ADVICE FOR INVESTORS

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE PROSPECTUS ESPECIALLY THE RISK FACTORS MENTIONED IN PART 4.12 OF THIS PROSPECTUS BEFORE MAKING ANY INVESTMENT DECISION.

SUBMISSION OF FALSE & FICTITIOUS APPLICATIONS IS PROHIITED AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015

BANK ALFALAH LIMITED

PROSPECTUS

Bank Alfalah

THE ISSUE SIZE OF FULLY PAID UP, RATED, LISTED, PERPETUAL, UNSECURED, SUBORDINATED, NON-CUMULATIVE AND CONTINGENT CONVERTIBLE DEBT INSTRUMENTS IN THE NATURE OF TERM FINANCE CERTIFICATES ("TFCs") IS PKR 7,000 MILLION, OUT OF WHICH TFCS OF PKR 6,300 MILLION (90% OF ISSUE SIZE) ARE ISSUED TO THE PRE-IPO INVESTORS AND PKR 700 MILLION (10% OF ISSUE SIZE) ARE BEING OFFERED TO THE GENERAL PUBLIC BY WAYOF INITIAL PUBLIC OFFER THROUGH THIS PROSPECTUS

RATE OF RETURN
Perpetual instrument @ 6 MONTH KIBOR* (ASK SIDE) PLUS 1.50% P.A.,

INSTRUMENT RATING: AA- (Double A minus) by JCR-VIS CREDIT RATING COMPANY LIMITED
LONG TERM ENTITY RATING: "AA+" (DOUBLE A PLUS)
SHORT TERM ENTITY RATING: "A1+" (A ONE PLUS)
by
JCR-VIS CREDIT RATING COMPANY LIMITED & THE PAKISTAN CREDIT RATING AGENCY LIMITED

As per PSX's Listing of Companies and Securities Regulations, the Draft Prospectus was placed on PSX's website for seeking public comments for seven (7) working days starting from 16/1/2018 to 24/1/2018. No comments have been received on the draft Prospectus.

DATE OF PUBLIC SUBSCRIPTION: From March 8, 2018 to March 9, 2018 (From: 9:00 am to 5:00 pm) (both days inclusive)

CONSULTANT TO THE ISSUE

ARIF HABIB LIMITED

Bankers for the Retail portion of the Issue:

Askari Bank Limited	MCB Bank Limited	JS Bank Limited
Bank Alfalah Limited**	Summit Bank Limited**	Samba Bank Limited
Bank Al Habib Limited	United Bank Limited**	The Bank of Punjab
Faysal Bank Limited	Soneri Bank Limited	

Underwriters for the Retail portion of the Issue:

Arif Habib Limited	**Ismail Iqbal Securities (Private) Limited**

****In order to facilitate investors, United Bank Limited ("UBL"), Bank Alfalah Limited (BAFL") and Summit Bank Limited ("SMBL") are offering electronic submission of application (e-IPO) to their account holders. UBL account holders can use UBL Net Banking to submit their application via link http://www.ubldirect.com/corporate/ebank. BAFL account holders can use BAFL Net Banking to submit their application via link https://netbanking.bankalfalah.com. SMBL account holders can use SMBL Net Banking to submit their application via link https://ib.summitbank.com.pk. Furthermore, please note that online applications can be submitted 24 hours a day during the subscription period which will close at midnight on March 9, 2018.**

The Central Depository Company of Pakistan ("CDC") in collaboration with 1 Link (G) Limited (1 Link) has developed a Centralized e-IPO System ("CES") through which applications for subscription of securities offered through IPOs can be made electronically. CES has been made available in this IPO which can be accessed through the web link www.cdceipo.com. Payment of subscription money can be made through 1Link's member banks available for CES, list of which is available on above web link.

For making application though CES, investors must be registered with CES. Registration with CES is onetime and free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the year.

Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) may register themselves with CES.

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com. CES is connected to a number of banks through 1 Link for payment of the subscