments	
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
	------(Rupees in '000)-----											
<b>On-balance sheet financial instruments</b>												
<b>Financial Assets</b>												
Cash and balances with treasury banks	74,071,384	6,651,459	-	-	-	-	-	-	-	-	-	67,419,925
Balances with other banks	9,373,123	3,256,176	1,435,399	-	-	-	-	-	-	-	-	4,681,548
Lending to financial institutions	30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-	-	-
Investments	389,092,637	29,919,376	27,023,435	1,542,424	58,458,677	97,689,618	46,175,864	27,259,389	647,989	647,989	11,834,676	-
Advances	378,770,349	29,811,582	128,342,849	186,754,816	28,899,125	63,943	154,176	266,316	195,322	4,232,220	-	-
Other assets	17,350,334	-	-	-	-	-	-	-	-	-	-	17,350,334
	898,756,856	73,496,476	168,694,183	202,695,886	87,357,802	88,605,132	97,843,794	46,442,180	27,454,711	4,880,209	101,286,483	-
<b>Financial Liabilities</b>												
Bills payable	12,886,990	-	-	-	-	-	-	-	-	-	-	12,886,990
Borrowings	178,311,035	147,557,104	8,014,324	19,796,157	-	-	-	-	2,943,450	-	-	-
Deposits and other accounts	640,944,254	290,491,729	20,059,108	23,733,050	15,172,690	753,186	477,159	27,860	-	-	-	290,229,472
Sub-ordinated loans	8,317,670	-	4,993,000	2,524,154	800,516	-	-	-	-	-	-	-
Other liabilities	13,068,177	-	-	-	-	-	-	-	-	-	-	13,068,177
	853,528,126	438,048,833	33,066,432	46,053,361	15,973,206	753,186	477,159	27,860	2,943,450	-	316,184,639	-
<b>On-balance sheet gap</b>	45,228,730	(364,552,357)	135,627,751	156,642,525	71,384,596	87,851,946	97,366,635	46,414,320	24,511,261	4,880,209	(214,898,156)	-
<b>Off-balance sheet financial instruments</b>												
Forward exchange contracts - purchase	53,992,848	26,259,608	15,818,226	8,080,646	3,834,368	-	-	-	-	-	-	-
Forward exchange contracts - sale	41,084,440	21,036,937	15,055,056	4,614,498	377,949	-	-	-	-	-	-	-
Interest Rate Swaps - receipts	7,622,307	1,586,974	6,035,333	-	-	-	-	-	-	-	-	-
Interest Rate Swaps - payments	7,622,307	-	-	-	-	-	4,222,855	2,039,671	1,359,781	-	-	-
Off-balance sheet gap	12,908,408	6,809,645	6,798,503	3,466,148	3,456,419	-	(4,222,855)	(2,039,671)	(1,359,781)	-	-	-
<b>Total yield / interest rate risk sensitivity gap</b>	(357,742,712)	142,426,254	160,108,673	74,841,015	87,851,946	93,143,780	44,374,649	23,151,480	4,880,209			
<b>Cumulative yield / interest rate risk sensitivity gap</b>	(357,742,712)	(215,316,458)	(55,207,785)	19,633,230	107,485,176	200,628,956	245,003,605	268,155,085	273,035,294			
<b>44.3.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities</b>												
Total financial assets as per note 44.3.1												
Add: Non financial assets												
Operating fixed assets												
Other assets												
Total assets as per statement of financial position												
Total liabilities as per note 44.3.1												
Add: Non financial liabilities												
Deferred tax liabilities												
Other liabilities												
Total liabilities as per statement of financial position												

2017

(Rupees in '000)



#### 44.4 Country risk

Country risk, refers to the possibility that economic and political conditions in a foreign country could adversely impact the Bank's exposure in that country. For the Bank, country risk arises as a result of the Bank's foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to manage the risk, Bank has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using financial market and economic factors. Political risk is measured using a variety of indicia indicative of relative certainty of payment of foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved limits. The limits and their utilization are monitored and managed at head office level and country risk exposures are reported to the relevant committees at a defined frequency.

#### 44.5 Liquidity risk

Liquidity is a financial institution's capacity to meet its obligations as they fall due without incurring losses. Liquidity risk is the risk to an institution's earnings, capital & reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.

With reference to SBP Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, Bank Alfalah calculates Liquidity Coverage Ratio (LCR) on monthly basis. Based on December 31, 2017 numbers Bank's LCR is 1.49 or 149% against SBP minimum requirement of 90%, with Total Stock of High Quality Liquid Assets (HQLA) of PKR 273.9Bn and Net Cash Outflows of PKR 183.5Bn.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis and maintain a minimum of 100% with effect from December 31, 2017. Based on December 31, 2017 numbers Bank Alfalah's NSFR is 137%, with Total Available Stable Funding of PKR 555.3 Bn and Total Required Stable Funding of PKR 405.2Bn.

The Bank manages and controls liquidity risk through a detailed risk management framework, which includes BoD approved policy, management level procedural document and Asset & Liability Committee (ALCO) level guidelines. Under this framework, various liquidity metrics are implemented and monitored on a regular basis.

At BAFL, BoD approves the Liquidity Risk Policy. Further, it also approves the Bank's overall liquidity risk appetite and broad liquidity risk strategy through Annual Business Plan. The Bank's ALCO is primarily responsible for the implementation of BoD's strategy through oversight of the asset liability function including liquidity management. Treasury front office manages the Bank's liquidity on day to basis and is the Bank's first line of defense against liquidity risk. Under Risk Management Division, Liquidity Risk Management Unit is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and bank's own risk appetite.

The Bank's overall funding strategy is based on the principles of diversification and stability. The Bank has a diverse funding base, which includes stable funding in the form of equity, retail and small business deposits. Moreover, for non-stable funding in form of Large Volume Depositors. The Bank has in place internally approved limits to monitor and manage risk emanating from volatile funding concentration. Moreover, the Bank is fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of High Quality Liquidity Assets in relation to its liability profile.

At BAFL, Stress Testing is used in an attempt to highlight the vulnerability of the Bank's Balance Sheet to hypothetical stress events and scenarios. Under the same, liquidity risk factors are given major shocks and their resulting impact on the balance sheet is calculated. BAFL carries out the stress testing based on SBP Stress Tests and internal defined scenarios to gauge the potential impacts of different liquidity stress scenarios on the Bank's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

At BAFL, Contingency Funding Plan, is implemented to address liquidity issues in times of stress / crises situations. The Global Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division and are approved by the ALCO annually.

Main drivers of LCR results are HQLA and Net Cash Outflow. HQLA is defined by the liquidity quality of the Bank's assets and net cash outflow is mainly determined through volatility of the Bank's liability profile. The table below show cases the composition of HQLA as of December 31, 2017.

HQLA*	Market Value	Weighted Amount
	(Rs. in millions)	
Level 1 Assets	271,298	271,298
Level 2A Assets	543	462
Level 2B Assets	4,378	2,189
	<u>276,219</u>	<u>273,949</u>

\* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

### Liquidity Coverage Ratio

	Total Unweighted <sup>a</sup> Value (average)	Total Weighted <sup>b</sup> Value (average)
<b>(Rupees in '000)</b>		
<b>High Quality Liquid Assets</b>		
1 Total high quality liquid assets (HQLA)		234,488,065
<b>Cash Outflows</b>		
2 Retail deposits and deposits from small business customers of which:	415,719,968	41,571,997
2.1 Stable deposit	-	-
2.2 Less stable deposit	415,719,968	41,571,997
3 Unsecured wholesale funding of which:	224,761,158	134,978,873
3.1 Operational deposits (all counterparties)	-	-
3.2 Non-operational deposits (all counterparties)	212,614,296	122,832,011
3.3 Unsecured debt	12,146,862	12,146,862
4 Secured wholesale funding		6,754,570
5 Additional requirements of which:	28,305,702	3,023,760
5.1 Outflows related to derivative exposures and other collateral requirements	213,153	213,153
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and Liquidity facilities	28,092,549	2,810,607
6 Other contractual funding obligations	-	-
7 Other contingent funding obligations	455,722,662	6,912,420
8 <b>Total Cash Outflows</b>		193,241,620
<b>Cash Inflows</b>		
9 Secured lending	9,587,551	-
10 Inflows from fully performing exposures	37,930,718	26,997,552
11 Other Cash inflows	440,821	440,821
12 <b>Total Cash Inflows</b>		27,438,373
<b>Total Adjusted Value</b>		
13 <b>Total HQLA</b>		234,488,065
14 <b>Total Net Cash Outflows</b>		165,803,247
15 <b>Liquidity Coverage Ratio</b>		141%

- a Unweighted values must be calculated as outstanding balances maturing or callable within 30 days ( for inflows and outflows)
- b "Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)"
- c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA and cap on inflows)

**Net Stable Funding Ratio**

(Rupees. in '000)		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
<b>ASF Item</b>						
1	Capital:					
2	Regulatory capital	65,696,345	-	-	2,992,200	68,686,545
3	Other capital instruments		2,000	-	1,996,800	-
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	401,062,889	12,914,358	6,245,704	2,425,510	380,626,165
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	147,443,582	274,048,950	31,398,362	8,569,633	104,387,656
10	Other liabilities:					
11	NSFR derivative liabilities		-			-
12	All other liabilities and equity not included in other categories		29,053,964	3,159,413		1,579,707
13	<b>Total ASF</b>					<b>555,280,073</b>
<b>RSF item</b>						
14	<b>Total NSFR high-quality liquid assets (HQLA)</b>					<b>59,155,466</b>
15	Deposits held at other financial institutions for operational purposes	10,322,937				5,161,468
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA		11,848,536			1,184,854
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	6,116,797	1,141,414	-	8,536,731
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	122,329,221	84,482,871	41,982,211	103,042,496	224,377,475
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	8,078,351	5,079,067	150,000	29,753,885	24,543,557
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	1,195,060			8,033,759	7,844,496
22	Other assets:					
23	Physical traded commodities, including gold	-				-
24	Assets posted as initial margin for derivative contracts		-			-
25	NSFR derivative assets		-			-
26	NSFR derivative liabilities before deduction of variation margin posted		-			-
27	All other assets not included in the above categories		48,174,048			48,174,048
28	Off-balance sheet items		341,696,628	93,129,348	117,088,428	26,176,167
29	<b>Total RSF</b>					<b>405,154,261</b>
30	<b>Net Stable Funding Ratio (%)</b>					<b>137%</b>

**44.5.1 Maturities of assets and liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank**

	2017									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
<b>Assets</b>										
Cash and balances with treasury banks	70,381,435	32,115,460	3,715,036	2,409,089	5,844,770	5,724,712	1,492,631	3,185,947	7,379,272	8,514,518
Balances with other banks	4,508,835	3,655,395	853,440	-	-	-	-	-	-	-
Lendings to financial institutions	48,895,828	30,693,824	16,031,822	2,170,182	-	-	-	-	-	-
Investments	400,733,286	88,313,361	141,257,265	563,870	50,944,397	42,685,741	27,429,507	35,330,676	9,337,145	4,871,324
Advances	400,655,424	160,356,755	50,841,977	30,346,004	11,198,984	11,268,053	34,538,717	44,691,212	42,384,818	15,028,904
Operating fixed assets	17,627,997	118,320	236,641	354,961	709,923	1,419,846	1,419,846	2,600,222	2,471,713	8,296,525
Other assets	46,026,023	15,070,139	259,023	27,210,258	1,472,547	1,022,980	247,769	371,653	371,654	-
	988,828,828	330,323,259	213,195,204	63,054,364	70,170,621	62,121,332	65,128,470	86,179,710	61,944,602	36,711,271
<b>Liabilities</b>										
Bills payable	12,461,866	12,461,866	-	-	-	-	-	-	-	-
Borrowings	206,223,572	132,052,552	40,275,497	8,922,666	17,764,270	47,439	114,330	903,120	6,143,698	-
Deposits and other accounts	653,406,071	41,887,130	66,589,225	46,680,748	65,450,111	95,285,044	24,395,193	47,059,811	117,376,183	148,682,626
Sub-ordinated loans	4,991,000	-	1,000	-	1,000	2,000	2,000	4,985,000	-	-
Deferred tax liabilities	3,153,750	-	-	-	3,153,750	-	-	-	-	-
Other liabilities	42,792,829	10,129,376	668,876	25,826,174	2,918,653	812,438	812,438	1,624,875	-	-
	923,029,088	196,530,924	107,534,598	81,429,588	89,287,784	96,146,921	25,323,961	54,572,806	123,519,881	148,682,626
<b>Net assets</b>	65,799,740	133,792,330	105,660,606	(18,375,224)	(19,117,163)	(34,025,589)	39,804,509	31,606,904	(61,575,279)	(111,971,355)
Share capital	16,075,720									
Reserves	18,156,669									
Unappropriated profit	24,312,240									
Surplus on revaluation of assets - net of tax	7,255,111									
	<u>65,799,740</u>									
	2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
<b>Assets</b>										
Cash and balances with treasury banks	74,071,384	36,846,823	1,772,930	2,425,381	3,867,441	6,757,184	1,307,969	2,639,200	6,211,747	12,242,709
Balances with other banks	9,373,123	7,937,724	1,435,399	-	-	-	-	-	-	-
Lendings to financial institutions	30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-
Investments	389,092,637	29,567,940	26,624,534	1,365,933	66,439,619	88,541,189	97,689,618	47,972,996	27,484,586	3,406,222
Advances	378,720,349	60,429,570	74,260,351	74,376,411	40,512,742	10,088,682	19,127,442	55,801,997	28,726,245	15,396,909
Operating fixed assets	18,133,267	122,842	245,687	368,530	737,060	1,474,120	1,474,120	2,708,214	2,509,407	8,493,287
Other assets	17,917,264	15,453,573	227,564	341,346	365,238	683,001	211,636	317,453	317,453	-
	917,457,053	154,216,355	116,458,965	93,276,247	111,922,100	107,544,176	119,810,785	109,439,860	65,249,438	39,539,127
<b>Liabilities</b>										
Bills payable	12,886,990	12,886,990	-	-	-	-	-	-	-	-
Borrowings	178,311,035	147,557,104	8,014,324	19,796,157	-	-	-	-	2,943,450	-
Deposits and other accounts	640,944,254	43,065,961	42,459,849	50,339,554	77,053,235	119,366,260	23,555,005	47,285,340	108,170,442	129,648,608
Sub-ordinated loans	8,317,670	-	1,000	1,662,330	1,663,340	2,000	2,000	4,987,000	-	-
Deferred tax liabilities	2,650,428	-	-	-	2,650,428	-	-	-	-	-
Other liabilities	14,221,914	7,323,211	572,313	918,104	2,586,282	705,501	705,501	1,411,002	-	-
	857,332,291	210,833,266	51,047,486	72,716,145	83,953,285	120,073,761	24,262,506	53,683,342	111,113,892	129,648,608
<b>Net assets</b>	60,124,762	(56,616,911)	65,411,479	20,560,102	27,968,815	(12,529,585)	95,548,279	55,756,518	(45,864,454)	(90,109,481)
Share capital	15,952,076									
Reserves	15,895,652									
Unappropriated profit	17,337,458									
Surplus on revaluation of assets - net of tax	10,939,576									
	<u>60,124,762</u>									

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Bank conducted a behavioural study of non-maturity deposits (non-contractual deposits) and performed regression analysis to determine deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.

#### 44.5.2 Maturities of assets and liabilities based on contractual maturities

	2017									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	70,381,435	56,931,994	3,092,596	1,428,122	2,069,462	1,762,847	386,300	974,218	1,852,203	1,883,693
Balances with other banks	4,508,835	3,655,395	853,440	-	-	-	-	-	-	-
Lendings to financial institutions	48,895,828	30,693,824	16,031,822	2,170,182	-	-	-	-	-	-
Investments	400,733,286	88,313,361	141,257,265	563,870	50,944,397	42,685,741	27,429,507	35,330,676	9,337,145	4,871,324
Advances	400,655,424	160,356,755	50,841,977	30,346,004	11,198,984	11,268,053	34,538,717	44,691,212	42,384,818	15,028,904
Operating fixed assets	17,627,997	118,320	236,641	354,961	709,923	1,419,846	1,419,846	2,600,222	2,471,713	8,296,525
Other assets	46,026,023	15,070,139	259,023	27,210,258	1,472,547	1,022,980	247,769	371,653	371,654	-
	988,828,828	355,139,788	212,572,764	62,073,397	66,395,313	58,159,467	64,022,139	83,967,981	56,417,533	30,080,446
<b>Liabilities</b>										
Bills payable	12,461,866	12,461,866	-	-	-	-	-	-	-	-
Borrowings	206,223,572	132,052,552	40,275,497	8,922,666	17,764,270	47,439	114,330	903,120	6,143,698	-
Deposits and other accounts	653,406,071	547,523,318	51,402,284	23,900,337	19,889,290	1,700,672	923,569	116,563	45,835	7,904,203
Sub-ordinated loans	4,991,000	-	1,000	-	1,000	2,000	2,000	4,985,000	-	-
Deferred tax liabilities	3,153,750	-	-	-	3,153,750	-	-	-	-	-
Other liabilities	42,792,829	10,129,376	668,876	25,826,174	2,918,653	812,438	812,438	1,624,875	-	-
	923,029,088	702,167,112	92,347,657	58,649,177	43,726,963	2,562,549	1,852,337	7,629,558	6,189,533	7,904,203
<b>Net assets</b>	65,799,740	(347,027,324)	120,225,107	3,424,220	22,668,350	55,596,918	62,169,802	76,338,423	50,228,000	22,176,243
Share capital	16,075,720									
Reserves	18,156,669									
Unappropriated profit	24,312,240									
Surplus on revaluation of investments										
- net of tax	7,255,111									
	65,799,740									
2016										
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	74,071,384	66,265,750	564,904	804,133	919,594	1,515,407	284,447	584,019	1,426,447	1,706,683
Balances with other banks	9,373,123	7,937,724	1,435,399	-	-	-	-	-	-	-
Lendings to financial institutions	30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-
Investments	389,092,637	37,473,425	26,624,534	1,365,933	58,534,134	88,541,189	97,689,618	47,972,996	27,484,586	3,406,222
Advances	378,720,349	60,366,612	74,274,799	74,391,313	40,520,383	10,090,379	19,131,335	55,813,309	28,732,123	15,400,096
Operating fixed assets	18,133,267	122,842	245,687	368,530	737,060	1,474,120	1,474,120	2,708,214	2,509,407	8,493,287
Other assets	17,917,264	15,453,573	227,564	341,346	365,238	683,001	211,636	317,453	317,453	-
	917,457,053	191,477,809	115,265,387	91,669,901	101,076,409	102,304,096	118,791,156	107,395,991	60,470,016	29,006,288
<b>Liabilities</b>										
Bills payable	12,886,990	12,886,990	-	-	-	-	-	-	-	-
Borrowings	178,311,035	147,557,104	8,014,324	19,796,157	-	-	-	-	2,943,450	-
Deposits and other accounts	640,944,254	570,522,872	22,893,797	20,990,475	18,355,077	1,969,944	1,951,626	4,078,582	153,547	28,334
Sub-ordinated loans	8,317,670	-	1,000	1,662,330	1,663,340	2,000	2,000	4,987,000	-	-
Deferred tax liabilities	2,650,428	-	-	-	2,650,428	-	-	-	-	-
Other liabilities	14,221,914	7,323,211	572,313	918,104	2,586,282	705,501	705,501	1,411,002	-	-
	857,332,291	738,290,177	31,481,434	43,367,066	25,255,127	2,677,445	2,659,127	10,476,584	3,096,997	28,334
<b>Net assets</b>	60,124,762	(546,812,368)	83,783,953	48,302,835	75,821,282	99,626,651	116,132,029	96,919,407	57,373,019	28,977,954
Share capital	15,952,076									
Reserves	15,895,652									
Unappropriated profit	17,337,458									
Surplus on revaluation of investments										
- net of tax	10,939,576									
	60,124,762									

Current and Saving deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the Bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

## 44.6 Operational risk

Basel II defines Operational risk as, "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management (ORM) Unit is established within RMD.

The Operational risk management policy of the Bank is duly approved by the Board and Operational Risk Management Manual covers the processes, structure and functions of Operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Bank.

### 44.6.1 Operational Risk Disclosures - Basel II Specific

Bank was given approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and Bank started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013. The SBP Approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors were 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. However, removal of Capital Floor for calculation of Capital Charge under ASA was extended in line with International developments and consultations of the Basel Committee on Banking Supervision (BCBS), State Bank of Pakistan is in process of reviewing its instructions on Operational risk.

Bank Alfalah is one of the first few banks in Pakistan to achieve this milestone. As per SBP requirements, Bank's operational risk assessment systems have also been reviewed by the external auditors during 2014.

The Bank's ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies and procedures of the Bank are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems introduced in 2010 have been further enhanced and the reports are submitted to Central Management Committee and Board Risk Management Committee. State Bank has further extended the timeline for collection of loss data base reports till further notice.

As required by Basel, Bank has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management

And also mapped the incidents into following Business Lines:

- Retail Banking
- Commercial Banking
- Corporate Finance
- Trading & Sales
- Payment & Settlement
- Agency Services
- Cost centers/Centralized functions

#### 44.6.2 IT Security Risk

The Bank has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated IT Security Risk Management unit, functioning within RMD manages IT and information security risks to bank's technology assets by developing IT security baselines for IT solutions that support products and services, monitoring of threats and vulnerabilities, investigation of reported information security incidents, reinforcement of IT security risk awareness to employees via periodic communications, following up on due dates with stakeholders responsible for remediation of open issues, and reporting the status of IT security risk to the management and BRMC/Board.

#### 44.7 Environmental & Social Risk Management Unit

Initiative to integrate sustainable finance approach in credit evaluation and approval process.

Being a responsible corporate citizen wherever BAFL operates, the Bank has integrated sustainable finance approach in its lending activities. In this regard, an Environmental & Social Management System (ESMS), duly approved by the Board of Directors, has been put in place in close coordination with IFC. The ESMS Framework essentially requires that any relevant lending opportunity is to be reviewed and evaluated against;

- IFC Exclusion List
- Applicable national laws on environment, health, safety and social issues
- IFC Performance Standards.

This Framework is an integral part of the credit approval process and all relevant credit proposals require clearance of E&S Officer prior to approval of the competent authority. The Environmental & Social Risk Management Unit, part of RMD and headed by a senior risk officer with environmental and social risk management qualifications, is responsible for identifying, vetting and approving projects from an ESRM perspective. This role also entails coordination with provincial Environmental Protection Agencies (EPA) to remove ambiguities related to the EPA approval requirements and to educate the clients. Recently SBP has announced Green Banking Guidelines with one year implementation period for the banks. The objective of these Guidelines is to promote green banking practices across the banking industry.

### 45 GENERAL

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

The effect of re-classification in comparative information presented for the year ended December 31, 2016 as part of the Profit and Loss Statement is as follows:

Head	(Rupees in '000)	From	To
Various service charges and commission income	370,208	Other income	Fee, commission and brokerage income
Staff commission and incentive expenses	(83,618)	Fee, commission and brokerage income	Administrative expenses - Salaries, allowances, etc.
Interest income on Interest Rate Swaps	100,658	Mark-up / return / interest earned	Mark-up / return / interest expensed
Brokerage and commission expense	(211,705)	Mark-up / return / interest expensed	Administrative expenses - Brokerage and commission
Brokerage and commission expense	(9,371)	Mark-up / return / interest expensed	Administrative expenses - Other expense
Courier expense - recoveries	22,298	Other income	Administrative expenses - Communication
Swift / telex charges	22,005	Other income	Administrative expenses - Communication
Foreign exchange expense	(117,161)	Fee, commission and brokerage income	Income from dealing in foreign currencies

**46 NON-ADJUSTING EVENT AFTER THE YEAR END REPORTING DATE**

The Board of Directors in its meeting held on February 25, 2018 has announced cash dividend of 15 percent (2016: Nil). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2017 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2018.

**47 DATE OF AUTHORISATION**

These unconsolidated financial statements were authorised for issue on February 25, 2018 by the Board of Directors of the Bank.



## ANNEXURE - I

## STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2017

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Fathers / Husband's Name	Outstanding liabilities at January 1, 2017					Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total (5+6+7)	8					
1	2	3	4	5	6	7	8	9	10	11	12	13	
1	Mobile Zone, Suite No. 803-804, Block-B, Saima Trade Tower, I. I. Chundrigar Road, Karachi and Block-B, 12th Floor, Saima Trade Tower, Karachi	Asif Jangda CNIC # 42301-4839792-9, Waqar ul Hassan CNIC # 42301-4460936-5, Pervez Abbasi CNIC # 61012-012894-5	Abdul Razzak, Hassan Akhtar, Khaliq Dad Abbasi	35,484	10,309	32,466	78,259	-	10,309	32,466	42,775	Term Finance	
2	Ashrafi Traders, More Salamat Pura, Gt Road, Lahore	Mian Muhammad Tanveer CNIC # 35201-195664-5	Mian Muhammad Sharif	795	879	4	1,678	-	678	-	678	AKF	
3	Zafar Iqbal, 133-Z, DHA, Lahore	Zafar Iqbal CNIC # 35201-5025220-7	Muhammad Iqbal	-	5,640	-	5,640	-	5,140	-	5,140	Term Finance	
4	Javed Omer Vohra, A-6/A, Central Avenue, Phase II, DHA, Karachi, Pakistan	Javed Omer Vohra CNIC # 42201-0302902-7	Muhammad Omer	52,287	18,230	-	70,517	-	18,230	-	18,230	CF	
5	Javed Omer Vohra & Co, Room # 507-511, Kse Building, Karachi Stock Exchange Road Karachi Pakistan	Javed Omer Vohra CNIC # 42201-0302902-7	Muhammad Omer	60,068	80,028	-	140,096	-	80,028	-	80,028	CF	
6	Mira International, 6/306, Street # 3, Race Course Road Rawalpindi	Afzal Bari Cheema CNIC # 35200-688639-1, Iqam Bari Cheema CNIC # 22842-269599, Sharifa Bari Cheema CNIC # 34101-3029739-9, MirAkmat Bari Cheema CNIC # 37405-0548838-1	Chaudhry Ghulam Bari Cheema	8,205	1,158	3,151	12,514	-	1,000	2,514	3,514	Term Finance	
7	Meat Co. 4A, Kanchawala Building Opp. Risala Police Station, Nishar Road, Karachi	Muhammad Saeed Shaifq CNIC # 42201-6901392-7	Nawab Shaifq Ahmed	9,483	3,993	858	14,334	-	4,004	858	4,862	Overdue Acceptance	
8	Belle Trade Impex / A S Packages, Office No. 7, 1st Floor, Waqar Centre, M Feroze Street, Joida Bazar, Karachi	Muhammad Ali Masood CNIC # 42301-0928296-1	Masood Ahmed Shaikh	32,495	5,550	14,559	52,604	-	1,735	14,559	16,294	Current Finance / FAFB	
9	Sheikh Altaf & Brothers, Plot # M-11, E-7/9, Street No. 31, Near Shershah, Site, Karachi	Shaikh Muhammad Altaf CNIC # 42201-3584170-9	Sheikh Muhammad	14,974	3,824	-	18,798	-	3,824	-	3,824	CF	
10	Pakistan Agro Chemicals Pvt Ltd. B-3/A, S.I.T.E., Karachi	Abdur Rafay CNIC # 42201-0269107-1, Shahwar Rafay CNIC # 42201-0225132-6, Jamal Haider CNIC # 42201-1158728-7, Saqib Rafay CNIC # 42201-5529933-9	M.A. Raaf, Ghulam Haider, Ghulam Haider, Abdur Rafay	152,418	88,199	-	240,617	-	84,699	-	84,699	CF/TF	
11	Accuprint Printing & Packaging, Head Office, Kamaban Atari Road, 16-Km Ferozepur Road, Lahore	Amir Waheed Qureshi CNIC # 35202-3013318-7, Arif Waheed Qureshi CNIC # 35202-3013304-9	Abdul Waheed Qureshi	11,998	3,714	1,116	16,828	-	1,594	1,116	2,710	Term Finance	
12	Eehab Engineering Co. (Pvt) Ltd, 2Km Defence Road, Off 24Km Multan Road, Mohlanwal Lahore	Muhammad Latif CNIC # 35202-2518616-9, Sheema Latif CNIC # 35202-9745696-6, Eehab Latif CNIC # 35202-2639210-5, Muhammad Hassan Latif CNIC # 35202-1539893-5	Nabi Bakhs, Muhammad Latif, Muhammad Latif, Muhammad Latif	1,522	156	3,387	5,065	-	156	1,466	1,622	Lease Finance	
13	Mudassar Motors Cycle Market, Haroonabad, Dist Bahawalpur	Mudassar Latif CNIC # 31104-3567826-3	Haji Muhammad Latif	5,000	2,603	73	7,676	-	2,553	73	2,626	Cash Finance Hypo	
14	Pure CNG Services, 60-A, Atta Turk Block, New Garden Town, Lahore / House No 233, Block A, Johar Town, Lahore	Farrukh Javid CNIC # 35202-3248880-1, Muhammad Masood Akram CNIC # 35202-9838360-5	Javed Khalid / Ch Muhammad Akram	4,950	2,598	-	7,548	-	1,912	-	1,912	Lease Finance	
15	Tawakal Oil & General Mills, Jhangri wala Road, Bahawalpur	Anjum Saeed CNIC # 31202-9866700-7	Muhammad Saeed	1,945	875	54	2,874	-	874	-	874	AKF	
16	Babar Furnishers, Al-Hazir Plaza, Katchery Bazar, Okara	Abdul Haleez Malik CNIC # 35302-1867018-3	Bagh Ali	2,447	1,671	-	4,118	-	1,618	-	1,618	CF	
17	Kamran Traders, Pakpattan Chowk Near Kinal View Society, Sahiwal	KAMRAN - 36502-5308476-9	M.YASEEN	1,139	489	975	2,603	-	472	931	1,403	Term Finance	
18	Cell City Opposite Feroq Center, Near Gulistan Cinema, Tenisil Road Gujranwala	Shazib Dar CNIC # 34101-5674569-5	Qamar Munir Dar	2,474	1,338	79	3,890	-	1,335	-	1,335	Term Finance	
19	Standard Hardware & Paint Store, Railway Road Jehlum.	Muhammad Stabbir CNIC # 37301-0566324-7	Malik Muhammad Sharif	269	742	-	1,011	-	541	-	541	Current Finance PKR	
20	Imran & Company, Shop No. 12, New Sbzti Mandi, Mian Channu	Muhammad Shahid Imran CNIC # 36104-2633834-9	Ghulam Muhammad Shahid	4,663	2,841	479	7,983	-	2,562	421	2,983	Current Finance PKR	

(Rupees in '000)

S. No.	Name and address of the borrower	2	3	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at January 1, 2017				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
						Principal	Mark-up	Others	Total (5+6+7)					
1		5	6	7	8	9	10	11	12	13				
21	Karmanwala Abrasive Industry, Chah Budhay Wala, Rehman Shaheed Road Gujrat	898	1,057	-	1,956	-	1,057	-	1,057	Current Finance PKR				
22	Usman Fabrics, P-35, Niaz Market, Mandar Gali # 2, Montgomery Bazar, Faisalabad	393	55	1,706	2,153	-	3	1,706	1,708	Lease Rental Receivable Current - Auto Lease				
23	Manzoor Trading Company, Sajjad Hussain Nasir, Mukarram Floor Mill, Faisalabad Road, Jhang	4,936	1,014	-	5,950	-	654	-	654	CF Hypo				
24	Meridian Enterprises, Plot No. 2, Block 124, Haider Road, Sialkot Cantt	2,548	764	103	3,414	-	651	-	651	Finance Against Packing Credit (Fapc-II)				
25	New Ali Jewellers, Shop No. F-750, Opposite Masjid Sang Shaheedan, Suha Bazar, Lahore	3,998	2,282	172	6,453	-	2,153	-	2,153	Current Finance				
26	Abdul Majeed Enterprises, Muhallah Babar Village Sultan Kot, Distt Shikarpur, Sukkur	2,864	1,901	197	4,962	-	1,545	132	1,677	Current Finance-Hypo				
27	Berlex Lab Int 10Km, Nagshah Chowk, Karachi Road, Multan	3,053	1,703	117	4,873	-	1,673	-	1,673	SLC & CF-Hypo				
28	New Holland Mobile, 3rd Floor, Miraj Center, Hall Road, Lahore	4,000	1,597	121	5,717	-	887	-	887	Current Finance				
29	Al-Umar Pharmacy & General Store, Makkah Colony, Gujberg III, Lahore	1,693	1,034	50	2,777	-	1,027	-	1,027	AKF				
30	Mehran Industries, Plot # D-75 S.I.T.E, Karachi	2,089	578	1,461	4,128	-	567	1,461	2,028	Cash Finance				
31	Impulse Imaging, State Life Building, Lg Floor, 15-A, Davis Road, Lahore.	2,999	2,042	-	5,041	-	1,701	-	1,701	AKF				
32	Ansar Poultry Farms, C/o Ansar Iftikhar Gali, Kashmir Lock, Mohallah Mubarrak Pura, Sialkot	250	1,552	75	1,876	-	1,066	-	1,066	AKF				
33	Malik Brothers Petroleum Services, New Sadiq Colony Near Dubai Chowk, H # 77-B/10 Street No. 2, Bahawalpur	2,400	1,413	76	3,888	-	1,223	-	1,223	AKF				
34	Jauharabad Rice Mills, Juharabad District Khushab	2,599	1,129	75	3,803	-	1,079	-	1,079	Finance Against Packing CF Hypo				
35	Al Masoom Corporation, Lahore-Jaranwala Road, Adda Buteki Distt Nankana Sahib	1,948	729	67	2,744	-	680	-	680	CF Hypo				
36	British Tools, Shop # 84, Chowk Shaheed Gunj Road, Near Railway Station, Lahore	1,932	1,480	81	3,513	-	1,405	-	1,405	Current Finance				
37	Muhammad Akram Depalpure Road, Mohallah Farid Nagar, Pakpatan	994	664	60	1,718	-	553	-	553	CF Hypo				
38	Choudhary Traders, House # 20/12, Street # 04, Gunj, Collage Road Hafizabad	3,410	986	75	4,471	-	871	-	871	CF Hypo				
39	A.B Traders House# 2, Street # 3, Club Road, Shakoor Khan Colony, Kasur	2,851	1,214	50	4,115	-	1,073	42	1,115	Current Finance				
40	Fateh Muhammad, P/o Khas Mauza Dulla Bhadera Tehsil Christian Distt Bahawalnagar	1,586	1,194	40	2,820	-	1,120	-	1,120	Alfalah Musalsal Zarai Sahulat				
41	Muhammad Manzoor-Ul-Hassan Qamar, Village Bhalwal Wala, Tehsil Daska, Distt, Sialkot	-	871	-	871	-	871	-	871	Alfalah Musalsal Zarai Sahulat				
42	Aliba Agri Services, P/O SAM Tehsil Burewal, District Vehari	3,453	1,319	-	4,772	3,453	1,319	-	4,772	Alfalah Musalsal Zarai Sahulat				
43	Musawir Hussain Khan, 40-A Iqbal Street Sabazar Colonybosan Road Multan	4,300	1,145	-	5,445	4,300	1,145	-	5,445	Alfalah Musalsal Zarai Sahulat				
44	Muhammad Abu-Ul-Hassan, Abdali Road, H # 17, Abdali Colony, Multan	1,582	279	-	1,861	1,582	279	-	1,861	Alfalah Musalsal Zarai Sahulat				

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at January 1, 2017				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
45	Nawabzada Muhammad Ahmad Khan Babar, Khori Nawabzada Saeed Ullah Khan Ali Pur Road Ward No. 2, Khan Garh Tehsil & District Muzaffargarh	Nawabzada Muhammad Ahmad Khan CNIC # 32304-3930909-7	Nawabzada Sajjad Ahmed Khan Babar	2,993	562	-	3,555	2,993	562	-	3,555	Alfalah Musalsal Zari Sahulat
46	Attaullah Tareen, Akhbar Colony Bosa Road Bahadar Pur P/O Lur Abad Tehsil & District Multan	Attaullah Tareen CNIC # 36302-1727201-3	Faiz Ullah Khan Tareen	3,000	868	-	3,867	3,000	868	-	3,867	Alfalah Musalsal Zari Sahulat
47	Moin Ahmed Shah, Near Madni Masjid, Makhdoom Rasheed, P.O Same, Tehsil Multan	Moin Ahmed Shah CNIC # 36303-4172745-7	Altaf Hussain Sha	600	169	-	768	600	169	-	768	Alfalah Musalsal Zari Sahulat
48	Ahmed Saad Khan, Mouza Chak # 301/Wb, Tehsil Darya Pur Dist Lodhran	Ahmed Saad Khan CNIC # 36302-4960148-5	Atta Ullah Khan Tareen	1,296	249	-	1,546	1,296	249	-	1,546	Alfalah Musalsal Zari Sahulat
49	Haroon Zaman, Salay Mahay, P.O Nawabpur, Tehsil Multan	Haroon Zaman CNIC # 36303-1569830-3	Shaukat Hussain Mahty	1,179	162	-	1,341	1,179	162	-	1,341	Alfalah Musalsal Zari Sahulat
50	Muhammad Adnan Khan, Tareen, Ward No. 4, Bosa Road Street No. 2, Mohallah Itfaque Colony Multan	Muhammad Adnan Khan Tareen CNIC # 36302-9495116-5	Atta Ullah Khan Tareen	1,798	248	-	2,045	1,798	248	-	2,045	Alfalah Musalsal Zari Sahulat
51	Babar Akhtar Abbasi, Bindor Abbasia, P.O Khas, Sadiqabad, Dist Rahim Yar Khan	Babar Akhtar Abbasi CNIC # 31202-9324268-9	Humsyun Akhtar Abbasi	479	243	-	722	479	243	-	722	Alfalah Musalsal Zari Sahulat
52	Shahid Iqbal, R/O Iqbal Abad, P.O Same, Rahim Yar Khan	Shahid Iqbal CNIC # 31303-2420213-9	Ch. Muhammad Iqbal	1,969	939	-	2,909	1,969	939	-	2,909	Alfalah Musalsal Zari Sahulat
53	Liaquat Ali, R/O House # 20, Model Town, Rahim Yar Khan	Liaquat Ali CNIC # 31303-2058951-3	Bashir Ahmed	849	666	-	1,515	849	666	-	1,515	Alfalah Musalsal Zari Sahulat
54	Naveed Imran Akram Abad, House No 367, Block 18, Fareed Aba Colony, D.G Khan	Naveed Imran CNIC # 32102-3613841-7	M. Abdullah Khan	2,100	562	-	2,662	2,100	562	-	2,662	Alfalah Musalsal Zari Sahulat
55	Tanveer Asif, 566-C, Gulisait Colony, Multan	Tanveer Asif CNIC # 32304-503371-7	Jam Noor Muhammad	994	353	-	1,347	994	353	-	1,347	Alfalah Musalsal Zari Sahulat
56	Muhammad Alamgir, Mohalla Basti Chena, Post Office Basti Chena, Kot Janu, Tehsil Jampur, Dist. Ralaipur	Muhammad Alamgir CNIC # 32402-1410117-9	Ghulam Sarwar	708	227	-	936	708	227	-	936	Alfalah Musalsal Zari Sahulat
57	Abdul Rauf Khan, Ward # 4, Mohalla Edgath, Near Rahmania Mosque Layah	Abdul Rauf Khan CNIC # 32203-2016609-5	Karam Khan	768	125	-	893	768	125	-	893	Alfalah Musalsal Zari Sahulat
58	Mian Hameyoun Sarwar Bodla, Chak Bodla Tehsil & Dist Pakpattan	Mian Hameyoun Sarwar Bodla CNIC # 36402-3052941-5	Mian Muhammad Khalid Bodla	1,999	654	-	2,653	1,999	654	-	2,653	Alfalah Musalsal Zari Sahulat
59	Shaikh Amjad Ali, R/O House # 130- Q Block Pechs, District Karachi	Shaikh Amjad Ali CNIC # 42201-0744965-5	Shaikh Rehmat Ali	783	1,371	-	2,153	683	1,371	-	2,053	Alfalah Musalsal Zari Sahulat
60	Rab Nawaz Khan, Basti Mauza Sharaf P/O Anathya, Tehsil Khairpur Tamewali Dist Bahawalpur	Rab Nawaz Khan CNIC # 31204-0177005-1	Ghous Muhammad Khan	2,500	428	-	2,928	2,500	428	-	2,928	Alfalah Musalsal Zari Sahulat
61	Abdul Rouf/Abdul Ghani, R/O Basti Rahim Bux Channar, Mouza & P.O Qaimpur, Tehsil Khairpur Tamewali, Dist Bahawalpur	Abdul Rouf CNIC # 31203-1732952-7, Abdul Ghani CNIC # 31203-173242-3	Abdul Khaliq	1,988	446	-	2,435	1,988	446	-	2,435	Alfalah Musalsal Zari Sahulat
62	Muhammad Mizal/Muhammad Aslam R/O Mouza Bhatti, P.O. Qaimpur, Tehsil Hasipur, Dist Bahawalpur	Muhammad Afzal CNIC # 31203-8909113-7, Muhammad Aslam CNIC # 31204-828474-1	Muhammad Murad	1,669	605	-	2,274	1,669	605	-	2,274	Alfalah Musalsal Zari Sahulat
63	Mehr Muhammad Umar, R/O Basti Godri, Mouza Sardarpur, P.O Anati, Tehsil Khairpur Tamewali, Dist Bahawalpur	Mehr Muhammad Umar CNIC # 31204-0187630-5	Rahim Bux	2,675	656	-	3,331	2,675	656	-	3,331	Alfalah Musalsal Zari Sahulat
64	Maher Jahanzaib Amir, R/O H # 202/39, Village Maher Sikander, Mouza Jhoke Haji, P.O & Tehsil Khairpur Tamewali, Dist Bahawalpur	Mahar Jahanzaib Amir CNIC # 31202-1920033-1	Sultan Ahmad	898	263	-	1,161	898	263	-	1,161	Alfalah Musalsal Zari Sahulat
65	Zafar Iqbal / Muhammad Ajmal, R/O Mouza Lal Bhatti, P.O Qaimpur, Tehsil Khairpur Tamewali, Dist Bahawalpur	Zafar Iqbal CNIC # 31204-0282759-7, Muhammad Ajmal CNIC # 31204-1264188-5	Muhammad Yar	832	267	-	1,099	832	267	-	1,099	Alfalah Musalsal Zari Sahulat
66	Faiz-ur-Rehman, R/O Basti Mehranwaji, Mouza Head Palla, P.O Same, Tehsil Hasipur, Dist Bahawalpur	Faiz-ur-Rehman CNIC # 31203-1722997-3	Allah Rakha	1,000	-	-	1,000	1,000	-	-	1,000	Alfalah Musalsal Zari Sahulat

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at January 1, 2017			Principal written-off (5+6+7)	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name	
				Principal	Mark-up	Others						
1		3	4	5	6	7	8	9	10	11	12	13
67	Muhammad Ajmal Khan, Basti Baigka, P.O. Jehdeka Tehsil & Distt Bahawalnagar	Muhammad Ajmal Khan CNIC # 31101-4556866-1	Muhammad Nawaz	848	246	-	1,094	848	246	-	1,094	Alfalah Musalsal Zarai Sahulat
68	Muhammad Boota, Kissan Tractor House, Minchinabad Road, Bahawalnagar	Muhammad Boota CNIC # 35202-561297-9	Hasn Din	1,026	266	-	1,292	1,026	266	-	1,292	Alfalah Musalsal Zarai Sahulat
69	Muhammad Abdullah, Basti Thal Wala, P.O. Chavakka Road, Kabotri Tehsil Minchinabad, Distt Bahawalnagar	Muhammad Abdullah CNIC # 31105-0280480-3	Muhammad Abbas Khan	2,874	411	-	3,285	2,874	411	-	3,285	Alfalah Musalsal Zarai Sahulat
70	Muhammad Khalid / Noor Jamal, Chak Chavayka, P.O. Kabotri, Tehsil Minchinabad, Distt Bahawalnagar	Muhammad Khalid CNIC # 31105-073119-7, Noor Jamal CNIC # 352-85-216245	Noor Jamal/Shahab Uddin	1,371	129	-	1,500	1,371	129	-	1,500	Alfalah Musalsal Zarai Sahulat
71	Muhammad Zahid Anwar Maharvi, R/O Mouza Maharan Sharif, P.O. Same, Tehsil Chishtian, Distt Bahawalnagar	Sahibzada Zahid Anwar Maharvi CNIC # 35200-064517-3	Mian Muhammad Anwar	1,790	650	-	2,440	1,790	650	-	2,440	Alfalah Musalsal Zarai Sahulat
72	Mubashir Ahmed Majoka, Village Ahmed Abad P.O. Khai Kalan, Tehsil Noor Pur & Distt Khushab District Sargodha	Mubashir Ahmed Majoka, 38202-3960294-1	Malik Sier Muhammad Majoka	428	559	-	987	428	559	-	987	Alfalah Musalsal Zarai Sahulat
73	Rana Zahid Poultry, Ward No.9, Phullarwan, District Sargodha	Zahid Akhtar Rao CNIC # 38401-0258271-9	Aman Ullah Khan	-	588	-	588	-	588	-	588	Alfalah Poultry Zaire Sahulat
74	Muhammad Ismail Imtiaz, Village Chabba Purana, Tehsil Bhalwal, District Sargodha	Muhammad Ismail Imtiaz CNIC # 38401-0283509-3	Muhammad Yar	619	72	-	690	619	72	-	690	Alfalah Musalsal Zarai Sahulat
75	Ghulam Sarwar, Muntaz Ahmad & Muhammad Aslam, Moza Chund Bharwana, Tehsil & District Jhang	Ghulam Sarwar CNIC # 33202-2574765-1, Muhammad Aslam CNIC # 33202-1333001-7, Muntaz Ahmad CNIC # 33202-1353002-9	Thiraj Bakhtsh	398	104	-	502	398	104	-	502	Alfalah Musalsal Zarai Sahulat
76	Sikandar Hayat, Village Phulayyan P.O. Kala Gujraan Ithlum	Sikandar Hayat CNIC # 37301-2355974-5	Ch Muhammad Akhtar	997	755	-	1,752	997	755	-	1,752	Alfalah Musalsal Zarai Sahulat
77	Ahmed Ali, Village Alah Dino Debar, P.O. Gupchrani, Taluka & Distt Nawabshah	Ahmed Ali CNIC # 45402-2067664-9	Aliah Dino	399	185	-	584	399	185	-	584	Alfalah Musalsal Zarai Sahulat
78	Ameer Ali, R/O Village Garhi Makoro Warah Larkana	Ameer Ali CNIC # 43407-0386854-5	Muhammad Khan	400	163	-	563	400	163	-	563	Alfalah Musalsal Zarai Sahulat
79	Muhammad Ameer Jhandir, Jhandir House, Model Town 9-L, Bahawalpur	Muhammad Ameer Jhandir CNIC # 31202-0319107-9	Mian M Aslam Jhandir	2,397	1,528	-	3,926	-	1,026	-	1,026	Bal Musalsal Zarai Sahulat
80	Muhammad Iqbal Javed Kasana, R/O Aziz Shaheed Road Sialkot	Muhammad Iqbal Javed Kasana CNIC # 34603-3719049-9	Ch. Muhammad Haziq	942	237	-	1,179	942	237	-	1,179	1171 - CD Bai Musalsal Zaire Sahulat
81	Chaudhry Muhammad Anwar, R/O Kot Jaffer/ Gorali, Tehsil Wazirabad	Chaudhry Muhammad Anwar CNIC # 34404-8510642-5	Chaudhry Muhammad Hussain	3,737	231	-	3,967	3,737	231	-	3,967	1171 - CD Bai Musalsal Zaire Sahulat
82	Zubair Rasool Sehale, H # 36 Lalazar Judicial Colony Phase 1, Lahore	Zubair Rasool Sehale CNIC # 35202-4011584-3	Ch. Zufrilqal Ahmad	2,998	828	-	3,427	2,998	828	-	3,427	1171 - CD Bai Musalsal Zaire Sahulat
83	Sardar Muhammad, Lodharay Otar Post Office Sunder, Lahore	Sardar Muhammad CNIC # 35202-2552778-5	Hakim Ali	1,000	458	-	1,458	1,000	458	-	1,458	1171 - CD Bai Musalsal Zaire Sahulat
84	Abdul Hameed Khan, Chah Tamoli Post Office Moga, Lahore	Abdul Hameed Khan CNIC # 35202-1376111-5	Ameer Khan	700	301	-	1,000	700	301	-	1,000	1171 - CD Bai Musalsal Zaire Sahulat
85	Ahmad Shah Khagga, R/O Chak Shah Khagga, Pakpattan	Ahmad Shah Khagga CNIC # 36402-6081505-9	M. Abdullah Shah	1,195	1,263	-	2,458	1,108	1,263	-	2,371	1171 - CD Bai Musalsal Zaire Sahulat
86	Muhammad Ali R/O Basti Bhatian, Mouza Noorpur, Tehsil Janapur, Tehsil Hasilpur, Distt Bahawalpur	Muhammad Ali CNIC # 31203-4437742-7	Gul Muhammad	5,697	787	-	6,485	5,697	787	-	6,485	1171 - CD Bai Musalsal Zaire Sahulat
87	Naveed Imran Akram Abad, House No 387, Block 18, Fared Aba Colony, D.G. Khan	Naveed Imran CNIC # 32102-3613841-7	M. Abdullah Khan	2,000	804	-	2,804	-	704	-	704	CD - Bai Musalsal Zaire Sahulat
88	Jam Muhammad Bux / Karim Bux Basti Jam Karam Rahimabad P/O Bhong Tehsil Sadqabad, Distt Bahim Yar Khan	Jam Muhammad Bux CNIC # 3304-2895773-1, Karim Bux CNIC # 31304-3877426-5	Abdullah	-	680	-	680	-	570	-	570	Bal Musalsal Zarai Sahulat
89	Muhammad Mohsin Ali Khan Basti Safdar Abad, Khan Wala, P/O Belay Wala, Tehsil Jatoli, Distt Muzaffargarh	Muhammad Mohsin Ali Khan CNIC # 32302-4357896-7	Rao Muhammad Safdar Ali Khan	1,497	1,853	82	3,431	-	1,031	-	1,031	Bal Musalsal Zarai Sahulat
90	Syed Abid Hussain Shah & Husnain Abid Adda Sahawal, Kasur Road Tehsil, Depalpur, Distt Okara	Syed Abid Hussain Shah CNIC # 35301-012821-9	Abid Hussain Shah	3,949	1,818	-	5,767	-	702	-	702	Current Finance Mzs

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at January 1, 2017				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
91	Saleem Ahmed, Moza Bukharran, Tehsil Chiniot, Distt Jhang	Saleem Ahmed CNIC # 33201-1643862-1	Noor Muhammad	1,000	941	44	1,985	-	535	-	535	Revolving Finance (Agriculture)
92	Hafiz Muhammad Saad Ahmad Khakwani, Basi Mahmoodabad, Mauza Daulat Pura, The Minchanabad, Distt Bahawalnagar	Hafiz Muhammad Saad Ahmad Khakwani CNIC # 36302-0359722-1	Mehmood Khan	1,993	415	-	2,408	1,593	415	-	2,008	Cd - Bal Musalsal Zaire Sahulat
93	Mehboob Ahmed, Basi Mudhran Essa, P/O Tahli Talhiani, The Khairpur (amiwali), Distt Bahawalpur	Mehboob Ahmed CNIC # 31204-1523848-9	Maqbool Ahmad	897	50	-	947	897	50	-	947	Cd - Bal Musalsal Zaire Sahulat
94	Syed Riaz Hussain Shah, Village & P/O Chak # 6, S.B. Teh Bhalwal, Distt Sargodha	Syed Riaz Hussain Shah CNIC # 38401-0206999-7	Syed Nazir Hussain Shah	1,700	501	-	2,201	1,700	501	-	2,201	Cd - Bal Musalsal Zaire Sahulat
95	Shamsher Ali, Khan Thathi Noor, Tehsil Bhalwal, Distt Sargodha	Shamsher Ali CNIC # 38401-2062482-3	Mehmand Khan	3,297	1,095	-	4,392	3,297	1,095	-	4,392	Cd - Bal Musalsal Zaire Sahulat
96	Muhammad Akram, Mauza Rakh Makhdum Venoi, The & Distt Khanewal	Muhammad Akram CNIC # 36103-7060455-5	Muhammad Ishaq	498	239	-	736	358	239	-	596	Afalah Musalsal Zarai Sahulat
97	Rashid Khan, Ahmad Reza Khan, H. # 26 A, Model Town, Rahim Yar Khan	Rashid Khan CNIC # 33003-3235205-7 Ahmed Reza Khan CNIC # 33303-3129755-7	Haji Muhammad Shamim Khan	1,110	562	-	1,672	608	562	-	1,170	Afalah Musalsal Zarai Sahulat
98	SNS Poultryies, AH-Hafeez View, 4th Floor, Suit-11-12 Sir Syed Road, Gulberg-III Lahore	Muhammad Shuja Ul Hakeem CNIC # 31202-4156711-9, Shabbir Hussain CNIC # 35502-7654806-7	Muhammad Akhtar Shabeer, Chudhary Muhammad Sharif respectively	3,037	65	-	3,102	3,037	65	-	3,102	1171 - CD Bal Musalsal Zaire Sahulat
99	Mukhtiar Ahmad, Basi: Chakhan Wala Mauza Pati Khan P.O Sarwanan The Kot Addu Distt Muzaffargarh	Mukhtiar Ahmad CNIC # 32303-3973089-5	Giulani Sarwer	1,217	567	-	1,784	1,217	567	-	1,784	1171 - CD Bal Musalsal Zaire Sahulat
100	Rehan Sarwat Gormani, House # 8 Street # 70, Sector, F-8/3, Islamabad	Rehan Sarwat Gormani CNIC # 61101-2838772-8	Khalid Ahmad Gormani	1,553	758	-	2,311	1,553	758	-	2,311	1171 - CD Bal Musalsal Zaire Sahulat
101	Arshad Aziz, Thathi Noor P.O Phularwan Tehsil Bhalwal, Distt Sargodha	Arshad Aziz CNIC # 38401-0290236-7	Mohimind Khan	700	245	-	944	700	317	-	1,017	Afalah Musalsal Zarai Sahulat
102	Mir Rizwan Ahmed Talpur, House # B-45, Green Homes, Nasim Nagar, QMabad Hyderabad	Mir Rizwan Ahmed Talpur CNIC # 41103-0241815-9	Haji Abdullah Talpur	1,995	696	-	2,691	1,995	696	-	2,691	Afalah Musalsal Zarai Sahulat
103	Khadim Hussain, H/R 857/C, Ghous Pur Atta Turk Road, Larkana	Khadim Hussain CNIC # 43203-9630794-9	Muhammad Mirad Chandio	346	184	-	531	346	184	-	531	Afalah Musalsal Zarai Sahulat
104	Muhammad Abdullah Shah Qureshi R/O Gaus Pur Qureshian, Tehsil Mian Channu, District Khanewal	Muhammad Abdullah Shah Qureshi CNIC # 36104-5247494-5	Muhammad Shah Qureshi	2,496	882	-	3,378	2,496	1,092	-	3,588	Afalah Musalsal Zarai Sahulat
105	Muhammad Sharif, Muhammad Ahmad & M. Hussain, Chak No. 57/DPO Chak Shah Muhammad Boda, Teh Depalpur, Distt Okara	Muhammad Sharif CNIC # 35301-2682906-7 Muhammad Ahmad CNIC # 35301-4471232-5, Muhammad Hussain CNIC # 35301-2692406-7	Allah Ditta, Muhammad Sharif	3,200	1,413	-	4,613	2,630	1,735	-	4,365	Afalah Musalsal Zarai Sahulat
106	Asad Ullah/Obaid Ullah, Chak No 110 NB, Tehsil Bhalwal, Distt Sargodha	Asad Ullah CNIC # 38401-0160641-1, Obaid Ullah CNIC # 38401-0238551-1	Ijaz Ahmed Wariach	3,795	770	-	4,565	3,795	-	-	3,795	Afalah Musalsal Zarai Sahulat
107	Bushra Tariq Bajwa, R/O 257-Rawi Block Alama Iqbal Town, Lahore	Bushra Tariq Bajwa CNIC # 35202-4914043-2	Tariq Mehmood Bajwa	2,000	1,635	-	3,635	500	1,704	-	2,204	Afalah Musalsal Zarai Sahulat
108	Abdul Hameed Khan, Chah Tamoli, Post Office Manga, Lahore	Abdul Hameed Khan CNIC # 35202-1376111-5	Ameer Khan	1,200	463	-	1,663	400	553	-	953	Afalah Musalsal Zarai Sahulat
109	Riffat Tariq, H Bearing Khastra # 771 Sq No. 30, Kheawat 633, Khatoni 7599 Situated at Chak 207/ Rb Tehsil City District, Faisalabad	Riffat Tariq CNIC # 33100-0877999-2	Tariq Mehmood	831	559	772	2,162	-	558	705	1,262	Home Purchase
110	Malik Kamram Ali, P-788 & 789, Block-D, Intizar Chowk, Ghulam Muhammad Aباد, Faisalabad	Malik Kamram Ali CNIC # 42301-2826527-7	Malik Zulfiqar Ali	3,069	1,580	1,243	5,892	-	1,199	1,243	2,442	Home Purchase
111	Ch Muhammad Alamgir Bhullar (Bhullar Flour Mills), House # 150, Block U, Phase II DHA Lahore	Ch Muhammad Alamgir Bhullar CNIC # 35102-765712-5	Sikander Ali	22,299	5,479	971	28,749	-	5,479	971	6,450	Home Purchase
112	Ch M Nadeem, H # 362-Avi Road, Ah-Najaf Colony, Faisalabad	Ch M Nadeem CNIC # 33100-3588380-7	Abdul Shakoor	1,563	2,804	2,127	6,493	-	2,440	2,054	4,493	Home Purchase

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at January 1, 2017				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	Total (5+6+7)					
1	2	3	4	5	6	7	8	9	10	11	12	13
113	Qurban Ali, P-13/7, Street # 16, A-Block, Amin Town, Faisalabad	Qurban Ali CNIC # 33100-8660101-5	Sardar Muhammad	3,413	2,352	9,895	15,660	-	2,332	9,828	12,160	Home Purchase, Home Renovation
114	Aftab Hussain / Rubina Aftab, House # 106, Block N, DHA Lahore	Aftab Hussain CNIC # 35202-9666620-1	M. Aslam /Aftab Hussain	5,359	1,771	3,111	10,242	-	1,750	3,012	4,762	Home Construction
115	Nadeem Ahmed, H # 6, St # 3, Yahya Park, New Abadi Bagh-e-pura, Lahore	Nadeem Ahmed CNIC # 35202-7266976-3	Nasir Nazir Ahmed	729	405	473	1,608	-	403	472	875	Home Purchase
116	Syed Javed Babar Ali Shah, House #82-Block Z, Johar Town, Lahore	Syed Javed Babar Ali Shah CNIC # 35202-2947845-1	Syed Hashim Ali Shah	933	837	548	2,318	-	832	545	1,377	Musharka
117	Sandhu CNG, 14-E, Main Ghazi Road, Chaudhary Markete, Lahore	Shaikat Ali CNIC # 35202-3838076-5, Akshad Fareed CNIC # 35201-0287874-5, Liaqat Ali CNIC # 35201-7346174-1	M.Yousaf Shaib, Ch. Ghulam Ali	3,534	708	3,228	7,470	-	507	3,228	3,734	Letter Of Guarantee
118	Mam Automobiles Ltd, Salateen House, 131 Motijheel C/A, Dhaka-1000, Bangladesh	Mohammad Ashfaqe Malek CNIC # N/A, Mrs. Syeda Yasmin Malek CNIC # N/A	"Late Mohammad Abdul Malik Late Mohammad Abdul Malik"	-	18,058	-	18,058	-	15,105	14	15,118	MIPO Long Term
119	Sr International, 62/1 Purana Paltan, Dhaka-1000, Bangladesh	Muhammed Hossain Ahmed CNIC # N/A	"Abdus Samad Sheak"	7,984	2,870	527	11,381	-	-	527	577	MIPO Long Term
120	Sohail Masood, H # 921, Block-B, Faisal Town, Lahore	Sohail Masood CNIC # 35202-2598940-7	Muhammad Masood Iqbal	291	123	-	414	298	223	-	571	Credit Card
121	Iftekhar Ahmad Address: 746-Raw Block, Allama Iqbal Town, Lahore	Iftekhar Ahmad CNIC # 35202-3033057-9	Muhammad Ali	338	252	-	590	338	252	-	590	Credit Card
122	Syed Haider Raza Mehdi, House No. 30, Street No. 3, F-6/3, Islamabad	Syed Haider Raza Mehdi CNIC # 61101-5079769-1	Syed Ghaffar Mehdi	384	196	-	580	384	217	-	601	Credit Card
123	Hafiz Ahmad Raza Dar, House # 1671, Mohallah Shah Jamal, Lakkar, Near Qazi Book Depot/ Dar PCO/Sado Halwai Wala Chowk, Wazirabad	Hafiz Ahmad Raza Dar CNIC # 34104-2239053-3	Iftekhar Ahmad Dar	385	236	-	622	385	236	-	622	Credit Card
124	Malik Muhammad Ahmed Khan, House # 128, Abu Bakar Block, New Garden town, Lahore	Malik Muhammad Ahmed Khan CNIC # 35202-7242738-3	Malik Muhammad Ali Khan	390	171	-	561	394	227	-	621	Credit Card
125	Mian Tahir Javed, 192 1st Floor, St. # 7, Block C, New PAF Colony, Zarar Shaheed Road, Lahore	Mian Tahir Javed CNIC # 34402-6529336-7	Mian Muhammad Yaseen	448	155	-	602	448	155	-	602	Credit Card
126	Mian Tariq Mehmood Noorani, H.No.105-A, Peoples Colony, Faisalabad	Mian Tariq Mehmood Noorani CNIC # 33100-7425096-1	Mian Sardar Ali Noorani	493	195	-	687	493	346	-	839	Credit Card
127	Abid Nawaz, Godwal, P.O. 26-Area, Near Markazi Mosque, Wah Cantt, Wah	Abid Nawaz CNIC # 37406-3566396-5	Muhammad Nawaz	480	231	-	711	499	308	-	807	Credit Card
128	Muhammad Shahid Sheikh, F-4, New Garden Block, Saeed Colony 2, Faisalabad	Muhammad Shahid Sheikh CNIC # 33100-7836642-5	Sheikh Barker Ali	355	62	-	417	355	148	-	504	Credit Card
129	Muhammad Javed Khan, H# 30/62, Shah Saida, Sakot	Muhammad Javed Khan CNIC # 34603-2318104-7	Abdul Rashid Khan	390	99	-	489	390	341	-	731	Credit Card
130	Muhammad Saleem, 21, Muslim Town, Noon Avenue, Lahore	Muhammad Saleem CNIC # 35202-3365362-1	M. Siddique	399	102	-	501	399	261	-	660	Credit Card
131	Abrar Hussain Address, H # 5-A, Block-A, P.B.O.R Society, Maulana Shaikat Ali Road, Lahore	Abrar Hussain CNIC # 35202-2687149-7	Rahmat Ali	420	249	-	669	436	578	-	1,014	Credit Card
132	Nadeem Abid Butt, Near Masjid Gamay Shah, Mohallah Sadihu, Lal Pur Jattan, Gujrat	Nadeem Abid Butt CNIC # 34201-1158059-3	Ghulam Rasool Butt	466	133	-	599	466	368	-	834	Credit Card
133	Shahid Karim, Phase 6, Street # 1, H # 18, Hayyabad, Sector F-5, Peshawar	Shahid Karim CNIC # 17301-3593089-5	Abdul Karim	164	142	-	305	515	180	-	695	Credit Card
134	Nadeem Rahat Qureshi, R-62, Phase-II, DHA Lahore Cantt, Lahore	Nadeem Rahat Qureshi CNIC # 35201-1165484-9	Shreef Rahat	341	89	-	430	56	714	-	770	Credit Card
135	Khan Muhammad Mahar, H. # 43/1, 28 Street, Khayaban-E-Mujahid, phase-V,DHA, Near Syed Abdullah Shah Gazi, Karachi	Khan Muhammad Mahar CNIC # 42301-2890079-3	Jan Muhammad Mahar	419	66	-	485	236	296	-	531	Credit Card

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities at January 1, 2017				Total (5+6+7)	Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)	Product Name
				Principal	Mark-up	Others	8						
1	2	3	4	5	6	7	8	9	10	11	12	13	
136	Shoaib Ahmed, House No. 29-D, New Shamas Abad Colony, Near Shah Shams Park, Near Masjid Dawatul Haq, Multan	Shoaib Ahmed CNIC # 36302-6882271-9	Abdul Qayyum Raza	265	57	-	322	265	243	-	508	Credit Card	
137	Faisal Saleem, House No. 29-A, Military Accounts Housing Society, Lahore	Faisal Saleem CNIC # 35202-2583654-3	Muhammad Saleem	267	16	-	283	267	262	-	529	Credit Card	
138	Inayat Ullah Khan, H. # 590, St. # 80/89, Sector # 3, Gulshanabad, Rawalpindi	Inayat Ullah Khan CNIC # 71501-5761833-1	Hamayat Ullah Khan	274	0	-	274	275	281	-	556	Credit Card	
139	Abid Munir, H. # 94/3, St. # 2, Safari Villas, Bahria Town, Lahore	Abid Munir CNIC # 35202-6656782-9	Ch Munir Ahmad	357	49	-	406	370	209	-	580	Credit Card	
140	Manzar Jamal, R-4 Street No.11, Block -15, Gulistan-E-Johar, Nearest Income Tax Building, Karachi	Manzar Jamal CNIC # 42201-024409-3	Muhammad Ali Siddique	480	81	-	561	480	330	-	810	Credit Card	
141	Muhammad Ishaq Khan, Flat No. 110, Shameem Arcade, Block 8, F.B. Area, Karachi	Muhammad Ishaq Khan CNIC # 42301-620353-7	Saidar Ali Khan	484	57	-	541	497	381	-	878	Credit Card	
142	Shahzad Mahmood Address: Bataala Commission Shop, Eidgah Road, Near Seba Mandi, Okara	Shahzad Mahmood CNIC # 35302-3818655-3	Liaqat Ali	407	36	-	443	411	380	-	791	Credit Card	
143	Amir Sethi, House # 1341- B, Satellite Town, Rawalpindi	Amir Sethi CNIC # 37405-0231703-3	Ghulam Mehboob Sethi	417	72	-	489	101	654	-	755	Credit Card	
144	Muhammad Akbar Roomi, House # 375, H-111, Johar Town, Lahore	Muhammad Akbar Roomi CNIC # 35202-6510353-3	Mohammad Abbas Khan	-	-	-	-	260	327	-	588	Credit Card	
145	Syed Azmat Ali, A-191, Block 2, Gulshan-E-Iqbal, Karachi	Syed Azmat Ali CNIC # 42000-3892716-5	S Farhat Ali	486	35	-	521	452	243	-	694	Credit Card	
146	Arif Ullah Khan, 211/1-C, Punjab Small Industry Society, Lahore Cantt, Near Chatri Chowk, Lahore	Arif Ullah Khan CNIC # 11201-0396544-3	Bahadur Sher	158	0	-	158	300	223	-	522	Credit Card	
147	Muhammad Zubair, House No. 11, Block B, Street No. 5, Elen Life Style Homes, Lake City, Raiwind Road, Lahore	Muhammad Zubair CNIC # 54400-0543244-9	Muhammad Nasim	65	12	-	77	379	144	-	523	Credit Card	
148	Syed Tahir Jan, 486-W, D.H.A, Lahore	Syed Tahir Jan CNIC # 35201-4788382-3	Syed Habib Ullah Jan	250	9	-	258	273	281	-	555	Credit Card	
149	Abdul Waheed, House # P-2693, Mohallah Garha & Distmohallah Garha	Abdul Waheed CNIC # 334010470303	Shabbir Ahmed	141	79	-	220	843	95	-	938	Auto Finance	
150	Gulshad Ahmed, Kot Inayat Khanghakhar Mandi, Tehsil Wazirabadghakhar, Mandi Tehsil Wazirabad	Gulshad Ahmed CNIC # 3410423213081	Fiaz Ahmed	222	68	-	290	867	82	-	949	Auto Finance	
151	Abu Ammar Sehri, House No. 10, Nozim Ud Din Road, Area F-10/4, Near F-10 Markaz Area F-10/4, Islamabad	Abu Ammar Sehri CNIC # 611017839347	Inam Ur Rehman Sehri	652	48	-	700	916	51	-	967	Auto Finance	
152	Haider Jamal, Mohallah Islamabad, shakargarh, Distt Shakargarh	Haider Jamal CNIC # 345029117021	Farrukh Amin Sahar	224	78	-	302	1,014	96	-	1,111	Auto Finance	
153	Faiz Rasool, Post Office Chak # 383 Gb, Chak # 382 Gb, Sarwar Wali, Faisalabad	Faiz Rasool CNIC # 3310405915405	Maqbool Ahmad	58	30	-	88	456	48	-	503	Auto Finance	
154	Zahid Rehman, Jangli Nahar Mashu Gagar, Peshawar	Zahid Rehman CNIC # 1730181995841	Rehan Khan	216	29	-	245	502	39	-	541	Auto Finance	
155	Tahir Ayub, House # 189-A, Abadi # 02, Rawalpindi	Tahir Ayub CNIC # 37405/4703897	Muhammad Ayub	191	77	-	268	930	104	-	1,033	Auto Finance	
156	Yasir Asifraq, House # BV-365/3, Nishitar Street, Muslim Town, Rawalpindi	Yasir Asifraq CNIC # 37405-037645-7	Asifraq Ahmed	48	30	-	77	492	61	-	553	Auto Finance	
157	Muhammad Asif Khan, Basti Dosah, P.O Basti Shah Ali, Dera Ghazi Khan	Muhammad Asif Khan CNIC # 32102-098534-1	Sardar Nazar Muhammad Khan	148	25	-	174	527	46	-	573	Auto Finance	
158	Muhammad Nasir, Street Abid Virk, Mohallah Arayanwala, Sheikhupura	Muhammad Nasir CNIC # 3540456512019	Khurshid Ahmed	1,030	31	-	1,061	408	108	-	516	Auto Finance	
			<b>Total</b>	<b>624,102</b>	<b>340,145</b>	<b>84,746</b>	<b>1,048,993</b>	<b>113,741</b>	<b>321,406</b>	<b>80,344</b>	<b>515,491</b>		

**ANNEXURE - II**  
**ISLAMIC BANKING BUSINESS**

The bank is operating through 152 Islamic banking branches as at December 31, 2017 (December 31, 2016: 153 branches).

<b>BALANCE SHEET</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>(Rupees in '000)</b>	
<b>ASSETS</b>			
Cash and balances with treasury banks		10,165,273	10,191,942
Balances with and due from financial institutions		372,714	1,672,323
Lendings to financial institutions		30,891,460	27,997,227
Investments - net		37,914,191	38,670,241
Islamic Financing and Related Assets	A-II.1 & A-II.2	55,605,166	56,720,714
Fixed assets		2,075,079	2,128,031
Other assets		2,350,828	2,317,048
		<u>139,374,711</u>	<u>139,697,526</u>
<b>LIABILITIES</b>			
Bills payable		2,686,172	1,862,656
Borrowings		3,793,802	3,833,240
Deposits and other accounts			
- Current Accounts		45,508,163	43,990,411
- Saving Accounts		51,057,687	53,988,674
- Term Deposits		16,452,472	18,038,671
- Others		840,741	428,262
Deposits from Financial Institutions - Remunerative deposits		743,414	1,113,125
Deposits from Financial Institutions - Non-remunerative deposits		70,000	1,867
Other liabilities		6,072,680	6,302,957
		<u>127,225,131</u>	<u>129,559,863</u>
<b>NET ASSETS</b>		<u>12,149,580</u>	<u>10,137,663</u>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,800,000	1,800,000
Exchange equalisation reserve		-	878
Unappropriated / Unremitted profit (Head Office Current Account)		9,165,580	6,626,936
		<u>10,965,580</u>	<u>8,427,814</u>
Surplus on revaluation of assets - net of tax		1,184,000	1,709,849
		<u>12,149,580</u>	<u>10,137,663</u>
<b>Remuneration to Shariah Advisor / Board</b>		<u>6,720</u>	<u>6,720</u>
<b>CHARITY FUND</b>			
Opening balance		148,314	176,557
<b>Additions during the year</b>			
Received from customers on delayed payments & others		19,463	40,182
Non-shariah compliant income		15,551	9,524
Profit on charity saving account		3,428	6,958
		<u>38,442</u>	<u>56,664</u>
<b>Distribution of charity</b>			
Welfare Works		(78,655)	(38,357)
Health		(15,816)	(38,850)
Education		(38,032)	(7,700)
Payments / Utilization during the year		<u>(132,503)</u>	<u>(84,907)</u>
Closing balance		<u>54,253</u>	<u>148,314</u>



**ANNEXURE - II**  
**ISLAMIC BANKING BUSINESS**

**PROFIT & LOSS ACCOUNT**

	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
Income / return earned	7,815,773	7,332,961
Income / return expensed	3,166,568	3,455,881
Net income / return earned after depreciation	<u>4,649,205</u>	<u>3,877,080</u>
Provisions against loans and advances - net	87,597	216,554
(Reversal) / provision for diminution in value of investments - net	(11,175)	2,114
Bad debts written off directly	-	-
	<u>76,422</u>	<u>218,668</u>
<b>Net income / return earned after provisions</b>	<u>4,572,783</u>	<u>3,658,412</u>
<b>Other income</b>		
Fee, commission and brokerage income	539,028	382,356
Dividend income	-	45,320
Income from dealing in foreign currencies	171,509	137,361
Gain on sale of securities - net	207,477	2,054
Unrealised gain / (loss) on revaluation of investment classified as held for trading	-	-
Other income	37,974	29,849
<b>Total other income</b>	<u>955,988</u>	<u>596,940</u>
	5,528,771	4,255,352
<b>Other expenses</b>		
Administrative expenses	2,936,278	3,091,472
Provision against off-balance sheet obligations	-	304
Provision against other assets	1,251	
Other charges	1,109	1,088
<b>Total other expenses</b>	<u>2,938,638</u>	<u>3,092,864</u>
<b>Profit before taxation</b>	<u><u>2,590,133</u></u>	<u><u>1,162,488</u></u>

**ANNEXURE - II**  
**ISLAMIC BANKING BUSINESS**

**CASH FLOW STATEMENT**

	2017	2016
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,590,133	1,162,488
Less: Dividend income	-	(45,320)
	2,590,133	1,117,168
<b>Adjustments</b>		
Depreciation	233,816	246,052
Amortization	972	939
Reversal of provision against loans and advances - net	87,597	216,554
(Reversal) / provision for diminution in value of investments - net	(11, 175)	2,114
Provision against off-balance sheet obligations	-	304
Provision against other assets	1,251	-
Loss / (gain) on sale of fixed assets - net	9,044	(5,084)
	321,505	460,879
	2,911,638	1,578,047
<b>(Increase) / decrease in operating assets</b>		
Held for trading securities	-	-
Lendings to financial institutions	(2,894,233)	(15,386,776)
Islamic financing and related assets	1,027,951	(14,881,119)
Others assets	(10,186)	339,560
	(1,876,468)	(29,928,335)
<b>Increase/ (decrease) in operating liabilities</b>		
Bills payable	823,516	433,936
Borrowings	(39,438)	(6,151,397)
Deposits and other accounts	(2,888,533)	12,153,728
Other liabilities	(230,277)	(520)
	(2,334,732)	6,435,747
	(1,299,562)	(21,914,541)
Taxes paid	(81,117)	7,955
<b>Net cash flows generated from operating activities</b>	(1,380,679)	(21,906,586)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	246,696	(5,032,551)
Net investment in held to maturity securities	(250,537)	26,386,063
Disposal of investment in associated company	250,000	-
Dividend received	-	45,320
Net investments in fixed assets	(181,836)	(89,116)
Proceeds from sale of fixed assets	(9,044)	5,084
<b>Net cash flows used in investing activities</b>	55,279	21,314,800
Adjustment of Exchange translation reserve	(878)	934
<b>Decrease in cash and cash equivalents</b>	(1,326,278)	(590,852)
Cash and cash equivalents at beginning of the period	11,864,265	12,455,117
<b>Cash and cash equivalents at end of the period</b>	10,537,987	11,864,265

**ISLAMIC BANKING BUSINESS  
NOTES TO THE ANNEXURE II  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Annexure-II**

	<b>Note</b>	<b>2017</b> <b>(Rupees in '000)</b>	<b>2016</b>
<b>A-II.1 Islamic Financing and Related Assets</b>			
Murabaha	A-II.1.1	11,538,075	10,002,211
Ijarah	A-II.1.2	10,208,716	7,912,045
Diminishing Musharakah	A-II.1.3	1,269,013	709,981
Musharakah	A-II.1.4	9,340,060	9,893,714
Running Musharakah	A-II.1.5	12,153,190	10,424,504
Salam	A-II.1.6	2,514,091	11,888,467
Istisna	A-II.1.7	4,848,883	1,934,468
Falah Tijarah	A-II.1.8	594,978	100,000
SBP Islamic Export Refinance Scheme	A-II.1.9	2,073,834	2,889,840
Others	A-II.1.10	1,064,326	965,484
		<u>55,605,166</u>	<u>56,720,714</u>
<b>A-II.1.1 Murabaha</b>			
Financing / Investments / Receivables		7,789,403	6,793,602
Advances		1,296,582	2,869,333
Inventory		3,032,872	867,834
Others (Provisions)		(580,782)	(528,558)
		<u>11,538,075</u>	<u>10,002,211</u>
<b>A-II.1.2 Ijarah</b>			
Advances		1,257,996	614,708
Assets		9,160,061	7,566,948
Others (Provisions)		(209,341)	(269,611)
		<u>10,208,716</u>	<u>7,912,045</u>
<b>A-II.1.3 Diminishing Musharakah</b>			
Financing / Investments / Receivables		1,236,279	747,673
Advances		145,519	100,077
Others (Provisions)		(112,785)	(137,769)
		<u>1,269,013</u>	<u>709,981</u>
<b>A-II.1.4 Musharakah</b>			
Financing / Investments / Receivables		7,743,187	8,978,617
Advances		1,879,516	1,096,318
Others (Provisions)		(282,643)	(181,221)
		<u>9,340,060</u>	<u>9,893,714</u>
<b>A-II.1.5 Runnig Musharakah</b>			
Financing / Investments / Receivables		12,153,190	10,424,504
Advances		-	-
Others (Provisions)		-	-
		<u>12,153,190</u>	<u>10,424,504</u>
<b>A-II.1.6 Salam</b>			
Financing / Investments / Receivables		1,945,447	11,927,367
Advances		254,112	-
Inventory		361,432	8,000
Others (Provisions)		(46,900)	(46,900)
		<u>2,514,091</u>	<u>11,888,467</u>
<b>A-II.1.7 Istisna</b>			
Financing / Investments / Receivables		60,369	221,340
Advances		4,558,120	1,469,378
Inventory		230,394	243,750
		<u>4,848,883</u>	<u>1,934,468</u>
<b>A-II.1.8 Falah Tijarah</b>			
Financing / Investments / Receivables		81,360	50,000
Inventory		513,618	50,000
		<u>594,978</u>	<u>100,000</u>

**ANNEXURE - II**  
**ISLAMIC BANKING BUSINESS**

	2017	2016
	(Rupees in '000)	
<b>A-II.1.9 SBP Islamic Export Refinance Scheme</b>		
Financing / Investments / Receivables	2,073,834	2,889,840
Advances	-	-
Others (Provisions)	-	-
	2,073,834	2,889,840
<b>A-II.1.10 Others</b>		
Staff Loans	1,022,626	915,094
Staff Loans Inventory	-	48
Advance Against Musharakah Staff	65,484	63,415
Advance Against Ijarah Staff	6,085	8,472
Advance Against Murabaha Staff	227	-
Overdue Acceptances and FBP	12,456	1,802
Others (Provisions)	(42,552)	(23,347)
	1,064,326	965,484

**A-II.2 Assets under Ijarah (IFAS-2)**

a) Brief description of the Ijarah arrangements

Ijarah contracts entered into by the Bank essentially represent arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. The significant ijarah contracts entered into by the Bank are with respect to vehicles, plant and machinery and equipment and are for periods ranging from 3 to 5 years.

b) Movement in net book value of ijarah assets

	2017				
	Asset categories				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	----- (Rupees in '000) -----				
<b>At January 1, 2017</b>					
Cost	8,654,973	1,446,599	673,147	4,185	10,778,904
Accumulated depreciation	(2,743,983)	(428,351)	(188,736)	(3,287)	(3,364,357)
Net book value	5,910,990	1,018,248	484,411	898	7,414,547
<b>Year ended December 31, 2017</b>					
Opening net book value	5,910,990	1,018,248	484,411	898	7,414,547
Additions	3,670,247	936,175	226,166	6,600	4,839,188
Disposals					
Cost	(1,147,923)	(98,143)	(230,302)	(3,287)	(1,479,655)
Accumulated depreciation	931,781	49,762	107,300	-	1,088,843
	(216,142)	(48,381)	(123,002)	(3,287)	(390,812)
Depreciation	(1,314,067)	(343,186)	(127,489)	-	(1,784,742)
Closing net book value	8,051,028	1,562,856	460,086	4,211	10,078,181
<b>At December 31, 2017</b>					
Cost	11,177,297	2,284,631	669,011	7,498	14,138,437
Accumulated depreciation	(3,126,269)	(721,775)	(208,925)	(3,287)	(4,060,256)
Net book value	8,051,028	1,562,856	460,086	4,211	10,078,181

**ANNEXURE - II  
ISLAMIC BANKING BUSINESS**

	2016				
	Asset categories				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
------(Rupees in '000)-----					
<b>At January 1, 2016</b>					
Cost	8,557,297	977,866	321,746	4,185	9,861,094
Accumulated depreciation	(2,510,200)	(314,461)	(157,529)	(3,287)	(2,985,477)
Net book value	<u>6,047,097</u>	<u>663,405</u>	<u>164,217</u>	<u>898</u>	<u>6,875,617</u>
<b>Year ended December 31, 2016</b>					
Opening net book value	6,047,097	663,405	164,217	898	6,875,617
Additions	1,130,853	491,971	373,043	-	1,995,867
Disposals					
Cost	(1,033,177)	(23,238)	(21,642)	-	(1,078,057)
Accumulated depreciation	967,859	93,294	43,752	-	1,104,905
	(65,318)	70,056	22,110	-	26,848
Depreciation	(1,201,642)	(207,184)	(74,959)	-	(1,483,785)
Closing net book value	<u>5,910,990</u>	<u>1,018,248</u>	<u>484,411</u>	<u>898</u>	<u>7,414,547</u>
<b>At December 31, 2016</b>					
Cost	8,654,973	1,446,599	673,147	4,185	10,778,904
Accumulated depreciation	(2,743,983)	(428,351)	(188,736)	(3,287)	(3,364,357)
Net book value	<u>5,910,990</u>	<u>1,018,248</u>	<u>484,411</u>	<u>898</u>	<u>7,414,547</u>

	2017	2016
	(Rupees in '000)	
<b>c) Future Ijarah payments receivable</b>		
Not later than one year	1,833,089	1,485,310
Later than one year and not later than five years	8,245,092	5,929,237
	<u>10,078,181</u>	<u>7,414,547</u>

**ANNEXURE - II**  
**DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)**

**A-II.3 1. The pools, their key features and risk and reward characteristics.**

The profit and loss sharing between the Rab ul 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 Islamic Banking Group is managing following pools:

- a) General Pool for Local Currency Depositors
- b) FCY Pool for Foreign Currency (USD, GBP and EURO) depositors
- c) Fls Pool for Treasury Purposes
- d) IERS Pool for Islamic Export Refinance Scheme facilities
- e) 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.

**2. Avenues / sectors where Mudaraba based deposits have been deployed.**

	2017	2016
	(Rupees in '000)	
Agribusiness	-	700,000
Automobile and Transportation Equipment	1,454,913	736,167
Chemical and pharmaceuticals	2,099,849	808,926
Cement	2,909,603	3,088,934
Communication	1,703,265	1,158,982
Electronics and electrical appliances	947,069	594,871
Educational institutes	104,738	94,826
Financial	1,134,055	657,104
Food and Allied Products	4,092,974	1,813,881
Glass and Ceramics	5,230	6,378
Ghee and Edible Oil	701,171	496,405
Insurance	14,981	-
Import and Export	396,057	-
Iron / Steel	835,716	2,278,980
Oil and Gas	69,510	-
Paper & Board	59,010	40,152
Production and transmission of energy	7,442,148	6,920,701
Real Estate / Construction	613,761	24,053
Retail / wholesale trade	2,887,758	2,805,726
Rice Processing and Trading/ Wheat	1,784,294	1,073,060
Sugar	1,403,605	823,867
Shoes and leather garments	506,771	674,948
Sports goods	18,694	8,696
Surgical goods	18,751	8,877
Textile spinning	5,034,286	4,922,689
Textile weaving	2,207,943	1,356,453
Textile composite	4,477,892	4,250,640
Individuals	10,260,845	8,357,982
Others	3,695,280	14,204,821
<b>Total Gross Islamic Financing and Related Assets</b>	<b>56,880,169</b>	<b>57,908,119</b>
Total Gross Investments*	37,791,862	38,038,021
Total Islamic Placements	31,264,174	29,669,550
<b>Total Invested Funds</b>	<b>125,936,205</b>	<b>125,615,690</b>

\* Mainly invested in GOP Ijarah Sukuks.

**ANNEXURE - II**  
**DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)**

**3. The major components of Profit distribution and charging of the expenses.**

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

**4. The Bank managed the following general and specific pools during the year:**

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)			
PKR Pool	Monthly	6.19%	47.50%	52.50%	2,197,253	2.54%	24.63%	487,924
USD Pool	Monthly	1.65%	80.00%	20.00%	29,530	0.20%	55.00%	85
GBP Pool	Monthly	0.00%	80.00%	20.00%	6,512	0.24%	15.00%	19
EUR Pool	Monthly	0.54%	80.00%	20.00%	4,756	0.20%	32.31%	62
Foreign Operation Pool (Afghanistan branch - USD)	Bi-Annually	0.00%	50.00%	50.00%	-	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)			
Islamic Export Refinance (IERS) Pool	Monthly	2.57%	78.98%	21.02%	250,960	Nil	0.73%	1,825

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Bank Alfalah Limited and its subsidiary companies (the Group) as at 31 December 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Bank Alfalah Limited and its subsidiary companies namely Alfalah Securities (Private) Limited and Alfalah GHP Investment Management Limited. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Bank Alfalah Limited and its subsidiary companies as at 31 December 2017 and the results of their operations for the year then ended.

Date: 25th February, 2018  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Iftikhar Anjum



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	Note	2017 (Rupees in '000)	2016
<b>ASSETS</b>			
Cash and balances with treasury banks	6	70,381,480	74,071,394
Balances with other banks	7	4,747,935	9,498,787
Lendings to financial institutions	8	48,895,828	30,149,029
Investments - net	9	401,742,398	389,666,922
Advances - net	10	400,659,922	378,724,300
Operating fixed assets	11	17,707,667	18,216,937
Deferred tax assets		-	-
Other assets	12	46,892,193	19,111,474
		991,027,423	919,438,843
<b>LIABILITIES</b>			
Bills payable	13	12,461,866	12,886,990
Borrowings	14	206,566,825	178,710,629
Deposits and other accounts	15	653,346,088	640,854,225
Sub-ordinated loans	16	4,991,000	8,317,670
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	3,443,012	2,911,531
Other liabilities	18	43,388,251	14,832,928
		924,197,042	858,513,973
<b>NET ASSETS</b>		<u>66,830,381</u>	<u>60,924,870</u>
<b>REPRESENTED BY</b>			
Share capital	19	16,075,720	15,952,076
Reserves		18,156,669	15,895,652
Unappropriated profit		24,895,975	17,777,737
Total equity attributable to the equity holders of the Bank		59,128,364	49,625,465
Non-controlling interest		422,265	323,466
Surplus on revaluation of assets - net of tax	20	7,279,752	10,975,939
		<u>66,830,381</u>	<u>60,924,870</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 (Rupees in '000)	2016
Mark-up / return / interest earned	24	56,926,964	57,144,601
Mark-up / return / interest expensed	25	<u>27,639,101</u>	<u>28,153,531</u>
Net mark-up / interest income		<u>29,287,863</u>	<u>28,991,070</u>
(Reversal) / Provision against non-performing loans and advances - net	10.5	(434,162)	1,082,506
Provision for diminution in the value of investments - net	9.23	174,413	100,766
Bad debts written off directly	10.6.1	-	-
		<u>(259,749)</u>	<u>1,183,272</u>
<b>Net mark-up / interest income after provisions</b>		<u>29,547,612</u>	<u>27,807,798</u>
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		6,696,571	5,581,599
Dividend income		461,125	479,251
Income from dealing in foreign currencies	26	1,746,251	1,003,575
Gain on sale of securities - net	27	994,369	1,519,335
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	9.25	(7,351)	109
Share of profit from associates		434,834	531,852
Other income	28	254,202	403,442
Total non mark-up / interest income		<u>10,580,001</u>	<u>9,519,163</u>
		<u>40,127,613</u>	<u>37,326,961</u>
<b>Non mark-up / interest expenses</b>			
Administrative expenses	29	25,439,328	23,968,153
Reversal of provision against off-balance sheet obligations	18.1	(1,338)	(7,508)
Reversal of provision against other assets	12.3	(19,045)	(106,138)
Other charges	30	298,347	118,399
Total non mark-up / interest expenses		<u>25,717,292</u>	<u>23,972,906</u>
		<u>14,410,321</u>	<u>13,354,055</u>
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		<u>14,410,321</u>	<u>13,354,055</u>
Taxation	31		
- Current		5,165,416	4,729,131
- Deferred		2,514,306	1,123,431
- Prior years		(1,883,205)	(437,633)
		<u>5,796,517</u>	<u>5,414,929</u>
<b>Profit after taxation</b>		<u>8,613,804</u>	<u>7,939,126</u>
<b>Profit attributable to:</b>			
Equity holders of the Bank		8,514,916	7,889,794
Non-controlling interest		98,888	49,332
		<u>8,613,804</u>	<u>7,939,126</u>
		(Rupees)	
<b>Basic earnings per share</b>	32.1	<u>5.30</u>	<u>4.93</u>
<b>Diluted earnings per share</b>	32.2	<u>5.28</u>	<u>4.93</u>

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 (Rupees in '000)	2016
Profit after taxation		8,613,804	7,939,126
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit and loss account</b>			
Exchange differences on translation of net investments in foreign branches		492,787	11,054
<b>Items that will never be reclassified to profit and loss account</b>			
Remeasurement of defined benefit plans	36.1.3 & 36.2.3	375,975	309,314
Related tax on remeasurement of defined benefit plans		(133,080)	(108,260)
Share of Remeasurement of defined benefit plans of associate		242,895	201,054
		-	(499)
Comprehensive income - transferred to statement of changes in equity		9,349,486	8,150,735
<b>Attributable to:</b>			
Equity holders of the Bank		9,250,687	8,101,403
Non-controlling interest		98,799	49,332
Comprehensive income - transferred to statement of changes in equity		9,349,486	8,150,735
<b>Components of comprehensive income not reflected in equity</b>			
<b>Items that are or may be reclassified subsequently to profit and loss account</b>			
Deficit on revaluation of available for sale securities		(5,838,746)	(59,396)
Related deferred tax liability		2,034,471	54,245
		(3,804,275)	(5,151)

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		14,410,321	13,354,055
Dividend income		(461,125)	(479,251)
Share of profit from associates - net of tax	9.21	(434,834)	(531,852)
		<u>13,514,362</u>	<u>12,342,952</u>
<b>Adjustments</b>			
Depreciation	29	1,832,246	1,701,175
Amortisation	29	447,802	361,118
(Reversal) / provision against non-performing loans and advances - net	10.5	(434,162)	1,082,506
(Reversal) / provision for diminution in value of investments - net	9.23	174,413	100,766
Reversal of provision against off-balance sheet obligations	18.1	(1,338)	(7,508)
Reversal of provision against other assets	12.3	(19,045)	(106,138)
Unrealised gain on revaluation of investments classified as held for trading - net	9.25	7,351	(109)
Bad debts written-off directly	10.6.1	-	-
Gain on sale of operating fixed assets - net	28	(11,571)	(55,294)
Charge for defined benefit plan	36.1.3 & 36.2.3	255,138	263,794
		<u>2,250,834</u>	<u>3,340,310</u>
		15,765,196	15,683,262
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(3,797,453)	(11,944,621)
Held for trading securities		(7,376,396)	3,891,325
Advances		(22,610,123)	(45,646,328)
Other assets (excluding advance taxation)		(13,406,104)	3,527,232
		<u>(47,190,076)</u>	<u>(50,172,392)</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		(416,549)	3,153,061
Borrowings		27,856,196	6,371,239
Deposits and other accounts		36,983,041	717,064
Other liabilities		4,573,185	(146,734)
		<u>68,995,873</u>	<u>10,094,630</u>
		37,570,993	(24,394,500)
Contribution made to gratuity fund	36.1.3 & 36.2.3	(255,138)	(263,794)
Income tax paid		(5,136,262)	(4,738,347)
<b>Net cash (used in) / generated from operating activities</b>		<u>32,179,593</u>	<u>(29,396,641)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(23,759,964)	(28,968,156)
Net investments in held to maturity securities		1,541,900	57,927,823
Investment in associated companies		(769,230)	(8,481)
Net proceed from sale and purchase of associated funds		1,251,417	1,052,685
Dividend income received from associated companies		8,743	106,249
Dividend income received		489,536	443,356
Investments in operating fixed assets		(1,879,602)	(2,865,184)
Sale proceeds of property and equipment disposed-off	11.4	90,279	113,393
<b>Net cash generated from / (used in) investing activities</b>		<u>(23,026,921)</u>	<u>27,801,685</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of share capital		191,722	84,895
Redemption of sub-ordinated loans		(3,326,670)	(1,665,330)
Dividend paid		(1,931)	(1,585,581)
<b>Net cash used in financing activities</b>		<u>(3,136,879)</u>	<u>(3,166,016)</u>
Exchange difference on translation of the net investment in foreign branches		492,787	11,054
<b>(Decrease) / increase in cash and cash equivalents</b>		<u>6,508,580</u>	<u>(4,749,918)</u>
Cash and cash equivalents at beginning of the year		90,249,747	93,382,609
Effects of exchange rate changes on cash and cash equivalents		(1,372,976)	244,080
		<u>88,876,771</u>	<u>93,626,689</u>
<b>Cash and cash equivalents at end of the year</b>	33	<u>95,385,351</u>	<u>88,876,771</u>

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED DECEMBER 31, 2017

	Capital Reserves				Revenue Reserves		Sub-total	Non Controlling Interest	Total
	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropriated profit			
<b>Balance as at January 1, 2016</b>	15,898,062	4,329,648	8,140,904	1,572,966	120,602	12,813,488	42,875,670	274,134	43,149,804
<b>Changes in equity for 2016</b>									
<b>Total comprehensive income</b>									
Profit after taxation	-	-	-	-	-	7,889,794	7,889,794	49,332	7,939,126
<b>Other comprehensive income</b>									
Exchange difference on translation of net investment in foreign branches	-	-	-	11,054	-	-	11,054	-	11,054
Remeasurement of defined benefit plan (Note 36.1.3 & 36.2.3)	-	-	-	-	-	309,314	309,314	-	309,314
Related tax charge	-	-	-	-	-	(108,260)	(108,260)	-	(108,260)
Share of Remeasurement of defined benefit plans of associate	-	-	-	-	-	(499)	(499)	-	(499)
	-	-	-	11,054	-	8,090,349	8,101,403	49,332	8,150,735
Transfer to statutory reserve	-	-	1,579,982	-	-	(1,579,982)	-	-	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	43,688	43,688	-	43,688
<b>Transactions with owners recorded directly in equity</b>									
Shares issued during the year	54,014	30,881	-	-	-	-	84,895	-	84,895
Final cash dividend for the year ended December 31, 2015 @ 10%	-	-	-	-	-	(1,589,806)	(1,589,806)	-	(1,589,806)
Recognition of fair value charge of share based payments (Note 36.3)	-	-	-	-	132,026	-	132,026	-	132,026
Unamortised portion of deferred employee compensation expense	-	-	-	-	(22,411)	-	(22,411)	-	(22,411)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	56,597	-	-	(56,597)	-	-	-	-
<b>Balance as at December 31, 2016</b>	<b>15,952,076</b>	<b>4,417,126</b>	<b>9,720,886</b>	<b>1,584,020</b>	<b>173,620</b>	<b>17,777,737</b>	<b>49,625,465</b>	<b>323,466</b>	<b>49,948,931</b>
<b>Changes in equity for 2017</b>									
<b>Total comprehensive income</b>									
Profit after taxation	-	-	-	-	-	8,514,916	8,514,916	98,888	8,613,804
<b>Other comprehensive income</b>									
Exchange difference on translation of net investment in foreign branches	-	-	-	492,787	-	-	492,787	-	492,787
Remeasurement of defined benefit plan (Note 36.1.3 & 36.2.3)	-	-	-	-	-	376,064	376,064	(89)	375,975
Related tax charge	-	-	-	-	-	(133,080)	(133,080)	-	(133,080)
	-	-	-	492,787	-	8,757,900	9,250,687	98,799	9,349,486
Transfer to statutory reserve	-	-	1,673,459	-	-	(1,673,459)	-	-	-
Transfer from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	-	33,797	33,797	-	33,797
<b>Transactions with owners, recorded directly in equity</b>									
Shares issued during the year	123,644	68,078	-	-	-	-	191,722	-	191,722
Recognition of fair value charge of share based payments (Note 36.3)	-	-	-	-	26,693	-	26,693	-	26,693
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	127,787	-	-	(127,787)	-	-	-	-
<b>Balance as at December 31, 2017</b>	<b>16,075,720</b>	<b>4,612,991</b>	<b>11,394,345</b>	<b>2,076,807</b>	<b>72,526</b>	<b>24,895,975</b>	<b>59,128,364</b>	<b>422,265</b>	<b>59,550,629</b>

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

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## 1 STATUS AND NATURE OF BUSINESS

### 1.1 The "Group" consists of:

#### Holding Company

#### Bank Alfalah Limited, Pakistan

Bank Alfalah Limited (the Holding Company) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act 2017). It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. I. Chunrigar Road, Karachi and is listed on the Pakistan Stock Exchange (formerly Karachi, Lahore and Islamabad Stock Exchanges). The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 475 conventional banking branches including 22 sub branches (2016: 475 branches including 18 sub branches), 10 overseas branches (2016: 10 branches), 152 Islamic banking branches (2016: 153 branches) and 1 offshore banking unit (2016: 1 unit). The credit rating of the Bank is disclosed in note 34 of the consolidated financial statements.

	Percentage of Holding	
	2017	2016
<b>Subsidiaries</b>		
Alfalah Securities (Private) Limited, Pakistan	97.91 percent	97.91 percent
Alfalah GHP Investment Management Limited, Pakistan	40.22 percent	40.22 percent

### 1.2 In addition the Group maintains investments in the following:

#### Investment in mutual funds established under trust structure not consolidated as subsidiaries - Note 1.2.1

Alfalah GHP Pension Fund	31.77 percent	Nil
Alfalah GHP Islamic Pension Fund	34.99 percent	Nil
Alfalah GHP Islamic Income Fund	Nil	0.14 percent
Alfalah GHP Cash Fund	Nil	38.85 percent

#### Associates

Alfalah Insurance Limited	30 percent	30 percent
Sapphire Wind Power Company Limited	30 percent	30 percent
TriconBoston Consulting Corporation (Private) Limited	9.25 percent	Nil
Alfalah GHP Money Market Fund	7.44 percent	4.16 percent
Alfalah GHP Income Multiplier Fund	Nil	13.17 percent
Alfalah GHP Sovereign Fund	0.02 percent	9.01 percent
Alfalah GHP Income Fund	0.11 percent	Nil
Alfalah GHP Islamic Stock Fund	0.03 percent	6.45 percent

**1.2.1** These represent the Group's 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 requirement of consolidation under section 237 of the repealed Companies Ordinance 1984 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 2.4 to these consolidated financial statements.

**1.2.2** In the EOGM held on November 20, 2015, the members of Alfalah Securities (Private) Limited had resolved to reduce the paid up capital of the company from Rs. 1,150 million (115 million ordinary shares of Rs.10 each) to

Rs. 250 million (25 million ordinary shares of Rs. 10 each). The reduction was affected in the current year, where by the paid-up capital of the company was reduced by Rs. 900 million, by cancelling 90 million ordinary shares of the company without payment of any amount to the shareholders.

This reduction of capital was carried out pursuant to the provision of Section 96 of the repealed Companies Ordinance, 1984 and was confirmed by the High Court of Sindh at Karachi on March 14, 2017.

## **2 BASIS OF PRESENTATION**

**2.1** These consolidated 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 financial statements.

**2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Holding Company have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the repealed Companies Ordinance, 1984.

**2.3** Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements.

### **2.4 Basis of consolidation**

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

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

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

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

## **3 STATEMENT OF COMPLIANCE**

**3.1** These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the repealed Companies Ordinance, 1984, the provisions of and directives issued under the repealed Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission

of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the repealed Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by SECP and SBP shall prevail.

- 3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and 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 Securities and Exchange Commission of Pakistan 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. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 3.3** 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 & Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in these consolidated financial statements of the Group.
- 3.4** The Companies Ordinance, 1984, was repealed by enactment of the Companies Act, 2017, on May 30, 2017. The SECP vide its Circular No. 23 of 2017, dated October 04, 2017, has clarified that all those companies whose financial year closes on or before December 31, 2017 shall prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.

### **3.5 New and revised approved accounting standards not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Group's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance



consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Group's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by the SBP till further instructions.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' – Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Group's financial statements.

The Companies Act, 2017 and the revised format of financial statements notified by the SBP will be effective from the accounting year ending December 31, 2018. The Companies Act, 2017 and the revised format would result in additional disclosures and certain changes in the financial statements presentation.

## **4 BASIS OF MEASUREMENT**

### **4.1 Accounting convention**

These consolidated financial statements have been prepared under the historical cost convention except that certain fixed assets and other assets are stated at revalued amounts, and held for trading and available for sale investments and derivative financial instruments are measured at fair value.

### **4.2 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.

### **4.3 Critical accounting estimates and judgements**

The preparation of these consolidated financial statements is in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against non-performing loans and advances (notes 5.4 and 10)
- iii) income taxes (notes 5.9 and 31)
- iv) accounting for defined benefit plan and compensated absences (notes 5.10 and 36)
- v) depreciation / amortisation of operating fixed assets (notes 5.5 and 11)
- vi) impairment of assets (note 5.3.5, 5.4.1 and 5.8)

## **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied to all years presented.

### **5.1 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, any overdrawn nostro accounts and call lendings having maturity of three months or less.

### **5.2 Lendings to / borrowings from financial institutions**

The Holding Company enters into transactions of repo and reverse repo at contracted rates for a specified period of time. These are recorded as under:

### **Sale of securities under repurchase agreements**

Securities sold subject to a repurchase agreement (repo) are retained in these consolidated financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as an expense.

### **Purchase of securities under resale agreements**

Securities purchased under agreement to resell (reverse repo) are not recognised in these consolidated financial statements as investments and the amount extended to the counter party is included in lendings. The difference between the purchase and contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.

## **5.3 Investments**

### **5.3.1 Classification**

The Group classifies its investments as follows:

#### **Held for trading**

These are investments, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealers' margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

#### **Held to maturity**

These are investments with fixed or determinable payments and fixed maturities and the Group has the positive intent and ability to hold them till maturity.

#### **Available for sale**

These are investments, other than those in subsidiaries and associates, which do not fall under the 'held for trading' and 'held to maturity' categories.

#### **Associates**

Associates are all entities over which the Group has significant influence but not control. These are accounted for using the equity method of accounting. The investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves.

#### **Investments in mutual funds established under trust structure not consolidated as subsidiaries - Note 1.2.1**

For the purposes of presentation, such investments have been disclosed as part of associates, and accounted for at par with associates using the equity method of accounting.

### **5.3.2 Regular way contracts**

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date at which the Group commits to purchase or sell the investments.

### 5.3.3 Initial recognition and measurement

Investments are initially recognised at fair value. Transaction costs associated with investments other than held for trading securities are included in cost of investments. Transaction costs on held for trading securities are expensed in the profit and loss account.

### 5.3.4 Subsequent measurement

In accordance with the requirements of the State Bank of Pakistan, quoted securities other than those classified as 'held to maturity', investment in associates and investment in subsidiaries are subsequently remeasured to market value. Surplus / (deficit) arising on revaluation of securities classified as 'available for sale' is taken to a separate account shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of investments classified as 'held for trading' is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost.

Unquoted equity securities, excluding investment in subsidiaries and associates are valued at lower of cost and the break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any.

### 5.3.5 Impairment

Impairment loss in respect of equity securities classified as available for sale, associates and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position below equity is removed there from and recognised in the profit and loss account. For investments classified as held to maturity and investment in associates, the impairment loss is recognised in the profit and loss account.

Gains or losses on disposal of investments during the year are taken to the profit and loss account.

## 5.4 Advances

### Loans and advances

Loans and advances including net investment in finance lease are stated net of provision against non-performing advances. Specific and general provisions against loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas loans and advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery.

### Islamic Financing and Related Assets

The Group provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah, Musharakah, Running Musharakah, Salam, Istisna, Tijara and Export Refinance under SBP Islamic Export Refinance Scheme. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon.

The income on such financings is recognised in accordance with the principles of Islamic Shariah. The Group determines specific and general provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

#### **Net investment in Finance Lease**

Leases where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. The Group determines specific provisions against investment in finance lease on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against net investment in finance lease. The assets are written off when there are no realistic prospects of recovery.

#### **5.4.1 Ijarah Assets (IFAS 2)**

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received / receivable on Ijarah under IFAS 2 are recorded as income / revenue.

#### **Depreciation**

The Group charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method.

#### **Impairment**

Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of the SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

#### **5.5 Operating Fixed assets**

##### **Tangible assets**

Operating fixed assets, except office premises which are carried at revalued amount, are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged to income by applying the straight-line method using the rates specified in note 11.2 to these consolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Office premises are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of operating fixed assets account. Deficit arising on subsequent revaluation of operating fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the repealed Companies Ordinance, 1984. The surplus on revaluation of operating fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of operating fixed assets are taken to the profit and loss account except that the related surplus / deficit on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

### **Intangible assets**

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any.

### **Goodwill**

Goodwill arising on the acquisition represents the excess of the consideration transferred over interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGU, that is expected to benefit from the synergies of the combination. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

## **5.6 Capital work in progress**

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

## **5.7 Non-current assets held for sale**

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

## 5.8 Impairment

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the consolidated financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

## 5.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in statement of comprehensive income.

### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

### Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 5.10 Employee benefits

### a) Defined benefit plan

The Holding Company operates an approved funded gratuity scheme, administered by the trustees, covering eligible employees whose period of employment with the holding company is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised immediately in other comprehensive income. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.

The subsidiary - Alfalah Securities (Private) Limited operates an unfunded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The cost of providing benefits under the defined benefit scheme is determined using the "Projected Unit Credit Method". Actuarial (remeasurement) gains and losses are recognised as income or expense in full in the year in which they occur in other comprehensive income.

#### **b) Defined contribution plan**

The Holding Company operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the holding company and its employees to the fund at the rate of 8.33% of the basic salary in accordance with the terms of the scheme.

The subsidiary - Alfalah GHP Investment Management Limited operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Company and the employees at the rate of 10% of basic salary.

#### **c) Compensated absences**

The Holding Company recognises the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision has been recognised on the basis of actuarial recommendations.

#### **d) Employees Stock Option Scheme**

The Holding Company has granted share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP. Under the scheme, the employees can subscribe to new ordinary shares for which options have been granted to them under the scheme upto the period of 2019. As per the scheme the entitlements and exercise price are subject to adjustments because of issuance of right shares and bonus issues.

The grant date fair value of equity settled share based payments to employees, determined as option discount as allowed by Public Companies (Employee Stock Option Scheme) Rules 2001, is recognized as employee compensation expense on a straight line basis over the vesting period with a consequent credit to equity as employee stock option compensation reserve. The deferred employee stock option cost is shown as a deduction from employee stock option compensation reserve. Option discount means the excess of market price of the share at the date of grant of an option under a Scheme over exercise price of the option.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the profit and loss account, such employee compensation expense is reversed in the profit and loss account equal to the amortized portion with a corresponding effect to employee stock option compensation reserve equal to the un amortized portion.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit or loss is reversed with a corresponding reduction to employee stock option compensation reserve.

When the options are exercised, employee stock option compensation reserve relating to these options is transferred to share capital and share premium. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium.

### **5.11 Non-banking assets acquired in satisfaction of claim**

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the 'surplus on revaluation of fixed assets' account, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to Group is accounted as an expense in the profit and loss account. Furthermore, revaluation surplus on such assets shall not be admissible for calculating Group's



Capital Adequacy Ratio (CAR) and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

#### **5.12 Borrowings / deposits and their cost**

- a) Borrowings / deposits are recorded at the proceeds received.
- b) Borrowing costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

#### **5.13 Deposits - Islamic Banking**

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current Account' and Deposits generated on Modaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio.

Rab-ul-Maal (Customer) share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (Bank) can distribute its share of profit to Rab-ul-Maal upto a specified percentage of its profit.

Profits are distributed from the pool so the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period.

Asset pools are created at the Holding Company discretion and the Holding Company can add, amend, transfer an asset to any other pool in the interests of the deposit holders.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

#### **5.14 Provisions**

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Group to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to the profit and loss account is stated net-of expected recoveries.

Other provisions are recognised when the Group has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

#### **5.15 Acceptances**

Acceptances comprise undertakings by the Holding Company to pay bills of exchange drawn on customers. The Holding Company expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

## **5.16 Revenue recognition**

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured.

### **Advances and investments**

Income on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognized on a receipt basis. Income on rescheduled / restructured advances and investments is recognized as permitted by the SBP regulations or by the regulatory authorities of the countries where the Holding Company operates.

Murabaha income is recognised on deferred income basis.

### **Lease financing**

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

Ijarah income is recognised on an accrual basis as and when the rentals becomes due.

### **Non Markup / interest income**

Fee, commission and brokerage income except income from guarantees and bancaassurance business are accounted for on receipt basis.

Other income is recognised on accrual basis.

Dividend income is recognised at the time when the Group's right to receive the dividend has been established.

## **5.17 Foreign currency translation**

### **Functional and presentation currency**

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Holding Company operates.

### **Transactions and balances**

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

### **Commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

### **Foreign operations**

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year. Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

#### **5.18 Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to the profit and loss account.

#### **5.19 Off-setting**

Financial assets and financial liabilities are off-set and the net amount reported in these consolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

#### **5.20 Dividend and appropriation to reserves**

Dividend and appropriation to reserves, except appropriations which are required under the law, after the reporting date, are recognised in the Group's consolidated financial statements in the year in which these are approved.

#### **5.21 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

#### **5.22 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting structure of the Group. Segmented performance is reported to the senior management of the Holding Company on monthly basis for the purpose of strategic decision making and performance management.

## a) Business segments

### Retail banking

This includes loans, deposits, trading activity, wealth management and other banking transactions with retail and middle market customers of the Holding Company.

### Corporate banking

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities with Holding Company's corporate and public sector customers.

### Treasury

This segment includes liquidity management activities carried out through borrowing, lending, money market, capital market and merchant banking operations. The investments of the Holding Company primarily towards government securities and risk management activities via use of forward contracts & derivatives are reported here.

### Consumer banking

This segment primarily constitutes consumer financing activities with individual customers of the Holding Company. Product suite offered to these customers include credit cards, auto loans, housing finance and personal loans.

### Islamic banking

This segment pertains to full scale Islamic Banking operations of the Holding Company.

### International operations

This segment includes amounts related to Holding Company's overseas operations, namely, commercial banking activities in Bangladesh, Afghanistan, United Arab Emirates and wholesale banking activities in the Kingdom of Bahrain.

### Retail brokerage

It includes asset management activities mainly through the subsidiary Alfalah Securities (Private) Limited.

### Asset management

It includes asset management activities mainly through the subsidiary Alfalah GHP Investment Management Limited.

### Others

This includes the head office related activities, and all other activities not readily tagged to the segments above.

## b) Geographical segments

The group operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

6	CASH AND BALANCES WITH TREASURY BANKS	Note	2017 (Rupees in '000)	2016
	<b>In hand</b>			
	Local currency (including in transit 2017: Rs. 7 million, 2016: Rs. 12.122 million)		10,464,277	10,187,403
	Foreign currencies (including in transit 2017: Rs. 4.230 million, 2016: Rs. 4.189 million)		4,031,605	2,579,051
	<b>With State Bank of Pakistan in</b>			
	Local currency current accounts	6.1	28,767,491	28,662,461
	Foreign currency current accounts	6.2	2,927,953	2,553,016
	Foreign currency deposit accounts	6.3	6,998,393	5,972,553
	<b>With other central banks in</b>			
	Foreign currency current accounts	6.4	1,403,720	4,117,412
	Foreign currency deposit accounts	6.4	555,392	678,906
	<b>With National Bank of Pakistan in</b>			
	Local currency current account		15,208,850	19,292,758
	<b>National Prize Bonds</b>		<u>23,799</u>	<u>27,834</u>
			<u>70,381,480</u>	<u>74,071,394</u>
6.1	This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.			
6.2	As per BSD Circular No. 9 dated December 3, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).			
6.3	Special cash reserve of 15% is required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry markup rates ranging from 0.22% to 0.37% per annum (2016: Nil).			
6.4	These represent deposits with other central banks to meet their minimum cash reserves and capital requirements pertaining to the overseas operations of the Group.			
7	BALANCES WITH OTHER BANKS	Note	2017 (Rupees in '000)	2016
	<b>In Pakistan</b>			
	On current accounts		530,401	352,952
	On deposit accounts	7.1	228,601	1,079,717
	<b>Outside Pakistan</b>			
	On current accounts	7.2	2,056,222	4,375,099
	On deposit accounts	7.3	1,932,711	3,691,019
			<u>4,747,935</u>	<u>9,498,787</u>

- 7.1 This represents funds deposited with various banks at profit rates ranging from 1.73% to 5.30% per annum (2016: 3.00% to 6.00% per annum).
- 7.2 This includes amount held in Automated Investment Plans. The balance is current in nature and on increase in the balance above a specified amount, the Holding Company is entitled to earn interest from the correspondent banks at agreed upon rates.
- 7.3 This includes placement of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 1.00% to 8.40% per annum (2016: 1.00% to 5.50% per annum) having maturities upto March 2018 (2016: March 2017).

	Note	2017 (Rupees in '000)	2016
<b>8 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	20,255,936	5,306,590
Bai Muajjal	8.2	16,791,356	24,497,227
Repurchase agreement lendings	8.3	11,848,536	345,212
		<u>48,895,828</u>	<u>30,149,029</u>

8.1 These represent lendings to financial institutions at interest rates ranging from 1.5% to 9.75% per annum (2016: 0.25% to 9.00% per annum) having maturities upto March 2018 (2016: March 2017).

8.2 This represents Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) / other commercial banks, whereby the Bank sold Sukuks having carrying value of Rs. 16.791 million (2016: Rs. 24,497 million) on deferred payment basis. The rates of return range from 5.71% to 5.80% per annum (2016: 5.62% to 5.97% per annum), and these are due to mature by March 2018 (2016: June 2017).

8.3 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 5.8% to 6.2% per annum (2016: 6.15% per annum) with maturities upto June 2018 (2016: January 2017).

**8.3.1 Securities held as collateral against lending to financial institutions**

	2017			2016		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
----- (Rupees in '000) -----						
Market Treasury Bills	5,593,265	-	5,593,265	345,212	-	345,212
Pakistan Investment Bonds	1,003,918	5,251,353	6,255,271	-	-	-
	<u>6,597,183</u>	<u>5,251,353</u>	<u>11,848,536</u>	<u>345,212</u>	<u>-</u>	<u>345,212</u>

	2017 (Rupees in '000)	2016
<b>8.4 Particulars of lendings to financial institutions</b>		
In local currency	43,346,538	28,842,439
In foreign currencies	5,549,290	1,306,590
	<u>48,895,828</u>	<u>30,149,029</u>

## 9 INVESTMENTS - NET

### 9.1 Investments by types

Note	2017			2016		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- <b>(Rupees in '000)</b> -----						
<b>Held for trading securities</b>						
Market Treasury Bills	22,759,650	-	22,759,650	14,120,130	-	14,120,130
Pakistan Investment Bonds	-	-	-	20,207	-	20,207
Overseas Bonds	19,443	-	19,443	549,615	-	549,615
Fully paid up ordinary shares / units - Listed	28,140	-	28,140	740,776	-	740,776
	22,807,233	-	22,807,233	15,430,728	-	15,430,728
<b>Available for sale securities</b>						
Market Treasury Bills	77,610,358	85,274,643	162,885,001	38,584,821	-	38,584,821
Pakistan Investment Bonds	43,168,310	64,920,622	108,088,932	78,936,759	128,150,711	207,087,470
Fully paid up ordinary shares / units - Listed	5,786,367	-	5,786,367	6,251,543	-	6,251,543
Fully paid up ordinary shares / units - Unlisted	350,507	-	350,507	82,056	-	82,056
Term Finance Certificates	1,297,084	-	1,297,084	514,483	-	514,483
Preference Shares - Listed	108,835	-	108,835	108,835	-	108,835
Preference Shares - Unlisted	25,000	-	25,000	25,000	-	25,000
Redeemable Participating Certificates	1,133,659	-	1,133,659	501,938	-	501,938
Commercial papers	90,201	-	90,201	-	-	-
Pakistan Euro Bonds	1,435,375	845,802	2,281,177	2,688,770	-	2,688,770
Overseas Bonds	1,479,097	2,526,175	4,005,272	7,819,677	4,839,993	12,659,670
Sukuk Bonds	36,191,513	6,939,721	43,131,234	38,663,395	5,023,937	43,687,332
	168,676,306	160,506,963	329,183,269	174,177,277	138,014,641	312,191,918
<b>Held to maturity securities</b>						
Market Treasury Bills	1,470,741	-	1,470,741	1,995,857	-	1,995,857
Pakistan Investment Bonds	31,637,988	-	31,637,988	31,793,773	-	31,793,773
Term Finance Certificates	524,266	-	524,266	524,266	-	524,266
Pakistan Euro Bonds	193,239	-	193,239	706,255	-	706,255
Commercial Papers	-	-	-	661,557	-	661,557
Overseas Bonds	4,945,043	1,095,269	6,040,312	9,714,052	1,036,079	10,750,131
Sukuk Bonds	4,097,810	-	4,097,810	3,847,273	-	3,847,273
	42,869,087	1,095,269	43,964,356	49,243,033	1,036,079	50,279,112
<b>Investments in Associates and Mutual Funds established under Trust Structure not considered for consolidation</b>						
Alfalsh Insurance Limited	319,725	-	319,725	282,909	-	282,909
Sapphire Wind Power Company Limited	1,557,584	-	1,557,584	1,221,237	-	1,221,237
Alfalsh GHP Money Market Fund	381,416	-	381,416	57,287	-	57,287
Alfalsh GHP Income Multiplier Fund	6	-	6	298,473	-	298,473
Alfalsh GHP Sovereign Fund	491	-	491	253,490	-	253,490
Alfalsh GHP Income Fund	1,529	-	1,529	169,745	-	169,745
Alfalsh GHP Islamic Income Fund	5,576	-	5,576	6,683	-	6,683
Alfalsh GHP Pension Fund	86,343	-	86,343	-	-	-
Alfalsh GHP Islamic Pension Fund	86,277	-	86,277	-	-	-
Alfalsh GHP Islamic Stock Fund	-	-	-	439,502	-	439,502
Alfalsh GHP Cash Fund	9,800	-	9,800	534,264	-	534,264
TriconBoston Consulting Corporation (Private) Limited	764,575	-	764,575	-	-	-
	3,213,322	-	3,213,322	3,263,590	-	3,263,590
<b>Investments</b>	237,565,948	161,602,232	399,168,180	242,114,628	139,050,720	381,165,348
<b>Provision for diminution in the value of investments</b>	9.23 (1,349,330)	-	(1,349,330)	(1,253,781)	-	(1,253,781)
<b>Investments (net of provisions)</b>	236,216,618	161,602,232	397,818,850	240,860,847	139,050,720	379,911,567
Surplus on revaluation of held for trading securities - net	9.25 (7,351)	-	(7,351)	109	-	109
Surplus on revaluation of available for sale securities - net	20.2 2,005,976	1,924,923	3,930,899	7,677,435	2,077,811	9,755,246
<b>Total investments</b>	238,215,243	163,527,155	401,742,398	248,538,391	141,128,531	389,666,922

9.1.1 Market value of held to maturity securities is Rs. 43,844 million (2016: Rs. 48,528 million).

## 9.2 Strategic Investments

Strategic investments are those which the Group makes with the intention of holding them for a long term duration and are marked as such at the time of investment. Disposals of such investments can only be made subject to the fulfilment of the requirements prescribed by the SBP. Further, as per the SBP instructions in BPD Circular Letter No. 16 of 2006 dated August 01, 2006, investments marked as strategic have a minimum retention period of 5 years from the original purchase date. However, these can be sold before the stipulated period with the prior permission of the SBP.

Strategic Investments are restricted to and the same as those reflected in the Bank's separate financial statements and do not include investments resulting by way of consolidation of holding through subsidiaries.

9.3 Investments by segments	Note	2017 (Rupees in '000)	2016
<b>Federal Government Securities</b>			
- Market Treasury Bills	9.5	187,115,392	54,700,808
- Pakistan Investment Bonds	9.6	139,726,920	238,901,450
- Overseas Government Bonds	9.7	5,511,613	18,042,785
- Sukuk Bonds	9.8	38,408,132	41,567,768
- Pakistan Euro Bonds	9.9	2,474,416	3,395,025
- Commercial Papers		-	132,277
		373,236,473	356,740,113
<b>Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates</b>			
- Listed companies / mutual funds	9.10	5,814,507	6,992,319
- Un-listed companies	9.11	350,507	82,056
- Preference Shares - Listed	9.12	108,835	108,835
- Preference Shares - Unlisted	9.13	25,000	25,000
		6,298,849	7,208,210
<b>Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates</b>			
- Listed TFCs	9.14	99,860	99,900
- Un-listed TFCs	9.15	1,721,490	938,849
- Sukuk Bonds	9.16	8,820,912	5,966,837
- Commercial Papers	9.17	90,201	529,280
- Overseas Bonds	9.18	4,553,414	5,916,631
- Redeemable Participating Certificates	9.19	1,133,659	501,938
		16,419,536	13,953,435
<b>Investments in Associates and Mutual Funds established under trust structure not considered for consolidation</b>	9.20	3,213,322	3,263,590
<b>Total investments</b>		399,168,180	381,165,348
Provision for diminution in the value of investments	9.23	(1,349,330)	(1,253,781)
<b>Investments (net of provisions)</b>		397,818,850	379,911,567
Surplus on revaluation of held for trading securities - net	9.25	(7,351)	109
Surplus on revaluation of available for sale securities - net	20.2	3,930,899	9,755,246
<b>Total investments</b>		401,742,398	389,666,922



- 9.4** Investments include certain approved / government securities which are held by the Holding Company to comply with the Statutory Liquidity Requirement determined on the basis of the Holding Company's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.
- 9.5** Market Treasury Bills are for the periods of three months, six months and one year. The effective rates of profit on Market Treasury Bills range between 5.93% to 6.19% per annum (2016: 5.85% to 6.21% per annum) with maturities upto March 2018 (2016: September 2017).
- 9.6** Pakistan Investment Bonds (PIBs) are for the periods of three, five, ten years and fifteen years. The rates of profit range from 6.36% to 12.72% per annum (2016: 6.21% to 12.73% per annum) with maturities from March 2018 to July 2022 (2016: July 2017 to July 2022).

**9.7 Federal Government Securities - Overseas Government Bonds**

Country	Date of maturity	Profit / interest rate per annum 2017	Profit / interest rate per annum 2016	2017 (Rupees in '000)	2016
Afghanistan	January 2018 to February 2018	-	0.35% to 1.68%	-	3,659,152
Bangladesh	January 2018 to November 2034	2.97% to 12.48%	6.62% to 12.55%	4,964,487	5,567,738
Kazakhstan	October 2024	-	3.88%	-	309,038
Kingdom of Bahrain	-	-	0.055%	-	553,251
Kingdom of Jordan	January 2026 and January 2027	-	5.75% to 6.13%	-	208,419
Kingdom of Saudi Arabia	October 2026	-	3.25%	-	1,964,712
Sultanate of Oman	June 2026	-	4.75%	-	2,290,336
State of Qatar	June 2026	3.25%	2.38% to 3.28%	547,126	2,796,606
Republic of Indonesia	January 2022 to July 2025	-	2.63% to 4.35%	-	481,566
Republic of Sri Lanka	January 2022 and May 2027	-	5.75%	-	156,898
United Mexican State	March 2024	-	1.63%	-	55,069
				<u>5,511,613</u>	<u>18,042,785</u>

**9.8 Federal Government Securities - Sukuk Bonds**

Investee company	Date of maturity	Profit / interest rate per annum 2017	Profit / interest rate per annum 2016	2017 (Rupees in '000)	2016
Indonesia Sovereign	-	-	4.35%	-	524,754
Kingdom of Bahrain Sukuk	February 2024	5.60%	5.62%	552,041	522,993
Neelum Jhelum Hydro Power Company	June 2026 and October 2026	7.30% and 7.34%	7.19% and 7.28%	2,600,000	2,600,000
Pakistan Government Ijarah Sukuk XVI	December 2018	5.51%	5.45%	20,518,922	20,519,468
Pakistan Government Ijarah Sukuk XVII	February 2019	6.10%	6.10%	5,603,700	5,606,994
Pakistan Government Ijarah Sukuk XVIII	March 2019	5.59%	5.59%	4,000,000	4,000,000
Pakistan International Sukuk	December 2019	6.75%	6.75%	959,941	909,084
Pakistan International Sukuk	October 2021	5.50%	5.50%	3,202,099	4,719,034
South Africa Sovereign	-	-	3.90%	-	418,394
Turkey Sukuk	-	-	4.25%	-	366,095
WAPDA-III	October 2021	7.17%	7.06%	971,429	1,380,952
				<u>38,408,132</u>	<u>41,567,768</u>

**9.9** These represent Pakistan Euro Bonds of US Dollar 26.75 million (2016: US Dollar 33.14 million) issued by the Government of Pakistan. These bonds carry interest 8.25% per annum (2016: 7.25% to 8.25% per annum) with maturities upto September 2025 (2016: September 2025).

**9.10** Particulars of investments in listed companies / mutual funds include the following:

2017 (Number of shares / certificates / units)	2016		2017 (Rupees in '000)	2016
<b>OIL AND GAS EXPLORATION COMPANIES</b>				
3,110,000	2,275,000	Oil and Gas Development Corporation Limited	476,564	324,333
446,950	475,000	Pakistan Oilfields Limited	232,365	147,629
800,000	591,800	Pakistan Petroleum Limited	126,698	75,012
<b>OIL AND GAS MARKETING COMPANIES</b>				
12,750	140,000	Attock Petroleum Limited	6,790	74,552
920,000	560,100	Pakistan State Oil Company Limited	290,240	209,845
225,000	-	Sui Northern Gas Pipelines Limited	21,949	-
-	200,000	Hi-Tech Lubricants Limited	-	22,898
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>				
375,000	592,200	Agriauto Industries Limited	123,882	139,293
-	200,000	Thal Limited	-	83,906
<b>CHEMICALS</b>				
2,273,531	2,273,531	Agritech Limited	17,909	17,909
1,464,100	1,773,800	Engro Corporation Limited	444,315	497,166
-	3,745,500	Engro Fertilizer Limited	-	277,450
-	1,200,000	Fatima Fertilizer Company Limited	-	37,184
-	4,429,500	Fauji Bin Qasim Limited	-	232,669
-	1,875,000	Fauji Fertilizer Company Limited	-	232,121
<b>PHARMACEUTICALS</b>				
-	300,000	Abbot Laboratories (Pakistan) Limited	-	255,055
<b>CEMENT</b>				
1,326,300	851,300	Cherat Cement Company Limited	170,278	128,283
4,302,300	2,191,400	D G Khan Cement Limited	629,071	322,308
7,740,000	1,200,000	Fauji Cement Company Limited	218,265	44,363
1,092,200	997,700	Lucky Cement Limited	653,764	532,555
1,100,000	2,722,000	Pioneer Cement Limited	80,869	330,591
<b>ENGINEERING</b>				
1,900,000	1,300,000	Amreli Steels Limited	167,071	69,969
-	124,000	Mughal Iron and Steel Industries Limited	-	11,810
<b>TECHNOLOGY &amp; COMMUNICATION</b>				
-	550,000	Avanceon Limited	-	19,416
<b>PAPER &amp; BOARD</b>				
-	128,900	Cherat Packaging Limited	-	48,034
Balance carried forward			3,660,030	4,134,351

2017 (Number of shares / certificates / units)	2016		2017 (Rupees in '000)	2016
		Balance brought forward	3,660,030	4,134,351
		<b>REAL ESTATE INVESTMENT TRUST</b>		
41,622,117	41,622,117	Dolmen City Real Estate Investment Trust (REIT)	457,843	457,843
		<b>PERSONAL GOODS</b>		
-	624,500	Gul Ahmed Textile Mills Limited	-	34,007
-	250,000	Nishat (Chunian) Limited	-	14,434
		<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>		
-	100,250	Al Shaheer Corporation Limited	-	5,432
		<b>CABLE &amp; ELECTRICAL GOODS</b>		
-	250,000	Pak Elektron Limited	-	17,480
		<b>POWER GENERATION &amp; DISTRIBUTION</b>		
1,849,000	221,000	Altern Energy Limited	73,633	7,949
667,000	5,540,000	K-Electric Limited	4,015	51,055
-	1,942,500	Kot Addu Power Company Limited	-	148,452
3,449,500	4,000,000	Nishat (Chunian) Power Company Limited	115,727	132,117
6,043,000	2,500,000	Nishat Power Company Limited	222,999	106,994
4,500,000	6,116,700	The Hub Power Company Limited	439,587	553,530
		<b>BANKS</b>		
-	891,700	Allied Bank Limited	-	88,485
1,261,500	5,500,000	Bank Al Habib Limited	51,852	226,069
1,800,720	1,800,720	First Dawood Investment Bank Limited	15,000	15,000
-	1,775,000	Habib Bank Limited	-	331,519
4,200,000	-	Habib Metropolitan Bank Limited	138,821	-
734,000	1,227,200	MCB Bank Limited	147,136	301,077
-	525,000	National Bank of Pakistan Limited	-	39,093
2,200,000	1,800,000	United Bank Limited	474,755	299,826
		<b>FINANCIAL SERVICES</b>		
47,460	47,460	Visa Inc.	-	-
		<b>MISCELLANEOUS</b>		
1,902,953	4,007,383	Pakistan Stock Exchange Limited (PSX) (note 9.10.1)	13,109	27,606
			<u>5,814,507</u>	<u>6,992,319</u>

**9.10.1** This represents shares of Pakistan Stock Exchange Limited (PSX), which were listed from June 2017 and are held by Alfalah Securities (Private) Limited (subsidiary of the Holding Company). At December 31, 2017, these shares were classified as "Freeze" in the Central Depository Company (CDC) report of the subsidiary company.

These shares were acquired in pursuance of corporation and demutualization of PSX as a public company limited by shares. As per the arrangements, the authorized and paid-up capital of PSX is Rs. 10 billion and Rs. 8.015 billion respectively with a par value of Rs. 10 each. The paid-up capital of PSX is equally distributed among 200 members (termed as initial shareholders of exchange after corporatization) of PSX by issuance of 4,007,383 to each initial shareholders in the following manner:

- 40 % of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account of Central Depository Company of Pakistan Limited (CDC) to each initial shareholder.

- 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under PSX's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions.

In the year 2016, the Securities and Exchange Commission of Pakistan (SECP) accorded its approval to Pakistan Stock Exchange Limited (PSX) for issuing letter of acceptance to a Chinese Consortium for the strategic sale of 40% of these blocked shares.

PSX vide their letter dated 29 December 2016 has informed Alfalah Securities (Private) Limited that 40% shares (out of 60% of total shareholding in PSX), which were held in blocked form, have been sold to Chinese Consortium by the Divestment Committee at an offer price of Rs. 28 per share. Subsequently, a formal signing ceremony was held on 20 January 2017 to mark the signing of the Share Purchase Agreement between the Chinese Consortium and the equity sale committee of PSX.

As per the above mentioned letter, 10% of the consideration amount has been retained for the period of one year to settle any outstanding liabilities of PSX and as such the portion of sale after deduction, if any, will be remitted to the designated bank account maintained by the subsidiary company after the expiry of the specified time period. Accordingly, the subsidiary company has received 90% of the sale proceeds for 1,602,953 (40%) shares. The process of divestment of remaining 20% shares was completed upon the successful completion of book building process.

#### 9.11 Investments in unlisted companies

2017 (Number of shares)	2016		2017 (Rupees in '000)	2016 (Rupees in '000)
572,531	572,531	<b>Pakistan Export Finance Guarantee Agency Limited</b> Liquidator: Mr. Usman Khawaja Break-up value per share: Rs. 0.5 Date of financial statements: June 30, 2010 (Audited)	5,725	5,725
24	24	<b>Society for Worldwide Interbank Financial Telecommunication</b> Chief Executive: Mr. Gottfried Leibbrandt Break-up value per share: Rs. 498,730 (2013: Rs. 425,866) Date of financial statements: December 31, 2016 (Audited)	4,096	4,096
5,000,000	5,000,000	<b>Al-Hamra Avenue (Private) Limited</b> Chief Executive: Mr. Habib Ahmed Break-up value per share: Rs. 9.52 Date of financial statements: June 30, 2010 (Un-audited)	50,000	50,000
2,223,452	2,223,452	<b>Pakistan Mobile Communication Limited (Related party)</b> Chief Executive: Mr. Aamir Ibrahim Break-up value per share: Rs. 15.18 (2016: Rs. 15.52) Date of financial statements: December 31, 2016 (Audited)	22,235	22,235
10,800,000	-	<b>AGP Pharma</b> Chief Executive: Ms. Nusrat Munshi Break-up value per share: Rs. 19.68 Date of financial statements: December 31, 2017 (Audited)	256,211	-
1,224,000	-	<b>Pakistan Mortgage Refinance Company Limited (Related party)</b> Chief Executive: Mr. N. Kokularupan Narayanasamy Break-up value per share: Rs. 10.04 Date of financial statements: December 31, 2017 (Un-audited)	12,240	-
			<u>350,507</u>	<u>82,056</u>

## 9.12 Investments in preference shares - Listed

2017 (Number of shares)	2016		2017 (Rupees in '000)	2016
10,883,486	10,883,486	<b>Agritech Limited</b>	108,835	108,835
		Chief Executive: Mr. Faisal Muzammil		
		Redemption: Any time after the issuance of preference shares		
		Break-up value per share: Rs. 1.12 (2015: Rs. 12.51)		
		Date of financial statements: December 31, 2016 (Audited)		
			108,835	108,835

## 9.13 Investments in preference shares - Unlisted

2,500,000	2,500,000	<b>Trust Investment Bank Limited</b>	25,000	25,000
		Chief Executive: Mr. Ahsan Rafique		
		Redemption: Any time after the issuance of preference shares		
		Break-up value per share: Rs. 11.08 (2016: Rs. 14.92)		
		Date of financial statements: June 30, 2017 (Audited)		
			25,000	25,000

## 9.14 Particulars of Term Finance Certificates - Listed

		<b>MCB Bank formerly NIB Bank Limited - (2nd Issue)</b>	99,860	99,900
		20,000 (2016: 20,000) certificates of Rs. 5,000 each		
		Mark up: Average six months KIBOR + 115 basis points per annum with no floor and cap		
		Redemption: The TFC is structured to redeem 0.3 percent of principal semi-annually in the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month. The repayment obligations of the issuer pursuant to the TFCs unsecured and sub-ordinated to all other financial obligations of the issuer.		
		Maturity: June 2022		
		Rating: AAA (PACRA)		
		Chief Executive: Mr. Imran Maqbool		
			99,860	99,900

## 9.15 Particulars of Term Finance Certificates - Unlisted

		<b>Agritech Limited</b>	499,586	499,586
		100,000 (2016: 100,000) certificates of Rs. 5,000 each		
		Mark up: Average six months KIBOR (Ask Side) + 175 basis point per annum (no floor & no cap)		
		Redemption: The principal and markup repayments are overdue.		
		Maturity: July 2017		
		Rating: Unrated		
		Chief Executive: Mr. Muhammad Faisal Muzammil		
		Balance carried forward	499,586	499,586

	2017 (Rupees in '000)	2016
Balance brought forward	499,586	499,586
<b>Askari Bank Limited</b>	99,880	99,920
20,000 (2016: 20,000) certificates of Rs. 5,000 each		
Mark up: Average six months KIBOR plus 120 basis points per annum		
Redemption: TFC is structured to redeem 0.36% of the issue amount during the tenor of the issue with 99.64% of the issue amount in year ten in 2 equal semi annual instalments of 49.82% each. The TFCs shall be sub-ordinated to the payment of the principal and profit to all other indebtedness of the issuer including deposits, and are not redeemable before maturity without the prior approval of the State Bank of Pakistan.		
Maturity: September 2024		
Rating: AA (PACRA)		
Chief Executive: Mr. Syed Majeedullah Hussaini		
<b>Azgard Nine Limited - Note 9.15.1</b>	43,350	43,350
20,000 (2016: 20,000) certificates of Rs.5,000 each		
Mark-up: Average Six months KIBOR (Ask Side) + 100 basis points per annum		
Redemption: The principal and markup repayments are overdue.		
Maturity: December 2017		
Rating: Unrated		
Chief Executive: Mr. Ahmed H. Shaikh		
<b>Azgard Nine Limited - Note 9.15.2</b>	32,870	32,870
6,574 (2016: 6,574) certificates of Rs.5,000 each		
Mark-up: Zero Rated		
Redemption: The principal and markup repayments are overdue.		
Maturity: March 2017		
Rating: Unrated		
Chief Executive: Mr. Ahmed H. Shaikh		
<b>Faysal Bank Limited</b>	-	74,850
Nil (2016: 30,000 certificates of Rs. 5,000 each)		
<b>Fauji Akber Portia Marine Terminals Limited (FAP) - Note 9.15.4</b>	224,499	161,408
8 certificates of various PKR denominations (2016: 6 certificates of various PKR denominations)		
Mark up: Zero rated		
Redemption: Repayment will commence after the repayment of entire principal of reduced STF facility of FAP and will be made in 3 un-equal semi-annual instalments commencing from 2021.		
Maturity: May 2022		
Rating: Unrated		
Chief Executive: Commodore (Retd) Pervaiz Ahmed Khan		
Balance carried forward	900,185	911,984

	2017	2016
	(Rupees in '000)	
Balance brought forward	900,185	911,984
<b>New Allied Electronics - Note 9.15.3</b>	2,185	2,185
437 (2016: 437) certificates of Rs. 5,000 each		
Mark up:	Average three months KIBOR plus 275 basis points	
Redemption:	The principal and markup repayments are overdue.	
Maturity:	May 2011	
Rating:	Unrated	
Chief Executive:	Mr. Zeeshan Pervaiz Akhtar	
<b>Silk Bank Limited</b>	100,000	-
20,000 (2016: Nil) certificates of Rs. 5,000 each		
Mark up:	Average 6 month KIBOR plus 185 basis points per annum	
Redemption:	The instrument is structured to redeem 0.14 percent of principal semi-annually during the first seven years and remaining amount in 2 equal semi-annual instalments of 49.93%. The TFCs are sub-ordinated to all other indebtedness of the issuer including deposits.	
Maturity:	May 2025	
Rating:	A- (JCR-VIS)	
Chief Executive:	Mr. Azmat Tareen	
<b>WAPDA - Dasu Hydro Power Project</b>	694,440	-
69,444 (2016: Nil) certificates of Rs. 10,000 each		
Mark up:	Average six months KIBOR plus 145 basis points per annum	
Redemption:	20 equal semi-annual installments commencing from the 66th month from the first drawdown	
Maturity:	May 2032	
Rating:	AAA (PACRA)	
Chief Executive:	Lieutenant General Muzammil Hussain (Retd)	
<b>Zulekha Textile Mills Limited</b>	24,680	24,680
300 (2016: 300) certificates of Rs. 100,000 each		
Mark-up:	Average Six Months KIBOR + 300 basis points per annum	
Redemption:	10 equal semi-annual instalments commencing from the 24th months from first draw down.	
Maturity:	October 2019	
Rating:	Unrated	
Chief Executive:	Shanzae Amjad	
	1,721,490	938,849

**9.15.1** In the year 2012, the Group's exposure in the TFCs of Azgard Nine Limited (ANL) amounting to Rs. 99.920 million was restructured under a Debt / Asset Swap arrangement. As per the terms of the restructuring, the Holding Company received 1,616,036 shares of Agritech Limited (AGL) (valued at Rs. 35 per share) as partial settlement of the ANL's TFC exposure. In addition, the Holding Company also injected additional equity amounting to Rs. 11.631 million for acquisition of additional 332,297 shares in AGL. Subsequent to this settlement, Group's exposure in the TFC of ANL has reduced to Rs. 43.350 million (as reflected in note 9.17). This exposure in TFC is fully provided while investment in shares has been held at fair value.

As per the terms of agreement, AGL shares shall be held by the respective trustees for the TFC issue in their name and on behalf of the TFC Holders who shall be the beneficial owners of the subject shares in proportion to their holdings. The Trustees of the TFC issue are authorised pursuant to shareholders investors agreement to hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer. Hence, 1,616,036 shares received by the Holding Company are held by the trustees of the TFCs.

Under the terms of Investor's Buy-Back Agreement entered into by the Holding Company in 2012, the strategic investor issued a put option notice to the Group in January 2016. The Holding Company being one of the financing investors has purchased 325,198 shares of AGL at a price of Rs. 35 per share.

Subsequent to the year end, in line with the term of the agreement, 1,616,036 shares of AGL have been transferred to the Holding Company by the Trustee of the TFC on January 29, 2018.

**9.15.2** This represents Zero Rated Term Finance Certificates of Azgard Nine Limited (ANL) received in settlement of overdue mark-up outstanding on the actual TFC exposure of the Holding Company, amounting to Rs. 99.920 million. The settlement was made as per the Investor Agreement entered into between ANL and the Holding Company. As at December 31, 2017, this investment is fully provided.

**9.15.3** These represent TFCs of New Allied Electronics amounting to Rs. 2.185 million, received partially in lieu of the fully impaired unlisted TFCs of First Dawood Investment Bank previously held by the Holding Company. As at December 31, 2017, this investment is fully provided.

**9.15.4** During the year 2017, the Holding Company received zero rated TFCs of Fauji Akbar Portia Marine Terminal Limited (FAP) amounting to Rs. 63.091 million (2016: Rs. 59.339 million). These TFCs were received in settlement of overdue mark-up instalments on reduced STF facility of FAP. The Holding Company will continue to receive TFCs in settlement of mark-up to be accrued on semi-annual basis till May 2021. As at December 31, 2017, the exposure in the TFCs amounts to Rs. 224.499 million which stands fully provided.



## 9.16 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Number of Certificates	2017 (Rupees in '000)	2016
Albaraka Turk Katilim Bankasi	June 2019	6.25%	925,697	977,192	925,697
BRR Guardian Modaraba	December 2016	1 months KIBOR	20,000	20,593	36,177
Dubai Islamic Bank	February 2022	3.66%	Not applicable	1,545,841	-
Kuveyt Turk Katilim Bankasi	June 2019	5.16%	-	-	522,993
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00%	100,000	254,917	297,132
Pakistan Mobile Communication Limited	December 2019	3 months KIBOR plus 0.88 %	340,000	1,133,333	1,700,000
Qatar Islamic Bank	May 2022	3.25%	Not applicable	1,656,258	-
Quetta Textile Mills Limited	September 2019	6 months KIBOR plus 1.50%	30,000	72,619	72,619
Security Leasing Corporation Limited - I	January 2022	3% Cash + 3% accrual	5,000	6,418	6,418
Security Leasing Corporation Limited - II	September 2022	6 months KIBOR plus 1.95%	35,000	52,350	52,350
Sharjah International Bank	May 2021	3.08%	418,394	441,669	418,394
Sitara Peroxide (Private) Limited	August 2016	3 months KIBOR plus 1.00%	60,000	118,052	118,052
Sui Southern Gas Company Limited	October 2019	3 months KIBOR plus 0.4%	300,000	1,500,000	1,500,000
TF Varlik Kiralama AS	April 2019	5.38%	-	-	317,005
WAPDA - Dasu Hydro Power Project	May 2032	7.60%	104,167	1,041,670	-
				<u>8,820,912</u>	<u>5,966,837</u>

9.17 These represent Commercial papers amounting to Rs. 90.201 million (2016: Rs. 529.280 million), Interest rate on these commercial papers is 9 months KIBOR+1% (2016: ranges between 7.75% to 9.50% per annum ), and are due for maturity upto September 2018 (2016: upto April 2017).

## 9.18 Investments in Overseas Bonds

Investee company	Date of maturity	Profit rate per annum	2017 (Rupees in '000)	2016
ABQ Finance Limited	February 22, 2022	3.50%	549,512	-
Abu Dhabi Commercial Bank Cayman Ltd	-	-	-	1,045,995
Africa Finance Corp	April 29, 2020	4.38%	219,322	-
African Import Export	May 24, 2021	4.00%	548,143	518,251
Afrin 2020	June 24, 2020	3.90%	659,321	623,371
Burgan Senior SPC Limited	September 14, 2021	3.13%	439,332	415,625
Deutsche Bank AG	March 17, 2025	1.13%	264,092	216,011
Gulf International Bank	March 25, 2022	3.50%	879,304	-
Halk Bank	-	-	-	521,933
Qatar National Bank	September 7, 2021	3.05%	214,443	812,695
RAK Funding Cayman Limited	-	-	-	208,412
TC Zirrat Bankasi A.S	-	-	-	260,908
Turkey Halk Bankasi	-	-	-	52,281
Turkey IS Bankasi A.S	June 25, 2021	5.00%	328,896	310,991
Turkiye Sanai	May 18, 2021	4.88%	54,911	51,945
Turkiye Garanti Bankasi A.S	July 8, 2019	3.38%	396,138	326,014
Union National Bank	-	-	-	552,199
			<u>4,553,414</u>	<u>5,916,631</u>

9.19 These represents redeemable participating certificates amounting to USD 10.267 million (2016: USD 4.8 million) issued by Baltoro Growth Fund, registered in Mauritius. The fund has a life of ten years and distributions would be made at the end of the life.

## 9.20 Particulars of investments in associates and mutual funds established under trust structure not considered for consolidation.

The paid up value of these shares / units is Rs. 10 unless otherwise stated.

2017 (Number of shares / units)	2016		2017 (Rupees in '000)	2016 (Rupees in '000)
14,997,825	14,997,825	<b>Alfalsh Insurance Limited</b> Percentage of holding: 30% (2016: 30%) Break-up value per share: Rs. 21.14 (2016: Rs. 19.70) Date of un-audited financial statements: December 31, 2017 Chief Executive: Mr. Nasar us Samad Qureshi	319,725	282,909
97,812,317	97,812,317	<b>Sapphire Wind Power Company Limited</b> Percentage of holding: 30% (2016: 30%) Break-up value per share: Rs. 15.63 (2016: Rs. 12.19) Date of un-audited financial statements: December 31, 2017 Chief Executive: Mr. Nadeem Abdullah	1,557,584	1,221,237
3,814,965	567,660	<b>Alfalsh GHP Money Market Fund</b> Percentage of holding: 7.44% (2016: 4.16%) NAV per unit: Rs. 99.95 (2016: 100.92) Date of reviewed financial statements: December 31, 2017 Management Company - Alfalsh GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	381,416	57,287
118	5,481,236	<b>Alfalsh GHP Income Multiplier Fund</b> Percentage of holding: 0.00% (2016: 13.17%) NAV per unit: Rs. 54.47 (2016: Rs. 54.45) Date of reviewed financial statements: December 31, 2017 Management Company - Alfalsh GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	6	298,473
4,542	2,340,809	<b>Alfalsh GHP Sovereign Fund</b> Percentage of holding: 0.02 % (2016: 10.67% ) NAV per unit: Rs.108.15 ( 2016: Rs. 108.29) Date of reviewed financial statements: December 31, 2017 Management Company - Alfalsh GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	491	253,490
13,362	1,496,542	<b>Alfalsh GHP Income Fund</b> Percentage of holding: 0.11% (2016: 12.88%) NAV per unit: Rs. 114.42 (2016: Rs. 113.42) Date of reviewed financial statements: December 31, 2017 Management Company - Alfalsh GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	1,529	169,745
53,982	64,663	<b>Alfalsh GHP Islamic Income Fund</b> Percentage of holding: 0.03 % (2016: 0.14%) NAV per unit: Rs. 103.27 (2016: Rs. 103.35) Date of reviewed financial statements: December 31, 2017 Management Company - Alfalsh GHP Investment Management Limited (Paid-up value of each unit is Rs. 100)	5,576	6,683
		Balance carried forward	2,266,327	2,289,824

2017	2016		2017	2016
(Number of shares / units)			(Rupees in '000)	
		Balance brought forward	2,266,327	2,289,824
900,000	-	<b>Alfalah GHP Pension Fund</b>	86,343	-
		Percentage of holding: 31.77%		
		NAV per unit: Rs. 94.78		
		Date of reviewed financial statements: December 31, 2017		
		Management Company - Alfalah GHP Investment Management Limited		
		(Paid-up value of each unit is Rs. 100)		
900,000	-	<b>Alfalah GHP Islamic Pension Fund</b>	86,277	-
		Percentage of holding: 34.99%		
		NAV per unit: Rs. 109.94		
		Date of reviewed financial statements: December 31, 2017		
		Management Company - Alfalah GHP Investment Management Limited		
		(Paid-up value of each unit is Rs. 100)		
-	5,590,077	<b>Alfalah GHP Islamic Stock Fund</b>	-	439,502
19,323	1,050,926	<b>Alfalah GHP Cash Fund</b>	9,800	534,264
		Percentage of holding: 3.75 % (2016: 38.85%)		
		NAV per unit: Rs. 507.03 (2016: Rs. 508.37)		
		Date of reviewed financial statements: December 31, 2017		
		Management Company - Alfalah GHP Investment Management Limited		
		(Paid-up value of each unit is Rs. 500)		
76,922,999	-	<b>TriconBoston Consulting Corporation (Private) Limited</b>	764,575	-
		Percentage of holding: 9.25%		
		Break-up value per share: Rs. 9.80		
		Date of un-audited financial statements: December 31, 2017		
		Chief Executive: Mr. Nadeem Abdullah		
			3,213,322	3,263,590

**9.21 Particulars of assets and liabilities of associates and mutual funds established under trust structure not considered for consolidation.**

**Alfalah Insurance Limited**

Date of un-audited financial statements: December 31, 2017

Assets	3,169,013	2,781,815
Liabilities	2,118,909	1,851,276
Revenue	99,598	173,803
Profit for the year	122,720	126,723

**Sapphire Wind Power Company Limited**

Date of un-audited financial statements: December 31, 2017

Assets	13,782,492	13,634,295
Liabilities	8,685,366	9,658,325
Revenue for the six months period	1,184,593	873,864
Profit for the six months period - net of tax	468,632	155,593

**Alfalah GHP Money Market Fund**

Date of un-audited financial statements: December 31, 2017

Assets	2,079,162	1,399,008
Liabilities	17,388	20,981
Revenue for the six months period	57,420	48,073
Profit for the six months period - net of tax	47,467	36,852

	2017	2016
	(Rupees in '000)	
<b>Alfalah GHP Income Multiplier Fund</b>		
Date of un-audited financial statements: December 31 , 2017		
Assets	1,585,107	2,306,511
Liabilities	26,331	39,851
Revenue for the six months period	67,014	83,746
Profit for the six months period - net of tax	46,705	60,141
<b>Alfalah GHP Sovereign Fund</b>		
Date of un-audited financial statements: December 31 , 2017		
Assets	2,289,299	2,440,650
Liabilities	957,409	64,362
Revenue for the six months period	38,952	133,688
Profit for the six months period - net of tax	28,087	54,916
<b>Alfalah GHP Income Fund</b>		
Date of un-audited financial statements: December 31 , 2017		
Assets	561,657	1,340,145
Liabilities	16,578	22,087
Revenue for the six months period	29,641	50,141
Profit for the six months period - net of tax	19,995	31,455
<b>Alfalah GHP Islamic Income Fund</b>		
Date of un-audited financial statements: December 31 , 2017		
Assets	7,250,318	4,850,249
Liabilities	19,943	11,356
Revenue for the six months period	177,155	100,574
Profit for the six months period - net of tax	129,968	128,231
<b>Alfalah GHP Pension Fund</b>		
Date of reviewed financial statements: December 31, 2017		
Assets	109,766	-
Liabilities	985	-
Revenue for the six months period	(3,202)	-
Profit for the six months period - net of tax	(4,535)	-
<b>Alfalah GHP Islamic Pension Fund</b>		
Date of reviewed financial statements: December 31, 2017		
Assets	99,901	-
Liabilities	955	-
Revenue for the six months period	(4,071)	-
Profit for the six months period - net of tax	(5,357)	-
<b>Alfalah GHP Cash Fund</b>		
Date of un-audited financial statements: December 31 , 2017		
Assets	119,408	1,406,671
Liabilities	14,336	31,510
Revenue for the six months period	5,431	28,077
Profit for the six months period - net of tax	3,415	34,543
<b>TriconBoston Consulting Corporation (Private) Limited</b>		
Date of reviewed financial statements: December 31, 2017		
Assets	24,253,943	-
Liabilities	16,107,746	-
Revenue for the six months period	-	-
Profit for the six months period - net of tax	(35,196)	-

### 9.21.1 Movement in values of investments accounted for under equity method of accounting

The details of investments accounted for under equity method of accounting is as follows.

	2017	2016
	(Rupees in '000)	
<b>Alfalah Insurance Company Limited</b>		
Investment as at January 1	282,909	241,560
Remeasurement of defined benefit plan	-	(499)
Dividend received during the year	-	-
Share of profit	36,816	41,848
Balance as at December 31	<u>319,725</u>	<u>282,909</u>
<b>Sapphire Wind Power Company Limited</b>		
Investment as at January 1	1,221,237	1,006,054
Investments made during the year	-	-
Dividend received during the year	-	-
Share of profit	336,347	215,183
Balance as at December 31	<u>1,557,584</u>	<u>1,221,237</u>
<b>Alfalah GHP Money Market Fund</b>		
Investment as at January 1	57,287	54,415
Investments made during the year	379,069	8,480
Dividend received during the year	-	(8,480)
Redeemed during the year	(58,440)	-
Share of profit	3,500	2,872
Balance as at December 31	<u>381,416</u>	<u>57,287</u>
<b>Alfalah GHP Income Multiplier Fund</b>		
Investment as at January 1	298,473	283,699
Investment made during the year	25,968	-
Redeemed during the year	(330,948)	-
Dividend received during the year	(1,291)	(10,271)
Share in reserves of associate	-	(536)
Share of profit	7,804	25,581
Balance as at December 31	<u>6</u>	<u>298,473</u>
<b>Alfalah GHP Sovereign Fund</b>		
Investment as at January 1	253,490	423,475
Investments made during the year	1,602	7,012
Redeemed during the year	(258,911)	(181,237)
Dividend received during the year	(2,136)	(18,602)
Share of profit	6,446	22,842
Balance as at December 31	<u>491</u>	<u>253,490</u>
<b>Appollo Pharma Limited</b>		
Investment as at January 1	-	802,130
Investments made during the year	-	-
Divestment during the year	-	(847,886)
Share of profit	-	45,756
Balance as at December 31	<u>-</u>	<u>-</u>
<b>Alfalah GHP Income Fund</b>		
Investment as at January 1	169,745	113,036
Investment made during the year	180,491	52,030
Redeemed during the year	(350,000)	-
Dividend received during the year	(7,321)	(2,706)
Share of profit	8,614	7,385
Balance as at December 31	<u>1,529</u>	<u>169,745</u>

	2017	2016
	(Rupees in `000)	
<b>Alfalah GHP Islamic Income Fund</b>		
Investment as at January 1	6,683	6,384
Investment made during the year	148,981	8,225
Redeemed during the year	(150,000)	(8,051)
Dividend received during the year	(307)	(300)
Share of profit	219	425
Balance as at December 31	<u>5,576</u>	<u>6,683</u>
<b>Alfalah GHP Value Fund</b>		
Investment as at January 1	-	187,684
Dividend received during the year	-	-
Redeemed during the year	-	(204,799)
Share of profit	-	17,115
Balance as at December 31	<u>-</u>	<u>-</u>
<b>ALFALAH GHP PENSION FUND</b>		
Investment as at January 1	-	-
Investment made during the year	90,000	-
Redeemed during the year	-	-
Share of profit	(3,657)	-
Balance as at December 31	<u>86,343</u>	<u>-</u>
<b>ALFALAH GHP PENSION FUND</b>		
Investment as at January 1	-	-
Investment made during the year	90,000	-
Redeemed during the year	-	-
Share of profit	(3,723)	-
Balance as at December 31	<u>86,277</u>	<u>-</u>
<b>Alfalah GHP Islamic Stock Fund</b>		
Investment as at January 1	439,502	359,958
Investment made during the year	-	-
Redeemed during the year	(467,178)	-
Dividend received during the year	-	(45,320)
Share of profit	27,676	124,864
Balance as at December 31	<u>-</u>	<u>439,502</u>
<b>Alfalah GHP Cash Fund</b>		
Investment as at January 1	534,264	540,918
Investment made during the year	9,763	-
Dividend received during the year	(150)	(32,925)
Redeemed during the year	(553,523)	-
Share of profit	19,446	26,271
Balance as at December 31	<u>9,800</u>	<u>534,264</u>
<b>TriconBoston Consulting Corporation (Private) Limited</b>		
Investment as at January 1	-	-
Investment made during the year	769,230	-
Dividend received during the year	-	-
Share of profit	(4,655)	-
Balance as at December 31	<u>764,575</u>	<u>-</u>

## 9.22 Quality of available for sale securities

	Market value / Fair value		Cost		Long / Medium Term Credit Rating	Rated by
	2017	2016	2017	2016		
	------(Rupees in '000)-----					
<b>Market Treasury Bills</b>	162,802,351	38,574,968	162,885,001	38,584,821	(Unrated - Government Securities)	
<b>Pakistan Investment Bonds</b>	111,245,404	213,763,528	108,088,932	207,087,470	(Unrated - Government Securities)	
<b>Term Finance Certificates</b>						
Askari Bank Limited	100,113	101,769	99,880	99,920	AA	PACRA
MCB Bank formerly NIB Bank Limited - (2nd Issue)	101,413	101,034	99,860	99,900	AAA	PACRA
Faysal Bank Limited	-	75,457	-	74,850	AA	PACRA
Silk Bank Limited	89,740	-	100,000	-	A-	JCR-VIS
WAPDA - Dasu Hydro Power Project	694,440	-	694,440	-	AAA	PACRA
New Allied Electronics *	Not Applicable	Not Applicable	2,185	2,185	------(Unrated)-----	
Fauji Akbar Portia Marine Terminals Limited *	Not Applicable	Not Applicable	224,499	161,408	------(Unrated)-----	
Azgard Nine Limited *	Not Applicable	Not Applicable	43,350	43,350	------(Unrated)-----	
Azgard Nine Limited (Zero rated) *	Not Applicable	Not Applicable	32,870	32,870	------(Unrated)-----	
	985,706	278,260	1,297,084	514,483		

\* These Term Finance Certificates are quoted, however due to absence of trading their market value is not available. Adequate provision has been made against these certificates.

### Shares in Listed Companies / Certificates / Units

Agritech Limited	11,072	28,828	17,909	17,909	------(Unrated)-----	
Allied Bank Limited	-	106,300	-	88,485	AA+	PACRA
Amreli Steels Limited	176,054	86,567	167,071	69,969	A	PACRA
Altern Energy Limited	79,544	9,116	73,633	7,949	------(Unrated)-----	
Abbot Laboratories (Pakistan) Limited	-	287,127	-	255,055	------(Unrated)-----	
Agriauto Industries Limited	119,258	212,002	123,882	139,293	------(Unrated)-----	
Attock Petroleum Limited	6,669	95,847	6,790	74,552	------(Unrated)-----	
Bank Al Habib Limited	73,621	324,445	51,852	226,069	AA+	PACRA
Cherat Cement Company Limited	147,100	121,828	170,278	103,254	A	PACRA
Cherat Packaging Limited	-	43,566	-	48,034	------(Unrated)-----	
Dolmen City Real Estate Investment Trust (REIT)	457,843	452,432	457,843	457,843	RR1	JCR-VIS
Engro Fertilizer Limited	-	254,619	-	277,450	AA-	PACRA
Engro Corporation Limited	402,261	458,330	444,315	397,140	AA	PACRA
Fatima Fertilizer Limited	-	44,268	-	37,184	AA-	PACRA
Fauji Bin Qasim Limited	-	226,835	-	232,669	------(Unrated)-----	
Fauji Cement Company Limited	193,577	49,588	218,265	40,218	------(Unrated)-----	
Fauji Fertilizer Company Limited	-	195,694	-	232,121	AA	PACRA
First Dawood Investment Bank Limited	3,025	6,501	15,000	15,000	------(Unrated)-----	
Habib Metropolitan Bank Limited	144,900	-	138,821	-	AA+	PACRA
Kot Addu Power Company Limited	-	153,069	-	148,452	AA+	JCR-VIS
K-Electric Limited	4,209	-	4,015	-	AA	JCR-VIS
Lucky Cement Limited	565,115	779,634	653,764	452,197	------(Unrated)-----	
DG Khan Cement Limited	575,304	443,460	629,071	281,352	------(Unrated)-----	
Habib Bank Limited	-	485,019	-	331,519	AAA	JCR-VIS
MCB Bank Limited	155,843	219,984	147,136	230,466	AAA	PACRA
Nishat (Chunian) Power Company Limited	113,523	221,920	115,727	132,117	------(Unrated)-----	
Nishat Power Company Limited	205,462	160,225	222,999	106,994	A+	PACRA
Oil and Gas Development Corporation Limited	506,277	330,700	476,564	279,433	AAA	JCR-VIS
Pakistan Oilfields Limited	265,605	253,945	232,365	147,629	------(Unrated)-----	
Pioneer Cement Limited	69,432	351,673	80,869	300,277	A	PACRA
Pakistan Petroleum Limited	164,728	111,365	126,698	75,012	------(Unrated)-----	
Thal Limited	-	101,706	-	83,906	------(Unrated)-----	
Pakistan State Oil Company Limited	263,799	217,105	284,049	185,526	AA	PACRA
The Hub Power Company Limited	409,500	648,269	439,587	449,037	AA+	PACRA
United Bank Limited	413,534	430,020	474,755	299,826	AAA	JCR-VIS
Visa Shares	597,510	387,310	-	-	------(Unrated)-----	
Pakistan Stock Exchange Limited (PSX)	42,626	68,927	13,109	27,606	------(Unrated)-----	
	6,167,391	8,368,224	5,786,367	6,251,543		

	Market value / Fair value		Cost		Long / Medium Term Credit Rating	Rated by
	2017	2016	2017	2016		
------(Rupees in '000)-----						
<b>Shares in Un-listed Companies</b>						
Pakistan Export Finance Guarantee Agency Limited Society for Worldwide Interbank Financial Telecommunication	Not Applicable		5,725	5,725	------(Unrated)-----	
Al-Hamra Avenue (Private) Limited	Not Applicable		4,096	4,096	------(Unrated)-----	
Pakistan Mobile Communication Limited	Not Applicable		50,000	50,000	------(Unrated)-----	
AGP Pharma	Not Applicable		22,235	22,235	AA-	PACRA
Pakistan Mortgage Refinance Company Limited	Not Applicable		256,211	-	------(Unrated)-----	
			12,240	-	------(Unrated)-----	
			350,507	82,056		
<b>Preference Shares in Listed Companies</b>						
Agriotech Limited	Not Applicable		108,835	108,835	------(Unrated)-----	
<b>Preference Shares in Un-listed Companies</b>						
Trust Investment Bank Limited	Not Applicable		25,000	25,000	------(Unrated)-----	
<b>Commercial Papers</b>						
U Micro finance Bank Limited	90,201	-	90,201	-	A-	JCR-VIS
<b>Overseas Bonds</b>						
Kingdom of Bahrain Bond	-	545,314	-	553,251	BB+	Fitch
Kazakistan Sovereign Bond	-	315,076	-	309,038	BBB	Fitch
State of Qatar 2026	-	1,010,354	-	1,035,677	AA-	Fitch
Oman International Bond 2021	-	1,045,906	-	1,044,923	BBB-	S&P
Oman International Bond 2026	-	1,210,450	-	1,245,414	BBB-	S&P
Republic of Sri Lanka (2022)	-	152,043	-	156,898	B+	Fitch
Republic of Indonesia (2027)	-	156,959	-	156,261	BBB	Fitch
Republic of Indonesia (2022)	-	52,536	-	52,179	BBB	Fitch
Saudi International Bond	-	1,028,153	-	1,032,378	A+	Fitch
Abu Dhabi Commercial Bank Cayman Limited	-	1,047,062	-	1,045,995	A+	Fitch
United Mexican State	-	53,781	-	55,069	BBB+	Fitch
Indonesia Government Bond	-	226,902	-	218,302	BBB-	Fitch
Republic of Indonesia 2023 (Euro)	-	55,712	-	54,825	BB+	S&P
Kingdom of Saudi Arabia	-	913,644	-	932,332	AA-	Fitch
Qatar 21	-	512,815	-	517,972	AA	Fitch
Qatar 26	-	202,221	-	207,291	AA	Fitch
TC Zirrat Bankasi A.S	-	257,677	-	260,908	BBB-	Fitch
Turkiye Halk Bankasi	-	51,493	-	52,281	BBB-	Fitch
RAK Funding Cayman Limited	-	209,189	-	208,412	BBB+	Fitch
Turkiye IS Bankasi A.S	332,411	298,865	328,896	310,991	BB+	Fitch
Turkiye Garanti Bankasi A.S	406,743	330,617	396,138	326,014	BBB-	Fitch
Africa Finance Corporation	222,853	644,304	219,322	623,370	A3	Moody's
Deutsche Bank	271,162	207,408	264,092	216,011	BBB+	Fitch
Turkey Sanai	54,861	48,965	54,911	51,945	BB+	Fitch
Halk Bank 21	-	514,499	-	521,933	BBB-	Fitch
Burgan Senior SPC Limited	439,827	412,850	439,332	415,625	A+	Fitch
Qatar National Bank	211,064	497,486	214,443	502,176	A+	Fitch
Union National Bank	-	540,718	-	552,199	A+	Fitch
Afrin 2020	682,338	-	659,322	-	BB+	Fitch
Gulf Investment	883,028	-	879,304	-	A2	Moody's
ABQ Fiinance	541,326	-	549,512	-	BBB+	Fitch
	4,045,613	12,542,999	4,005,272	12,659,670		



	Market value / Fair value		Cost		Long / Medium Term Credit Rating	Rated by
	2017	2016	2017	2016		
------(Rupees in '000)-----						
Pakistan Euro Bonds	2,386,528	2,790,198	2,281,177	2,688,770	B	Fitch
<b>Redeemable Participating Certificates</b>						
Baltoro Growth Fund	1,133,659	501,938	1,133,659	501,938	-----	(Unrated)-----
<b>Sukuk Bonds</b>						
Pakistan Sukuk Bond 19	996,778	964,535	959,942	909,084	B	Fitch
Pakistan Sukuk Bond 21	3,233,640	4,273,644	3,202,099	4,183,940	B	Fitch
TF Varlik Kiralama AS	-	321,644	-	317,005	BBB	Fitch
Kuveyt Turk Katilim Bankasi	-	534,917	-	522,992	BBB	Fitch
Albaraka Turk Katilim Bankasi	972,658	923,623	977,192	925,697	BB-	S&P
Sharjah International Bank	439,186	414,984	441,669	418,394	A3	Moody's
Dubai Islamic Bank UH Sukuk	1,564,545	-	1,545,841	-	A3	Moody's
Qatar Islamic Bank Sukuk	1,607,846	-	1,656,258	-	A	Fitch
Pakistan International Sukuk	-	534,173	-	535,094	B	Fitch
Indonesia Sovereign	-	524,687	-	524,754	BBB-	Fitch
South Africa Sovereign	-	424,448	-	418,394	BBB-	Fitch
Turkey Sukuk	-	355,372	-	366,095	BBB-	Fitch
Kingdom of Bahrain	553,999	536,643	552,041	522,993	BB+	Fitch
GoP - Ijara Sukuk XVI	20,664,083	21,021,100	20,518,921	20,519,468	-----	(Unrated)-----
GoP - Ijara Sukuk XVII	5,675,600	5,782,560	5,603,700	5,606,994	-----	(Unrated)-----
GoP - Ijara Sukuk XVIII	4,029,600	4,080,400	4,000,000	4,000,000	-----	(Unrated)-----
Neelam Jehlum Hydel Power Company	2,600,000	2,600,000	2,600,000	2,600,000	AAA	JCR-VIS
WAPDA Sukuk III	1,014,991	1,267,973	971,429	1,214,286	-----	(Unrated)-----
Security Leasing Corporation Limited I	Not Applicable	Not Applicable	6,418	6,418	-----	(Unrated)-----
Security Leasing Corporation Limited II	Not Applicable	Not Applicable	23,105	23,105	-----	(Unrated)-----
Quetta Textile Mills limited	Not Applicable	Not Applicable	72,619	72,619	-----	(Unrated)-----
	43,352,926	44,560,703	43,131,234	43,687,332		

	2017	2016
<b>9.23 Particulars of provision for diminution in value of investments - net</b>	<b>(Rupees in '000)</b>	
Opening balance	1,253,781	5,519,811
Charge for the year	189,997	100,766
Reversals during the year	(15,584)	-
	174,413	100,766
Provision adjusted during the year	(78,864)	(4,366,796)
Closing balance	1,349,330	1,253,781



**9.25 Unrealised gain / (loss) on revaluation of investments classified as held for trading - net**

	Unrealised (loss) / gain		Cost	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
Market Treasury Bills	(11,486)	(3,790)	22,759,650	14,120,130
Pakistan Investment Bonds	-	(441)	-	20,207
Overseas Bonds	5,125	(16,137)	19,443	549,615
Fully paid up ordinary shares / units - Listed	(990)	20,477	28,140	740,776
	<u>(7,351)</u>	<u>109</u>	<u>22,807,233</u>	<u>15,430,728</u>

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>10 ADVANCES - NET</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		331,076,292	309,127,177
Outside Pakistan		14,338,182	13,181,132
		<u>345,414,474</u>	<u>322,308,309</u>
Net investment in finance lease			
In Pakistan	10.2	4,090,945	4,181,047
Outside Pakistan		-	-
		<u>4,090,945</u>	<u>4,181,047</u>
Islamic financing and related assets (gross)	10.3	56,880,169	57,908,118
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		5,444,779	5,033,339
Payable outside Pakistan		5,357,334	6,437,718
		<u>10,802,113</u>	<u>11,471,057</u>
	10.1	<u>417,187,701</u>	<u>395,868,531</u>
Provision against advances			
Specific provision against non-performing loans and advances	10.5	(15,685,041)	(16,368,263)
General provision against advances	10.5	(842,738)	(775,968)
		<u>(16,527,779)</u>	<u>(17,144,231)</u>
		<u>400,659,922</u>	<u>378,724,300</u>
<b>10.1 Particulars of advances - gross of provisions</b>			
In local currency		391,184,000	362,264,908
In foreign currencies		26,003,701	33,603,623
		<u>417,187,701</u>	<u>395,868,531</u>
Short term (upto one year)		263,052,545	249,583,708
Long term (over one year)		154,135,156	146,284,823
		<u>417,187,701</u>	<u>395,868,531</u>

## 10.2 Net investment in finance lease

	2017				2016			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- (Rupees in '000)-----							
Lease rentals receivable	925,485	2,089,153	70,316	3,084,954	501,660	2,568,669	55,185	3,125,514
Residual value	370,194	911,824	40,100	1,322,118	146,820	1,237,330	-	1,384,150
Minimum lease payments	1,295,679	3,000,977	110,416	4,407,072	648,480	3,805,999	55,185	4,509,664
Financial charges for future periods	(94,838)	(220,262)	(1,027)	(316,127)	(48,731)	(276,485)	(3,401)	(328,617)
Present value of minimum lease payments	1,200,841	2,780,715	109,389	4,090,945	599,749	3,529,514	51,784	4,181,047

**10.3** These represents financing and related assets placed under shariah permissible modes and presented in note A-II.1 and A-II.2

**10.4** Advances include Rs. 17,580 million (2016: Rs. 19,020 million) which have been placed under non-performing status as detailed below:

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

Category of Classification	2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000)-----								
Other Assets Especially Mentioned (Agri Financing)	149,224	-	149,224	4,318	-	4,318	4,318	-	4,318
Substandard	2,336,995	-	2,336,995	577,634	-	577,634	577,634	-	577,634
Doubtful	1,990,208	-	1,990,208	1,483,906	-	1,483,906	1,483,906	-	1,483,906
Loss	14,224,437	318,921	14,543,358	14,063,267	239,138	14,302,405	14,063,267	239,138	14,302,405
	18,700,864	318,921	19,019,785	16,129,125	239,138	16,368,263	16,129,125	239,138	16,368,263

## 10.5 Particulars of provisions against non-performing loans and advances

Note	2017			2016			
	Specific	General	Total	Specific	General	Total	
	----- (Rupees in '000) -----						
Opening balance	16,368,263	775,968	17,144,231	15,452,915	739,904	16,192,819	
Exchange adjustment and other movements	2,221	(9,425)	(7,204)	1,258	(1,135)	123	
Charge for the year	2,230,902	169,445	2,400,347	3,408,124	157,644	3,565,768	
Reversals / recoveries during the year	(2,741,259)	(93,250)	(2,834,509)	(2,362,817)	(120,445)	(2,483,262)	
	(510,357)	76,195	(434,162)	1,045,307	37,199	1,082,506	
Amounts written off	10.6.1	(175,086)	-	(175,086)	-	(175,086)	
Closing balance		15,685,041	842,738	16,527,779	16,368,263	775,968	17,144,231

**10.5.1** The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2017 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees of the Holding Company amounted to Rs. 29.899 million (2016: Rs. 95.817 million).

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

**10.5.3** Exposure amounting to Rs. 8.421 billion relating to certain facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, has not been classified as non-performing, pursuant to a relaxation given by the SBP in this respect. The relaxation is valid upto December 31, 2017.

### 10.5.4 Particulars of provisions against advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	15,426,702	701,036	16,127,738	16,129,125	655,225	16,784,350
In foreign currencies	258,339	141,702	400,041	239,138	120,743	359,881
	15,685,041	842,738	16,527,779	16,368,263	775,968	17,144,231

**10.5.5** Although the Group has made provision against its non-performing portfolio as per the category of classification of the loan, the Group 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.

	2017	2016
	(Rupees in '000)	
<b>10.6 Particulars of write-offs</b>		
<b>10.6.1</b> Against provisions	175,086	131,217
Directly charged to profit and loss account	-	-
	<u>175,086</u>	<u>131,217</u>
<b>10.6.2</b> Write offs of Rs. 500,000 and above	113,741	75,143
Write offs of below Rs. 500,000	61,345	56,074
	<u>175,086</u>	<u>131,217</u>

### 10.7 Details of loans written-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of loans written-off or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2017 is given in Annexure-I to the unconsolidated financial statements.

10.8	Particulars of loans and advances to directors, executives, associated companies, etc.	Note	2017 (Rupees in '000)	2016
	Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
	- Balance at beginning of the year		6,273,449	5,735,039
	- Loans granted during the year		3,768,906	2,722,298
	- Repayments during the year		(3,513,141)	(2,183,888)
	- Balance at end of the year		<u>6,529,214</u>	<u>6,273,449</u>
	Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
	- Balance at beginning of the year		3,308,831	1,499,410
	- Loans granted during the year		10,746,475	5,374,930
	- Repayments during the year		(9,554,990)	(3,565,509)
	- Balance at end of the year		<u>4,500,316</u>	<u>3,308,831</u>
	Debts due by other related parties			
	- Balance at beginning of the year		4,731,405	4,840,040
	- Loans granted during the year		4,874,252	16,687,444
	- Repayments during the year		(6,514,646)	(16,796,079)
	- Balance at end of the year		<u>3,091,011</u>	<u>4,731,405</u>
	Total		<u>14,120,541</u>	<u>14,313,685</u>
<b>11</b>	<b>OPERATING FIXED ASSETS</b>			
	Capital work-in-progress	11.1	209,328	775,408
	Property and equipment	11.2	16,119,263	16,144,219
	Intangible assets	11.3	1,379,076	1,297,310
			<u>17,707,667</u>	<u>18,216,937</u>
<b>11.1</b>	<b>Capital work-in-progress</b>			
	Civil works		14,816	292,809
	Equipment		43,868	34,439
	Intangibles		129,689	397,849
	Advances to suppliers and contractors		12,968	54,015
	Others		7,987	1,496
			<u>209,328</u>	<u>780,608</u>
	Provision against capital work-in-progress		-	(5,200)
			<u>209,328</u>	<u>775,408</u>

## 11.2 Property and equipment

2017														
Description	Cost / revaluation as at January 1, 2017	Additions / (disposals) / *adjustments	Surplus on revaluation / (adjustment against accumulated depreciation)	Write Off Cost	Cost of assets held for sale	Cost / Revaluation as at December 31, 2017	Accumulated depreciation as at January 1, 2016	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Depreciation on Revaluation	Write Off Accumulated Depreciation	Accumulated depreciation on assets held for sale	Accumulated depreciation as at December 31, 2017	Net book value as at December 31, 2017	Rate of depreciation %
(Rupees in '000)-														
Per annum														
Office premises	5,732,324	206,273 (34,190)	-	-	-	5,904,407	82,594	80,077	-	-	-	162,671	5,741,736	2.5%
		* -						*						
Revaluation	5,435,838	- (15,970)	-	-	-	5,419,868	49,995	(226)	49,800	-	-	99,569	5,320,299	2.5%
		* -						*						
	11,168,162	206,273 (50,160)	-	-	-	11,324,275	132,589	80,077 (226)	49,800	-	-	262,240	11,062,035	
		* -						*						
Lease hold improvements	4,802,297	518,612 (1,633) (17,320)	-	-	(156,636)	5,110,322	3,200,899	329,842 (1,203) (939)	-	-	(119,147)	3,375,387	1,734,935	10% - 20%
		* -						*						
Furniture and fixtures	1,998,853	30,537 (7,531) 1,061	-	-	(4,033)	2,001,274	1,426,287	145,826 (6,356) 1,014	-	-	(3,950)	1,549,102	452,172	10% - 25%
		* -						*						
Office equipment	10,422,935	1,064,856 (229,603) 14,150	-	-	(3,044)	11,213,087	7,670,344	1,147,091 (222,331) 6,173	-	-	(3,019)	8,549,142	2,663,945	10% - 33%
		* -						*						
Vehicles	423,486	123,617 (93,878) 813	-	-	(15,396)	438,642	241,396	79,610 (73,981) 837	-	-	(15,396)	232,466	206,176	25%
		* -						*						
	28,815,733	1,943,895 (382,805) (1,296)	-	-	(163,713)	30,087,600	12,671,515	1,782,446 (304,097) 7,085	49,800	-	(126,116)	13,968,337	16,119,263	
		* -						*						

2016														
Description	Cost / revaluation as at January 1, 2016	Additions / (disposals) / *adjustments	Surplus on revaluation / (adjustment against accumulated depreciation)	Write Off Cost	Cost / Revaluation as at December 31, 2016	Accumulated depreciation as at January 1, 2016	Depreciation/ Impairment for the year / (on disposal) / *adjustments	Accumulated Depreciation Reversed on Revaluation	Write Off Accumulated Depreciation	Accumulated depreciation as at December 31, 2016	Net book value as at December 31, 2016	Rate of depreciation %		
(Rupees in '000)-														
Per annum														
Office premises	4,893,362	751,091 (36,519) 124,390	-	-	-	5,732,324	-	75,982	-	-	82,593	5,649,731	2.5% - 5.5%	
		** -						*						
Revaluation	5,399,467	- (11,191) 47,562	-	-	-	5,435,838	-	49,995	-	-	49,995	5,385,843	2.5% - 5.5%	
		** -						*						
	10,292,829	751,091 (47,710) 171,952	-	-	-	11,168,162	-	75,982	-	-	132,588	11,035,574		
		** -						*						
Lease hold improvements	4,777,757	160,912 (1,516) (6,760)	-	-	(128,096)	4,802,297	2,909,432	336,691 (1,471) (6,363)	-	-	(37,390)	3,200,899	1,601,398	10% - 20%
		** -						*						
Furniture and fixtures	1,961,330	69,700 (32,408) 231	-	-	-	1,998,853	1,292,140	160,287 (26,332) 192	-	-	-	1,426,287	572,566	10% - 25%
		** -						*						
Office equipment	9,468,732	1,169,792 (209,961) (5,628)	-	-	-	10,422,935	6,870,097	1,012,334 (205,693) (6,394)	-	-	-	7,670,344	2,752,591	10% - 33%
		** -						*						
Vehicles	360,402	144,518 (81,501) 67	-	-	-	423,486	256,916	65,886 (81,501) 95	-	-	-	241,396	182,090	25%
		** -						*						
	26,861,050	2,296,013 (373,096) 159,862	-	-	(128,096)	28,815,733	11,328,585	1,651,180 (314,997) (5,859)	49,995	-	(37,390)	12,671,514	16,144,219	
		** -						*						

\*\* This includes cost and surplus of two properties transferred from non-banking assets acquired in satisfaction of claims

**11.2.1** Included in cost of property and equipment are fully depreciated items still in use have cost of Rs. 8,644.77 million (2016: Rs. 7,648.44 million).

**11.2.2** Office premises of the Holding Company were last revalued on December 31, 2015 on the basis of market values determined by independent valuer M/s. Akbani & Javed Associates, M/s. Harvester Services (Private) Limited and M/s. Asif Associates (Private) Limited. Had there been no revaluation, the net book value of the office premises would have been Rs. 5,741.736 million (2016: Rs. 5,649.731 million).

**11.2.3** During the year, the management of the Holding Company has revised its estimate of the useful life of ATM machines, which have been increased from 5 years to 8 years. The revision has been made after taking into account the expected pattern of recovery of economic benefits associated with the use of these assets. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standards. Had the revision in useful life of ATMs not been made, depreciation expense for the year would have been higher by Rs. 37.422 million and consequently profit before taxation would have been lower by the same amount. The revision would have almost similar effect on next year's profit.

**11.2.4** The Companies Act, 2017, which shall be applicable for financial periods beginning on 1 January 2018, shall require a change in accounting policy related to surplus on revaluation of fixed assets. Under the new requirement, the treatment of such surplus shall be in line with the requirements of IAS 16 – Property, plant and equipment, since Section 235 of the repealed Companies Ordinance, 1984 has not been carried forward in the Companies Act, 2017. This change will result in retrospective restatement of retained earnings, which shall be lower by Rs. 45.583 million.

### 11.3 Intangible assets

	2017									
	Cost				Accumulated Amortisation				Book value as at December 31, 2017	Rate of amortisation %
	As at January 1, 2017	Additions/ (deletions)/ *adjustment	Write Off Cost	As at December 31, 2017	As at January 1, 2017	Amortisation (deletions) / *adjustment	Write Off accumulated depreciation	As at December 31, 2017		
	------(Rupees in '000)-----									per annum
Computer software	2,944,380	529,448	-	3,472,123	1,681,676	447,802	-	2,127,653	1,344,470	20% - 33%
	-	*(1,705)	-	-	-	*(1,825)	-	-	-	-
Goodwill	85,711	-	-	85,711	56,031	-	-	56,031	29,680	
Membership Card PSX (TRE)	4,926	-	-	4,926	-	-	-	-	4,926	
	3,035,017	529,448	-	3,562,760	1,737,707	447,802	-	2,183,684	1,379,076	
	-	*(1,705)	-	-	-	*(1,825)	-	-	-	
	-----									
	2016									
	Cost				Accumulated Amortisation				Book value as at December 31, 2016	Rate of amortisation %
	As at January 1, 2015	Additions/ (deletions)/ *adjustment	Write Off Cost	As at December 31, 2016	As at January 1, 2016	Amortisation (deletions) / *adjustment	Write Off accumulated depreciation	As at December 31, 2016		
	------(Rupees in '000)-----									per annum
Computer software	2,366,634	579,747	-	2,944,380	1,320,995	361,118	-	1,681,676	1,262,704	20% - 33%
	-	*(2,001)	-	-	-	*(437)	-	-	-	
Goodwill	85,711	-	-	85,711	56,031	-	-	56,031	29,680	
Membership Card / DGCEX	6,011	-	(6,011)	-	6,011	-	(6,011)	-	-	
Membership Card PSX (TRE)	4,926	-	-	4,926	-	-	-	-	4,926	
	2,463,282	579,747	(6,011)	3,035,017	1,383,037	361,118	(6,011)	1,737,707	1,297,310	
	-	*(2,001)	-	-	-	*(437)	-	-	-	



**11.3.1** Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 1,013.88 million (2016: Rs. 856.61 million)

**11.4 Details of disposals of operating fixed assets**

Details of disposals of operating fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or above are given below:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
------(Rupees in '000)-----						
<b>Lease hold Land &amp; Building</b>						
Freehold Land	48,000	166	47,834	48,340	Negotiation	Mr. Jawwad Moosa & Others
Freehold Land	2,160	60	2,100	2,160	Negotiation	Mr. Jawwad Moosa & Others
	50,160	226	49,934	50,500		
<b>Leasehold Improvements</b>						
Civil & Electrical Works	1,076	810	266	332	Insurance Claim	Alfalsh Insurance
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	557	393	164	172	Insurance Claim	Alfalsh Insurance
	1,633	1,203	430	504		
<b>Furniture and fixtures</b>						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	7,531	6,356	1,175	1,136	Various	Various
	7,531	6,356	1,175	1,136		
<b>Computers</b>						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	18,633	17,336	1,297	2,222	Various	Various
	18,633	17,336	1,297	2,222		
<b>Office equipment</b>						
ATM	1,197	1,197	-	8	Bid	M/S Hafeez Traders
ATM	3,578	3,578	-	24	Bid	M/S Hafeez Traders
ATM	1,175	1,175	-	15	Bid	M/S M.A Sons
ATM	1,142	1,142	-	10	Bid	M/S Mian
ATM	1,072	1,072	-	9	Bid	M/S M.Ibraheem
ATM	1,194	1,194	-	10	Bid	M/S National Traders
ATM	1,042	1,042	-	10	Bid	M/S Abdul Rab
ATM	1,073	1,073	-	10	Bid	M/S Mian
ATM	1,625	1,625	-	10	Bid	M/S Mian
ATM	1,051	1,051	-	10	Bid	M/S Mian
ATM	1,025	1,025	-	10	Bid	M/S Mian
ATM	1,088	1,088	-	6	Bid	M/S Computer Corner
ATM	1,270	1,270	-	8	Bid	M/S Qadri Computers
ATM	1,194	1,194	-	18	Bid	M/S M Ejaz
ATM	1,197	1,197	-	14	Bid	M/S M Ejaz
ATM	1,197	1,197	-	14	Bid	M/S Muhammad Usman Akram
ATM	1,108	1,108	-	15	Bid	M/S M.Aashiq
ATM	1,625	1,625	-	14	Bid	M/S M Ejaz
ATM	1,128	1,128	-	16	Bid	M/S Hanif
ATM	1,625	1,625	-	15	Bid	M/S M Ejaz
ATM	1,194	1,194	-	15	Bid	M/S Muhammad Usman Akram
ATM	1,194	1,194	-	14	Bid	M/S M Ejaz
ATM	1,105	1,105	-	18	Bid	M/S Ejaz
ATM	1,174	1,174	-	18	Bid	M/S Ejaz
ATM	1,175	1,175	-	12	Bid	M/S Muhammad Usman Akram
ATM	1,175	1,175	-	16	Bid	M/S Zaid & Hassan
ATM	1,174	1,174	-	14	Bid	M/S Ejaz
ATM	1,175	1,175	-	8	Bid	M/S National Traders
ATM	1,051	1,051	-	12	Bid	M/S Muhammad Usman Akram
ATM	1,043	1,043	-	14	Bid	M/S Muhammad Usman Akram
ATM	1,043	1,043	-	14	Bid	M/S M Ejaz
ATM	1,082	1,082	-	8	Bid	M/S Qadri Computers
ATM	1,088	1,088	-	18	Bid	M/S M Ejaz

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
------(Rupees in '000)-----						
ATM	1,088	1,088	-	14	Bid	M/S Muhammad Usman Akram Kabar
NAC Chassis	12,648	12,648	-	580	Bid	Citi Bank
Generators	1,276	947	329	1,252	Insurance Claim	Alfalah Insurance
Generators	1,350	1,350	-	344	Bid	Sarfraz Ahmed
Elevator	1,889	1,889	-	200	Bid	Mr. Uzair Abdul Sattar
Sign Board	421	122	299	350	Insurance Claim	Alfalah Insurance
Sign Board	527	106	421	424	Insurance Claim	Alfalah Insurance
Sign Board	333	82	251	308	Insurance Claim	Alfalah Insurance
Sign Board	517	127	390	221	Insurance Claim	Alfalah Insurance
Sign Board	449	167	282	250	Insurance Claim	Alfalah Insurance
Sign Board	404	150	254	227	Insurance Claim	Alfalah Insurance
Sign Board	557	85	472	93	Insurance Claim	Alfalah Insurance
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	148,232	144,955	3,277	7,327		
	210,970	204,995	5,975	12,017		
<b>Vehicles</b>						
Toyota Land Cruiser	8,500	8,500	-	-	As Per Policy	Mr. Rizwan Ata
Honda City	1,515	1,515	-	850	As Per Policy	Mr. Sajjan Malik
Toyota Prado	8,500	8,500	-	152	As Per Policy	Mr. Sohail Yaqoob
Toyota Land Cruiser	8,500	8,500	-	850	As Per Policy	Mr. Aly Mustansir
Honda City	1,754	1,754	-	850	As Per Policy	Mr. Haroon Khalid
Toyota Corolla	1,846	937	909	175	As Per Policy	Mr. Imran Zafar
BMW	12,566	4,111	8,455	908	As Per Policy	Dr. Mushtaq A. Khan
Mercedes Benz	13,706	3,173	10,533	8,446	As Per Policy	Mr. Khurram Hussain
Toyota Prado	1,642	1,642	-	10,524	Negotiation	M/S. Al Futtaim Motors
Toyota Corolla	922	922	-	571	Negotiation	M/S. Al Futtaim Motors
Honda Accord	6,617	6,617	-	572	As Per Policy	Mr. Atif Bajwa
Range Rover	27,750	27,750	-	-	As Per Policy	Mr. Atif Bajwa
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	60	60	-	2		
	93,878	73,981	19,897	23,900	Various	Various
<b>Total - December 31, 2017 (Note 11.2)</b>	<b>382,805</b>	<b>304,097</b>	<b>78,708</b>	<b>90,279</b>		
<b>Total - December 31, 2016</b>	<b>373,096</b>	<b>314,997</b>	<b>58,099</b>	<b>113,393</b>		

\* Disposal as per Bank's policy represents vehicles sold to employees as per the terms of their employment.

12 OTHER ASSETS	Note	2017 (Rupees in '000)	2016
Income / mark-up accrued in local currency		11,622,655	13,797,563
Income / mark-up accrued in foreign currencies		461,959	661,808
Advances, deposits, advance rent and other prepayments		3,617,948	3,593,670
Tax recoverable		1,146,746	-
Non-banking assets acquired in satisfaction of claims	12.1	775,211	471,365
Dividend receivable		13,892	42,303
Unrealised gain on forward foreign exchange contracts		1,960,858	320,749
Unrealised gain on interest rate swaps		31,700	55,336
Stationery and stamps on hand		67,522	95,569
Defined benefit plan	36.1.3 & 36.2.3	717,059	345,320
Assets held for sale - Afghanistan Operations	21	26,821,724	-
Balance held with bank	12.2	-	413,074
Others		341,360	477,847
		<u>47,578,634</u>	<u>20,274,604</u>
Provision held against other assets	12.3	<u>(686,441)</u>	<u>(1,163,130)</u>
		<u>46,892,193</u>	<u>19,111,474</u>
<b>12.1 Market value of non-banking assets acquired in satisfaction of claims</b>		<u>782,636</u>	<u>519,570</u>

**12.2** This represents an amount of USD 3.949 million held in the Holding Company's Nostro Account in New York, United States of America, which has been put on hold by a commercial bank pursuant to receipt of notice of seizure based on the order passed by the District Court, District of Columbia, USA.

Based on the fact that the said amount is not readily available for use of the Group, the amount has been reclassified from Balances with Other banks to Other Assets. Although the management is confident that the matter will be decided in the Group's favour, as at December 31, 2017, the Group has maintained full provision against the same (December 31, 2016: USD 3.949 million).

As at December 31, 2017, the entire balance and the related provision there against has been classified as part of Assets Held for Sale - Afghanistan Operations.

	Note	2017 (Rupees in '000)	2016
<b>12.3 Provision held against other assets</b>			
Opening balance		1,163,130	1,318,151
(Reversal) / charge for the year		(19,045)	(106,138)
Amount written off		(1,229)	(35,304)
Exchange and other adjustments		(20,362)	(13,579)
Classified as held for sale		(436,053)	-
Closing balance		686,441	1,163,130
<b>13 BILLS PAYABLE</b>			
In Pakistan		12,370,898	12,743,285
Outside Pakistan		90,968	143,705
		12,461,866	12,886,990
<b>14 BORROWINGS</b>			
In Pakistan		187,309,819	161,538,057
Outside Pakistan		19,257,006	17,172,572
		206,566,825	178,710,629
<b>14.1 Particulars of borrowings with respect to currencies</b>			
In local currency		187,309,819	161,538,057
In foreign currencies		19,257,006	17,172,572
		206,566,825	178,710,629
<b>14.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	14.3	20,568,840	18,725,467
Long-Term Finance Facility	14.4	7,173,372	2,851,400
Financing Facility for Storage of Agriculture produce (FFSAP)	14.5	56,536	92,049
Repurchase agreement borrowings	14.6	125,220,096	136,763,030
Borrowings from other central banks		-	198,418
Bai Muajjal	14.7	37,650,637	-
Other short term borrowings		343,253	399,594
		191,012,734	159,029,958
<b>Unsecured</b>			
Call borrowings	14.8	10,332,574	13,461,835
Bai Muajjal		-	6,218,836
Trading liabilities	14.9	5,221,517	-
		15,554,091	19,680,671
		206,566,825	178,710,629

- 14.3** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 1.00% to 3.00% per annum (2016: 1.00% to 2.00% per annum) payable on a quarterly basis.
- 14.4** This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 5.00% per annum (2016: 2.00% to 5.00% per annum) payable on a quarterly basis.
- 14.5** This represents repurchase agreement borrowing from the SBP and other banks at the rate of 2.50% to 10.00% per annum (2016: 3.25% to 6.50% per annum).
- 14.6** This represents repurchase agreement borrowing from the SBP and other banks at the rate of 1.55% to 5.82% per annum (2016: 1.10% to 5.95% per annum) having maturities upto February 2018 (2016: February 2017).
- 14.7** This represents borrowings from financial institutions at mark-up rates ranging from 5.73% to 5.83% per annum (2016: Nil) having maturities upto October 2018 (2016: Nil).
- 14.8** This represents borrowings from financial institutions at mark-up rates ranging from 0.60% to 5.75% per annum (2016: 0.55% to 5.80%) having maturities upto March 2018 (2016: March 2017).
- 14.9** This represents liability in respect of short selling of Pakistan Investment Bonds held as collateral against repurchase agreement lendings.

**15 DEPOSITS AND OTHER ACCOUNTS**

	2017	2016
	(Rupees in '000)	
<b>Customers</b>		
Fixed deposits	131,010,038	94,268,250
Savings deposits	215,069,960	229,010,684
Current accounts - non-remunerative	266,018,609	283,711,087
Others	6,505,849	4,721,828
	618,604,456	611,711,849
<b>Financial institutions</b>		
Remunerative deposits	29,548,087	27,347,009
Non-remunerative deposits	5,193,545	1,795,367
	34,741,632	29,142,376
	653,346,088	640,854,225
<b>15.1 Particulars of deposits</b>		
In local currency	582,786,090	557,734,309
In foreign currencies	70,559,998	83,119,916
	653,346,088	640,854,225

**16 SUB-ORDINATED LOANS**

	2017	2016
	(Rupees in '000)	
<b>Term Finance Certificates IV - Private, Unsecured</b>	-	3,324,670
<b>Term Finance Certificates V - Quoted, Unsecured</b>	4,991,000	4,993,000
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.	
	4,991,000	8,317,670
Balance carried forward		

	Balance brought forward	4,991,000	8,317,670
Subordination	The TFCs are subordinated as to the payment of principal and profit to all other indebtedness of the bank.		
Issue date	February 2013		
Rating	AA		
Tenor	Eight years		
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.		
Maturity	February 2021		
		4,991,000	8,317,670

## 17 DEFERRED TAX LIABILITIES - NET

**2017**                      **2016**  
(Rupees in '000)

### Deferred debits arising due to

Provision for doubtful debts	(118,504)	(392,066)
Provision against off-balance sheet obligations	-	(13,078)
Impairment in the value of investments	(174,218)	(2,264,329)
Provision against other assets	(245,594)	(309,218)
	(538,316)	(2,978,691)

### Deferred credits arising due to

Accelerated tax depreciation	1,455,261	1,390,407
Share of profit from associates	288,939	252,053
Gain on remeasurement of held for trading investments	(2,263)	858
Surplus on revaluation of available for sale investments	1,411,085	3,406,365
Surplus on revaluation of operating fixed assets	828,306	840,539
	3,981,328	5,890,222
	3,443,012	2,911,531

### 17.1 Reconciliation of deferred tax assets / liabilities

	January 01, 2016	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2016	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2017
----- (Rupees in '000) -----							
<b>Deferred debits arising due to</b>							
Provision for doubtful debts	(1,434,609)	1,042,543	-	(392,066)	273,562	-	(118,504)
Provision against off-balance sheet obligations	(15,706)	2,628	-	(13,078)	13,078	-	-
Impairment in the value of investments	(2,247,184)	(17,145)	-	(2,264,329)	2,090,111	-	(174,218)
Provision against other assets	(334,501)	25,283	-	(309,218)	63,624	-	(245,594)
	(4,032,000)	1,053,309	-	(2,978,691)	2,440,375	-	(538,316)
<b>Deferred credits arising due to</b>							
Accelerated tax depreciation	1,474,060	(83,653)	-	1,390,407	64,854	-	1,455,261
Share of profit from associates	-	252,053	-	252,053	36,886	-	288,939
Gain on remeasurement of held for trading investments	80,172	(79,314)	-	858	(3,121)	-	(2,263)
Surplus on revaluation of available for sale investments	3,462,071	-	(55,706)	3,406,365	-	(1,995,280)	1,411,085
Surplus on revaluation of operating fixed assets	841,967	(17,500)	16,072	840,539	(18,198)	5,965	828,306
	5,858,270	71,586	(39,634)	5,890,222	80,421	(1,989,315)	3,981,328
<b>Net deferred tax liabilities</b>	1,826,270	1,124,895	(39,634)	2,911,531	2,520,796	(1,989,315)	3,443,012

18 OTHER LIABILITIES	Note	2017 (Rupees in '000)	2016
Mark-up / return / interest payable in local currency		1,388,322	1,551,758
Mark-up / return / interest payable in foreign currencies		203,790	175,609
Unearned commission and income on bills discounted		230,353	238,539
Accrued expenses		6,155,915	3,955,913
Branch adjustment account		1,741,333	816,333
Payable against redemption of reward points		200,433	142,453
Taxation payable		-	185,936
Security deposits		5,767,660	5,225,935
Unclaimed dividend		60,729	62,660
Unrealised loss on forward foreign exchange contracts		968,982	555,131
Unrealised loss on interest rate swaps		6,202	37,078
Provision against off-balance sheet obligations	18.1	65,463	69,708
Workers' Welfare Fund	30.1	590,621	595,245
Compensated absences	18.2	393,496	401,644
Liabilities held for sale - Afghanistan Operations	21	24,759,096	-
Others		855,856	818,986
		43,388,251	14,832,928

#### 18.1 Provision against off-balance sheet obligations

Opening balance	69,708	77,590
(Reversal) / charge for the year	(1,338)	(7,508)
Exchange and other adjustments	(2,907)	(374)
Closing balance	65,463	69,708

18.2 During the year, a valuation for compensated absences of the Holding Company has been carried out by an actuary appointed for the purpose. Major assumptions considered for the purposes of valuation are as follows:

Mortality Rate	SLIC 2001-2005
Salary Increase rate	8.0% p.a.

#### 19 SHARE CAPITAL

##### 19.1 Authorised capital

2017 (Number of shares)	2016 (Number of shares)		2017 (Rupees in '000)	2016 (Rupees in '000)
2,300,000,000	2,300,000,000	Ordinary shares of Rs. 10 each	23,000,000	23,000,000

##### 19.2 Issued, subscribed and paid up capital

2017 (Number of shares)	2016 (Number of shares)		2017 (Rupees in '000)	2016 (Rupees in '000)
883,165,724	870,801,304	Ordinary shares of Rs. 10 each		
		Fully paid in cash	8,831,657	8,708,013
724,406,250	724,406,250	Issued as bonus shares	7,244,063	7,244,063
1,607,571,974	1,595,207,554		16,075,720	15,952,076

During the year the Holding Company has issued 12,364,420 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS) (note 36.3). The paid-up capital of the Holding Company before issuance of shares to employees was Rs. 15,952,075,540 (divided into 1,595,207,554 shares of Rs. 10 each) and after issuance of shares to the employees has increased to Rs. 16,075,719,740 (divided into 1,607,571,974 shares of Rs. 10 each).

### 19.3 Material non-controlling interests

19.3.1 Below are details of subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by the non-controlling interests		Non Controlling Interest for the year		Accumulated non-controlling interests	
	2017	2016	2017 (Rupees in '000)	2016 (Rupees in '000)	2017 (Rupees in '000)	2016 (Rupees in '000)
Alfalah GHP Investment Management Limited	59.78%	59.78%	98,481	50,395	417,941	319,460

Summarised financial information of material non-controlling interests before intragroup elimination is as follows:

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>Alfalah GHP Investment Management Limited</b>			
<b>Statement of financial position</b>			
Total assets		947,545	760,053
Total liabilities		254,687	225,661
Equity		692,858	534,392
<b>Statement of comprehensive income</b>			
Total income		539,217	395,410
Total expenses		302,936	266,533
Net profit after tax		164,739	90,184
Other comprehensive income		(6,274)	-
<b>Statement of cash flows</b>			
Net cash flows generated from / (used in) operating activities		166,401	93,511
Net cash flows generated from investing activities		(186,878)	(70,799)
Net cash flows during the year		(20,477)	22,712

### 20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus arising on revaluation of:

- Operating fixed assets		4,515,221	4,559,251
- Non-banking assets acquired in satisfaction of claims		104,372	36,942
	20.1	4,619,593	4,596,193
- Pakistan Stock Exchange Membership Card		1,533	1,532
- Available for sale securities	20.2	2,573,939	6,378,214
- Surplus on revaluation of Investment held for sale in Afghanistan	20.2.1	84,687	-
		<u>7,279,752</u>	<u>10,975,939</u>

<b>20.1 Surplus on revaluation of fixed assets</b>	<b>Note</b>	<b>2017</b> <b>(Rupees in '000)</b>	<b>2016</b>
Surplus on revaluation of operating fixed assets at January 01		5,436,733	5,399,467
Transferred to retained earnings in respect of incremental depreciation charged during the year - net of tax		(33,797)	(32,497)
Revaluation of fixed assets / non-banking assets during the year		78,906	50,890
Surplus on revaluation of fixed assets recognized during the year		-	47,562
Related deferred tax liability in respect of incremental depreciation charged during the year		(18,198)	(17,498)
Reversal of surplus on account of disposal of property	11.2	(15,744)	(11,191)
		<u>11,167</u>	<u>37,266</u>
		5,447,900	5,436,733
Related deferred tax liability on surplus as at January 01		840,540	841,968
Deferred tax liability charge		5,965	16,070
Deferred tax liability in respect of incremental depreciation charged during the year		(18,198)	(17,498)
		<u>(12,233)</u>	<u>(1,428)</u>
		<u>828,307</u>	<u>840,540</u>
		<u>4,619,593</u>	<u>4,596,193</u>
<b>20.2 Surplus on revaluation of available for sale securities and derivatives financial instruments- net</b>			
Government securities		3,539,730	7,642,123
Shares / units / certificates / sukuks / bonds		399,643	2,109,533
Term finance certificates		(8,474)	3,590
		<u>3,930,899</u>	<u>9,755,246</u>
Related deferred tax liability		(1,371,893)	(3,406,364)
		<u>2,559,006</u>	<u>6,348,882</u>
Derivatives		14,933	29,332
		<u>2,573,939</u>	<u>6,378,214</u>
<b>20.2.1 Surplus on revaluation of Investment held for sale in Afghanistan</b>			
Investment securities		130,288	-
Related deferred tax liability		(45,601)	-
		<u>84,687</u>	<u>-</u>
		<u>2,658,626</u>	<u>6,378,214</u>

## **21 ASSETS AND LIABILITIES HELD FOR SALE**

**21.1** On August 17, 2017, the Board of Directors of Bank Alfalah Limited (the Holding Company) in their meeting accorded its in-principle approval and authorized the management of the Bank to explore the possibility to sell the Afghanistan Operations of the Bank to the potential buyer, subject to obtaining all regulatory approvals, compliance with applicable laws and regulations in the matter.



Pursuant to receipt of a non-binding offer and in-principle approval from the State Bank of Pakistan, the Holding Company is in the process of completing all the above formalities including the due diligence of its Afghanistan operations and the negotiations with the potential buyer.

As a result of above, the assets and liabilities related to above transaction have been classified as assets held for sale.

**21.2** The carrying amount of the assets and liabilities classified as held for sale is as follows:

<b>Assets Held for Sale</b>	<b>2017</b> <b>(Rupees in '000)</b>
Cash and balances with treasury banks	7,594,852
Balances with other banks	1,025,996
Lendings to financial institutions	5,288,982
Investments - net	11,592,895
Advances - net	1,108,663
Operating fixed assets	11,918
Deferred tax assets	-
Other assets	198,418
	<u>26,821,724</u>
<b>Liabilities Held for Sale</b>	
Bills payable	8,575
Borrowings	-
Deposits and other accounts	24,491,178
Sub-ordinated loans	-
Liabilities against assets subject to finance lease	-
Deferred tax liabilities	45,601
Other liabilities	213,742
	<u>24,759,096</u>

<b>22 CONTINGENCIES AND COMMITMENTS</b>	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
<b>22.1 Direct credit substitutes</b>		
i) Government	433,745	1,632,063
ii) Banking companies & other financial institutions	-	-
iii) Others	6,531	53,167
	<u>440,276</u>	<u>1,685,230</u>
<b>22.2 Transaction-related contingent liabilities</b>		
i) Government	50,621,775	32,243,564
ii) Banking companies & other financial institutions	1,030,744	544,762
iii) Others	12,083,556	11,725,088
	<u>63,736,075</u>	<u>44,513,414</u>
<b>22.3 Trade-related contingent liabilities</b>		
Letters of credit	<u>73,773,817</u>	<u>73,061,529</u>
Acceptances	<u>10,701,434</u>	<u>12,188,691</u>

<b>22.4 Other contingencies</b>	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
<b>22.4.1</b> Claims against the Bank not acknowledged as debts	<u>18,973,919</u>	<u>13,847,649</u>

These mainly represent 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.

<b>22.5 Commitments in respect of forward lendings</b>	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
Commitments to extend credit	<u>22,628,329</u>	<u>28,450,269</u>
Commitments in respect of investments	<u>7,579,043</u>	<u>3,596,186</u>
<b>22.6 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>60,285,544</u>	<u>53,992,848</u>
Sale	<u>31,823,206</u>	<u>41,084,440</u>
<b>22.7 Commitments for the acquisition of fixed assets</b>	<u>318,978</u>	<u>336,774</u>
<b>22.8 Commitments in respect of repo transactions</b>		
Repurchase	<u>125,378,959</u>	<u>136,912,078</u>
Resale	<u>12,017,776</u>	<u>349,222</u>
<b>22.9 Other commitments</b>		
Interest rate swaps	<u>8,865,756</u>	<u>7,622,307</u>
Donations	<u>23,952</u>	<u>22,000</u>
Commitments for rentals payable under operating lease / Ijarah contracts	<u>9,112</u>	<u>7,896</u>
<b>22.10 Contingency for tax payable (note 31.1)</b>		

## **23 DERIVATIVE INSTRUMENTS**

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

At present the Group deals in the following instruments:

- Forward Exchange Contracts
- Interest Rate Swaps
- Share Options (note 9.15.1)

### 23.1 Product analysis

Counter Parties	Interest Rate Swaps				Forward Rate Agreements			
	2017		2016		2017		2016	
	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal *	No. of Contracts	Notional Principal * (Rupees in '000)	No. of Contracts	Notional Principal *
<b>With Banks for</b>								
Hedging	23	8,865,756	20	7,622,307	-	-	-	-
Market Making	-	-	-	-	153	84,890,887	179	80,299,452
<b>With FIs other than banks</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
<b>With other entities for</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	382	7,217,863	620	14,777,835
<b>Total</b>								
Hedging	23	8,865,756	20	7,622,307	-	-	-	-
Market Making	-	-	-	-	535	92,108,750	799	95,077,287

\* At the exchange rate prevailing at the year end

### 23.2 Unrealised gain / (loss) on derivatives financial instruments.

	Contractual / notional amount		Unrealised gain / (loss)	
	2017	2016	2017	2016
	(Rupees in '000)			
Interest Rate Swaps	8,865,756	7,622,307	14,174	18,258
Forward Exchange Contract Purchase	60,285,544	53,992,848	1,955,858	(513,325)
Forward Exchange Contract Sale	31,823,206	41,084,440	(963,982)	278,943

### 23.3 Maturity Analysis - Forward Exchange Contract Purchase Forward Exchange Contract Sale and Interest Rate Swap (Fixed Rate)

Remaining Maturity	Number of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 month	136	35,487,790	(218,163)	863,516	645,353
1 to 3 months	153	35,044,225	(310,429)	879,123	568,694
3 to 6 months	153	19,434,459	(423,843)	145,834	(278,009)
6 months to 1 year	93	2,142,276	(16,547)	72,385	55,838
1 to 2 years	11	4,504,277	(5,168)	17,166	11,998
2 to 3 years	2	1,104,172	(1,033)	5,689	4,656
3 to 5 years	6	2,153,135	-	9,866	9,866
5 to 10 years	4	1,104,172	(13,275)	929	(12,346)
Interest rate swaps pertaining to Afghanistan Operations - Held for Sale	(5)	(1,877,092)	13,274	(1,950)	11,324
	553	99,097,414	(975,184)	1,992,558	1,017,374

### 24 MARK-UP / RETURN / INTEREST EARNED

	2017	2016
	(Rupees in '000)	
a) On loans and advances to:		
i) customers	28,033,238	23,827,434
ii) financial institutions	257,693	106,941
b) On investments in:		
i) held for trading securities	883,176	969,854
ii) available for sale securities	21,521,406	22,420,671
iii) held to maturity securities	3,539,674	6,962,638
c) On deposits with financial institutions	2,197,030	2,604,022
d) On securities purchased under resale agreements	494,747	253,041
	<u>56,926,964</u>	<u>57,144,601</u>

25	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		2017 (Rupees in '000)	2016
	Deposits		15,950,083	18,552,709
	Securities sold under repurchase agreements		8,802,388	7,189,657
	Other short term borrowings		2,191,742	1,457,864
	Term finance certificates		626,498	953,301
	Reward points		68,390	-
			<u>27,639,101</u>	<u>28,153,531</u>
26	<b>INCOME FROM DEALING IN FOREIGN CURRENCIES</b>			
	This includes Rs. 1,051.8 million (2016: Rs. 405.4 million) being income on account of interest on cross currency swap transactions, which corresponds to the cost included under 'Mark-up / return / interest expensed' in this regard.			
27	<b>GAIN ON SALE OF SECURITIES - NET</b>	Note	2017 (Rupees in '000)	2016
	Federal Government Securities			
	- Market Treasury Bills		(12,416)	41,607
	- Pakistan Investment Bonds		639,959	748,725
	Overseas Government Bonds		77,313	65,553
	Shares / Mutual Funds		232,780	610,404
	Sukuk Bonds		56,733	53,046
			<u>994,369</u>	<u>1,519,335</u>
28	<b>OTHER INCOME</b>			
	Gain on sale of operating fixed assets	11.4	11,571	55,294
	Gain on exchange of assets		-	22,235
	Bad debts recovered		227,779	262,184
	Others		14,852	63,729
			<u>254,202</u>	<u>403,442</u>
29	<b>ADMINISTRATIVE EXPENSES</b>			
	Non executive directors fee & allowances		126,018	110,609
	Salaries, allowances, etc.	29.1	9,763,551	8,986,600
	Charge for defined benefit plan	36.1.3 & 36.2.3	255,138	263,794
	Contribution to defined contribution plan	37	320,476	326,341
	Charge for employee stock option scheme	36.3	26,693	109,615
	(Reversal) / charge for staff compensated absences		(8,148)	87,714
	Staff training expenses		156,487	226,702
	Brokerage and commission		175,499	211,023
	Rent, taxes, insurance, electricity, etc.		3,630,104	3,552,107
	Legal and professional charges		1,361,998	669,844
	Communications		813,249	854,248
	Repairs and maintenance		1,662,578	1,571,879
	Stationery and printing		444,883	422,326
	Advertisement and publicity		777,208	910,097
	Donations	29.2	9,948	31,960
	Auditors' remuneration	29.3	35,082	32,264
	Depreciation	11.2	1,832,246	1,701,175
	Amortisation of intangible assets	11.3	447,802	361,118
	Travelling, conveyance and fuel expenses		457,903	473,354
	Entertainment		153,721	207,405
	Subscription		35,527	32,499
	Charge for outsourced services		1,295,009	1,198,399
	Security service charges		973,944	984,093
	Others		692,412	642,987
			<u>25,439,328</u>	<u>23,968,153</u>

**29.1** The Holding Company operates a short term employee benefit scheme which includes cash awards/ performance bonus for all eligible employees. Under this scheme, the bonus for all executives, including the CEO is determined on the basis of employees' evaluation and Holding Company's performance during the year. The aggregate amount determined for the eligible employees in respect of the above scheme relating to the Key Management Personnel of the Holding Company and for Other Executives, including joining bonuses offered to Key Management Personnel and Executives amounted to Rs. 260.190 million (2016: Rs. 423.464 million) and Rs. 369.285 million (2016: Rs. 549.710 million) respectively.

During the year, the Holding Company has also made ex-gratia payments to outgoing executives including the outgoing CEO. The amounts included in respect of Ex-gratia accrued / paid in respect of Executives in 2017 was Rs. 694.474 million (2016: Nil).

	Note	2017 (Rupees in '000)	2016
<b>29.2 Donations</b>			
Aman Foundation		6,300	-
Karachi Lions Pediatric Nephrology Project (NICH)		1,000	-
The Aga Khan University Hospital Medical College Foundation		2,000	-
Shabab Murshid Development Foundation - Bangladesh		648	-
Alif Noon Parents Foundation		-	20,000
Network of Organizations Working for People with Disabilities - Pakistan		-	3,000
Karachi Vocational Training Centre		-	2,460
Family Education Services Foundation		-	6,500
		<u>9,948</u>	<u>31,960</u>
<b>29.3 Auditors' remuneration</b>			
Audit fee		10,636	9,660
Half yearly review		2,530	2,368
Special certifications and sundry advisory services		8,947	10,858
Tax Services		464	222
Out-of-pocket expenses		<u>2,014</u>	<u>2,037</u>
		24,591	25,145
Fee for audit of foreign branches		<u>10,491</u>	<u>7,119</u>
		<u>35,082</u>	<u>32,264</u>
<b>30 OTHER CHARGES</b>			
Penalties imposed by the State Bank of Pakistan		34,650	5,690
Workers' Welfare Fund	30.1	<u>263,697</u>	<u>112,709</u>
		<u>298,347</u>	<u>118,399</u>

**30.1** 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 Supreme Court.

The 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 Supreme Court of Pakistan.

A legal advice was obtained by the Pakistan Banks 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.

<b>31 TAXATION</b>	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
<b>For the year</b>		
Current	5,165,416	4,729,131
Deferred	102,056	95,333
	<u>5,267,472</u>	<u>4,824,464</u>
<b>For prior years</b>		
Current	(1,883,205)	(437,633)
Deferred	2,412,250	1,028,098
	<u>529,045</u>	<u>590,465</u>
	<u><u>5,796,517</u></u>	<u><u>5,414,929</u></u>

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

In respect of tax years 2008, 2011, 2014 to 2017, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of leasehold improvements resulting in additional demand of Rs. 1,033.519 million (December 31, 2016: Rs. 1,467.175 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs. 493.672 million (December 31, 2016: Rs. 1,023.719 million) appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

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

- b) In respect of monitoring of withholding taxes, the Bank has received various orders from tax authorities. The Bank has not made provision amounting to Rs. 42.539 million against tax demand for tax years 2016 and 2017. The Bank has filed appeals and the management is of the view that the matter will be settled in Bank's favour.
- 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 (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.

		2017	2016
		(Rupees in '000)	
<b>31.2</b>	<b>Relationship between tax expense and accounting profit</b>		
	Profit before taxation	14,410,321	13,354,055
	Tax at the applicable rate of 35% (2016: 35%)	5,043,612	4,673,919
	Effect of:		
	income chargeable to tax at different rates	475	(1,955)
	permanent differences	44,291	2,775
	tax charge pertaining to overseas branches	110,039	60,628
	adjustment of prior years	536,644	590,786
	others	61,456	88,776
	Tax expense for the year	5,796,517	5,414,929
<b>32</b>	<b>EARNINGS PER SHARE</b>		
<b>32.1</b>	<b>BASIC EARNINGS PER SHARE</b>		
	Profit after taxation for the year attributable to equity holders of the Bank	8,514,916	7,889,794
		(Number of shares in thousand)	
	Weighted average number of ordinary shares	1,605,989	1,601,035
		(Rupees)	
	Basic earnings per share	5.30	4.93
<b>32.2</b>	<b>DILUTED EARNINGS PER SHARE</b>		
	Profit after taxation for the year attributable to equity holders of the Bank	8,514,916	7,889,794
		(Number of shares in thousand)	
	Weighted average number of ordinary shares	1,611,597	1,601,035
		(Rupees)	
	Diluted earnings per share	5.28	4.93
<b>32.3</b>	<b>Reconciliation of basic and diluted earning per share</b>		
		(Number of shares in thousand)	
	Weighted average number of ordinary shares	1,605,989	1,601,035
	Employee stock option scheme	5,608	-
	Dilutive potential ordinary shares	1,611,597	1,601,035
<b>33</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>Note</b>	<b>2017</b>
			<b>2016</b>
			(Rupees in '000)
	Cash and balances with treasury banks	6	70,381,480
	Balances with other banks	7	4,747,935
	Call money lendings	8.1	20,255,936
			95,385,351
			88,876,771

### 33.1 Reconciliation of movement of liabilities to cash flows from financing activities

	2017									
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated loans	Other liabilities	Share capital	Reserves	Unappropriated profit	Non Controlling Interest	Total
<b>Balance as at January 1, 2017</b>	12,886,990	178,710,629	640,854,225	8,317,670	14,832,928	15,952,076	15,895,652	17,777,737	323,466	905,551,373
<b>Change from financing cashflow</b>										
Issuance of share capital	-	-	-	-	-	123,644	68,078	-	-	191,722
Redemption of sub-ordinated loans	-	-	-	(3,326,670)	-	-	-	-	-	(3,326,670)
<b>Total Change from financing cash flows</b>	-	-	-	(3,326,670)	-	123,644	68,078	-	-	(3,134,948)
<b>The effect of changes due to foreign exchange translation</b>	-	-	-	-	-	-	492,787	-	-	492,787
Changes due to liabilities being held for sale	(8,575)	-	(24,491,178)	-	(213,742)	-	-	-	-	(24,713,495)
Other equity related changes	-	-	-	-	-	-	26,693	276,781	98,799	402,273
<b>Liability related changes</b>										
Changes in bills payable	(416,549)	-	-	-	-	-	-	-	-	(416,549)
Changes in borrowings	-	27,856,196	-	-	-	-	-	-	-	27,856,196
Changes in deposits and other accounts	-	-	36,983,041	-	-	-	-	-	-	36,983,041
Changes in other liabilities	-	-	-	-	-	-	-	-	-	-
Cash based	-	-	-	-	4,018,117	-	-	-	-	4,018,117
Non cash based - compensated absences	-	-	-	-	(8,148)	-	-	-	-	(8,148)
Liabilities held for sale	-	-	-	-	24,759,096	-	-	-	-	24,759,096
Transfer of profit to reserve	-	-	-	-	-	-	1,673,459	6,841,457	-	8,514,916
	(416,549)	27,856,196	36,983,041	-	28,769,065	-	1,673,459	6,841,457	-	101,706,669
	12,461,866	206,566,825	653,346,088	4,991,000	43,388,251	16,075,720	18,156,669	24,895,975	422,265	980,304,659
	2016									
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated loans	Other liabilities	Share capital	Reserves	Unappropriated profit	Non Controlling Interest	Total
<b>Balance as at January 1, 2016</b>	9,733,929	172,393,198	640,137,161	9,983,000	15,249,463	15,898,062	14,164,120	12,813,488	274,134	890,646,555
<b>Change from financing cashflow</b>										
Issuance of share capital	-	-	-	-	-	54,014	30,881	-	-	84,895
Redemption of sub-ordinated loans	-	-	-	(1,665,330)	-	-	-	-	-	(1,665,330)
<b>Total Change from financing cash flows</b>	-	-	-	(1,665,330)	-	54,014	30,881	-	-	(1,580,435)
<b>The effect of changes due to foreign exchange translation</b>	-	-	-	-	-	-	11,054	-	-	11,054
Other equity related changes	-	-	-	-	-	-	109,615	244,243	49,332	403,190
<b>Liability related changes</b>										
Changes in bills payable	3,153,061	-	-	-	-	-	-	-	-	3,153,061
Changes in borrowings	-	6,317,431	-	-	-	-	-	-	-	6,317,431
Changes in deposits and other accounts	-	-	717,064	-	-	-	-	-	-	717,064
Changes in other liabilities	-	-	-	-	-	-	-	-	-	-
Cash based	-	-	-	-	(504,249)	-	-	-	-	(504,249)
Non cash based - compensated absences	-	-	-	-	87,714	-	-	-	-	87,714
Dividend Paid	-	-	-	-	-	-	-	(1,589,806)	-	(1,589,806)
Transfer of profit to reserve	-	-	-	-	-	-	1,579,982	6,309,812	-	7,889,794
	3,153,061	6,317,431	717,064	-	(416,535)	-	1,579,982	4,720,006	-	16,071,009
	12,886,990	178,710,629	640,854,225	8,317,670	14,832,928	15,952,076	15,895,652	17,777,737	323,466	905,551,373



## 34 CREDIT RATING

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

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

The assigned ratings reflect the Holding Company'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.

35 STAFF STRENGTH	2017 (Rupees in '000)	2016
Permanent	7,869	7,709
Temporary / on contractual basis	151	193
Total staff strength	<u>8,020</u>	<u>7,902</u>

## 36 EMPLOYEE BENEFITS

### 36.1 DEFINED BENEFIT PLAN - Holding Company

#### 36.1.1 Principal actuarial assumptions

The projected unit credit method, as required by the International Accounting Standard 19 - 'Employee Benefits', was used for actuarial valuation based on the following significant assumptions:

	2017	2016
Withdrawal rates	High	High
Mortality rates	Adjusted SLIC 2001 - 2005	Adjusted SLIC 2001 - 2005
Valuation discount rate (p.a)	9.50%	9.50%
Salary increase rate (p.a) - Short term (3 years)	5.75%	7.50%
Salary increase rate (p.a) - Long term	9.00%	9.50%
Expected rate of return on plan assets	9.50%	9.50%
Normal retirement age	60 Years	60 Years
Duration	10 Years	10.46 Years

The disclosures made in notes 35.1 to 35.1.13 are based on the information included in the actuarial valuation report of the Holding Company as of December 31, 2017.

	Note	2017 (Rupees in '000)	2016
<b>36.1.2 Reconciliation of receivable from defined benefit plan</b>			
Present value of defined benefit obligations	36.1.6	1,657,387	1,920,065
Fair value of plan assets	36.1.7	<u>(2,386,933)</u>	<u>(2,269,382)</u>
		<u>(729,546)</u>	<u>(349,317)</u>
<b>36.1.3 Movement in (receivable) / payable from defined benefit plan</b>			
Opening balance		(349,317)	(40,003)
Charge for the year - in profit and loss account	36.1.4	250,153	260,795
Other comprehensive Income	36.1.4	(380,229)	(309,314)
Bank's contribution to fund made during the year		<u>(250,153)</u>	<u>(260,795)</u>
Closing balance		<u>(729,546)</u>	<u>(349,317)</u>
<b>36.1.4 Charge for defined benefit plan</b>			
<b>Recognised in profit and loss account</b>			
Current service cost		306,923	277,835
Net interest		(56,770)	(17,040)
		250,153	260,795
<b>Recognised in other comprehensive income</b>			
Actuarial gain on obligations		433,234	55,216
Actuarial (loss) / gain on Assets		(53,005)	254,098
		380,229	309,314
<b>Total</b>		<u>(130,076)</u>	<u>(48,519)</u>
<b>36.1.5 Actual return on plan assets</b>		<u>171,531</u>	<u>434,975</u>
<b>36.1.6 Reconciliation of present value of obligation</b>			
Present value of obligation as at January 1		1,920,065	1,743,133
Current service cost		306,923	277,835
Interest cost		167,766	163,837
Benefits paid		(304,133)	(209,524)
Remeasurement gain on obligation		(433,234)	(55,216)
Present value of obligation as at December 31		<u>1,657,387</u>	<u>1,920,065</u>
<b>36.1.7 Changes in the fair value of plan assets are as follows</b>			
Opening fair value of plan assets		2,269,382	1,783,136
Expected return		224,536	180,877
Contributions by the Holding Company		250,153	260,795
Benefits paid		(304,133)	(209,524)
Remeasurement (loss) / gain		(53,005)	254,098
Fair value at end of the year	36.1.8	<u>2,386,933</u>	<u>2,269,382</u>

**36.1.8 Plan assets consist of the following:**

	2017		2016	
	(Rupees in '000)	%	(Rupees in '000)	%
Ordinary shares	1,172,369	49%	1,047,132	46%
Treasury bills	659,789	28%	-	0%
Pakistan Investment Bonds	-	0%	536,864	24%
Units of mutual funds	295,861	12%	283,810	12%
Cash and bank balances	258,914	11%	401,576	18%
	<u>2,386,933</u>	<u>100%</u>	<u>2,269,382</u>	<u>100%</u>

**36.1.9** Amount for the current year and the previous four years of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

	2017	2016	2015	2014	2013
	----- (Rupees in '000) -----				
Defined benefit obligation	1,657,387	1,920,065	1,743,133	1,770,352	1,547,856
Fair value of plan assets	2,386,933	2,269,382	1,783,136	2,008,875	1,429,334
Surplus / (deficit)	<u>729,546</u>	<u>349,317</u>	<u>40,003</u>	<u>238,523</u>	<u>(118,522)</u>
Experience adjustments on plan liabilities	433,234	55,216	252,372	267	(56,337)
Experience adjustments on plan assets	(53,005)	254,098	(451,334)	356,778	127,174

**36.1.10 Expected gratuity expense for the next year**

Expected gratuity expense for the year ending December 31, 2018, works out to Rs. 185.753 million.

**36.1.11 Sensitivity Analysis**

Particulars	Present Value of Defined Benefit Obligation (Rs. in '000)	Percentage Change
Current Liability	1,657,387	
+1% Discount Rate	1,501,935	-9.38%
-1% Discount Rate	1,839,706	11.00%
+1% Salary Increase Rate	1,848,535	11.53%
-1% Salary Increase Rate	1,492,009	-9.98%
+10% Withdrawal Rates	1,657,879	0.03%
-10% Withdrawal Rates	1,656,774	-0.04%
1 Year Mortality age set back	1,657,106	-0.02%
1 Year Mortality age set forward	1,657,666	0.02%

### 36.1.12 Maturity Profile

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	145,295
Year 2	105,860
Year 3	114,378
Year 4	115,521
Year 5	101,511
Year 6 to Year 10	635,082
Year 11 and above	4,622,736

### 36.1.13 Risks Associated with Defined Benefit Plans

(a) **Investment Risks:**

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

(b) **Longevity Risks:**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

(c) **Salary Increase Risk:**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability.

(d) **Withdrawal Risk:**

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

### 36.2 DEFINED BENEFIT PLAN - Alfalah Securities (Private) Limited - Subsidiary

The Company operates an unfunded gratuity scheme for all its employees who have completed the qualifying period as defined in the scheme. The Company has carried out an actuarial valuation on December 31, 2017 using Projected Unit Credit Method and results of the valuation are as given below:

#### 36.2.1 Actuarial assumptions

	2017	2016
The principal actuarial assumptions used are as follows:		
Discount rate used	9.50%	9.50%
Expected rate of salary increase	9.50%	9.50%
<b>Demographic assumptions</b>		
Mortality rates (for death in service)	SLIC 2001-05	SLIC 2001-05
Rates of employee turnover	High	High

	2017	2016
	(Rupees in '000)	
<b>36.2.2 Amount recognised in the balance sheet</b>		
Present value of defined benefit obligation	12,487	3,998
Fair value of plan assets	-	-
Net liability	<u>12,487</u>	<u>3,998</u>
<b>36.2.3 Reconciliation of payable to defined benefit plan</b>		
Opening balance	3,997	1,196
Charge for the year recognised in profit and loss account	4,985	2,999
Re-measurement recognised in other comprehensive income (OCI)	4,254	-
Benefits paid during the year	(749)	(198)
Closing balance	<u>12,487</u>	<u>3,997</u>
<b>36.2.4 Charge for the defined benefit plan</b>		
Current service cost	4,641	1,758
Past service cost	-	1,142
Net interest	344	99
	<u>4,985</u>	<u>2,999</u>
<b>36.2.5 Actuarial loss on obligation</b>		
Unrecognized actuarial loss as at 1 January	(218)	(218)
Actuarial loss on obligations - recognized in OCI	(4,254)	-
Unrecognized actuarial loss at 31 December	<u>(4,472)</u>	<u>(218)</u>
<b>36.2.6 Sensitivity analysis on significant actuarial assumptions: actuarial liability</b>		
Discount rate +1%	1,150	3,570
Discount rate -1%	1,350	4,508
Salary increases +1%	1,400	4,523
Salary increases -1%	1,212	3,550
		<b>Years</b>
Weighted average duration of the present value of defined benefit obligation	10.01	11.73
<b>36.2.7 Maturity profile of the defined benefit obligation</b>	<b>2017</b>	<b>2016</b>
	(Rupees in '000)	
Distribution of timing of benefit payments (time in years)		
Year 1	1,251	153
Year 2	281	134
Year 3	1,302	117
Year 4	876	377
Year 5	821	364
Year 6 to Year 10	3,803	1,581
Year 11 and above	36,095	14,550

### 36.2.8 Expected gratuity expense for the next year

Expected gratuity expense for the year ending December 31, 2018, works out to Rs. 6.474 million.

### 36.2.9 Risks Associated with Defined Benefit Plans

#### (a) Investment Risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

#### (b) Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

#### (c) Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

#### (d) Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

### 36.3 EMPLOYEES STOCK OPTION SCHEME

The Holding Company grants share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP vide its letter No. SMD/CIW/ESOS/02/2013 dated December 27, 2013.

Under the Scheme, the Holding Company has granted options over a period from 2014 to 2016 to certain critical employees selected by the Board Compensation Committee to subscribe to new ordinary shares over the defined vesting period. As per the Scheme, the entitlement and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

The grant dates and the vesting period for the options are laid down under the scheme. The options vest over a three year period with one third of the options vesting on completion of each year of service from the date of grant. The options not exercised on completion of first and second year of vesting may be carried forward to be exercised on completion of three year period. After the expiry of the third exercise period, the option holder will lose all the rights of exercise for any remaining options not exercised.

The details of the scheme including details of year wise option granted, shares issued, option lapsed and option discounts etc. are annexed as part of the unconsolidated financial statements and are summarized as follows:

	Granted in the year 2016	Granted in the year 2015	Granted in the year 2014
	------(Rupees in '000)-----		
Option issued	13,737	12,614	11,331
Option no longer in issue	3,181	3,019	1,732
Options vested	4,415	7,811	9,919
Options exercised	3,838	6,892	9,599
Options available for exercise	6,718	2,703	-
Exercise price per share	Rs. 14.95	Rs. 15.15	Rs. 16.32
Option discount per share	Rs. 9.96	Rs. 10.10	Rs. 10.88

### 37 DEFINED CONTRIBUTION PLAN

The Holding Company operates an approved provident fund scheme for all its permanent employees to which both the Holding Company and employees contribute @ 8.33% of basic salary in equal monthly contributions. The subsidiary - Alfalah GHP Investment Management Limited operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Company and the employees at the rate of 10% of basic salary.

Contribution made during the year by the Holding Company amounted to Rs. 320.476 million (2016: Rs. 326.341 million), whereas the contribution made by the subsidiary - Alfalah GHP Investment Management Limited amounted to Rs. 4.603 million (2016: Rs. 2.582 million) in their respective funds.

### 38 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	------(Rupees in '000)-----					
Fee	-	-	126,018	110,609	1,315	345
Managerial remuneration - note 38.2	107,186	82,669	-	-	3,408,602	3,384,648
Post employment benefits	7,676	9,481	-	-	382,642	387,415
Rent and house maintenance	-	3,840	-	-	1,007,964	990,893
Utilities	4,607	5,691	-	-	262,913	254,404
	<u>119,469</u>	<u>101,681</u>	<u>126,018</u>	<u>110,609</u>	<u>5,063,436</u>	<u>5,017,705</u>
Number of persons*	<u>1</u>	<u>1</u>	<u>6</u>	<u>6</u>	<u>2,013</u>	<u>2,166</u>

\*During the year, Mr. Nauman Ansari was appointed President and Chief Executive Officer following the resignation of Mr. Atif Bajwa.

**38.1** The Chief Executive and certain Executives have been provided with the free use of cars and household equipment as per the Holding Company's policy.

**38.2** All executives, including the CEO are entitled to certain short term employee benefits which are disclosed in note 29.1 to these financial statements. In addition, the Holding Company also granted share options to certain key employees of the Holding Company in the year 2014, 2015 and 2016, which shall vest till the year 2019 - refer note 36.3 and Annexure on Employee Stock Option Scheme.

## 39 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities is based on quoted market price. 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 audited 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.

**39.1** 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 below 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:



2017

	Carrying Amount					Fair value						
	HFT	AFS	HTM	Loans and Receivables	Associates	Derivative Instrument Held for Risk Management	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On balance sheet financial instruments</b>												
<b>Financial assets measured at fair value</b>												
- Other assets												
Forward foreign exchange contracts	1,960,858	-	-	-	-	-	-	-	1,960,858	1,960,858		1,960,858
Interest rate swaps	31,700	-	-	-	-	-	-	-	31,700	31,700		31,700
- Investments												
Government Securities (Tbills, PIBs, GoP Sukuks, Overseas Govt. Sukuk, Overseas and Euro bonds)	22,772,733	315,202,970	-	-	-	-	-	-	337,975,703	337,975,703		337,975,703
Overseas Bonds - others	-	4,045,616	-	-	-	-	-	-	4,045,616	4,045,616		4,045,616
Ordinary shares of listed companies	27,149	6,167,392	-	-	-	-	-	-	6,194,541	6,194,541		6,194,541
Debt securities (TFCs)	-	985,706	-	-	-	-	-	-	985,706	985,706		985,706
Sukuk-Other than Govt	-	4,584,236	-	-	-	-	-	-	4,584,236	4,584,236		4,584,236
<b>Financial assets not measured at fair value</b>												
- Cash and bank balances with treasury banks				70,381,480					70,381,480			
- Balances with other banks				4,747,935					4,747,935			
- Lending to financial institutions				48,895,828					48,895,828			
- Advances				400,659,922					400,659,922			
- Other assets				42,989,774					42,989,774			
- Investments												
Government Securities (PIBs, WAPDA Sukuks, Overseas and Euro bonds)			38,794,138						38,794,138	38,794,138		38,794,138
Overseas Bonds - Others			548,143						548,143			
Unlisted Shares (Ordinary & Preference)		247,213							247,213			
Redemable Participating Certificate		1,133,659							1,133,659			
Commercial Paper		90,201							90,201			
Sukuk-Other than Govt			3,929,920						3,929,920			
<b>Associates</b>												
- Mutual Funds					571,438				571,438	571,438		571,438
- Ordinary shares of unlisted companies					2,641,884				2,641,884			
	24,792,440	332,456,993	43,272,201	567,674,939	3,213,322				971,409,895			
<b>Financial liabilities measured at fair value</b>												
- Other liabilities												
Forward foreign exchange contracts	968,982	-	-	-	-	-	-	-	968,982	968,982		968,982
Interest rate swaps	6,202	-	-	-	-	-	-	-	6,202	6,202		6,202
<b>Financial liabilities not measured at fair value</b>												
- Bills Payable								12,461,866	12,461,866			
- Borrowings								206,566,825	206,566,825			
- Deposits and other accounts								653,346,088	653,346,088			
- Subordinated Loans								4,991,000	4,991,000			
- Other liabilities								41,538,421	41,538,421			
	975,184							918,904,200	919,879,384			
<b>Off balance sheet financial instruments</b>												
- Forward Exchange Contracts Purchase						60,285,544			60,285,544	62,241,402		62,241,402
- Forward Exchange Contracts Sale						31,823,206			31,823,206	32,787,188		32,787,188
- Interest Rate Swaps						8,865,756			8,865,756	8,879,930		8,879,930

	2016												
	Carrying Amount					Fair value							
	HFT	AFS	HTM	Loans and Receivables	Associates	Derivative Instrument Held for Risk Management	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
<b>On balance sheet financial instruments</b>													
<b>Financial assets measured at fair value</b>													
- Other assets													
- Forward foreign exchange contracts	320,749	-	-	-	-	-	-	-	-	320,749	-	-	320,749
- Interest rate swaps	55,336	-	-	-	-	-	-	-	-	55,336	-	-	55,336
- Investments													
- Government Securities (Tbills, PIBs, GoP Sukuks, Overseas Govt. Sukuk, Overseas and Euro Bonds)	14,371,242	304,976,096	-	-	-	-	-	-	-	319,347,338	319,347,338	-	319,347,338
- Overseas Bonds - others	298,341	506,134	-	-	-	-	-	-	-	5,359,475	5,359,475	-	5,359,475
- Ordinary shares of listed companies	761,255	8,361,723	-	-	-	-	-	-	-	9,122,978	9,122,978	-	9,122,978
- Debt securities (TFCs)	-	278,260	-	-	-	-	-	-	-	278,260	278,260	-	278,260
- Sukuk-Other than Govt	-	2,195,167	-	-	-	-	-	-	-	2,195,167	2,195,167	-	2,195,167
<b>Financial assets not measured at fair value</b>													
- Cash and bank balances with treasury banks	-	-	-	74,071,394	-	-	-	-	-	74,071,394	-	-	74,071,394
- Balances with other banks	-	-	-	9,498,787	-	-	-	-	-	9,498,787	-	-	9,498,787
- Lending to financial institutions	-	-	-	30,149,029	-	-	-	-	-	30,149,029	-	-	30,149,029
- Advances	-	-	-	378,724,300	-	-	-	-	-	378,724,300	-	-	378,724,300
- Other assets	-	-	-	18,172,457	-	-	-	-	-	18,172,457	-	-	18,172,457
- Investments													
- Government Securities (PIBs, WAPDA Sukuks, Overseas and Euro bonds)	-	-	45,026,708	-	-	-	-	-	-	45,026,708	45,026,708	-	45,026,708
- Overseas Bonds - Others	-	-	518,251	-	-	-	-	-	-	518,251	-	-	518,251
- Unlisted Shares (Ordinary & Preference)	-	22,396	-	-	-	-	-	-	-	22,396	-	-	22,396
- Redeemable Participating Certificate	-	501,938	-	-	-	-	-	-	-	501,938	-	-	501,938
- Commercial Paper	-	-	529,280	-	-	-	-	-	-	529,280	-	-	529,280
- Sukuk-Other than Govt	-	-	3,501,541	-	-	-	-	-	-	3,501,541	-	-	3,501,541
<b>Associates</b>													
- Mutual Funds	-	-	-	-	1,759,443	-	-	-	-	1,759,443	1,759,443	-	1,759,443
- Ordinary shares of unlisted companies	-	-	-	-	1,504,147	-	-	-	-	1,504,147	-	-	1,504,147
	15,806,923	321,396,714	49,575,780	510,615,967	3,263,590	-	-	-	-	900,658,974	-	-	900,658,974
<b>Financial liabilities measured at fair value</b>													
- Other liabilities													
- Forward foreign exchange contracts	555,131	-	-	-	-	-	-	-	-	555,131	-	-	555,131
- Interest rate swaps	37,078	-	-	-	-	-	-	-	-	37,078	-	-	37,078
<b>Financial liabilities not measured at fair value</b>													
- Bills Payable	-	-	-	-	-	-	-	-	-	12,886,990	12,886,990	-	12,886,990
- Borrowings	-	-	-	-	-	-	-	-	-	178,710,629	178,710,629	-	178,710,629
- Deposits and other accounts	-	-	-	-	-	-	-	-	-	640,854,225	640,854,225	-	640,854,225
- Subordinated Loans	-	-	-	-	-	-	-	-	-	8,317,670	8,317,670	-	8,317,670
- Other liabilities	-	-	-	-	-	-	-	-	-	13,155,288	13,155,288	-	13,155,288
	592,209	-	-	-	-	-	-	-	-	853,924,802	853,924,802	-	853,924,802
<b>Off balance sheet financial instruments</b>													
- Forward Exchange Contracts Purchase	-	-	-	-	-	53,992,848	-	-	-	53,992,848	53,992,848	-	53,992,848
- Forward Exchange Contracts Sale	-	-	-	-	-	41,084,440	-	-	-	41,084,440	41,084,440	-	41,084,440
- Interest Rate Swaps	-	-	-	-	-	7,622,307	-	-	-	7,622,307	7,622,307	-	7,622,307

39.2 Office premises of the Holding Company have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 11. The valuations are conducted by the valuation experts appointed by the Holding Company which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Holding Company'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 cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

#### 40 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2017									
	Retail Banking	Corporate Banking	Treasury	Consumer Banking	Islamic Banking	International Operations	Retail Brokerage	Asset Management	Others*	Total
	(Rupees in '000)									
Segment income	9,945,493	14,500,738	25,207,299	4,812,173	8,825,768	3,787,111	143,666	444,829	(160,112)	67,506,965
Inter-segment income	15,078,988	(7,633,360)	(7,735,457)	(1,127,468)	(796)	-	-	-	1,418,093	-
Segment expenses	18,494,776	2,778,562	10,306,647	1,922,775	6,143,763	2,497,986	112,615	215,933	10,623,587	53,096,644
Profit before tax	6,529,705	4,088,816	7,165,195	1,761,930	2,681,209	1,289,125	31,051	228,896	(9,365,606)	14,410,321
Segment assets	151,491,709	203,974,935	353,898,318	27,372,009	139,066,088	74,522,709	683,702	763,353	39,254,600	991,027,423
Segment non-performing loans	8,330,204	7,124,711	-	300,465	1,595,173	303,018	1,270	-	(74,730)	17,580,111
Segment provision required against loans and advances	7,708,272	6,229,875	-	786,721	1,275,003	400,041	1,270	-	126,597	16,527,779
Segment liabilities	447,580,060	101,831,886	162,530,146	2,217,545	125,976,973	64,988,452	678,025	200,991	18,192,964	924,197,042
Segment return on assets (ROA) (%)	1.30%	1.50%	1.10%	6.60%	1.90%	1.90%			-8.10%	1.50%
Segment cost of funds (%)	3.10%	5.00%	5.70%	5.30%	2.60%	2.00%			3.00%	3.40%

	2016									
	Retail Banking	Corporate Banking	Treasury	Consumer Banking	Islamic Banking	International Operations	Retail Brokerage	Asset Management	Others*	Total
	(Rupees in '000)									
Segment income	7,298,058	13,531,759	29,756,911	4,112,573	8,328,274	3,574,977	106,472	375,860	(421,120)	66,663,764
Inter-segment income	16,118,158	(5,651,265)	(10,727,863)	(953,836)	-	-	-	-	1,214,806	-
Segment expenses	19,221,682	6,209,065	8,191,894	1,847,509	6,669,397	1,919,015	124,309	158,852	8,967,986	53,309,709
Profit before tax	4,080,971	1,671,429	10,243,933	1,311,228	1,658,877	1,655,962	(17,837)	217,008	(7,467,516)	13,354,055
Segment assets - net	140,225,720	205,760,792	312,980,625	21,723,442	138,753,216	68,423,352	1,110,786	627,471	29,833,439	919,438,843
Segment non-performing loans	8,620,164	7,771,668	-	435,243	1,785,331	318,921	1,270	-	87,188	19,019,785
Segment provision required against loans and advances	7,959,603	6,703,930	-	909,939	1,187,405	361,707	1,270	-	20,377	17,144,231
Segment liabilities	428,263,389	80,262,575	143,261,894	1,490,927	127,051,522	59,363,853	902,966	116,691	17,800,156	858,513,973
Segment return on assets (ROA) (%)	0.87%	0.60%	1.57%	6.17%	1.24%	2.78%			-7.51%	1.60%
Segment cost of funds (%)	3.25%	5.07%	5.56%	5.46%	2.98%	2.10%			3.44%	4.63%

\* Profit before tax of this segment includes head office related expenses

#### 41 TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers. In addition, the holding company is also holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

#### 42 RELATED PARTY TRANSACTIONS

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

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

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

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

	2017				Total
	Directors	Key management personnel	Associates	Others related parties	
<b>Statement of Financial Position</b>					
<b>Lendings</b>					
----- (Rupees in '000) -----					
Balance at the beginning of the year	-	-	-	-	-
Placements during the period	-	-	-	89,750,000	89,750,000
Withdrawals during the period	-	-	-	(88,250,000)	(88,250,000)
Balance at the end of the period	-	-	-	1,500,000	1,500,000
<b>Investments</b>					
Balance at the beginning of the year	-	-	3,263,590	2,579,489	5,843,079
Investments during the period	-	-	1,961,972	1,819,585	3,781,557
Redemptions during the period	-	-	(2,184,861)	(3,081,266)	(5,266,127)
Balance at the end of the period	-	-	3,040,701	1,317,808	4,358,509
Provisions held against investments	-	-	-	53,936	53,936
<b>Advances</b>					
Balance at the beginning of the year	79,130	351,335	-	8,040,236	8,470,701
Placements during the period	21,130	317,546	-	15,620,727	15,959,403
Withdrawals / adjustments during the period	(100,260)	(222,247)	-	(16,069,636)	(16,392,143)
Balance at the end of the period	-	446,634	-	7,591,327	8,037,961
Provisions held against advances	-	-	-	1,540,029	1,540,029
<b>Mark-up held in suspense against classified advances</b>					
	-	-	-	1,161,382	1,161,382
<b>Other receivable</b>					
	-	-	239,820	-	239,820
<b>Borrowings</b>					
Balance at the beginning of the year	-	-	-	-	-
Borrowing during the period	-	-	-	34,192,883	34,192,883
Repayments during the period	-	-	-	(33,690,083)	(33,690,083)
Balance at the end of the period	-	-	-	502,800	502,800
<b>Deposits</b>					
Balance at the beginning of the year	10,201	164,506	1,031,657	8,663,189	9,869,553
Placements during the period	308,744	1,699,071	56,650,035	111,897,086	170,554,936
Withdrawals / adjustments during the period	(312,670)	(1,702,313)	(56,171,951)	(116,381,285)	(174,568,219)
Balance at the end of the period	6,275	161,264	1,509,741	4,178,990	5,856,270
<b>Sub-Ordinated Loans</b>					
Balance at the beginning of the year	-	132,348	79,003	332,467	543,818
Sub-Ordinated loans issued during the year	-	-	-	-	-
Sub-Ordinated loans redemption during the year	-	(112,384)	(33,959)	(332,467)	(478,810)
Balance at the end of the period	-	19,964	45,044	-	65,008
Other payables	-	8,070	844	9,444	18,358
<b>Off Balance Sheet Items</b>					
Letters of credit, acceptance and Guarantees outstanding	-	-	129,188	2,589,842	2,719,030
<b>Receipts / payments</b>					
Mark-up received on lendings	-	-	-	23,130	23,130
Mark-up received on investments	-	-	-	113,864	113,864
Mark-up received on advances	2,319	20,710	-	315,960	338,989
Mark-up paid on deposits	119	3,313	75,322	216,945	295,699
Mark-up paid on sub-ordinated loans	-	16,355	3,693	37,404	57,452
Mark-up paid on borrowing	-	-	-	20,333	20,333
Brokerage	-	-	2,009	-	2,009
Insurance Premium paid	-	-	509,978	-	509,978
Insurance Claim received-Fixed Assets	-	-	8,109	-	8,109
Rent paid	-	-	-	9,902	9,902
Purchase and maintenance of machines / equipments and services	-	-	-	229,182	229,182
<b>Profit and Loss Account</b>					
Provision / (reveral) against non-performing advances	-	-	-	(3,025)	(3,025)
Provision / (reveral) against investments	-	-	-	-	-
Dividend income	-	-	-	9,481	9,481
Capital gain	-	-	323,374	-	323,374
Other income	-	-	6,478	18,608	25,086
Fee and Commission	-	-	75,650	-	75,650
Administrative expenses	-	-	86,776	2,901	89,677

	2016				
	Directors	Key management personnel	Associates	Others related parties	Total
<b>Statement of Financial Position</b>					
<b>Lendings</b>					
----- (Rupees in '000) -----					
Balance at the beginning of the year	-	-	-	-	-
Placements during the period	-	-	-	17,250,000	17,250,000
Withdrawals during the period	-	-	-	(17,250,000)	(17,250,000)
Balance at the end of the period	-	-	-	-	-
<b>Investments</b>					
Balance at the beginning of the year	-	-	4,019,314	4,716,796	8,736,110
Investments during the year	-	-	67,267	2,529,489	2,596,756
(Redemptions) / adjustments during the year	-	-	(822,991)	(4,666,796)	(5,489,787)
Balance at the end of the year	-	-	3,263,590	2,579,489	5,843,079
Provisions held against investments	-	-	-	53,936	53,936
<b>Advances</b>					
Balance at the beginning of the year	89,000	328,280	-	6,339,450	6,756,730
Placements during the period	-	287,570	-	22,062,374	22,349,944
Withdrawals / adjustments during the period	(9,870)	(264,515)	-	(20,361,588)	(20,635,973)
Balance at the end of the period	79,130	351,335	-	8,040,236	8,470,701
Provisions held against advances	-	-	-	1,543,054	1,543,054
<b>Mark-up held in suspense against classified advances</b>					
	-	-	-	886,583	886,583
<b>Other receivable</b>					
	-	-	281,882	-	281,882
<b>Borrowings</b>					
Balance at the beginning of the year	-	-	-	-	-
Borrowing during the period	-	-	-	2,200,000	2,200,000
Repayments during the period	-	-	-	(2,200,000)	(2,200,000)
Balance at the end of the period	-	-	-	-	-
<b>Deposits</b>					
Balance at the beginning of the year	14,825	120,281	350,316	6,095,252	6,580,674
Placements during the period	306,363	1,257,912	44,962,231	91,600,256	138,126,762
Withdrawals / adjustments during the period	(310,987)	(1,213,687)	(44,280,890)	(89,032,319)	(134,837,883)
Balance at the end of the period	10,201	164,506	1,031,657	8,663,189	9,869,553
<b>Sub-Ordinated Loans</b>					
Balance at the beginning of the year	-	186,591	94,018	498,800	779,409
Sub-Ordinated loans issued during the year	-	-	-	-	-
Sub-Ordinated loans redemption during the year	-	(54,243)	(15,015)	(166,333)	(235,591)
Balance at the end of the period	-	132,348	79,003	332,467	543,818
Other payables	-	3,546	530	9,164	13,240
<b>Off Balance Sheet Items</b>					
Letters of credit, acceptance and Guarantees outstanding	-	-	122,380	1,724,344	1,846,724
<b>Receipts / payments</b>					
Mark-up received on lendings	-	-	-	3,350	3,350
Mark-up received on investments	-	-	-	32,991	32,991
Mark-up received on advances	4,782	16,924	-	443,096	464,802
Mark-up paid on deposits	135	2,767	45,337	266,215	314,454
Mark-up paid on sub-ordinated loans	-	29,407	5,997	74,813	110,217
Mark-up paid on borrowing	-	-	-	362	362
Brokerage	-	-	2,265	-	2,265
Insurance Premium paid	-	-	548,692	-	548,692
Insurance Claim received-Fixed Assets	-	-	1,137	-	1,137
Rent paid	-	-	-	5,910	5,910
Purchase and maintenance of machines / equipments and services	-	-	-	309,175	309,175
<b>Profit and Loss Account</b>					
Provision / (reveral) against non-performing advances	-	-	-	1,543,054	1,543,054
Provision / (reveral) against investments	-	-	-	3,936	3,936
Dividend income	-	-	-	-	-
Capital gain	-	-	104,800	139,200	244,000
Other income	-	-	9,860	41,159	51,019
Fee and Commission	-	-	351,541	-	351,541
Administrative expenses	-	-	24,554	6,204	30,758

**The key management personnel / directors compensation are as follows:**

	2017	2016
	(Rupees in '000)	
Managerial remuneration (including allowances)	1,877,066	1,297,506
Fair value charge against employee stock option scheme	26,693	109,615
Contribution to employee funds	579,833	594,522
	<u>2,483,592</u>	<u>2,001,643</u>

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

Fee for attending Directors' meetings is disclosed in note 38 to these consolidated financial statements.

## 43 CAPITAL ASSESSMENT AND ADEQUACY

### 43.1 Scope of Applications

#### Amounts subject to Pre - Basel III treatment

The Basel-III Framework is applicable to the Group at the consolidated level (comprising of wholly/partially owned subsidiaries & associates) and also on stand alone basis. Subsidiaries are included while calculating Consolidated Capital Adequacy for the Group using full consolidation method whereas associates in which the Group has significant influence on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risks, whereas, higher of Alternate Standardized Approach (ASA) or 70% of Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

### 43.2 Capital Management

#### 43.2.1 Objectives and goals of managing capital

The Group manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by Banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities, build and expand even in stressed times.

#### 43.2.2 Statutory Minimum Capital Requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) of all locally incorporated Banks to be raised to Rs. 10 billion. The paid up capital of the Bank for the year ended December 31, 2017 stands at Rs. 16.075 billion and is in compliance with the SBP requirement for the said year.

The capital adequacy ratio of the Group is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines Banks are required to maintain the following ratios on an ongoing basis:

#### Phase-in arrangement and full implementation of the minimum capital requirements:

Sr. No	Ratio	2016	2017	2018	As of Dec. 31, 2019
1	CET 1	6.0%	6.0%	6.0%	6.0%
2	ADT 1	1.5%	1.5%	1.5%	1.5%
3	Tier 1	7.5%	7.5%	7.5%	7.5%
4	Total Capital	10.0%	10.0%	10.0%	10.0%
5	*CCB	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.65%	11.28%	11.90%	12.50%

\* Capital conservation buffer

#### 43.2.3 Group's regulatory capital is analysed into three tiers

Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 43.4).

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1 (refer to note 43.4).

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium on issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), net reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance, further in the current year additional benefit of revaluation reserves (net of tax effect) is availed at the rate of 80% per annum for the remaining portion of 55% of revaluation reserve and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2 (refer to note 43.4).

The required capital adequacy ratio (11.28% of the risk-weighted assets) is achieved by the Group through improvement in the capital base, asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Group. As the Group carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Group to particular operations. The Group remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Group's management of capital during the year.

#### 43.2.4 Leverage Ratio

The leverage ratio of the Group as at December 31, 2017 is 4.10 % (2016: 3.51%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on December 31, 2017; Total Tier 1 capital of the Group amounts to Rs. 53,858,579 thousand (2016: Rs. 43,167,583 thousand) whereas the total exposure measure amounts to Rs. 1,313,857,091 thousand (2016: Rs. 1,230,215,639 thousand).

Favourable shift in leverage ratio is mainly due to an increase in Group's Tier 1 capital as compared to the last year.

### 43.3 Capital Adequacy

Group's approach for assessing the adequacy of the capital to support current and future business operations based on the following:

- a. Capital Adequacy plays key consideration for not only arriving at the business projections / plans but is religiously monitored while undertaking transactions.
- b. The Group has demonstrated the capability to comfortably meet new & enhanced capital adequacy standards, therefore it is now following controlled growth strategy. The TFC was issued to support the growth but gradually the bank is enriching the Tier 1 capital while ensuring regular dividend to share holders.
- c. To further augment its capital base of the Group, the Holding Company is in process of issuing listed Additional Tier I Capital amounting to PKR 7 Billion.
- d. The capital base forms the very basic foundation of business plans. The capital base is sufficient to support the envisaged business growth and this would be monitored regularly.
- e. Current and potential risk exposures across all the major risk types are:

Risk Type	Materiality Level for Bank– High/Medium/Low	Adequacy of controls (Adequate / Partially adequate/ Not adequate)
Credit	High	Adequate
Market	Medium	Adequate
Operational	High	Adequate
Model	Low	Adequate
Concentration	Medium	Adequate
Interest rate risk in Banking Book	High	Adequate
Liquidity	High	Adequate
Country	Medium	Adequate
Reputation	Medium	Adequate
Strategic / Business	Medium	Adequate
Legal Risk	Medium	Adequate

- f. The Group enjoys strong sponsor support from Abu Dhabi Group and IFC, leading to increased investor confidence. Moreover, the Holding Company has been issuing TFCs successfully on a regular basis, demonstrating Bank's capacity to raise capital when required.
- g. The Group follows Standardised Approach for Credit and Market Risk, and Alternative Standardized Approach for Operational Risk. The assessment of capital adequacy is based on regulatory requirements.

#### 43.4 Capital Adequacy Ratio as at December 31, 2017

	2017	2016 (Restated)
	(Rupees in '000)	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	16,075,720	15,952,076
2 Balance in Share Premium Account	4,612,991	4,417,126
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	11,466,871	9,894,506
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	24,895,975	17,777,737
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	126,909	168,183
<b>9 CET 1 before Regulatory Adjustments</b>	57,178,466	48,209,628
<b>10 Total regulatory adjustments applied to CET1 (Note 43.4.1)</b>	3,319,886	5,042,045
<b>11 Common Equity Tier 1</b>	53,858,580	43,167,583
<b>Additional Tier 1 (AT 1) Capital</b>		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	7,643	6,795
16 of which: instrument issued by subsidiaries subject to phase out	-	-
<b>17 AT1 before regulatory adjustments</b>	7,643	6,795
<b>18 Total regulatory adjustment applied to AT1 capital (Note 43.4.2)</b>	142,457	163,435
19 Additional Tier 1 capital after regulatory adjustments	-	-
<b>20 Additional Tier 1 capital recognized for capital adequacy</b>	-	-
<b>21 Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	53,858,580	43,167,583
<b>Tier 2 Capital</b>		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	2,992,200	3,990,400
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	12,830	11,337
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	907,449	820,776
27 Revaluation Reserves (net of taxes)	6,386,088	8,532,418
28 of which: Revaluation reserves on fixed assets	a 4,019,911	3,556,216
29 of which: Unrealized gains/losses on AFS	b 2,366,177	4,976,202
30 Foreign Exchange Translation Reserves	2,076,807	1,584,020
31 Undisclosed/Other Reserves (if any)	-	-
<b>32 T2 before regulatory adjustments</b>	12,375,374	14,938,951
<b>33 Total regulatory adjustment applied to T2 capital (Note 43.4.3)</b>	234,479	506,382
34 Tier 2 capital (T2) after regulatory adjustments	12,140,895	14,432,569
35 Tier 2 capital recognized for capital adequacy	12,140,895	14,432,569
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
<b>37 Total Tier 2 capital admissible for capital adequacy</b>	12,140,895	14,432,569
<b>38 TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	<u>65,999,475</u>	<u>57,600,152</u>
<b>39 Total Risk Weighted Assets (RWA) (for details refer Note 43.7)</b>	<u>477,584,196</u>	<u>434,524,348</u>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40 CET1 to total RWA	11.28%	9.93%
41 Tier-1 capital to total RWA	11.28%	9.93%
42 Total capital to total RWA	13.82%	13.26%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.28%	6.65%
44 of which: capital conservation buffer requirement	1.28%	0.65%
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	5.28%	3.94%
<b>National minimum capital requirements prescribed by SBP</b>		
48 CET1 minimum ratio	6.00%	6.00%
49 Tier 1 minimum ratio	7.50%	7.50%
50 Total capital minimum ratio (Inclusive of 1.275% CCB for 2017 (2016: 0.65%))	11.28%	10.65%



Regulatory Adjustments and Additional Information	2017		2016	
	Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*
	Rupees in '000			
<b>43.4.1 Common Equity Tier 1 capital: Regulatory adjustments</b>				
1 Goodwill (net of related deferred tax liability)	-	-	-	-
2 All other intangibles (net of any associated deferred tax liability)	1,508,765	-	1,761,370	-
3 Shortfall in provisions against classified assets	-	-	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	432,463	108,116	1,787,215	1,191,476
5 Defined-benefit pension fund net assets	573,647	-	209,590	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	632,863	-	1,026,250	-
7 Cash flow hedge reserve	-	-	-	-
8 Investment in own shares/ CET1 instruments	37,334	-	100,980	-
9 Securitization gain on sale	-	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
15 Amount exceeding 15% threshold	-	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	134,814	-	156,640	-
<b>22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)</b>	<b>3,319,886</b>	<b>-</b>	<b>5,042,045</b>	<b>-</b>
<b>43.4.2 Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>				
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	109,504	-	-	-
24 Investment in own AT1 capital instruments	-	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	32,953	(32,953)	163,435	(163,435)
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
<b>30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)</b>	<b>142,457</b>	<b>-</b>	<b>163,435</b>	<b>-</b>
<b>43.4.3 Tier 2 Capital: regulatory adjustments</b>				
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	32,953	(32,953)	163,435	(163,435)
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	201,526	-	342,120	-
33 Investment in own Tier 2 capital instrument	-	-	827	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
<b>36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)</b>	<b>234,479</b>	<b>-</b>	<b>506,382</b>	<b>-</b>

\*The amount represents regulatory deductions that are still subject to pre-Basel-III treatment during the transitional period.

		2017	2016
		(Rupees in '000)	
<b>43.4.4 Additional Information</b>			
<b>Risk Weighted Assets subject to pre-Basel III treatment</b>			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	411,756,470	370,547,972
(i)	of which: deferred tax assets	108,116	1,191,476
(ii)	of which: Defined-benefit pension fund net assets	143,412	139,727
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	50,189	105,041
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	65,905	326,869
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
38	Non-significant investments in the capital of other financial entities	50,189	105,041
39	Significant investments in the common stock of financial entities	255,780	490,304
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	907,449	820,776
42	Cap on inclusion of provisions in Tier 2 under standardized approach	5,151,551	4,653,889
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-
<b>43.5 Capital Structure Reconciliation</b>			
<b>Table: 43.5.1</b>		<b>Balance sheet as in published financial statements</b>	<b>Under regulatory scope of consolidation</b>
		<b>2017</b>	
		<b>(Rupees in '000)</b>	
<b>Assets</b>			
	Cash and balances with treasury banks	70,381,480	70,381,480
	Balances with other banks	4,747,935	4,747,935
	Lending to financial institutions	48,895,828	48,895,828
	Investments	401,742,398	401,742,398
	Advances	400,659,922	400,659,922
	Operating fixed assets	17,707,667	17,707,667
	Deferred tax assets	-	-
	Other assets	46,892,193	46,892,193
	<b>Total assets</b>	<b>991,027,423</b>	<b>991,027,423</b>
<b>Liabilities &amp; Equity</b>			
	Bills payable	12,461,866	12,461,866
	Borrowings	206,566,825	206,566,825
	Deposits and other accounts	653,346,088	653,346,088
	Sub-ordinated loans	4,991,000	4,991,000
	Liabilities against assets subject to finance lease	-	-
	Deferred tax liabilities	3,443,012	3,443,012
	Other liabilities	43,388,251	43,388,251
	<b>Total liabilities</b>	<b>924,197,042</b>	<b>924,197,042</b>
	Share capital/ Head office capital account	16,075,720	16,075,720
	Reserves	18,156,669	18,156,669
	Unappropriated/ Unremitted profit/ (losses)	24,895,975	24,895,975
	Minority Interest	422,265	422,265
	Surplus on revaluation of assets	7,279,752	7,279,752
	<b>Total equity</b>	<b>66,830,381</b>	<b>66,830,381</b>
	<b>Total liabilities &amp; equity</b>	<b>991,027,423</b>	<b>991,027,423</b>

Table: 43.5.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref- erence
	2017 (Rupees in '000)		
<b>Assets</b>			
Cash and balances with treasury banks	70,381,480	70,381,480	
Balances with other banks	4,747,935	4,747,935	
Lending to financial institutions	48,895,828	48,895,828	
Investments	401,742,398	401,742,398	
- of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
- of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
- of which: Mutual Funds exceeding regulatory threshold	109,504	109,504	c
- of which: reciprocal crossholding of capital instrument	-	-	d
CET1	632,863	632,863	
AT1	-	-	
T2	201,526	201,526	
- of which: others (mention details)	-	-	e
Advances	400,659,922	400,659,922	
- shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
- general provisions reflected in Tier 2 capital	842,737	842,737	g
Fixed Assets	17,707,667	17,707,667	
of which: Intangibles	1,508,765	1,508,765	k
Deferred Tax Assets	-	-	
- of which: DTAs that rely on future profitability excluding those arising from temporary differences	540,579	540,579	h
- of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	46,892,193	46,892,193	
- of which: Goodwill	-	-	j
- of which: Defined-benefit pension fund net assets	717,059	717,059	l
<b>Total assets</b>	<b>991,027,423</b>	<b>991,027,423</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	12,461,866	12,461,866	
Borrowings	206,566,825	206,566,825	
Deposits and other accounts	653,346,088	653,346,088	
Sub-ordinated loans	4,991,000	4,991,000	
- of which: eligible for inclusion in AT1	-	-	m
- of which: eligible for inclusion in Tier 2	2,992,200	2,992,200	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	3,443,012	3,443,012	
- of which: DTLs related to goodwill	-	-	o
- of which: DTLs related to intangible assets	-	-	p
- of which: DTLs related to defined pension fund net assets	-	-	q
- of which: other deferred tax liabilities	-	-	r
Other liabilities	43,388,251	43,388,251	
<b>Total liabilities</b>	<b>924,197,042</b>	<b>924,197,042</b>	
Share capital	16,075,720	16,075,720	
- of which: amount eligible for CET1	16,075,720	16,075,720	s
- of which: amount eligible for AT1	-	-	t
Reserves	18,156,669	18,156,669	
- of which: portion eligible for inclusion in CET1	16,079,862	16,079,862	u
General Reserve	11,466,871	11,466,871	
Share Premium	4,612,991	4,612,991	
- of which: portion eligible for inclusion in Tier 2	2,076,807	2,076,807	v
Unappropriated profit/ (losses)	24,895,975	24,895,975	w
Minority Interest	422,265	422,265	
- of which: portion eligible for inclusion in CET1	126,909	126,909	x
- of which: portion eligible for inclusion in AT1	7,643	7,643	y
- of which: portion eligible for inclusion in Tier 2	12,830	12,830	z
Surplus on revaluation of assets	7,279,752	7,279,752	
- of which: Revaluation reserves on Fixed Assets	4,516,754	4,516,754	aa
- of which: Non-banking assets acquired in satisfaction of claims	104,372	104,372	
- of which: Unrealized Gains/Losses on AFS	2,658,626	2,658,626	
- In case of Deficit on revaluation (deduction from CET1)	-	-	ab
<b>Total equity</b>	<b>66,830,381</b>	<b>66,830,381</b>	
<b>Total liabilities &amp; equity</b>	<b>991,027,423</b>	<b>991,027,423</b>	

Table: 43.5.3

	Component of regulatory capital reported by bank 2017 (Rupees in '000)	Source based on reference number from step 2
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1	16,075,720	(s)
2	4,612,991	
3	-	
4	11,466,871	(u)
5	-	
6	24,895,975	(w)
7	126,909	(x)
8	<b>CET 1 before Regulatory Adjustments</b> 57,178,466	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9	-	(j) - (o)
10	1,508,765	(k) - (p)
11	-	(f)
12	-	
13	432,463	{(h) - (r)} * 80%
14	573,647	{(l) - (q)} * 80%
15	632,863	(d)
16	-	
17	37,334	
18	-	
19	-	(ab)
20	-	
21	-	(a) - (ac) - (ae)
22	-	(b) - (ad) - (af)
23	-	(i)
24	-	
25	-	
26	-	
27	-	
28	-	
29	-	
30	134,814	
31	<b>Total regulatory adjustments applied to CET1 (sum of 9 to 29)</b> 3,319,886	
	<b>Common Equity Tier 1</b> 53,858,580	
<b>Additional Tier 1 (AT 1) Capital</b>		
32	-	
33	-	(t)
34	-	(m)
35	-	
36	7,643	(y)
37	-	
	<b>AT1 before regulatory adjustments</b> 7,643	
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
38	109,504	
39	-	
40	-	
41	-	(ac)
42	-	(ad)
43	-	
44	32,953	
45	-	
46	-	
47	-	
48	<b>Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 43)</b> 142,457	
	<b>Additional Tier 1 capital</b> -	
	<b>Additional Tier 1 capital recognized for capital adequacy</b> -	
	<b>Tier 1 Capital (CET1 + admissible AT1) (31+47)</b> 53,858,580	

Table: 43.5.3

	Component of regulatory capital reported by bank 2017 (Rupees in '000)	Source based on reference number from step 2
<b>Tier 2 Capital</b>		
49 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	2,992,200	(n)
50 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	12,830	(z)
52 of which: instruments issued by subsidiaries subject to phase out	-	
53 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	907,449	(g)
54 Revaluation Reserves	6,386,088	
55 of which: Revaluation reserves on fixed assets	4,019,911	portion of (aa)
56 of which: Unrealized Gains/Losses on AFS	2,366,177	
57 Foreign Exchange Translation Reserves	2,076,807	(v)
58 Undisclosed/Other Reserves (if any)	-	
59 <b>T2 before regulatory adjustments</b>	12,375,374	
<b>Tier 2 Capital: regulatory adjustments</b>		
60 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	32,953	
61 Reciprocal cross holdings in Tier 2 instruments	1,526	
62 Investment in own Tier 2 capital instrument	-	
63 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65 <b>Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)</b>	234,479	
66 Tier 2 capital (T2)	12,140,895	
67 Tier 2 capital recognized for capital adequacy	12,140,895	
68 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69 <b>Total Tier 2 capital admissible for capital adequacy</b>	12,140,895	
70 <b>TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>	65,999,475	

### 43.6 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments			
S. No.	Main Features	Common Shares	Instrument - 2
1	Issuer	Bank Alfalah Limited	Bank Alfalah Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	BAFL	BAFL TFC 5
3	Governing law(s) of the instrument	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible
6	Eligible at solo/ group/ group & solo	Solo and Group	Solo and Group
7	Instrument type	Ordinary shares	Subordinated debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	Rs. 16,075,720	Rs. 2,992,200
9	Par value of instrument	Rs. 10	Rs. 5,000
10	Accounting classification	Share holders' equity	Liability
11	Original date of issuance	21-Jun-92	Feb 19 & 20, 2013
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	NA	Feb 2021
14	Issuer call subject to prior supervisory approval	NA	No
15	Optional call date, contingent call dates and redemption amount	NA	NA
16	Subsequent call dates, if applicable	NA	NA
	Coupons / dividends		
17	Fixed or floating dividend/ coupon	NA	Floating
18	Coupon rate and any related index/ benchmark	NA	Floating at 6 Months KIBOR*(Base Rate) plus 125 basis points per annum without any floor or CAP
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	NA	Fully discretionary
21	Existence of step up or other incentive to redeem	NA	No
22	Noncumulative or cumulative	NA	Cumulative
23	Convertible or non-convertible	NA	Convertible
24	If convertible, conversion trigger (s)	NA	At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.
25	If convertible, fully or partially	NA	May convert fully or partially
26	If convertible, conversion rate	NA	To be determined in the case of trigger event
27	If convertible, mandatory or optional conversion	NA	Optional
28	If convertible, specify instrument type convertible into	NA	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	NA	Bank Alfalah Limited
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	NA	At the option of supervisor it can be either written off upon occurrence of a certain trigger event , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. The decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.
32	If write-down, full or partial	NA	Either may be written-down fully or may be written down partially;
33	If write-down, permanent or temporary	NA	Temporary
34	If temporary write-down, description of write-up mechanism	NA	As may be determined by reversal of trigger event and subject to regulator's approval
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	NA	Deposits
36	Non-compliant transitioned features	NA	No
37	If yes, specify non-compliant features	NA	N/A

### 43.7 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016 (Restated)
	(Rupees in `000)			
<b>Credit Risk</b>				
<b>On-Balance sheet</b>				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	3,521,120	3,038,749	31,229,449	28,532,859
Public Sector entities	613,595	485,776	5,442,086	4,561,275
Banks	2,365,548	1,534,305	20,980,473	14,406,619
Corporate	24,404,573	20,651,590	216,448,544	193,911,644
Retail	5,743,880	4,050,033	50,943,502	38,028,482
Residential Mortgages	401,194	348,457	3,558,258	3,271,896
Past Due loans	211,712	271,911	1,877,714	2,553,152
Operating Fixed Assets	1,827,770	1,752,518	16,210,821	16,455,568
Other assets	536,062	603,813	4,754,432	5,669,603
	39,625,454	32,737,152	351,445,279	307,391,098
<u>Portfolios subject to Internal Rating Based (IRB) Approach</u>				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
<b>Off-Balance sheet</b>				
Non-market related				
Financial guarantees	1,818,772	2,767,404	16,131,013	25,985,017
Acceptances	905,914	120,141	8,034,715	1,128,089
Performance Related Contingencies	1,188,856	1,235,126	10,544,176	11,597,424
Trade Related Contingencies	1,255,893	1,197,543	11,138,740	11,244,536
	5,169,435	5,320,214	45,848,644	49,955,066
Market related				
Foreign Exchange contracts	70,360	52,978	624,033	497,446
Derivatives	4,980	5,225	44,168	49,064
	75,340	58,203	668,201	546,510
<b>Equity Exposure Risk in the Banking Book</b>				
Under simple risk weight method				
Listed Equity Investment	634,491	774,420	5,627,419	7,271,546
Unlisted Equity Investment	962,270	761,141	8,534,549	7,146,865
	1,596,761	1,535,561	14,161,968	14,418,411
Under Internal models approach				
	-	-	-	-
	46,466,990	39,651,130	412,124,092	372,311,085
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	193,327	207,250	2,416,588	2,590,625
Equity position risk	7,878	161,175	98,475	2,014,688
Foreign Exchange risk	95,048	10,455	1,188,100	130,688
	296,253	378,880	3,703,163	4,736,001
<u>Capital Requirement for portfolios subject to Internal Models Approach</u>				
<b>Operational Risk [70% of BIA or ASA whichever is higher is taken as capital charge (2016-70%)]*</b>				
Capital Requirement for operational risks	4,940,555	4,598,181	61,756,941	57,477,262
<b>Total Risk Weighted Exposures</b>	<b>51,703,798</b>	<b>44,628,191</b>	<b>477,584,196</b>	<b>434,524,348</b>

\* SBP has accorded approval to the bank vide SBP letter No. BPRD/ BA&CP/ 614/ 17838/2013 dated December 03, 2013 for adoption of ASA based on the following capital floor i.e. operational risk charge under ASA should not fall below a certain percentage of operational risk capital charge calculated under Basic Indicator Approach (BIA)

Capital Floor (for operational risk capital charge only)		
December 2013 - December 2014	Year 2015	Year 2016 & 2017
90%	80%	70%

Capital Adequacy Ratios	2017		2016	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	11.28%	6.00%	9.93%
Tier-1 capital to total RWA	7.50%	11.28%	7.50%	9.93%
Total capital to total RWA	11.28%	13.82%	10.65%	13.26%

#### 44 RISK MANAGEMENT

The variety of business activities undertaken by the Group requires effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC). To complement CMC and to supervise risk management activities within their respective scopes, CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee, Principal Investment Committee, Information Technology Steering Committee (ITSC), Internal Control & Compliance Committee (ICCC) and Process Improvement Committee.

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of policies and procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Group's depositors and shareholders.

The Group's risk management framework has a well-defined organizational structure for effective management of credit risk, market risk, liquidity risk, operational risk, IT security risk and environment and social risk.

##### 44.1 Credit risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Group due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Group's exposure to credit risk. The Group's credit risk



management philosophy is based on Group's overall business strategy / direction as established by the Board. The Group is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately quantified rated, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Group has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by BOD. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for corporate banking, Islamic banking, commercial & SME banking, agricultural financing, and overseas operations.

The Group manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Credit & Risk Management Group.

A sophisticated internal credit rating system is in place, which is capable of quantifying counter-party & transaction risk in accordance with the best practices. The risk rating system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security and generates internal ratings at Obligor and Facility levels. The facility rating system, developed in line with SBP's guidelines, also provides estimated LGD (Loss Given Default). This has been implemented in Corporate Banking, Islamic Banking and Retail & Middle Market segments. Furthermore, this system has an integrated loan origination module, which is currently being used in Corporate Banking, Islamic Banking and Retail segments. The system is regularly reviewed for improvements as per SBP's guidelines for Internal Credit Rating and Risk Management. Furthermore, Group has also automated Internal Rating validation process based on statistical tests for Corporate, Commercial, ME, SE & Agri rating models. It covers both discrimination & calibration statistical tests as per best international practices. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system has been enhanced to compute the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions.

A centralized Credit Administration Division (CAD) under Credit & Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD. Credit Monitoring, under CAD, keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and reports it to the appropriate authority with a view to arrest deterioration.

To handle the specialized requirements of managing delinquent and problem accounts, the Bank has a separate client facing unit to negotiate repayment/ settlement of the Group's non-performing exposure and protect the interests of the Bank's depositors and stakeholders. Unlike other banking groups, where the priority is the maximization of Bank's revenue, the priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAMG may proceed with legal recourse so as to maximize the recovery of the Group's assets. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

#### **44.1.1 Credit Risk - General Disclosures Basel Specific**

Bank Alfalah Limited is using Standardized Approach (SA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under SA, banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adhered to.

#### **44.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights**

##### **44.1.2.1 External ratings**

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely PACRA, JCR-VIS, Moody's, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by Credit Rating Agency of Bangladesh (CRAB) and CRISL. The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporate and banks incorporated in Bangladesh.

The Group uses external ratings for the purposes of computing the risk weights as per the Basel III framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

#### **44.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach**

##### **44.1.3.1 Credit risk mitigation policy**

The Holding Company defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

##### **44.1.3.2 Collateral valuation and management**

As stipulated in the SBP Basel II / III guidelines, the Holding Company uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel III guidelines. In line with Basel II / III guidelines, the Holding Company makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

##### **44.1.3.3 Types of collateral taken by the Group**

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained generally by the Holding Company. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Holding Company also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

#### 44.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Group considers all types of financial collaterals that are eligible under SBP Basel III accord. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities (Government of Pakistan, Banks etc.) under substitution effect of Basel in general, for capital calculation purposes, in line with the SBP Basel III requirements, the Bank recognises only eligible collaterals as mentioned in the SBP Basel III accord.

#### 44.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, in order to restrict the industry concentration risk, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industry. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category).

#### 44.1.4 Segmental information

##### 44.1.4.1 Segments by class of business

	2017					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 15)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	6,958,483	1.67%	4,112,065	0.63%	160,841	0.11%
Automobile & Transportation Equipment	8,446,433	2.02%	10,426,331	1.60%	5,462,448	3.67%
Chemical and Pharmaceuticals	8,356,218	2.00%	8,707,432	1.33%	4,598,642	3.09%
Cement	8,187,225	1.96%	624,789	0.10%	2,624,005	1.77%
Communication	8,002,340	1.92%	3,581,438	0.55%	4,326,435	2.91%
Electronics and Electrical Appliances	9,876,062	2.37%	1,015,791	0.16%	2,058,532	1.38%
Educational Institutes	2,858,838	0.69%	22,401,752	3.43%	259,882	0.17%
Financial	6,426,199	1.54%	26,905,939	4.12%	21,367,955	14.37%
Fertilizers	9,390,324	2.25%	3,521,001	0.54%	68,945	0.05%
Food & Allied Products	44,367,216	10.63%	5,669,158	0.87%	1,261,412	0.85%
Glass & Ceramics	406,166	0.10%	383,783	0.06%	638,311	0.43%
Ghee & Edible Oil	12,260,174	2.94%	3,055,915	0.47%	4,036,595	2.72%
Housing Societies / Trusts	2,196,225	0.53%	14,461,710	2.21%	115,466	0.08%
Insurance	14,575	0.00%	5,824,657	0.89%	97,548	0.07%
Import & Export	6,729,325	1.61%	1,279,732	0.20%	4,448,217	2.99%
Iron / Steel	10,717,131	2.57%	3,119,998	0.48%	9,970,711	6.71%
Oil & Gas	18,278,658	4.38%	26,011,596	3.98%	12,763,578	8.59%
Paper & Board	3,901,426	0.94%	319,462	0.05%	2,024,110	1.36%
Production and Transmission of Energy	54,918,997	13.16%	14,022,366	2.15%	6,321,821	4.25%
Real Estate / Construction	11,464,098	2.75%	43,318,344	6.63%	16,039,865	10.79%
Retail / Wholesale Trade	19,026,791	4.56%	33,242,158	5.09%	8,387,755	5.64%
Rice Processing and Trading/ Wheat	14,036,860	3.36%	1,742,917	0.27%	57,343	0.04%
Sugar	11,040,365	2.65%	914,483	0.14%	1,034,309	0.70%
Shoes and Leather garments	1,415,212	0.34%	916,772	0.14%	390,888	0.26%
Sports Goods	379,159	0.09%	488,212	0.07%	74,685	0.05%
Surgical Goods	476,854	0.11%	446,577	0.07%	8,408	0.01%
Textile Spinning	27,683,766	6.64%	2,650,133	0.41%	8,836,061	5.94%
Textile Weaving	13,781,715	3.30%	3,433,765	0.53%	2,628,112	1.77%
Textile Composite	30,015,476	7.19%	4,197,487	0.64%	6,059,721	4.08%
Welfare Institutions	185,205	0.04%	9,260,966	1.42%	-	0.00%
Individuals	42,024,738	10.07%	350,603,677	53.66%	151,857	0.10%
Others	23,365,447	5.62%	46,685,682	7.11%	22,377,144	15.05%
	417,187,701	100.00%	653,346,088	100.00%	148,651,602	100.00%

	2016					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 15)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	5,683,533	1.44%	4,512,814	0.70%	676,226	0.51%
Automobile & Transportation Equipment	6,716,530	1.70%	6,896,102	1.08%	4,942,532	3.76%
Chemical and Pharmaceuticals	4,074,952	1.03%	4,367,174	0.68%	4,036,635	3.07%
Cement	6,310,583	1.59%	998,229	0.16%	4,105,149	3.12%
Communication	6,316,495	1.60%	5,688,168	0.89%	2,894,449	2.20%
Electronics and Electrical Appliances	4,299,732	1.09%	2,686,895	0.42%	4,467,410	3.40%
Educational Institutes	1,915,871	0.48%	7,980,970	1.25%	267,878	0.20%
Financial	8,621,617	2.18%	26,229,211	4.09%	16,187,989	12.32%
Fertilizers	10,855,791	2.74%	418,538	0.07%	130,998	0.10%
Food & Allied Products	51,950,136	13.12%	8,758,225	1.37%	2,755,962	2.10%
Glass & Ceramics	361,281	0.09%	401,428	0.06%	349,719	0.27%
Ghee & Edible Oil	9,421,674	2.38%	3,419,859	0.53%	5,259,148	4.00%
Housing Societies / Trusts	2,535,735	0.64%	23,360,992	3.65%	54,801	0.04%
Insurance	-	0.00%	3,497,192	0.55%	-	0.00%
Import & Export	6,645,776	1.68%	3,618,472	0.56%	8,483	0.01%
Iron / Steel	9,725,608	2.46%	4,467,572	0.70%	6,357,746	4.84%
Oil & Gas	18,578,938	4.69%	20,598,300	3.21%	17,873,323	13.60%
Paper & Board	3,652,792	0.92%	495,440	0.08%	1,361,049	1.04%
Production and Transmission of Energy	58,281,948	14.72%	19,430,454	3.03%	5,256,974	4.00%
Real Estate / Construction	10,281,339	2.60%	31,372,965	4.90%	5,653,556	4.30%
Retail / Wholesale Trade	14,605,147	3.69%	28,724,702	4.48%	12,486,802	9.50%
Rice Processing and Trading/ Wheat	9,470,043	2.39%	2,189,755	0.34%	67,897	0.05%
Sugar	8,501,559	2.15%	1,635,158	0.26%	733,111	0.56%
Shoes and Leather garments	2,373,883	0.60%	2,173,422	0.34%	342,355	0.26%
Sports Goods	402,310	0.10%	443,678	0.07%	126,329	0.10%
Surgical Goods	490,108	0.12%	521,150	0.08%	25,256	0.02%
Textile Spinning	31,099,133	7.86%	2,747,373	0.43%	6,469,700	4.92%
Textile Weaving	14,184,418	3.58%	3,147,400	0.49%	2,783,776	2.12%
Textile Composite	25,362,710	6.41%	4,963,715	0.77%	5,202,455	3.96%
Welfare Institutions	1,000,000	0.25%	17,551,301	2.74%	-	0.00%
Individuals	36,642,361	9.26%	347,531,549	54.23%	684,330	0.52%
Others	25,506,528	6.44%	50,026,022	7.79%	19,886,826	15.11%
	395,868,531	100.00%	640,854,225	100.00%	131,448,864	100.00%

#### 44.1.4.2 Segment by sector

	2017					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 15)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	66,349,619	16%	61,248,565	9%	30,591,094	21%
Private	350,838,082	84%	592,097,523	91%	118,060,508	79%
	417,187,701	100%	653,346,088	100%	148,651,602	100%

	2016					
	Advances (Gross)		Deposits		Contingent liabilities*	
	(Note 10)		(Note 15)			
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	86,223,360	22%	18,982,770	3%	22,410,079	17%
Private	309,645,171	78%	621,871,455	97%	109,038,785	83%
	395,868,531	100%	640,854,225	100%	131,448,864	100%

\* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

#### 44.1.4.3 Details of non-performing advances and specific provisions by class of business segment

	2017		2016	
	Classified advances	Specific provision held	Classified advances	Specific provision held
------(Note 10.4)-----				
------(Rupees in '000)-----				
Agribusiness	229,657	144,776	378,541	216,924
Automobile & Transportation equipment	1,059,593	399,080	1,131,004	417,619
Chemical & Pharmaceuticals	88,462	72,711	225,513	225,513
Communication	1,788,981	1,788,981	1,870,813	1,870,813
Educational Institutes	38,699	37,931	52,322	45,972
Financial	951,150	951,150	1,302,880	1,288,470
Fertilizers	757,476	757,560	765,136	765,136
Food and allied products	359,269	341,556	257,302	175,802
Glass / Ceramics	7,346	7,079	17,133	17,133
Ghee & Edible Oil	328,286	328,286	457,638	457,638
Import & Export	733,558	682,557	885,121	829,730
Iron and steel	821,004	797,622	227,394	187,622
Oil and gas	635,574	635,574	1,701,406	1,356,224
Paper & Board	79,270	76,765	90,892	90,892
Production and transmission of energy	146,684	146,684	148,839	148,839
Real Estate / Construction	532,860	531,861	557,536	534,411
Retail Trade & Wholesale	2,117,306	1,772,832	2,002,294	1,400,352
Rice processing and trading / wheat	1,127,920	1,104,920	1,092,534	1,048,501
Sugar	7,132	6,690	7,322	6,737
Shoes & Leather garments	104,669	104,669	94,654	94,654
Sports	30,990	30,990	30,990	30,990
Surgical goods	48,453	39,428	32,153	32,153
Textile Spinning	1,666,854	1,563,266	1,398,435	1,391,135
Textile Weaving	1,062,503	1,019,001	1,104,051	1,024,229
Textile Composite	1,105,086	971,966	1,051,420	937,481
Individuals	811,479	662,678	983,682	791,325
Others	939,850	708,428	1,152,780	981,968
	<u>17,580,111</u>	<u>15,685,041</u>	<u>19,019,785</u>	<u>16,368,263</u>

#### 44.1.4.4 Details of non-performing advances and specific provisions by sector

	2017		2016	
	Classified advances	Specific provision held	Classified advances	Specific provision held
------(Rupees in '000)-----				
Public / Government	-	-	-	-
Private	17,580,111	15,685,041	19,019,785	16,368,263
	<u>17,580,111</u>	<u>15,685,041</u>	<u>19,019,785</u>	<u>16,368,263</u>

#### 44.1.4.5 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
------(Rupees in '000)-----				
Pakistan	13,121,196	916,504,714	57,296,124	142,366,001
Asia Pacific (including South Asia)	882,701	54,245,117	8,525,272	6,173,699
Middle East	406,424	20,277,592	1,008,985	111,902
	14,410,321	991,027,423	66,830,381	148,651,602

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities*
------(Rupees in '000)-----				
Pakistan	11,698,093	851,015,491	51,865,371	125,163,263
Asia Pacific (including South Asia)	1,107,779	48,111,705	8,201,003	4,665,616
Middle East	548,183	20,311,647	858,496	1,619,985
	13,354,055	919,438,843	60,924,870	131,448,864

\* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

#### 44.2 Market risk

Market risk exposes the Group to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a well-defined risk management structure, under Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines methods to measure and control market risk which are carried out at a portfolio level. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

The Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by Market Risk Management Unit of Risk Management Division (RMD). The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II / III. Currently, the Bank calculates 'Value at Risk (VaR)' on a regular basis. Moreover, the Bank also carries out stress testing on regular intervals by applying shocks on fixed income, equity and foreign exchange positions.

##### 44.2.1 Foreign exchange risk

Foreign exchange (FX) risk arises from the fluctuation in the value of financial instruments due to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer and currency-wise limits.

FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as forwards and swaps. VaR analysis are conducted on regular basis to measure and monitor the FX risk.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Group's foreign currency risk for on and off balance sheet financial instruments:

	2017			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----			
Pakistan Rupee	897,390,166	804,723,770	(27,024,039)	65,642,357
United States Dollar	61,529,055	80,687,137	20,318,024	1,159,942
Great Britain Pound	1,659,845	5,457,565	3,808,651	10,931
Arab Emirates Dirham	189,571	198,056	12,024	3,539
Euro	2,409,902	5,286,262	2,881,809	5,449
Other currencies	27,848,884	27,844,252	3,531	8,163
Total foreign currency exposure	93,637,257	119,473,272	27,024,039	1,188,024
Total currency exposure	991,027,423	924,197,042	-	66,830,381

	2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----			
Pakistan Rupee	825,010,874	753,091,055	(10,905,418)	61,014,401
United States Dollar	67,833,338	72,455,525	4,491,512	(130,675)
Great Britain Pound	1,295,998	4,856,018	3,574,955	14,935
Arab Emirates Dirham	20,544	5,479	-	15,065
Euro	2,413,419	5,258,522	2,850,232	5,129
Other currencies	22,864,670	22,847,374	(11,281)	6,015
Total foreign currency exposure	94,427,969	105,422,918	10,905,418	(89,531)
Total currency exposure	919,438,843	858,513,973	-	60,924,870

Currency wise assets and liabilities considered above have been presented on gross basis as per respective currencies.

#### 44.2.2 Equity investment risk

Equity investment risk arises due to the risk of changes in the prices of individual stocks held by the Group. The Group's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of investments classified as HFT portfolio is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Holding Company's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Management Unit of RMD monitors and reports portfolio and scrip level internal and external limits.

#### 44.3 Interest rate risk

Interest Rate Risk is the adverse impact on the Group's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The Bank is exposed to interest rate risk primarily as a result of mismatches in the amounts of assets and liabilities and off-balance sheet instruments within a certain range of maturity due to re-pricing (whichever is earlier). The Holding Company has formulated a separate Interest Rate Risk Management (IRRM) framework which establishes aggregate and tenor-wise balance sheet level PVO1 (Price Value of 1bps) limits to manage interest rate risk within the Board approved risk appetite. Treasury and FI Group is primarily responsible for management of interest rate risk on a daily basis, and the Asset and Liability Committee (ALCO) oversees the interest rate risk at Bank level. Market Risk Management Unit of Risk Management Division independently monitors, analyses and reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

#### 44.3.1 Mismatch of interest rate sensitive assets and liabilities

2017

Effective yield/ interest rate	Exposed to yield / interest rate risk										Non-interest bearing financial instruments	
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
	------(Rupees in '000)-----											
	<b>On-balance sheet financial instruments</b>											
	<b>Financial Assets</b>											
0.02%	70,381,480	7,553,785	-	-	-	-	-	-	-	-	-	62,827,695
1.53%	4,747,935	1,307,871	853,440	-	-	-	-	-	-	-	-	2,586,624
5.78%	48,895,828	30,693,824	16,031,822	2,170,182	-	-	-	-	-	-	-	-
6.83%	401,742,398	88,286,210	142,701,377	26,814,457	24,753,061	43,682,519	25,299,396	33,959,355	6,300,078	290,869	9,655,076	
7.26%	400,659,922	174,725,255	85,138,379	80,768,167	26,483,361	1,693,247	1,810,295	8,019,137	17,836,363	3,747,465	438,253	
	44,982,332	-	-	26,821,724	-	-	-	-	-	-	-	18,160,608
	971,409,895	302,566,945	244,725,018	136,574,530	51,236,422	45,375,766	271,09,691	41,978,492	24,136,441	4,088,334	93,668,756	
	<b>Financial Liabilities</b>											
	12,461,866	-	-	-	-	-	-	-	-	-	-	12,461,866
4.92%	206,566,825	132,052,552	40,618,750	8,922,666	17,764,270	47,439	114,330	903,120	6,143,698	-	-	
2.60%	653,346,088	240,740,364	51,264,080	67,373,239	16,091,928	610,096	306,949	82,329	-	-	276,877,103	
8.77%	4,991,000	-	4,991,000	-	-	-	-	-	-	-	-	
	42,513,605	-	-	24,759,096	-	-	-	-	-	-	-	
	919,879,384	372,792,916	96,873,830	101,055,001	33,856,198	657,535	421,279	985,449	6,143,698	-	307,093,478	
	51,530,511	(70,225,971)	147,851,188	35,519,529	17,380,224	44,718,231	26,688,412	40,993,043	17,992,743	4,088,334	(213,425,222)	
	<b>On-balance sheet gap</b>											
	<b>Off-balance sheet financial instruments</b>											
	60,285,544	27,287,134	22,912,300	8,575,250	1,510,860	-	-	-	-	-	-	
	31,823,206	8,200,656	12,131,925	10,859,209	631,416	-	-	-	-	-	-	
	8,865,756	1,942,598	6,923,158	-	-	-	-	-	-	-	-	
	8,865,756	-	-	-	-	4,504,276	1,104,172	2,153,135	1,104,173	-	-	
	28,462,338	21,029,076	17,03,533	(2,283,959)	879,444	(4,504,276)	(1,104,172)	(2,153,135)	(1,104,173)	-	-	
	(49,196,895)	165,554,721	18,259,668	40,213,955	25,584,240	38,839,908	16,888,570	4,088,334	293,418,071	-	-	
	(49,196,895)	116,357,826	149,593,396	167,853,064	208,067,019	233,651,259	272,491,167	289,379,737	293,418,071	-	-	
	<b>Cumulative yield / interest rate risk sensitivity gap</b>											



2016

Effective yield/ interest rate	Total	Exposed to yield / interest rate risk									Non-interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
-	74,071,394	6,651,460	-	-	-	-	-	-	-	-	-	67,419,934
0.78%	9,498,787	3,335,337	1,435,399	-	-	-	-	-	-	-	-	4,728,051
4.90%	30,149,029	3,857,863	11,892,500	-	-	-	-	-	-	-	-	-
7.61%	389,666,922	29,919,378	27,023,435	88,541,189	97,689,618	46,175,864	27,259,389	647,989	12,408,959	647,989	12,408,959	-
7.27%	378,724,300	29,811,581	128,342,849	63,943	154,176	266,903	195,322	4,232,220	18,548,542	4,232,220	18,548,542	-
	900,658,974	73,575,639	168,694,183	87,359,425	88,605,182	97,843,794	27,454,711	4,880,209	103,105,486	4,880,209	103,105,486	-

(Rupees in '000)

On-balance sheet financial instruments

Financial Assets

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

Financial Liabilities

- Bills payable
- Borrowings
- Deposits and other accounts
- Sub-ordinated loans
- Other liabilities

On-balance sheet gap

Off-balance sheet financial instruments

- Forward exchange contracts - purchase
- Forward exchange contracts - sale
- Interest Rate Swaps - receipts
- Interest Rate Swaps - payments

Off-balance sheet gap

Total yield / interest rate risk sensitivity gap

Cumulative yield / interest rate risk sensitivity gap

Total financial assets as per note 44.3.1

Add: Non financial assets

Operating fixed assets

Other assets

Total assets as per statement of financial position

Total liabilities as per note 44.3.1

Add: Non financial liabilities

Deferred tax liabilities

Other liabilities

Total liabilities as per statement of financial position

	2017	2016
	(Rupees in '000)	(Rupees in '000)
Total financial assets as per note 44.3.1	971,409,895	900,658,974
Add: Non financial assets		
Operating fixed assets	17,707,667	18,216,937
Other assets	1,909,861	562,932
Total assets as per statement of financial position	991,027,423	919,438,843
Total liabilities as per note 44.3.1	919,879,384	854,517,011
Add: Non financial liabilities		
Deferred tax liabilities	3,443,012	2,911,531
Other liabilities	874,646	1,085,431
Total liabilities as per statement of financial position	924,197,042	858,513,973

#### 44.4 Country risk

Country risk, refers to the possibility that economic and political conditions in a foreign country could adversely impact the Bank's exposure in that country. For the Bank, country risk arises as a result of the Bank's foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to manage the risk, Bank has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using financial market and economic factors. Political risk is measured using a variety of indicia indicative of relative certainty of payment of foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved limits. The limits and their utilization are monitored and managed at head office level and country risk exposures are reported to the relevant committees at a defined frequency.

#### 44.5 Liquidity risk

Liquidity is a financial institution's capacity to meet its obligations as they fall due without incurring losses. Liquidity risk is the risk to an institution's earnings, capital & reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.

With reference to SBP Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, Bank Alfalah calculates Liquidity Coverage Ratio (LCR) on monthly basis. Based on December 31, 2017 numbers Bank's LCR is 1.49 or 149% against SBP minimum requirement of 90%, with Total Stock of High Quality Liquid Assets (HQLA) of PKR 273.9Bn and Net Cash Outflows of PKR 183.5Bn.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis and maintain a minimum of 100% with effect from December 31, 2017. Based on December 31, 2017 numbers Bank Alfalah's NSFR is 137%, with Total Available Stable Funding of PKR 555.3 Bn and Total Required Stable Funding of PKR 405.2Bn.

The Group manages and controls liquidity risk through a detailed risk management framework, which includes BoD approved policy, management level procedural document and Asset & Liability Committee (ALCO) level guidelines. Under this framework, various liquidity metrics are implemented and monitored on a regular basis.

At Holding Company BoD approves the Liquidity Risk Policy. Further, it also approves the Holding Company's overall liquidity risk appetite and broad liquidity risk strategy through Annual Business Plan. The Holding Company's ALCO is primarily responsible for the implementation of BoD's strategy through oversight of the asset liability function including liquidity management. Treasury front office manages the Bank's liquidity on day to basis and is the Bank's first line of defense against liquidity risk. Under Risk Management Division, Liquidity Risk Management Unit is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and bank's own risk appetite.

The Holding Company's overall funding strategy is based on the principles of diversification and stability. The Bank has a diverse funding base, which includes stable funding in the form of equity, retail and small business deposits. Moreover, for non-stable funding in form of Large Volume Depositors. The Bank has in place internally approved limits to monitor and manage risk emanating from volatile funding concentration. Moreover, the Holding Company is fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of High Quality Liquidity Assets in relation to its liability profile.

Stress Testing is used in an attempt to highlight the vulnerability of the Holding Company's Balance Sheet to hypothetical stress events and scenarios. Under the same, liquidity risk factors are given major shocks and their resulting impact on the balance sheet is calculated. Holding Company carries out the stress testing based on SBP Stress Tests and internal defined scenarios to gauge the potential impacts of different liquidity stress scenarios on the Bank's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

Contingency Funding Plan, is implemented to address liquidity issues in times of stress / crises situations. The Global Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division and are approved by the ALCO annually.

Main drivers of LCR results are HQLA and Net Cash Outflow. HQLA is defined by the liquidity quality of the Bank's assets and net cash outflow is mainly determined through volatility of the Bank's liability profile. The table below show cases the composition of HQLA as of December 31, 2017.

HQLA*	Market Value	Weighted Amount
	(Rs. in millions)	
Level 1 Assets	271,298	271,298
Level 2A Assets	543	462
Level 2B Assets	4,378	2,189
	<u>276,219</u>	<u>273,949</u>

\* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

### Liquidity Coverage Ratio

	Total Unweighted <sup>a</sup> Value (average)	Total Weighted <sup>b</sup> Value (average)
<b>High Quality Liquid Assets</b>		
(Rupees in '000)		
1 Total high quality liquid assets (HQLA)		234,488,065
<b>Cash Outflows</b>		
2 Retail deposits and deposits from small business customers of which:	415,719,968	41,571,997
2.1 Stable deposit	-	-
2.2 Less stable deposit	415,719,968	41,571,997
3 Unsecured wholesale funding of which:	224,761,158	134,978,873
3.1 Operational deposits (all counterparties)	-	-
3.2 Non-operational deposits (all counterparties)	212,614,296	122,832,011
3.3 Unsecured debt	12,146,862	12,146,862
4 Secured wholesale funding		6,754,570
5 Additional requirements of which:	28,305,702	3,023,760
5.1 Outflows related to derivative exposures and other collateral requirements	213,153	213,153
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and Liquidity facilities	28,092,549	2,810,607
6 Other contractual funding obligations	-	-
7 Other contingent funding obligations	455,722,662	6,912,420
8 <b>Total Cash Outflows</b>		193,241,620
<b>Cash Inflows</b>		
9 Secured lending	9,587,551	-
10 Inflows from fully performing exposures	37,930,718	26,997,552
11 Other Cash inflows	440,821	440,821
12 <b>Total Cash Inflows</b>		27,438,373
<b>Total Adjusted Value</b>		
13 <b>Total HQLA</b>		234,488,065
14 <b>Total Net Cash Outflows</b>		165,803,247
15 <b>Liquidity Coverage Ratio</b>		141%

- a Unweighted values must be calculated as outstanding balances maturing or callable within 30 days ( for inflows and outflows)
- b "Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)"
- c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA and cap on inflows)

Net Stable Funding Ratio (Rupees. in '000)		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
ASF Item						
1	Capital:					
2	Regulatory capital	65,696,345	-	-	2,992,200	68,686,545
3	Other capital instruments		2,000	-	1,996,800	-
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	401,062,889	12,914,358	6,245,704	2,425,510	380,626,165
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	147,443,582	274,048,950	31,398,362	8,569,633	104,387,656
10	Other liabilities:					
11	NSFR derivative liabilities		-			-
12	All other liabilities and equity not included in other categories		29,053,964	3,159,413		1,579,707
13	Total ASF					555,280,073
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					59,155,466
15	Deposits held at other financial institutions for operational purposes	10,322,937				5,161,468
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA		11,848,536			1,184,854
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	6,116,797	1,141,414	-	8,536,731
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	122,329,221	84,482,871	41,982,211	103,042,496	224,377,475
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	8,078,351	5,079,067	150,000	29,753,885	24,543,557
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	1,195,060			8,033,759	7,844,496
22	Other assets:					
23	Physical traded commodities, including gold	-				-
24	Assets posted as initial margin for derivative contracts		-			-
25	NSFR derivative assets		-			-
26	NSFR derivative liabilities before deduction of variation margin posted		-			-
27	All other assets not included in the above categories		48,174,048			48,174,048
28	Off-balance sheet items		341,696,628	93,129,348	117,088,428	26,176,167
29	Total RSF					405,154,261
30	Net Stable Funding Ratio (%)					137%

**44.5.1 Maturities of assets and liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Holding Company**

	2017									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
----- (Rupees in '000) -----										
<b>Assets</b>										
Cash and balances with treasury banks	70,381,480	32,115,505	3,715,036	2,409,089	5,844,770	5,724,712	1,492,631	3,185,947	7,379,272	8,514,518
Balances with other banks	4,747,935	3,894,495	853,440	-	-	-	-	-	-	-
Lendings to financial institutions	48,895,828	30,693,824	16,031,822	2,170,182	-	-	-	-	-	-
Investments	401,742,398	88,313,361	141,257,265	563,870	51,349,936	42,685,741	27,602,126	35,330,676	9,337,145	5,302,278
Advances	400,659,922	160,356,755	50,841,977	30,346,004	11,202,738	11,268,053	34,538,717	44,691,956	42,384,818	15,028,904
Operating fixed assets	17,707,667	118,855	237,711	356,567	713,135	1,426,268	1,426,268	2,611,984	2,482,878	8,334,001
Other assets	46,892,193	15,749,846	270,706	27,227,782	1,538,963	1,069,119	258,944	388,416	388,417	-
	991,027,423	331,242,641	213,207,957	63,073,494	70,649,542	62,173,893	65,318,686	86,208,979	61,972,530	37,179,701
<b>Liabilities</b>										
Bills payable	12,461,866	12,461,866	-	-	-	-	-	-	-	-
Borrowings	206,566,825	132,052,552	40,275,497	8,922,666	18,107,523	47,439	114,330	903,120	6,143,698	-
Deposits and other accounts	653,346,088	41,827,147	66,589,225	46,680,748	65,450,111	95,285,044	24,395,193	47,059,811	117,376,183	148,682,626
Sub-ordinated loans	4,991,000	-	1,000	-	1,000	2,000	2,000	4,985,000	-	-
Deferred tax liabilities	3,443,012	-	-	-	3,443,012	-	-	-	-	-
Other liabilities	43,388,251	10,463,818	690,960	25,861,406	3,015,019	839,262	839,262	1,678,524	-	-
	924,197,042	196,805,383	107,556,682	81,464,820	90,016,665	96,173,745	25,350,785	54,626,455	123,519,881	148,682,626
<b>Net assets</b>	66,830,381	134,437,258	105,651,275	(18,391,326)	(19,367,123)	(33,999,852)	39,967,901	31,582,524	(61,547,351)	(111,502,925)
Share capital	16,075,720									
Reserves	18,156,669									
Unappropriated profit	24,895,975									
Non-controlling interest	422,265									
Surplus on revaluation of assets - net of tax	7,279,752									
	<u>66,830,381</u>									

	2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
----- (Rupees in '000) -----										
<b>Assets</b>										
Cash and balances with treasury banks	74,071,394	36,846,833	1,772,930	2,425,381	3,867,441	6,757,184	1,307,969	2,639,200	6,211,747	12,242,709
Balances with other banks	9,498,787	8,063,388	1,435,399	-	-	-	-	-	-	-
Lendings to financial institutions	30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-
Investments	389,666,922	29,609,263	26,624,534	1,365,933	66,439,619	88,541,189	97,689,618	47,972,996	27,512,192	3,911,578
Advances	378,724,300	60,429,569	74,260,351	74,378,153	40,514,365	10,088,682	19,127,442	55,801,997	28,726,832	15,396,909
Operating fixed assets	18,216,937	124,129	248,257	372,386	744,772	1,489,544	1,489,544	2,735,072	2,519,946	8,493,287
Other assets	19,111,474	15,322,197	375,295	562,943	582,838	830,732	359,367	539,051	539,051	-
	919,438,843	154,253,262	116,609,266	93,503,442	112,149,035	107,707,331	119,973,940	109,688,316	65,509,768	40,044,483
<b>Liabilities</b>										
Bills payable	12,886,990	12,886,990	-	-	-	-	-	-	-	-
Borrowings	178,710,629	147,956,698	8,014,324	19,796,157	-	-	-	-	2,943,450	-
Deposits and other accounts	640,854,225	43,064,153	42,456,232	50,334,127	77,042,382	119,344,554	23,551,675	47,278,680	108,153,793	129,628,629
Sub-ordinated loans	8,317,670	-	1,000	1,662,330	1,663,340	2,000	2,000	4,987,000	-	-
Deferred tax liabilities	2,911,531	-	-	-	2,911,531	-	-	-	-	-
Other liabilities	14,832,928	7,897,252	591,454	946,816	2,575,402	705,501	705,501	1,411,002	-	-
	858,513,973	211,805,093	51,063,010	72,739,430	84,192,655	120,052,055	24,259,176	53,676,682	111,097,243	129,628,629
<b>Net assets</b>	60,924,870	(57,551,831)	65,546,256	20,764,012	27,956,380	(12,344,724)	95,714,764	56,011,634	(45,587,475)	(89,584,146)
Share capital	15,952,076									
Reserves	15,895,652									
Unappropriated profit	17,777,737									
Non-controlling interest	323,466									
Surplus on revaluation of assets - net of tax	10,975,939									
	<u>60,924,870</u>									

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Holding Company conducted a behavioural study of non-maturity deposits (non-contractual deposits) and performed regression analysis to determine deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.

#### 44.5.2 Maturities of assets and liabilities based on contractual maturities

		2017									
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
		(Rupees in '000)									
<b>Assets</b>											
Cash and balances with treasury banks	70,381,480	56,932,039	3,092,596	1,428,122	2,069,462	1,762,847	386,300	974,218	1,852,203	1,883,693	
Balances with other banks	4,747,935	3,894,495	853,440	-	-	-	-	-	-	-	-
Lendings to financial institutions	48,895,828	30,693,824	16,031,822	2,170,182	-	-	-	-	-	-	-
Investments	401,742,398	88,313,361	141,257,265	563,870	51,349,936	42,685,741	27,602,126	35,330,676	9,337,145	5,302,278	
Advances	400,659,922	160,356,755	50,841,977	30,346,004	11,202,738	11,268,053	34,538,717	44,691,956	42,384,818	15,028,904	
Operating fixed assets	17,707,667	118,855	237,711	356,567	713,135	1,426,268	1,426,268	2,611,984	2,482,878	8,334,001	
Other assets	46,892,193	15,749,846	270,706	27,227,782	1,538,963	1,069,119	258,944	388,416	388,417	-	
	991,027,423	356,059,175	212,585,517	62,092,527	66,874,234	58,212,028	64,212,355	83,997,250	56,445,461	30,548,876	
<b>Liabilities</b>											
Bills payable	12,461,866	12,461,866	-	-	-	-	-	-	-	-	-
Borrowings	206,566,825	132,052,552	40,275,497	8,922,666	18,107,523	47,439	114,330	903,120	6,143,698	-	
Deposits and other accounts	653,346,088	547,463,335	51,402,284	23,900,337	19,889,290	1,700,672	923,569	116,563	45,835	7,904,203	
Sub-ordinated loans	4,991,000	-	1,000	-	1,000	2,000	2,000	4,985,000	-	-	
Deferred tax liabilities	3,443,012	-	-	-	3,443,012	-	-	-	-	-	
Other liabilities	43,388,251	10,463,818	690,960	25,861,406	3,015,019	839,262	839,262	1,678,524	-	-	
	924,197,042	702,441,571	92,369,741	58,684,409	44,455,844	2,589,373	1,879,161	7,683,207	6,189,533	7,904,203	
<b>Net assets</b>	66,830,381	(346,382,396)	120,215,776	3,408,118	22,418,390	55,622,655	62,333,194	76,314,043	50,255,928	22,644,673	
Share capital	16,075,720										
Reserves	18,156,669										
Unappropriated profit	24,895,975										
Non-controlling interest	422,265										
Surplus on revaluation of investments											
- net of tax	<u>7,279,752</u>										
	<u>66,830,381</u>										
		2016									
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
		(Rupees in '000)									
<b>Assets</b>											
Cash and balances with treasury banks	74,071,394	66,265,760	564,904	804,133	919,594	1,515,407	284,447	584,019	1,426,447	1,706,683	
Balances with other banks	9,498,787	8,063,388	1,435,399	-	-	-	-	-	-	-	
Lendings to financial institutions	30,149,029	3,857,883	11,892,500	14,398,646	-	-	-	-	-	-	
Investments	389,666,922	37,514,748	26,624,534	1,365,933	58,534,134	88,541,189	97,689,618	47,972,996	27,512,192	3,911,578	
Advances	378,724,300	60,429,569	74,260,351	74,378,153	40,514,365	10,088,682	19,127,442	55,801,997	28,726,832	15,396,909	
Operating fixed assets	18,216,937	124,129	248,257	372,386	744,772	1,489,544	1,489,544	2,735,072	2,519,946	8,493,287	
Other assets	19,111,474	15,322,197	375,295	562,943	582,838	830,732	359,367	539,051	539,051	-	
	919,438,843	191,577,674	115,401,240	91,882,194	101,295,703	102,465,554	118,950,418	107,633,135	60,724,468	29,508,457	
<b>Liabilities</b>											
Bills payable	12,886,990	12,886,990	-	-	-	-	-	-	-	-	
Borrowings	178,710,629	147,956,698	8,014,324	19,796,157	-	-	-	-	2,943,450	-	
Deposits and other accounts	640,854,225	565,930,998	23,078,405	21,267,387	18,908,902	3,077,594	2,121,544	4,418,418	1,003,136	1,047,841	
Sub-ordinated loans	8,317,670	-	1,000	1,662,330	1,663,340	2,000	2,000	4,987,000	-	-	
Deferred tax liabilities	2,911,531	-	-	-	2,911,531	-	-	-	-	-	
Other liabilities	14,832,928	7,897,252	591,454	946,816	2,575,402	705,501	705,501	1,411,002	-	-	
	858,513,973	734,671,938	31,685,183	43,672,690	26,059,175	3,785,095	2,829,045	10,816,420	3,946,586	1,047,841	
<b>Net assets</b>	60,924,870	(543,094,264)	83,716,057	48,209,504	75,236,528	98,680,459	116,121,373	96,816,715	56,777,882	28,460,616	
Share capital	15,952,076										
Reserves	15,895,652										
Unappropriated profit	17,777,737										
Non-controlling interest	323,466										
Surplus on revaluation of investments											
- net of tax	<u>10,975,939</u>										
	<u>60,924,870</u>										

Current and Saving deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the Group estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

#### 44.6 Operational risk

Basel II defines Operational risk as, “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.” In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management (ORM) Unit is established within RMD.

The Operational risk management policy of the Bank is duly approved by the Board and Operational Risk Management Manual covers the processes, structure and functions of Operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Bank.

##### 44.6.1 Operational Risk Disclosures - Basel II Specific

Bank was given approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and Bank started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013. The SBP Approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors were 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. However, removal of Capital Floor for calculation of Capital Charge under ASA was extended in line with International developments and consultations of the Basel Committee on Banking Supervision (BCBS), State Bank of Pakistan is in process of reviewing its instructions on Operational risk.

Bank Alfalah is one of the first few banks in Pakistan to achieve this milestone. As per SBP requirements, Bank’s operational risk assessment systems have also been reviewed by the external auditors during 2014.

The Bank’s ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with Bank’s business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies and procedures of the Bank are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems introduced in 2010 have been further enhanced and the reports are submitted to Central Management Committee and Board Risk Management Committee. State Bank has further extended the timeline for collection of loss data base reports till further notice.

As required by Basel, Bank has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management

And also mapped the incidents into following Business Lines:

- Retail Banking
- Commercial Banking
- Corporate Finance
- Trading & Sales
- Payment & Settlement
- Agency Services
- Cost centers/Centralized functions

#### 44.6.2 IT Security Risk

The Bank has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated IT Security Risk Management unit, functioning within RMD manages IT and information security risks to bank's technology assets by developing IT security baselines for IT solutions that support products and services, monitoring of threats and vulnerabilities, investigation of reported information security incidents, reinforcement of IT security risk awareness to employees via periodic communications, following up on due dates with stakeholders responsible for remediation of open issues, and reporting the status of IT security risk to the management and BRMC/Board.

#### 44.7 Environmental & Social Risk Management Unit

Initiative to integrate sustainable finance approach in credit evaluation and approval process.

Being a responsible corporate citizen wherever BAFL operates, the Bank has integrated sustainable finance approach in its lending activities. In this regard, an Environmental & Social Management System (ESMS), duly approved by the Board of Directors, has been put in place in close coordination with IFC. The ESMS Framework essentially requires that any relevant lending opportunity is to be reviewed and evaluated against;

- IFC Exclusion List
- Applicable national laws on environment, health, safety and social issues
- IFC Performance Standards.

This Framework is an integral part of the credit approval process and all relevant credit proposals require clearance of E&S Officer prior to approval of the competent authority. The Environmental & Social Risk Management Unit, part of RMD and headed by a senior risk officer with environmental and social risk management qualifications, is responsible for identifying, vetting and approving projects from an ESRM perspective. This role also entails coordination with provincial Environmental Protection Agencies (EPA) to remove ambiguities related to the EPA approval requirements and to educate the clients. BAFL is also in assisting SBP to promote ESRM practices across the banking industry. The Bank firmly believes that the integration of financial, social and environmental considerations into its decision making would enable higher & sustainable gains for all stakeholders. Recently SBP has also announced Green Banking Guidelines for all the banks and given one year time to implement. The Guidelines carry an enlarged scope as it rests on three pillars Environmental Risk Management, Business Facilitation and Own Impact Reduction.

#### 45 GENERAL

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

The effect of re-classification on comparative information presented for the year ended December 31, 2016 as part of the Statement of Financial Position is as follows:

Head	(Rupees in '000)	From	To
Various service charges and commission income	258,935	Other income	Fee, commission and brokerage
Staff commission and incentive expenses	(83,618)	Fee, commission and brokerage income	Administrative expenses - Salaries, allowances, etc.
Interest income on Interest Rate Swaps	100,658	Mark-up / return / interest earned	Mark-up / return / interest expensed
Brokerage and commission expense	(211,023)	Mark-up / return / interest expensed	Administrative expenses - Brokerage and commission
Brokerage and commission expense	(9,371)	Mark-up / return / interest expensed	Administrative expenses - Other expense
Courier expense - recoveries	22,298	Other income	Administrative expenses - communication
Swift / telex charges	22,005	Other income	Administrative expenses - communication
Foreign exchange expense	(117,161)	Fee, commission and brokerage income	Income from dealing in foreign currencies



**46 NON-ADJUSTING EVENT AFTER THE YEAR END REPORTING DATE**

The Board of Directors in its meeting held on February 25, 2018 has announced cash dividend of 15 percent (2016: Nil). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2017 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2018.

**47 DATE OF AUTHORISATION**

These consolidated financial statements were authorised for issue on February 25, 2018 by the Board of Directors of the Holding Company.

## PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2017

Number of Shareholders	Shareholding		Number of Shares Held
	From	To	
2,237	1	-	56,044
1,931	101	-	571,692
1,714	501	-	1,272,512
4,071	1,001	-	11,871,118
1,019	5,001	-	7,230,574
234	10,001	-	2,917,537
145	15,001	-	2,603,417
96	20,001	-	2,192,899
65	25,001	-	1,849,393
47	30,001	-	1,545,429
37	35,001	-	1,406,815
31	40,001	-	1,335,068
46	45,001	-	2,249,299
22	50,001	-	1,156,694
23	55,001	-	1,323,701
14	60,001	-	882,850
19	65,001	-	1,293,785
12	70,001	-	878,398
9	75,001	-	709,140
6	80,001	-	494,504
10	85,001	-	882,890
8	90,001	-	743,576
26	95,001	-	2,600,000
6	100,001	-	608,978
5	105,001	-	546,000
6	110,001	-	679,794
6	115,001	-	708,895
14	120,001	-	1,737,559
8	125,001	-	1,025,125
5	130,001	-	667,050
3	135,001	-	414,375
2	140,001	-	285,688
8	145,001	-	1,195,654
4	150,001	-	609,331
2	155,001	-	317,060
5	160,001	-	810,119
1	165,001	-	166,488
1	170,001	-	170,745
2	175,001	-	356,224
6	180,001	-	1,100,828
3	190,001	-	577,187
10	195,001	-	1,986,500
4	200,001	-	813,443

Number of Shareholders	Shareholding		Number of Shares Held	
	From	To		
4	205,001	-	210,000	837,036
8	215,001	-	220,000	1,742,886
1	220,001	-	225,000	225,000
1	225,001	-	230,000	227,500
2	230,001	-	235,000	463,999
1	235,001	-	240,000	239,413
3	240,001	-	245,000	727,056
4	245,001	-	250,000	994,436
2	250,001	-	255,000	505,953
1	255,001	-	260,000	260,000
4	260,001	-	265,000	1,048,414
3	265,001	-	270,000	802,500
1	270,001	-	275,000	274,873
2	275,001	-	280,000	554,625
2	280,001	-	285,000	565,244
6	295,001	-	300,000	1,799,500
1	300,001	-	305,000	305,000
1	305,001	-	310,000	310,000
2	310,001	-	315,000	627,500
4	315,001	-	320,000	1,277,667
2	320,001	-	325,000	646,000
2	325,001	-	330,000	655,000
6	330,001	-	335,000	1,992,500
2	335,001	-	340,000	678,468
4	345,001	-	350,000	1,392,933
1	350,001	-	355,000	352,500
1	360,001	-	365,000	364,000
2	370,001	-	375,000	746,695
1	375,001	-	380,000	376,000
1	385,001	-	390,000	388,000
4	395,001	-	400,000	1,600,000
2	405,001	-	410,000	814,000
1	415,001	-	420,000	417,000
1	420,001	-	425,000	425,000
1	425,001	-	430,000	425,500
2	430,001	-	435,000	869,154
1	435,001	-	440,000	440,000
4	445,001	-	450,000	1,790,395
1	460,001	-	465,000	462,222
3	465,001	-	470,000	1,400,345
2	470,001	-	475,000	945,999
1	475,001	-	480,000	475,312
10	495,001	-	500,000	4,995,499

Number of Shareholders	Shareholding		Number of Shares Held	
	From	To		
3	500,001	-	505,000	1,507,851
2	520,001	-	525,000	1,045,837
1	540,001	-	545,000	540,376
1	555,001	-	560,000	560,000
1	560,001	-	565,000	565,000
1	585,001	-	590,000	588,409
2	590,001	-	595,000	1,183,453
1	595,001	-	600,000	600,000
1	600,001	-	605,000	604,500
2	620,001	-	625,000	1,247,806
3	625,001	-	630,000	1,885,387
1	630,001	-	635,000	630,800
1	645,001	-	650,000	649,400
1	650,001	-	655,000	654,999
1	660,001	-	665,000	661,700
1	665,001	-	670,000	666,319
1	680,001	-	685,000	683,000
1	685,001	-	690,000	689,000
2	695,001	-	700,000	1,397,000
1	715,001	-	720,000	720,000
2	745,001	-	750,000	1,495,500
1	755,001	-	760,000	758,500
2	775,001	-	780,000	1,558,645
2	780,001	-	785,000	1,567,000
1	825,001	-	830,000	827,000
1	855,001	-	860,000	858,500
1	860,001	-	865,000	864,500
1	870,001	-	875,000	873,154
1	895,001	-	900,000	898,000
1	900,001	-	905,000	902,000
1	930,001	-	935,000	930,500
1	940,001	-	945,000	944,500
1	950,001	-	955,000	952,500
1	980,001	-	985,000	983,000
4	995,001	-	1,000,000	4,000,000
1	1,055,001	-	1,060,000	1,059,000
1	1,065,001	-	1,070,000	1,066,000
1	1,085,001	-	1,090,000	1,089,000
1	1,125,001	-	1,130,000	1,127,187
1	1,155,001	-	1,160,000	1,159,500
2	1,195,001	-	1,200,000	2,396,000
1	1,200,001	-	1,205,000	1,204,500
1	1,205,001	-	1,210,000	1,209,474

Number of Shareholders	Shareholding		Number of Shares Held
	From	To	
1	1,210,001	-	1,213,500
1	1,245,001	-	1,250,000
1	1,250,001	-	1,255,000
1	1,255,001	-	1,256,395
1	1,270,001	-	1,274,199
1	1,395,001	-	1,400,000
2	1,400,001	-	2,807,622
2	1,495,001	-	3,000,000
1	1,510,001	-	1,514,224
1	1,550,001	-	1,551,000
1	1,575,001	-	1,576,600
2	1,605,001	-	3,218,894
1	1,685,001	-	1,688,186
1	1,705,001	-	1,706,500
1	1,910,001	-	1,912,000
1	1,965,001	-	1,969,734
1	2,095,001	-	2,100,000
1	2,135,001	-	2,136,507
1	2,150,001	-	2,154,000
1	2,235,001	-	2,236,538
1	2,325,001	-	2,325,500
1	2,360,001	-	2,363,000
1	2,415,001	-	2,415,500
1	2,435,001	-	2,438,500
1	2,455,001	-	2,456,500
1	2,465,001	-	2,466,500
1	2,525,001	-	2,527,947
1	2,550,001	-	2,553,100
1	2,685,001	-	2,689,500
1	2,695,001	-	2,700,000
1	2,845,001	-	2,850,000
1	2,890,001	-	2,893,000
1	2,945,001	-	2,950,000
2	2,960,001	-	5,928,861
1	3,010,001	-	3,011,890
1	3,085,001	-	3,086,000
1	3,160,001	-	3,163,740
1	3,170,001	-	3,174,000
1	3,245,001	-	3,250,000
1	3,290,001	-	3,295,000
1	3,295,001	-	3,296,500
1	3,350,001	-	3,352,000
1	3,515,001	-	3,516,248

Number of Shareholders	Shareholding		Number of Shares Held
	From	To	
1	3,530,001	-	3,531,369
1	4,075,001	-	4,076,000
1	4,095,001	-	4,100,000
1	4,355,001	-	4,356,359
1	4,660,001	-	4,661,500
2	4,755,001	-	9,519,113
1	5,525,001	-	5,527,500
1	5,795,001	-	5,797,500
1	6,440,001	-	6,443,000
1	6,485,001	-	6,488,000
1	6,725,001	-	6,726,500
1	7,085,001	-	7,089,500
1	7,495,001	-	7,500,000
1	8,640,001	-	8,641,000
1	9,525,001	-	9,525,500
1	9,845,001	-	9,846,500
1	9,995,001	-	10,000,000
1	10,540,001	-	10,544,953
1	10,675,001	-	10,675,500
1	11,295,001	-	11,295,400
1	11,825,001	-	11,825,818
1	12,515,001	-	12,517,540
1	13,495,001	-	13,500,000
1	17,500,001	-	17,501,603
1	18,980,001	-	18,984,068
1	19,095,001	-	19,096,875
1	19,125,001	-	19,128,259
1	27,585,001	-	27,585,147
1	32,145,001	-	32,149,947
1	36,690,001	-	36,694,424
1	38,565,001	-	38,566,171
1	44,520,001	-	44,523,500
1	47,775,001	-	47,779,500
1	53,090,001	-	53,090,599
1	53,965,001	-	53,966,250
1	55,040,001	-	55,044,258
1	68,805,001	-	68,805,322
1	75,685,001	-	75,687,166
2	103,205,001	-	206,415,966
1	119,260,001	-	119,263,433
1	238,085,001	-	238,086,450
<b>12,179</b>			<b>1,607,571,974</b>

# CATEGORIES OF SHAREHOLDERS AS AT DECEMBER 31, 2017

AS AT DECEMBER 31, 2017

S.No.	Shareholder's Category	Number of Shareholders	Number of Shares	Percentage
1	Directors, Chief Executive Officer, their Spouse(s) & Minor Children.	9	256,023,244	15.93
2	Associated Companies, Undertakings & Related Parties.	8	110,195,886	6.85
3	NIT & ICP	3	5,436,522	0.34
4	Banks DFI & NBFI.	7	40,895	0.00
5	Insurance Companies	16	55,598,611	3.46
6	Modarabas & Mutual Funds	42	63,757,779	3.97
7	Public Sector Companies & Corporations	10	38,273,736	2.38
8	General Public - Local	11,811	160,191,746	9.96
9	General Public - Foreign	22	416,944,195	25.94
10	Foreign Companies	63	405,367,806	25.22
11	Joint Stock Companies	117	87,659,080	5.45
12	Others	71	8,082,474	0.50
		<b>12,179</b>	<b>1,607,571,974</b>	<b>100.00</b>

# PATTERN OF SHAREHOLDING UNDER CODE OF CORPORATE GOVERNANCE

## AS AT DECEMBER 31, 2017

S. No.	Shareholder's Category	Number of	Number of	Category Wise	Percentage
		Shareholders	Shares Held	No. of Shares	%
<b>1-</b>	<b>Associated Companies, Undertakings and Related Parties</b>	8		110,195,886	6.85
	Dhabi One Investments Services LLC		38,566,171		2.40
	Trustee of Bank Alfalah Ltd - Employees Gratuity Fund Trust		27,585,147		1.72
	Trustee of Bank Alfalah Ltd - Employees Provident Fund Trust		19,125,000		1.19
	Wincom (Pvt) Limited		18,984,068		1.18
	Alfalah Insurance Company Limited		315,000		0.02
	CDC- Trustee Alfalah GHP Stock Fund		2,363,000		0.15
	CDC- Trustee Alfalah GHP Alpha Fund		1,551,000		0.10
	CDC- Trustee Alfalah GHP Value Fund		1,706,500		0.11
<b>2-</b>	<b>Mutual Funds</b>	40		66,899,801	4.16
	CDC - Trustee MCB Pakistan Stock Market Fund		10,675,500		0.66
	CDC - Trustee NAFA Stock Fund		9,846,500		0.61
	CDC - Trustee Atlas Stock Market Fund		6,443,000		0.40
	CDC - Trustee UBL Stock Advantage Fund		5,797,500		0.36
	CDC - Trustee NIT-Equity Market Opportunity Fund		4,759,113		0.30
	CDC - Trustee PICIC Growth Fund		4,661,500		0.29
	CDC - Trustee ABL Stock Fund		3,295,000		0.20
	CDC - Trustee Lakson Equity Fund		2,553,100		0.16
	CDC - Trustee MCB Pakistan Asset Allocation Fund		2,466,500		0.15
	MCBFSL - Trustee JS Growth Fund		2,438,500		0.15
	CDC - Trustee PICIC Investment Fund		2,415,500		0.15
	CDC - Trustee HBL - Stock Fund		2,325,500		0.14
	MCBFSL - Trustee JS Value Fund		1,213,500		0.08
	CDC-Trustee NAFA Asset Allocation Fund		1,204,500		0.07
	CDC - Trustee UNIT Trust Of Pakistan		983,000		0.06
	CDC - Trustee JS Large Cap. Fund		898,000		0.06
	CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund		626,000		0.04
	CDC - Trustee National Investment (UNIT) Trust		588,409		0.04
	CDC - Trustee Lakson Tactical Fund		540,376		0.03
	CDC - Trustee Pakistan Income Enhancement Fund		503,500		0.03
	CDC - Trustee NAFA Multi Asset Fund		425,500		0.03
	CDC - Trustee UBL Asset Allocation Fund		326,000		0.02
	CDC - Trustee Pakistan Capital Market Fund		325,000		0.02
	CDC - Trustee Pakistan Income Enhancement Fund - Mt		246,000		0.02
	MCBFSL Trustee JS - Income Fund - Mt		216,500		0.01
	CDC - Trustee PICIC Stock Fund		135,000		0.01
	CDC - Trustee PIML Asset Allocation Fund		130,000		0.01
	CDC - Trustee PIML Value Equity Fund		125,000		0.01
	CDC - Trustee AKD Index Tracker Fund		123,805		0.01



S. No.	Shareholder's Category	Number of	Number of	Category Wise	Percentage
		Shareholders	Shares Held	No. of Shares	%
	CDC - Trustee Faysal Asset Allocation Fund		120,000		0.01
	CDC - Trustee Faysal Mts Fund - Mt		93,500		0.01
	CDC - Trustee NIT Income Fund - Mt		89,000		0.01
	CDC - Trustee HBL Multi - Asset Fund		83,000		0.01
	CDC - Trustee Faysal Balanced Growth Fund		75,000		0.00
	CDC - Trustee First Habib Income Fund - Mt		64,500		0.00
	CDC-Trustee NAFA Savings Plus Fund - Mt		48,000		0.00
	CDC - Trustee First Habib Asset Allocation Fund		20,000		0.00
	CDC - Trustee NAFA Income Opportunity Fund - Mt		14,000		0.00
	CDC - Trustee PIML Strategic Multi Asset Fund		5,000		0.00
	CDC - Trustee Atlas Income Fund - Mt		498		0.00
<b>3-</b>	<b>Directors their spouse(s) and minor children</b>	<b>9</b>		<b>256,023,244</b>	<b>15.93</b>
	H.H. Sheikh Nahayan Mabarak Al Nahayan, Chairman		172,354,032		10.72
	Mr. Abdulla Nasser Hawaileel Al Mansoori, Director		79,203,414		4.93
	Mr. Abdulla Khalil Al Mutawa, Director		11,331		0.00
	Mr. Khalid Mana Saeed Al Otaiba, Director		67,457		0.00
	Mr. Nauman Ansari, Director / CEO		500		0.00
	Mr. Kamran Y. Mirza, Director		29,151		0.00
	Mr. Efstratios Georgios Arapoglou, Director		500		0.00
	Mr. Khalid Qurashi, Director		500		0.00
	H.H. Sheikha Fakhira Saeed S Alnehayan, Spouse		4,356,359		0.27
<b>4-</b>	<b>Executives</b>	<b>325</b>		<b>8,004,286</b>	<b>0.50</b>
<b>5-</b>	<b>Public Sector Companies and Corporations</b>	<b>10</b>		<b>38,273,736</b>	<b>2.38</b>
<b>6-</b>	<b>Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas &amp; Pension Funds.</b>	<b>34</b>		<b>58,952,764</b>	<b>3.67</b>
	<b>Shareholders holding 5% or more Voting Rights</b>				
	Total Paid Up Capital		1,607,571,974 Shares		
	5% of the Paid Up Capital		80,378,599 Shares		
				<b>Holding</b>	<b>%</b>
	M/S. International Finance Corporation			238,086,450	14.81
	H.H. Sheikh Nahayan Mabarak Al Nahayan, Chairman			172,354,032	10.72
	H.H. Sheikh Hamdan Bin Mubarak Al Nahayan			135,357,930	8.42
	H.E. Sheikh Suroor Bin Mohammad Al Nahyan			115,033,801	7.16
	M/S. Electro Mechanical Company LLC			87,933,581	5.47

## SALE/PURCHASE OF SHARES OF THE BANK

BY DIRECTORS/EXECUTIVES\*/SPOUSES AND THEIR MINOR CHILDREN DURING THE YEAR 2017

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
1	Mr. Abdulla Nasser Hawaileel Al Mansoori	23-Jan-17	-	250,000	Rs. 42.00
		23-Jan-17	-	629,000	Rs. 42.50
		23-Jan-17	-	35,000	Rs. 42.51
		23-Jan-17	-	75,000	Rs. 42.52
		23-Jan-17	-	10,000	Rs. 42.53
		23-Jan-17	-	1,000	Rs. 42.55
		23-Jan-17	-	500,000	Rs. 42.82
		24-Jan-17	-	137,500	Rs. 42.50
		24-Jan-17	-	500	Rs. 42.51
		24-Jan-17	-	4,500	Rs. 42.56
		24-Jan-17	-	85,000	Rs. 42.60
		24-Jan-17	-	25,000	Rs. 42.61
		24-Jan-17	-	94,000	Rs. 42.80
		24-Jan-17	-	26,000	Rs. 42.82
		24-Jan-17	-	7,000	Rs. 42.86
		24-Jan-17	-	250,000	Rs. 42.89
		24-Jan-17	-	10,500	Rs. 42.90
		24-Jan-17	-	500	Rs. 42.92
		24-Jan-17	-	6,000	Rs. 42.95
		24-Jan-17	-	74,500	Rs. 43.00
		24-Jan-17	-	29,000	Rs. 43.10
		24-Jan-17	-	250,000	Rs. 43.19
		24-Jan-17	-	250,000	Rs. 43.24
		24-Jan-17	-	250,000	Rs. 43.80
2	Mr. Suhail Yaqoob Khan	09-Jan-17	-	40,000	Rs. 41.0018
		18-Jan-17	-	160,000	Rs. 41.00
3	Mr. Haroon Khalid	17-Jan-17	-	25,000	Rs. 40.00
		29-Jun-17	-	25,000	Rs. 40.30
		29-Jun-17	-	25,000	Rs. 40.56
		18-Jul-17	-	25,000	Rs. 40.00
		18-Jul-17	-	500	Rs. 40.88
		09-Aug-17	-	10,000	Rs. 42.51
		09-Aug-17	-	20,000	Rs. 42.95
		23-Nov-17	-	10,000	Rs. 40.40
		30-Nov-17	-	25,000	Rs. 39.98
		15-Dec-17	-	20,000	Rs. 39.75
		20-Dec-17	-	10,000	Rs. 39.95
4	Syed Ali Sultan	24-Jan-17	-	39,000	Rs. 42.03
		24-Jan-17	-	48,000	Rs. 42.65
		24-Jan-17	-	1,000	Rs. 42.70
		24-Jan-17	-	12,000	Rs. 42.75
		24-Jan-17	-	25,000	Rs. 42.76

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		24-Jan-17	-	10,000	Rs. 42.80
		24-Jan-17	-	4,000	Rs. 42.86
		24-Jan-17	-	11,000	Rs. 43.00
5	Mr. Sajan Hamid Malik	27-Jan-17	10,000	-	Rs. 43.50
		05-May-17	-	332	Rs. 42.00
		13-Jun-17	-	6,000	Rs. 41.25
		13-Jun-17	-	1,000	Rs. 41.15
		13-Jun-17	-	4,000	Rs. 41.00
		04-Jul-17	-	9,000	Rs. 38.50
		07-Aug-17	-	40,000	Rs. 42.30
		07-Aug-17	-	1	Rs. 42.00
6	Syed Mohsin Ali Shah	25-Jan-17	-	6,500	Rs. 44.51
		25-Jan-17	-	12,500	Rs. 44.70
		25-Jan-17	-	1,000	Rs. 45.00
		25-Jan-17	-	1,000	Rs. 45.01
		25-Jan-17	-	500	Rs. 45.11
		25-Jan-17	-	500	Rs. 45.15
		25-Jan-17	-	5,500	Rs. 45.20
		25-Jan-17	-	10,296	Rs. 45.36
		25-Jan-17	-	1,500	Rs. 45.50
		25-Jan-17	-	10,000	Rs. 45.51
		25-Jan-17	-	10,000	Rs. 45.71
		25-Jan-17	-	1,500	Rs. 45.72
		25-Jan-17	-	500	Rs. 45.75
		25-Jan-17	-	1,000	Rs. 45.81
		25-Jan-17	-	77,000	Rs. 46.00
		25-Jan-17	-	2,000	Rs. 46.02
		25-Jan-17	-	10,000	Rs. 46.03
		25-Jan-17	-	1,500	Rs. 46.04
7	Mr. Javed Iqbal	18-Jan-17	-	5,000	Rs. 40.96
		28-Feb-17	-	10,000	Rs. 39.00
		03-May-17	-	40,500	Rs. 39.00
		03-May-17	-	6,000	Rs. 39.20
		03-May-17	-	3,000	Rs. 39.01
		03-May-17	-	500	Rs. 39.15
		04-May-17	-	5,000	Rs. 39.90
		04-May-17	-	5,000	Rs. 40.20
		05-May-17	-	10,000	Rs. 40.90
		23-May-17	-	10,000	Rs. 44.95
		23-May-17	-	10,000	Rs. 45.80
		24-May-17	5,000	-	Rs. 44.80
		24-May-17	-	10,000	Rs. 46.80

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		24-May-17	3,000	-	Rs. 47.20
		25-May-17	5,000	-	Rs. 45.65
		05-Jun-17	-	4,000	Rs. 43.61
8	Mr. Kamran Mahmood	15-Mar-17	-	25,000	Rs. 37.05
		15-May-17	-	500	Rs. 44.51
		15-May-17	-	94,000	Rs. 44.50
		15-May-17	-	5,500	Rs. 44.52
		28-Aug-17	-	50,000	Rs. 40.75
		17-Oct-17	-	15,500	Rs. 41.26
		17-Oct-17	-	4,500	Rs. 41.25
9	Mr. Muhammad Ayyaz Ashraf	16-Mar-17	-	3,000	Rs. 36.50
		05-Apr-17	-	15,000	Rs. 37.00
		11-Apr-17	-	20,000	Rs. 36.70
		13-Apr-17	-	10,000	Rs. 37.00
		19-May-17	-	1,500	Rs. 44.00
		19-May-17	-	405	Rs. 43.90
		24-May-17	-	5,000	Rs. 47.00
		24-May-17	-	5,000	Rs. 46.90
		24-May-17	-	5,000	Rs. 47.05
		24-May-17	-	5,000	Rs. 47.08
		30-Oct-17	-	2,500	Rs. 41.00
		30-Oct-17	-	2,500	Rs. 40.81
		30-Oct-17	-	500	Rs. 40.82
		30-Oct-17	-	7,000	Rs. 40.80
		30-Oct-17	-	500	Rs. 40.61
		30-Oct-17	-	12,000	Rs. 40.60
		09-Nov-17	-	5,000	Rs. 40.34
		09-Nov-17	-	7,000	Rs. 40.50
		09-Nov-17	-	3,000	Rs. 40.51
		09-Nov-17	-	5,000	Rs. 40.60
		15-Dec-17	-	5,000	Rs. 40.00
		15-Dec-17	-	5,000	Rs. 39.80
		20-Dec-17	-	5,000	Rs. 40.00
		20-Dec-17	-	5,000	Rs. 40.50
		21-Dec-17	-	2,000	Rs. 41.50
		26-Dec-17	-	5,000	Rs. 42.50
10	Mr. Faisal Farooq Khan	26-Apr-17	-	32,500	Rs. 39.40
		26-Apr-17	-	10,000	Rs. 39.41
		26-Apr-17	-	4,500	Rs. 39.42
		26-Apr-17	-	23,000	Rs. 39.45
		26-Apr-17	-	5,000	Rs. 39.50
11	Mr. Aasim Wajid Jawad	04-May-17	-	10,000	Rs. 39.90

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		04-Aug-17	-	5,000	Rs. 42.50
		04-Aug-17	-	2,000	Rs. 42.60
		04-Aug-17	-	1,000	Rs. 41.60
		04-Aug-17	-	1,000	Rs. 42.69
		04-Aug-17	-	2,000	Rs. 42.49
		04-Aug-17	-	1,000	Rs. 42.29
		04-Aug-17	-	2,000	Rs. 42.40
		04-Aug-17	-	4,000	Rs. 42.30
		04-Aug-17	-	2,000	Rs. 43.00
		14-Sep-17	-	50,000	Rs. 42.00
		26-Dec-17	-	10,000	Rs. 42.15
		26-Dec-17	-	10,000	Rs. 42.05
		26-Dec-17	-	10,000	Rs. 42.10
		26-Dec-17	-	10,000	Rs. 42.20
		26-Dec-17	-	10,000	Rs. 42.00
		28-Dec-17	-	5,000	Rs. 43.00
12	Mr. Farooq Qamar Khan	05-May-17	-	25,000	Rs. 42.00
		12-May-17	-	15,000	Rs. 44.00
		15-May-17	-	17,000	Rs. 44.75
		23-May-17	-	40,000	Rs. 44.90
		20-Jul-17	-	13,000	Rs. 40.50
		25-Sep-17	-	10,000	Rs. 43.10
		20-Nov-17	-	100	Rs. 40.01
		20-Nov-17	-	12,500	Rs. 40.41
14	Mr. Amin Dawood Saleh	11-May-17	-	6,500	Rs. 43.50
		12-May-17	-	20,000	Rs. 43.55
		12-May-17	-	20,000	Rs. 44.00
		15-May-17	-	10,000	Rs. 44.60
		15-May-17	-	10,000	Rs. 44.75
		23-May-17	-	10,000	Rs. 45.00
		24-May-17	-	10,000	Rs. 46.00
		24-May-17	-	10,000	Rs. 47.35
		06-Jul-17	-	23,000	Rs. 40.00
15	Mr. Khurram Hussain	12-May-17	-	250,000	Rs. 43.53
		07-Jul-17	-	6,000	Rs. 40.50
		10-Jul-17	-	24,000	Rs. 40.50
		10-Jul-17	-	334	Rs. 40.50
		10-Jul-17	-	18,000	Rs. 41.00
		25-Sep-17	-	15,000	Rs. 42.50
		17-Oct-17	-	10,000	Rs. 41.11
16	Mr. Muhammad Ashraf	12-May-17	-	5,000	Rs. 44.00
		12-May-17	-	184	Rs. 43.50

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		15-May-17	-	20,000	Rs. 45.00
		15-May-17	500	-	Rs. 44.85
		15-May-17	-	500	Rs. 44.90
		15-May-17	-	15,000	Rs. 45.00
		23-May-17	-	10,000	Rs. 44.60
		24-May-17	-	10,000	Rs. 47.38
		31-May-17	-	6,000	Rs. 46.00
		08-Jun-17	-	16,000	Rs. 42.94
		25-Aug-17	-	10,000	Rs. 41.00
		05-Sep-17	-	19,000	Rs. 41.50
		06-Sep-17	-	1,000	Rs. 41.40
17	Mr. Muhammad Qasim Rashid	15-May-17	-	61,000	Rs. 44.50
		15-May-17	-	8,500	Rs. 44.51
		15-May-17	-	500	Rs. 44.52
		24-May-17	-	30,000	Rs. 47.38
		10-Jul-17	-	37,655	Rs. 41.00
		03-Aug-17	-	7,500	Rs. 41.75
18	Mr. Saad Ur Rahman Khan	16-May-17	-	20,000	Rs. 45.00
		17-May-17	-	20,000	Rs. 45.00
		19-May-17	-	260,000	Rs. 43.75
19	Mr. Shahzad Ishaq	17-May-17	-	191,000	Rs. 44.00
		17-May-17	-	5,000	Rs. 44.03
		17-May-17	-	7,000	Rs. 44.09
		22-May-17	-	334	Rs. 44.00
		22-May-17	-	5,000	Rs. 44.10
		22-May-17	-	5,000	Rs. 44.25
		22-May-17	-	50,000	Rs. 44.50
20	Mr. Mian Ejaz Ahmad	18-May-17	-	70,000	Rs. 43.50
		22-Jun-17	-	18,000	Rs. 39.06
		22-Aug-17	-	20,000	Rs. 40.00
		22-Aug-17	-	10,000	Rs. 40.01
		22-Aug-17	-	5,000	Rs. 40.02
		13-Sep-17	-	60,000	Rs. 41.00
		15-Sep-17	-	5,333	Rs. 43.00
		15-Sep-17	-	20,000	Rs. 43.60
		15-Sep-17	-	30,000	Rs. 43.90
22	Mr. Khawaja Muhammad Ahmad	18-May-17	-	140	Rs. 43.02
		18-May-17	-	60	Rs. 43.03
		18-May-17	-	100	Rs. 43.43
		18-May-17	-	83,000	Rs. 43.50
23	Mr. Masood Ahmed Awan	18-May-17	-	36,000	Rs. 43.25
		18-May-17	-	5,000	Rs. 43.26

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
		18-May-17	-	500	Rs. 43.27
		18-May-17	-	1,500	Rs. 43.31
		18-May-17	-	500	Rs. 43.34
		18-May-17	-	13,500	Rs. 43.50
		18-May-17	-	2,000	Rs. 43.52
		18-May-17	-	1,000	Rs. 43.55
24	Mr. Ahmed Nauman Anees	19-May-17	-	20,000	Rs. 43.75
		19-May-17	-	44	Rs. 43.10
		19-May-17	-	156	Rs. 43.98
		23-May-17	-	15,000	Rs. 45.97
		24-May-17	-	8,000	Rs. 46.95
		24-May-17	-	10,000	Rs. 47.37
25	Mr. Mohammad Hussain	19-May-17	-	70,000	Rs. 44.00
		07-Sep-17	-	40,500	Rs. 41.00
26	Mr. Sharif Khawar	11-May-17	-	50,000	Rs. 43.30
		12-May-17	-	50,000	Rs. 43.75
		12-May-17	-	50,000	Rs. 44.00
		15-May-17	-	50,000	Rs. 45.00
		16-May-17	-	50,000	Rs. 44.35
		16-May-17	-	1,500	Rs. 44.50
		16-May-17	13	-	Rs. 44.20
		17-May-17	-	95,000	Rs. 44.50
		17-May-17	-	2,000	Rs. 44.51
27	Mr. Rizwan Ata	22-May-17	-	500	Rs. 44.70
		22-May-17	-	17,000	Rs. 44.50
		22-May-17	-	10,000	Rs. 44.51
		22-May-17	-	22,500	Rs. 44.65
		06-Jun-17	-	26,000	Rs. 43.00
		08-Jun-17	-	34,000	Rs. 42.95
		14-Sep-17	-	75,000	Rs. 41.52
		15-Sep-17	-	65,000	Rs. 43.50
28	Mr. Khawaja Zia Abbas	23-May-17	-	20,000	Rs. 45.00
		23-May-17	-	18,500	Rs. 45.50
		23-May-17	-	3,000	Rs. 45.53
		06-Jul-17	-	5,000	Rs. 40.10
		20-Jul-17	-	5,000	Rs. 40.40
		14-Sep-17	-	40,000	Rs. 41.95
29	Mr. Riaz Hussain Hamdani	23-May-17	-	15,000	Rs. 45.50
		31-Jul-17	-	50,000	Rs. 41.50
		03-Aug-17	-	10,000	Rs. 42.00
		03-Aug-17	-	10,000	Rs. 42.50
		20-Sep-17	-	10,000	Rs. 42.50

Sr. No.	Name	Date	No. of Shares		Rate (Rs.)
			Purchase	Sale	
30	Mr. Syed Ahmar Nizam	24-May-17	-	50,000	Rs. 47.38
		10-Aug-17	-	** 12,500	Rs. 42.40
		10-Aug-17	-	** 2,500	Rs. 42.50
31	Mr. Najamuz Zaman Siddiqui	24-May-17	-	25,000	Rs. 47.38
		02-Jun-17	25,000	-	Rs. 41.60
		26-Dec-17	-	3,500	Rs. 42.50
32	Mr. Amaar Naveed Ikhlas	05-Jun-17	-	5,000	Rs. 44.00
		10-Jul-17	-	10,000	Rs. 40.80
		07-Aug-17	-	5,000	Rs. 43.00
		25-Sep-17	-	5,000	Rs. 43.15
		26-Dec-17	-	10,000	Rs. 42.25
33	Mr. Tanwir Ali Khan	19-Jun-17	-	** 25,000	Rs. 39.00
		21-Jun-17	-	** 25,000	Rs. 37.50
34	Mr. Muhammad Omer	30-Jun-17	-	3,000	Rs. 41.00
35	Mr. Mirza Zafar Baig	11-Jul-17	-	10,000	Rs. 39.05
		11-Jul-17	-	5,000	Rs. 39.40
		14-Sep-17	-	60,000	Rs. 42.00
36	Mr. Amin Sukhiani	25-Jul-17	-	21,000	Rs. 40.20
		26-Jul-17	-	30,000	Rs. 40.20
37	Mr. Tahir Khurshid	14-Sep-17	-	15,000	Rs. 41.89
		14-Sep-17	-	15,000	Rs. 42.50
		15-Sep-17	-	15,000	Rs. 43.40
		25-Sep-17	-	15,000	Rs. 43.00
		25-Sep-17	-	15,000	Rs. 43.20
		26-Sep-17	-	10,000	Rs. 43.40
		26-Sep-17	-	10,000	Rs. 43.50
		26-Sep-17	-	10,000	Rs. 43.60
		26-Sep-17	-	9,500	Rs. 43.65
38	Mr. Muhammad Umer Farooq Mallick	25-Sep-17	-	10,000	Rs. 43.15
		26-Sep-17	-	11,000	Rs. 43.50
39	Mr. Mustafa Rabbani	15-Sep-17	-	1,000	Rs. 43.30
		19-Sep-17	-	9,000	Rs. 41.45
		26-Sep-17	-	10,000	Rs. 43.00
40	Dr. Mushtaq Ali Khan	22-Dec-17	-	8,000	Rs. 41.10
		22-Dec-17	-	3,000	Rs. 41.11
		22-Dec-17	-	6,500	Rs. 41.25
		22-Dec-17	-	1,500	Rs. 41.40
		22-Dec-17	-	50,000	Rs. 41.50

\* The expression 'Executive', for the purposes of sub clause (f) (xii) of clause 5.19.11 and clause 5.19.15 of the PSX Rule Book, means the CEO, COO, CFO, Head of Internal Audit, Company Secretary, and all employees of Bank Alfalah Limited working in salary Range VIII & IX.

\*\* Trades conducted inadvertently in closed period as referred to in clause 21 of the Statement of Compliance with CCG.



## ANNEXURE

### Employees Stock Option Scheme

The Bank has granted share options to certain critical employees, (the "employees") under the Employees Stock Option Scheme (ESOS) as approved by the shareholders and Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SMD/CIW/ESOS/02/2013 dated December 27, 2013.

Under the Scheme, the Bank has granted options to these employees (as selected by the Board Compensation Committee, specifically formulated as required under the Public Companies (Employees Stock Option Scheme) Rules, 2001) to subscribe for fresh ordinary shares of the Bank (being issuance of further capital without issue of rights) in the years 2014, 2015 and 2016. No fresh grants were made in the year 2017. The options entitle the selected employees to purchase shares at 40% discount (the Option Discount), of the market price prevailing at the date of the grant. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

Details of share options granted under the scheme together with the status as at December 31, 2017 are as follows:

Particulars	Granted in 2016	Granted in 2015	Granted in 2014
Total Number of options issued	13.737 million	12.614 million	11.331 million
Date of Grant	April 01, 2016	April 01, 2015	April 01, 2014
Options no longer in issue	3.181 million	3.019 million	1.732 million
<b>Options vested during the years:</b>			
- 2014	N/A	N/A	Nil
- 2015		Nil	3.553 million
- 2016	Nil	4.063 million	3.283 million
- 2017	4.415 million	3.748 million	3.083 million
<b>Options exercised during the years:</b>			
- 2014	N/A	N/A	N/A
- 2015			2.563 million
- 2016		2.782 million	2.620 million
- 2017	3.838 million	4.110 million	4.416 million
Vested Options cumulatively carried forward	0.102 million	0.070 million	Lapsed
Options not yet vested upto December 31, 2017	6.616 million	2.632 million	NIL
Number of Senior Managerial Personnel, to whom options were granted and remained outstanding at the year end 2017	32	25	NIL
Options granted to Senior Managerial Personnel which remained outstanding at the year end 2017	3.918 million shares	1.611 million shares	NIL

Particulars	Granted in 2016	Granted in 2015	Granted in 2014
Option Exercise Price	Rs. 14.95 per share	Rs. 15.15 per share	Rs. 16.32 per share
Option discount	Rs. 9.96 per share	Rs. 10.10 per share	Rs. 10.88 per share
<b>Total Shares issued on account of Options exercised:</b>			
- During the year 2014	N/A	N/A	N/A
- During the year 2015			2.563 million
- During the year 2016			2.620 million
- During the year 2017	3.838 million	4.110 million	4.416 million
<b>Amount received against exercise of options:</b>			
- During the year 2014	N/A	N/A	N/A
- During the year 2015			Rs. 41.836 million
- During the year 2016			Rs. 42.749 million
- During the year 2017	Rs. 57.383 million	Rs. 62.273 million	Rs. 72.063 million
<b>Shares issued to Senior Managerial Personnel on Account of options availed:</b>			
- During the year 2014	N/A	N/A	N/A
- During the year 2015			1.685 million
- During the year 2016			1.937 million
- During the year 2017	2.551 million	3.169 million	3.634 million
Vesting period	3 years (with one third of the options vesting on completion of each year of service from April 1, 2016)	3 years (with one third of the options vesting on completion of each year of service from April 1, 2015)	3 years (with one third of the options vesting on completion of each year of service from April 1, 2014)

The options granted to the ex-CEO were more than 5% of the total options granted during the years 2014, 2015 and 2016. The options that remained un-availed by the ex-CEO at the time of resignation stand lapsed.

No employee was granted with options more than 1% of the issued / paid up capital of the Bank.

Tax under Salary has been deducted in respect of shares issued on account of Options exercised by the employees during the relevant years, in accordance with applicable laws.

The above information has been presented as per the requirements of the Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) issued by the SECP vide SRO 300(I) 2001 dated May 11, 2001, and in accordance with the relaxation granted to the Bank by the SECP vide their letter No. SMD/CIW/ESOP/02/2013 dated February 24, 2015 in clubbed form instead of employee wise.

## Notice of the 26th Annual General Meeting

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**NOTICE** is hereby given that the 26th Annual General Meeting ("**AGM**") of Bank Alfalah Limited ("**the Bank**") will be held on Wednesday, 28th March 2018 at 10:30 AM at Ballroom, Pearl Continental Hotel, Karachi to transact the following business:

### Ordinary Business:

1. To confirm Minutes of the 25th Annual General Meeting held on 28th March 2017.
2. To receive, consider and adopt the audited Annual Accounts of the Bank for the year ended 31st December, 2017 together with Directors' Report and Auditors' Report thereon including post-facto approval of remuneration paid to the non-executive directors for attending Board and Board Committees meetings as reported under Notes No. 29 and 38 of the Annual Accounts, in compliance with SBP Prudential Regulations.
3. To approve as recommended by the Board of Directors, payment of cash dividend at the rate of Rs.1.5 per share i.e. 15%
4. To appoint auditors of the Bank for the year ending December 31, 2018 and to fix their remuneration. M/s. EY Ford Rhodes Sidat Hyder, Chartered Accountants have consented to act as auditors. The retiring auditors M/s KPMG Taseer Hadi, Chartered Accountants have completed the period of five (5) years in accordance with the Clause (xxxvii)(a) of the Code of Corporate Governance and therefore, are not eligible for re-appointment.
5. To transact any other business with the permission of the Chair.

### Special Business:

6. To consider, and if thought fit, pass the following Special Resolution (with or without modifications) under Section 83(1)(b) of the Companies Act, 2017 for issuance of a maximum of 191,000,000 ordinary shares of PKR 10 each of the Bank by way of otherwise than rights upon conversion of the Term Finance Certificates issued by the Bank as Additional Tier 1 Capital on the terms and conditions applicable thereto.

**"RESOLVED THAT**, subject to the approval of the Securities and Exchange Commission of Pakistan, the issuance by way of otherwise than rights of a maximum of 191,000,000 ordinary shares of PKR 10 each of Bank Alfalah Limited ("**the Bank**"), upon conversion of the Term Finance Certificates ("**TFCs**") issued by the Bank as Additional Tier 1 Capital under the Basel III framework implemented by the State Bank of Pakistan ("**SBP**") vide BPRD circular # 06 dated August 15, 2013 ("**Circular**"), be and is hereby approved on the terms/conditions stated in the statement of material facts.

**FURTHER RESOLVED THAT**, the Chief Executive Officer, Chief Financial Officer, Head of Strategy and Company Secretary of the Bank be and are hereby authorized jointly (any two of them acting jointly) to complete any/all the necessary corporate and regulatory formalities, sign all documents/agreements in respect of the above, including but not limited to filing of application with the Securities and Exchange Commission of Pakistan for approval under Section 83(1)(b) of the Companies Act, 2017 and/or to do any other acts, deeds, things and matters in respect of the above."

A statement of material facts under Section 134(3) of the Companies Act, 2017 in respect of the aforesaid special business to be considered at the Annual General Meeting is being sent to the members along with the Notice.

Karachi  
Dated: 7th March 2018

By Order of the Board

MIAN EJAZ AHMAD  
Company Secretary

## NOTES:

### 1. **Closures of Share Transfer Books:**

The Share Transfer Books of the Bank will be closed from 21st March 2018 to 28th March 2018 (both days inclusive). Transfers received at the office of the Share Registrar of the Bank, M/s. F. D. Registrar Services (SMC Pvt) Limited, Room No. 1705, 17th Floor, Saima Trade Tower "A", I.I. Chundrigar Road, Karachi before the close of business on 20th March 2018 will be treated in time for the purpose of above entitlement to the transferees and of attending meeting by the transferees.

2. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.

3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, F.D. Registrar Services (SMC-Pvt) Limited, not less than 48 hours before the time of the Meeting.

4. Those shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Card (CNIC) along with participant's ID number and their account/sub-account numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of Proxy, attested copies of proxy's CNIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy with our Share Registrar. In case of Proxy for corporate members, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).

### 5. **Change of postal address and/or email address:**

Shareholders having physical scrip of shares are requested to promptly notify change in their postal address and/or email address, if any, to our Share Registrar, in writing, whereas CDC account holders are requested to contact their CDC Participant/CDC Account Services.

### 6. **Mandatory submission of CNIC:**

The shareholders are informed that SECP vide its letter No. EMD/233/655/2004/2106 dated 20th April 2016, has allowed the Bank to withhold all future cash dividends of those shareholders, who have not provided a copy of their valid CNIC to the Bank. In view of this, those shareholders are once again requested to submit a valid copy of Computerized National Identity Card (CNIC) to our Share Registrar at their above mentioned address.

A list of shareholders, who have not yet provided copies of their valid CNIC is placed on the Bank's website, [www.bankalfalah.com](http://www.bankalfalah.com).

### 7. **Payment of Cash Dividend through Electronic mode (e-Dividend)**

In accordance with the Companies (Distribution of Dividends) Regulations, 2017, shareholders of the Bank are requested to provide required dividend mandate information to their respective CDS accounts through their Participants or to the Share Registrar (if shares are held in physical form) for direct credit of cash dividends into their designated bank accounts through electronic modes.

The required dividend mandate information must include the following; 1) IBAN number 2) Title of Bank Account; 3) Bank Account number; 4) Bank Code and Branch Code; 5) Bank Name, Branch Name and Address; 6) Cell/Landline Number; 7) CNIC number; and 8) Email Address. Further note that, as per provisions of the Companies (Distribution of Dividends) Regulations, 2017, the Bank is required to withhold cash dividend payment of those shareholders whose dividend mandate information is not available at the time of payment of cash dividend.

### 8. **Financial Statements and Notice of Annual General Meeting through email**

SECP vide SRO No. 787(I) 2014 dated 8th September, 2014 has allowed companies to circulate the audited financial statements and notice of Annual General Meeting to shareholders through their email address subject to their written consent. Desiring shareholders are requested to provide their complete email address through a duly signed letter along with copy of valid CNIC to our Share Registrar, F.D. Registrar Services (SMC-Pvt) Limited. Such shareholders are also required to notify immediately any change in email address for the same purpose in writing to our Share Registrar.

9. **Video Conference Facility for Attending General Meetings**

In accordance with the Section 134 (1)(b) of the Companies Act, 2017 and SECP's Circular No. 10 of 2014 dated 21st May, 2014 ("the Circular"), members holding in aggregate 10% or more shareholding in the paid up capital of the Bank, residing in a city, may avail video conference facility to attend the meeting.

Requirements and procedures for availing video conference facility as stipulated in the Circular are as under:

The members should provide their consent as per the following format and submit to the registered address of the Bank, 10 days before holding of AGM.

<p><b>Consent Form for Video Conference Facility</b></p> <p>I/We, _____ of _____, being a member of Bank Alfalah Limited, holder of _____ Ordinary shares as per Register Folio/CDC Account No. _____ hereby opt for video conference facility at _____ (geographical location).</p> <p style="text-align: right;">_____ <b>Signature of member</b></p>
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If the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city.

The Bank will intimate members regarding venue of video conference facility at least 5 days before the date of Annual General Meeting along with complete information necessary to enable them to access such facility.

10. **Un-claimed Dividends / Shares**

The shareholders are hereby informed that in accordance with Section 244 of the Companies Act, 2017 and the Unclaimed Shares, Modaraba Certificates, Dividend, Other Instruments and Undistributed Assets Regulations, 2017, the companies are required to deposit cash dividends to the credit of the Federal Government and shares to the Commission, which are unclaimed/unclaimed for a period of three (3) years or more from the date it is due and payable. The notices to this fact have already been dispatched to the relevant shareholders.

Shareholders who have not yet collected/received their dividends/shares are advised to contact our Share Registrar for details.

11. **Withholding Tax on dividends :**

Shareholders are informed that pursuant to the provisions of the Finance Act 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 have been revised as (a) 15% for filers of income tax returns and (b) 20% for non-filers of income tax returns.

Those shareholders, whose name will not be appeared (at the time of issuance/process of dividend) in the Active Tax Payers List of filers, as updated by the Federal Board of Revenue at its website, will be subject to 20% withholding tax deduction on the dividend income.

The corporate shareholders having CDC accounts are requested to provide their National Tax Numbers (NTNs) to their respective CDC Participants/CDC Account Services, whereas corporate shareholders having shares in physical form should send a copy of their NTN certificate to the Bank's Share Registrar.

12. **Tax in case of Joint Shareholders**

The Federal Board of Revenue has clarified that where the shares are held in joint accounts/names, each account/joint holder will be treated individually as either a filer or a non-filer and tax will be deducted according to his/her shareholding proportion. If the share proportion (of joint holders) is not determined then each account/joint holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly.

In view of the above, you are requested to please provide the details of shareholding (proportion) of each shareholder/joint holder(s) to the Bank's Share Registrar latest by March 21, 2018 in the following manner:

Folio / CDC A/c No.	Name of Shareholders (Joint Holders)	# of shares (proportion)	CNIC No. (valid copy attached)	Signature
	1)			
	2)			
	3)			
	4)			
Total shares				

#### STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017, CONCERNING TO THE SPECIAL BUSINESS:

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of Bank Alfalah Limited ("the Bank") to be held on 28th March 2018.

#### Issuance of shares, without rights issuance, upon conversion of TFCs issued by the Bank as Additional Tier 1 Capital

- The Bank has issued/being issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of term finance certificates ("TFCs") under Section 66 of the Companies Act, 2017 of up to PKR 7,000,000,000/- (Rupees Seven Billion Only) ("TFC Issuance") as Additional Tier 1 capital under the Basel III framework implemented by the State Bank of Pakistan ("SBP") vide BPRD Circular No. 06 dated August 15, 2013 ("Circular"). The TFC Issuance has been approved by the SBP vide SBP letter No. BPRB/BA&CP/29935/2017 dated December 21, 2017 and the Pakistan Stock Exchange Limited vide PSX letter No. PSX/GEN-740. Approval of the Securities and Exchange Commission of Pakistan ("SECP") is pending under the Public Offering Regulations, 2017.
- Out of the total issue amount of PKR 7,000,000,000/- (Rupees Seven Billion Only), TFCs worth PKR 6,300 million have been issued to institutional investors as part of the pre-IPO placement, with the remaining PKR 700 million worth of TFCs being issued to the general public by way of an initial public offering.
- The Circular prescribes a mandatory loss absorption feature for Additional Tier I capital instruments pursuant to which the TFCs will, if directed by the SBP, be subject to mandatory conversion into ordinary shares of the Bank, on the occurrence of the following trigger events: (i) the CET-1 Trigger Event (as defined in paragraph A-5-2 of Annexure 5 of the Circular); (ii) the PONV trigger event (as defined in paragraph A-5-3 of Annexure 5 of the Circular); or (iii) Lock-In Event, i.e. failure by the Bank to comply with the lock-in clause (as specified in paragraph (iii)(g) of Annexure 2 of the Circular). Accordingly, at the direction of the SBP, the Bank is under an obligation to mandatorily convert the TFCs on the occurrence of any of the aforementioned trigger events.

Note: The Circular can be accessed from [http://www.sbp.org.pk/bprd/2013/Basel\\_III\\_instructions.pdf](http://www.sbp.org.pk/bprd/2013/Basel_III_instructions.pdf).

- In accordance with the requirements of the Circular, the Bank has agreed with the SBP for the issuance of a maximum of 191,000,000 ordinary shares upon conversion of the TFCs on the occurrence of any of the trigger events. To secure the Bank's obligation to convert the TFCs, the Circular expressly requires that there should be no impediments (legal or other) to the conversion i.e. the Bank should have all prior authorizations (sufficient room in authorized capital etc.) including regulatory approvals to issue the common shares upon conversion. To the extent ordinary shares will be issued to the TFC holders on a without rights basis at the time of conversion of the TFCs, the Bank is required to comply with Section 83(1)(b) of the Companies Act, 2017 and which requires the Bank to obtain the approval of its shareholders and the SECP. Such approvals are, in terms of the Circular and the Public Offering Regulations, 2017, required to be procured before the issuance of the TFCs, however, the SBP has vide letter No. BPRD/BA&CP/616/26915/2017 dated November 17, 2017, graciously provided relaxation to the Bank to procure the approval of its shareholders under Section 83 of the Companies Act, 2017 before March 31, 2018, followed by the SECP approval on post facto basis.

5. The shareholders are therefore requested to consider and give their approval by way of special resolution for the issuance otherwise than by way of rights of ordinary shares of the Bank upon conversion of the TFCs. The terms of conversion are set out in more detail hereinbelow:

(c) Approval of the SBP in case of any TFC Holder that, upon conversion, will become shareholder of 5% or more of the issued and paid up share capital of the Bank.

<b>Conversion Trigger Events</b>	The TFCs shall, only if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET-1 Trigger Event (as defined in paragraph A-5-2 of Annexure 5 of the Circular); (ii) the PONV trigger event (as defined in paragraph A-5-3 of Annexure 5 of the Circular); or (iii) Lock-In Event, i.e. failure by the Bank to comply with the lock-in clause (as specified in paragraph (iii)(g) of Annexure 2 of the Circular).
<b>Conversion Amount</b>	<p>In the case of CET 1 Trigger Event, the Bank will have full discretion to determine the amount of TFCs to be converted into ordinary shares, which amount shall at least be the amount required to immediately return the Bank's CET 1 ratio to above the CET 1 Trigger Event but will not exceed the amount required to bring the CET 1 ratio to 8.5% of RWA.</p> <p>In the case of a PONV Trigger Event or Lock-In Event, the amount of TFCs to be converted will be determined by the SBP in its sole discretion.</p>
<b>Total number of shares to be issued</b>	<p>Number of shares to be issued to the TFC holders at the time of conversion will be equal to:</p> <p>No. Shares = <u>Conversion Amount</u></p>
<b>Conversion Price</b>	<p>Provided that, at any time, the maximum number of ordinary shares to be issued shall be capped at 191,000,000 ordinary shares. This number has been calculated on the basis of the aggregate face value of the TFC (being PKR 7,000,000,000) being divided by 89% of the six monthly average share price of the Bank's ordinary shares between May'17-Oct'17 as required by Annexure 5 of the Circular (i.e. PKR 41.2* 89% = PKR 36.7), and represents the maximum dilution that will be faced by the shareholders of the Bank upon conversion of the TFCs. It may also be noted that the maximum number of shares (i.e. 191,000,000 ordinary shares) will not be adjusted on account of any further issue of capital, stock splits, stock dividends or similar corporate actions.</p>
<b>Conversion Price</b>	Fair value per share (i.e. market price per ordinary share, or, in case market price is not available, the break-up value of share duly certified by the independent auditor) on the date of the CET1 Trigger Event, PONV Trigger Event or Lock-In Event as declared by SBP.
<b>To whom the ordinary shares will be issued</b>	TFC Holders at the time of conversion comprising of institutional pre-IPO investors (including banks, insurance companies, provident funds, pensions funds, financial institutions and other companies) and general public.
<b>Rate of discount, if applicable.</b>	Not Applicable
<b>Type of Ordinary Shares</b>	The ordinary shares issued upon conversion of the TFCs will rank pari passu in all respects with existing ordinary shares of the Bank.
<b>Authorised Capital</b>	The Authorized Capital of the Bank is currently Rs. 23,000,000,000 (Rupees Twenty Three Billion) divided into 2,300,000,000 ordinary shares of Rs 10 each which is sufficient to allow the conversion of the TFCs as provided above. The Bank is however under a contractual and legal obligation to ensure sufficient room is maintained at all time in its authorized capital to allow for the conversion of the TFCs.
<b>Corporate and Regulatory Approvals</b>	<p>The conversion of the TFCs into ordinary shares of the Bank is subject to the following corporate and regulatory approvals:</p> <p>(a) Shareholder approval under Section 83(1)(b) of the Companies Act, 2017;</p> <p>(b) Approval of the SECP under Section 83(1)(b) of the Companies Act, 2017; and</p> <p>(c) Approval of the SBP in case of any TFC Holder that, upon conversion, will become shareholder of 5% or more of the issued and paid up share capital of the Bank.</p>

## Matters raised at the last AGM

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- One of the shareholders, while appreciating the financial results of the Bank for the year ended 31st December 2016, mentioned that this was the first time in many years that the Bank had not announced any dividend, and requested the CEO to share the rationale and reasons behind the decision.

The CEO responded that the Bank anticipates more demand for lending keeping in view CPEC and other projects in the future. The CEO emphasized that in order to meet the increasing demands of lending, the Bank would require a strong capital base, and the profit retention aims to further enhance the Bank's Capital and the capacity to lend.

- One shareholder while congratulating the Management on the occasion of the 25th AGM enquired about the write-off of Rs. 4.3 billion through provision held against investments.

The CEO informed the members that this amount related to the Bank's investment in M/s. Warid Telecom (Pvt) Limited, which had already been fully provided for three years ago. The CEO further mentioned that this was a write off through provision and there was no impact on the current year's profit and loss account. He further clarified that the subject entity stood merged into Pakistan Mobile Communications Limited, shares of which have been issued to the Bank and other shareholders of the Warid Telecom (Pvt) Limited pursuant to an acquisition agreement for the said merger, the details of which were referred to as part of the notes to the financial statements.

- A shareholder, while referring to the Unconsolidated Profit & Loss Account of the Bank for the year pointed out that the markup earned by the Bank had reduced as compared to the prior year, and this was perhaps due to the monetary policy stance of the SBP, which had resulted in lower yields in the overall industry. He enquired about Banks' role in the formation of monetary policy.

The CEO responded that Banks do discuss the monetary policy at their relevant forum i.e. Pakistan Banks Association (PBA). The CEO mentioned that the SBP seeks the viewpoint of the PBA and other stakeholders, however, Banks have no direct influence on determining the monetary policy, as it is the prerogative of the Central Bank.

- One shareholder pointed out that the Administrative Expenses of the Bank had gone up as compared to the prior year, and there was still a need to curtail the same.

The CEO responded that the Bank was already taking measures to control expenses, however, given that the cost of utilities and rental had increased significantly, the comparison against the prior year does indicate an increase as pointed out. The CEO mentioned that cost control initiatives continue to be monitored and tracked, and during the year, the Management had also reduced the sizes of some of the branches to curtail expenses.

- One of the shareholders enquired about average yield on PIBs and the maturity of the PIBs in 2017. He also asked about the growth that the Bank expects in advances and deposits.

The CFO responded that in the last quarter of the year, the yield was 8 percent and the yearly average was around 9 percent. He added that the PIBs amounting to Rs. 35 to 40 Billion would mature in mid - 2017 with approximately yield 9.5 percent. With regards to growth in advances and deposits, the CFO said that the Bank expects to have growth of around 13 percent in advances and 10 percent in deposits.



# BRANCH NETWORK

## BANK ALFALAH PRESENCE IN PAKISTAN

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
1	Karachi	76	34	110
2	Lahore	61	30	91
3	Islamabad	25	11	36
4	Rawalpindi	23	8	31
5	Faisalabad	19	10	29
6	Quetta	14	4	18
7	Multan	11	6	17
8	Peshawar	10	4	14
9	Gujranwala	11	2	13
10	Sialkot	8	3	11
11	Hyderabad	6	2	8
12	Gujrat	5	2	7
13	Sargodha	5	2	7
14	Sahiwal	3	1	4
15	Okara	3	1	4
16	Jhang	2	1	3
17	Sheikhupura	3	-	3
18	Taxila	3	-	3
19	Rahim Yar Khan	3	1	4
20	Jhelum	2	1	3
21	Bahawalpur	2	1	3
22	Mingora	2	1	3
23	Abbottabad	2	1	3
24	Mansehra	1	1	2
25	Bahawalnagar	1	1	2
26	Nankana Sahib	1	1	2
27	Charsadda	2	-	2
28	Chakwal	2	-	2
29	Chichawatni	2	-	2
30	Mirpurkhas	1	1	2
31	Dera Ghazi Khan	2	-	2
32	Jaranwala	2	-	2
33	Dera Ismail Khan	1	1	2
34	Kohat	2	-	2
35	Mandi Bahauddin	1	-	1
36	Gilgit	2	-	2
37	Mianwali	1	1	2
38	Gojra	2	-	2
39	Muzaffarabad	1	1	2
40	Haripur	2	-	2
41	Attock	2	-	2
42	Sukkur	1	1	2
43	Ghotki	2	-	2
44	Sanghar	1	-	1
45	Dhudial	-	1	1
46	Mardan	1	-	1
47	Ali Pur	1	-	1
48	Pishin	1	-	1
49	Farooqabad	1	-	1
50	Dukki	1	-	1
51	Fateh Jang	1	-	1
52	Chillas	1	-	1
53	Fort Abbas	1	-	1
54	Pano Aqil	1	-	1
55	Bhimber	1	-	1

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
56	Gawadar	1	-	1
57	Burewala	2	-	2
58	Ghazi	1	-	1
59	Daultala	1	-	1
60	Chishtian	1	-	1
61	Depalpur	1	-	1
62	Ghourgushti	1	-	1
63	Murree	1	-	1
64	Chitral	1	-	1
65	Nowshera Virkan	1	-	1
66	Choa Saidan Shah	1	-	1
67	Phalia	1	-	1
68	Gujar Khan	1	-	1
69	Rabwah	1	-	1
70	Allahabad	1	-	1
71	Arifwala	1	-	1
72	Shahdadm Kot	1	-	1
73	Hafizabad	1	-	1
74	Shujaabad	1	-	1
75	Hangu	1	-	1
76	Malakwal	1	-	1
77	Chowk Azam	1	-	1
78	Mandi Quaidabad	1	-	1
79	Haronabad	1	-	1
80	Mehrabpur.	1	-	1
81	Hasan Abdal	-	1	1
82	Mirpur Mathelo	1	-	1
83	Hasilpur	1	-	1
84	Battagram	1	-	1
85	Haveli Lakha	1	-	1
86	Chiniot	1	-	1
87	Havelian	1	-	1
88	Nawabshah	1	-	1
89	Hazro	1	-	1
90	Besham	1	-	1
91	Hub	1	-	1
92	Pattoki	1	-	1
93	Hunza Nagar	1	-	1
94	Pindi Ghaib	-	1	1
95	D.G Khan	-	1	1
96	Bhakkar	1	-	1
97	Badin	1	-	1
98	Rajanpur	1	-	1
99	Islamgarh	1	-	1
100	Renala Khurd	1	-	1
101	Jacobabad	1	-	1
102	Sambrial	1	-	1
103	Jahania	1	-	1
104	Serai Alamgir	-	1	1
105	Jalalpur Bhattian	1	-	1
106	Shakargarh	1	-	1
107	Jalalpur Jattan	-	1	1
108	Shinkari	1	-	1
109	Jampur	1	-	1
110	Sibi	1	-	1

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
111	Dadu	1	-	1
112	Mailsi	-	1	1
113	Jauharabad	1	-	1
114	Mamukanjan	1	-	1
115	Jehlum	1	-	1
116	Mandi Faizabad	1	-	1
117	Dadyal	1	-	1
118	Deharki	1	-	1
119	Ahmedpur East	1	-	1
120	Mehar	1	-	1
121	Kabirwala	-	1	1
122	Mian Channu	1	-	1
123	Kahirpur	1	-	1
124	Batkhela	1	-	1
125	Kahuta	1	-	1
126	Kallar Syedan	1	-	1
127	Moro	1	-	1
128	Kamalia	-	1	1
129	Muridke	1	-	1
130	Kamoke	1	-	1
131	Muslim Bagh	1	-	1
132	Kamra	1	-	1
133	Muzaffargarh	1	-	1
134	Kandhkot	1	-	1
135	Narowal	1	-	1
136	Bakhshi Pul	1	-	1
137	Nowshera	1	-	1
138	Kasur	1	-	1
139	Oghi	1	-	1
140	Khan Bela	1	-	1
141	Pakpattan	1	-	1
142	Khanewal	1	-	1
143	Pasrur	1	-	1
144	Khanna	1	-	1
145	Bewal	-	1	1
146	Khanpur	1	-	1
147	Phool Nagar	1	-	1
148	Kharian	1	-	1
149	Pir Mahal	1	-	1
150	Khoiratta	1	-	1
151	Qaboola	1	-	1
152	Khushab	-	1	1
153	Qutba	1	-	1
154	Khuzdar	-	1	1
155	Bhalwal	1	-	1
156	Kkurrianwala	1	-	1
157	Daharki	1	-	1
158	Rawat	1	-	1
159	Kot Abdul Malik	-	1	1
160	Sadiqabad	1	-	1
161	Zhob	1	-	1
162	Saidqabad	-	1	1
163	Skardu	1	-	1
164	Samundri	1	-	1
165	Swabi	1	-	1

Serial No.	Location	No. of Branches		
		Conventional	Islamic	Total
166	Buner	1	-	1
167	Tando Adam	1	-	1
168	Shahdad Pur	1	-	1
169	Tank Adda	1	-	1
170	Shahkot	-	1	1
171	Daska	1	-	1
172	Sharakpur	-	1	1
173	Tench Bhatta	1	-	1
174	Shikarpur	1	-	1
175	Turbat	1	-	1
176	Shorkot	1	-	1
177	Umerkot	1	-	1
178	Chak Khasa	1	-	1
179	Vehari	-	1	1
180	Sillanwali	1	-	1
181	Waisa	1	-	1
182	Zafarwal	1	-	1
183	Kotli	1	-	1
184	Talagang	1	-	1
185	Kotmomin	1	-	1
186	Tando Allahyar	1	-	1
187	Kotri District Jamshoro	1	-	1
188	Tarnol	1	-	1
189	Bannu	1	-	1
190	Temargarha	1	-	1
191	Lala Musa	1	-	1
192	Toba Tek Singh	1	-	1
193	Larkana	1	-	1
194	Uch Sharif	1	-	1
195	Layyah	1	-	1
196	Usta Muhammad	1	-	1
197	Liaquat Pur	1	-	1
198	Wah Cantt	1	-	1
199	Lodharan	1	-	1
200	Yazman	1	-	1
201	Lodhran	1	-	1
202	Chaman	1	-	1
203	Loralai	1	-	1
204	Dasu	1	-	1
205	Kot Addu	-	1	1
<b>Total</b>		<b>475</b>	<b>152</b>	<b>627</b>

## BANK ALFALAH PRESENCE IN FOREIGN COUNTRIES

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

## Glossary and Definition of Terms

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### Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash, or its equivalent.

### Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words 'accepted' above his signature and a designated payment date.

### Activity/Turnover Ratios

Evaluate the operational efficiency of the company to convert inventory and receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales

### Basis Point

One hundredth of a percent i.e. 0.01 per cent. 100 basis points is 1 percent. Used when quoting movements in interest rates or yields on securities.

### Breakup Value per Share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets, excluding the impact of revaluation on fixed assets, divided by the total number of shares outstanding at year end.

### Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is the process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

### Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

### Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

### Call Money Rate

Interbank clean (without collateral) lending/borrowing rates are called Call Money Rates

### Capital Structure Ratios

Provide an indication of the long-term solvency of the Company and its cost of debt, in relation to equity and profits.

### Coupon Rate

Interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi-annual basis.

### Call Deposits

These include short notice and special notice deposits.

### Current Deposits

Non-remunerative chequing account deposits wherein withdrawals and deposit of funds can be made frequently by the account holders.

### Computer Software (intangible fixed assets)

An asset consisting of computer programmes, programme descriptions and supporting materials for both systems and applications software; included are purchased software and software developed on own account, if the expenditure is large.

### Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

### CAGR

An abbreviation for Compound Annual Growth Rate.

### Corporate Governance

It is 'the system by which companies are directed and controlled' by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

### Currency (cash in hand)

Notes and coins that are of fixed nominal values and accepted as legal tender in an economy that are issued by the central bank and/or government. This category should also include currency that is no longer legal tender, but that can be exchanged immediately for current legal tender.

### Defined Contribution

A post-employment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

### Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets
- Requires no or very little initial net investment
- It is settled at a future date

### Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age

and other factors. The risks of paying for the plan rest entirely with the plan.

#### **Deferred Taxation**

Sum set aside for tax in financial statements that will become payable/receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

#### **Discount Rate**

The rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

#### **Dividends**

Distribution of earnings to shareholders prorated by the class of security and paid in the form of money, stock, scrip, and rarely company products or property.

#### **Dividend Payout Ratio**

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

#### **Dividend Yield Ratio**

Dividend per share (DPS) divided by the market value of share.

#### **Earnings per Share (EPS)**

Profit after taxation divided by the weighted average number of ordinary shares in issue.

#### **Effective Tax Rate**

Provision for taxation excluding deferred tax divided by the profit before taxation.

#### **Electrical, Office and Computer Equipment**

All office equipment, other than those acquired through financial leases, that are used for the business, including counting and computing equipment, printers, scanners, photocopiers, fax machines, etc.

#### **Finance Lease**

The one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

#### **Fixed Deposits**

Deposits having fixed maturity dates and a rate of return.

#### **Forced Sale Value (FSV)**

The value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged/pledged assets in a forced/distressed sale conditions.

#### **Forward Exchange Contract**

Agreements between two parties to exchange two designated currencies at a specific time in the future.

#### **Furniture and Fixture**

All type of furniture and fixtures other than those acquired under financial leases for business are included.

#### **Guarantees**

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

#### **Head Office/Branch Adjustment Account**

All adjustments made with head offices or branches and are payable.

#### **Historical Cost Convention**

Recording transactions at the actual value received or paid.

#### **Impairment**

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

#### **Interest Rate Swap (IRS)**

An Interest Rate Swap (the swap) is usually 'fixed to floating' or 'floating to floating' exchanges of interest rate between two parties. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating/floating rates are exchanged by the parties from one another. The party incurring a negative interest rate differential for that leg pays the other counter-party.

#### **Interest Spread**

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

#### **Interest in Suspense**

Interest suspended on non-performing loans and advances.

#### **Investment/Market Ratios**

Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the Company's ability to generate profits.

#### **KIBOR (Karachi Interbank Offered Rate)**

The Interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

#### **LIBOR (London Interbank Offered Rate)**

The interest rate at which banks can borrow funds, in marketable size, from other banks in the London chief executives with the provision that all other liability

interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

**Liquid Assets**

An asset that can be converted into cash quickly and with minimal impact to the price received.

**Liquidity Ratios**

The Company's ability to meet its short-term financial obligations. A higher ratio indicates a greater margin of safety to cover current liabilities.

**Market Capitalisation**

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

**Materiality**

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statements.

**Non-Performing Loan**

A loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

**Non-Performing Loan-Substandard Category**

Where mark-up/interest or principal is overdue by 90 days or more from the due date.

**Non-Performing Loan-Doubtful Category**

Where mark-up/interest or principal is overdue by 180 days or more from the due date.

**Non-Performing Loan-Loss Category**

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

**Nostro Account**

An account held with a bank outside Pakistan.

**Net Interest Income**

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinance funds and inter-bank borrowings.

**Off Balance Sheet Transactions**

Transactions that are not recognised as assets or liabilities in the statement of financial position, but which give rise to contingencies and commitments.

**Other Deposits**

All claims of customers on banks/DFIs other than transferable or restricted deposits in national currency or in foreign currency that are represented by evidence of deposits. Banks/DFIs commonly raise funds through issuing certificate of deposits. This category also includes call deposits and special notice deposits.

**Pakistan Investment Bonds (PIBs)**

They are the long-term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 year.

**Profitability Ratios**

Used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

**Prudence**

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

**Price Earnings Ratio (P/E Ratio)**

Market price of a share divided by earnings per share.

**Risk Weighted Assets**

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

**Repurchase Agreement**

Contract to sell and subsequently repurchase securities at a specified date and price.

**Reverse Repurchase Agreement**

Transaction involving the purchase of securities by a bank or dealer, and resale back to the seller at a future date and specified price.

**Return on Average Equity**

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

**Return on Average Assets**

Profit after tax divided by the average assets.

**Related Parties**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

**Retained Earnings**

The category of retained earnings shows all earnings (after tax profit) from the overall operations of the banks/DFIs less any amount allocated to general and special reserves, which is established as a capital cushion to cover operational and financial risks of the banks/DFIs.

**Revenue Reserves**

Reserves set aside for future distribution and investment.

**Subordinated Loans**

Funds raised by the banks/DFIs from subsidiary companies, managed modarabas, associated undertakings, director or holders have priority in the event of failure of the institution. Such debts are created by a subordination agreement under



which a creditor acknowledges that his claim is secondary to the claim of other creditors, such as depositors.

### **Subsidiary Company**

A company is a subsidiary of another company, if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

### **Shareholders' Funds**

Total of Issued and fully paid share capital and revenue reserves.

### **Statutory Reserve Funds**

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

### **Treasury bills**

These are short-term debt instrument issued by the government treasury to raise funds for the government or to regulate money supply through open market operations of the central bank. The market transactions are managed by the State Bank of Pakistan on behalf of the treasury.

### **Unrealised Gain on Forward Foreign Exchange Contracts**

In a forward contract, the counter parties agree to exchange, on a specified date, a specified quantity of an underlying item (real or financial) at an agreed-upon contract price. Either party to a forward contract is a potential debtor. The unrealised gain to be received due to difference between the rates agreed upon and the rate prevailing in the market should be reported under this item. You lock in today's exchange rate instead of a volatile currency exchange rate in the future that could significantly devalue your purchasing power.

### **Unrealised Gain on Interest Rate Swaps**

It is the exchange of one set of cash flows for another. A pre-set index, notional amount and set of dates of exchange determine each set of cash flows. The most common type of interest rate swap is the exchange of fixed rate flows for floating rate flows.

### **Vehicles**

Vehicles (as assets) other than those acquired through financial leases consist of equipment for moving people and objects, other than any such equipment acquired by households for final consumption. Transport equipment such as motor vehicles, trailers, ships, aircrafts, motorcycles, bicycles, etc.

### **Weighted Average Cost of Deposits**

Percentage of the total interest expense on average deposits of the bank for the period.

## **Glossary – Acronyms**

AGM	Annual General Meeting
BAC	Board Audit Committee
BAFL	Bank Alfalah Limited
BCC	Board Compensation Committee
BHRNC	Board Human Resource and Nomination Committee
BRMC	Board Risk Management Committee
BSFC	Board Strategy and Finance Committee
BCP	Business Continuity Planning
BOD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPIs	Critical Performance Indicators
CSR	Corporate Social Responsibility
ERP	Enterprise Resource Planning
HRLG	Human Resource and Learning Group



# FORM OF PROXY

**Folio/CDC Account No.**

I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Bank Alfalah Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Register Folio No./CDC Account No. \_\_\_\_\_ hereby appoint Mr. \_\_\_\_\_ Register Folio No. / CDC Account No. (if member) \_\_\_\_\_ of \_\_\_\_\_ or failing him Mr. \_\_\_\_\_ Register Folio No./CDC Account No. \_\_\_\_\_ (if member) of \_\_\_\_\_, as my/our proxy in my/our absence to attend and vote for me/us, on my/our behalf at the 26<sup>th</sup> Annual General Meeting of the Bank to be held on Wednesday, March 28, 2018, at 10:30 AM and at any adjournment thereof.

Signed under my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

\_\_\_\_\_  
(Member's signature on Rs.5/- Revenue Stamp)

**Signed in the presence of:**

\_\_\_\_\_  
Signature of Witness  
Name: \_\_\_\_\_  
CNIC/Passport No: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature of Witness  
Name: \_\_\_\_\_  
CNIC/Passport No. \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

1. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
2. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, M/s. F. D. Registrar Services (SMC-Pvt) Limited, Office No: 1705, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi-74000, not less than 48 hours before the time of the Meeting.
3. In case of proxy for an individual beneficial owner of CDC, attested copy of beneficial owner's Computerized National Identity Card, Account and Participant's ID numbers must be deposited along with the form of proxy with the Share Registrar. The proxy must produce his/her original identity card at the time of the Meeting. In case of proxy for corporate members, he/she should bring the usual documents required for such purpose.



# بینک الفلاح لمیٹڈ

نمائندگی کا فارم (پراکسی فارم)

فولیو/سی ڈی سی اکاؤنٹ نمبر

میں مسٹی/مسماة \_\_\_\_\_ فولیو/سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ ساکن \_\_\_\_\_  
ضلع \_\_\_\_\_ بحیثیت ممبر بینک الفلاح لمیٹڈ مسٹی/مسماة \_\_\_\_\_ فولیو/سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_  
ساکن \_\_\_\_\_ یا انکی غیر حاضری کی صورت میں  
مسٹی/مسماة \_\_\_\_\_ فولیو/سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ ساکن \_\_\_\_\_  
کو بطور مجتار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 26 ویں سالانہ اجلاس عام جو بتاریخ 28 مارچ 2018 بروز بدھ، دن کے 10:30 بجے منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

گواہ (وٹس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

گواہ (وٹس) کے دستخط

نام:

شناختی کارڈ نمبر:

پتہ:

(ممبر ارکن کے دستخط  
Rs.5/= کی رسیدی ٹکٹ پر)

## اہم نکات

- 1- ایسا ممبر جو میٹنگ میں شمولیت اور ووٹ دینے کا اہل ہے وہ کسی دوسرے ممبر اپنے/اپنی پراکسی کے طور پر میٹنگ میں شمولیت اور ووٹ دینے کیلئے نامزد کر سکتا ہے علاوہ ازیں کارپوریشن ایسے شخص کو نامزد کر سکتی ہے جو ممبر نہ ہو۔
- 2- ہر لحاظ سے مکمل پراکسی فارم اور پاور آف اٹارنی یا کوئی اور متعلقہ اتھارٹی جسکے تحت اس فارم کو مکمل کیا گیا ہو لازمی طور پر بینک کے شیئر رجسٹرار (ایف ڈی شیئر رجسٹرار) کے پتہ، آفس نمبر 1705، سترھویں منزل، صائمہ ٹریڈ ٹاور۔ اے، آئی آئی چندریگر روڈ کراچی، پر میٹنگ سے 48 گھنٹے قبل جمع کر دیا جائے۔
- 3- سی ڈی سی اکاؤنٹ ہولڈر فرد کے لئے ضروری ہے کہ وہ ممبر کی تصدیق شدہ شناختی کارڈ کی کاپی بیج سی ڈی سی اکاؤنٹ کی تفصیل شیئر رجسٹرار کو جمع کرائے۔ جبکہ پراکسی کامیٹنگ کے وقت اور بجٹل شناختی کارڈ مہیا کرنا ضروری ہے۔





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\*Mobile apps are also available for download for android and iOS devices

The website link of JamaPunji is available at the website of Bank Alfalah for the convenience and facilitation of shareholders and investors.



**Bank Alfalah**  
The Way Forward

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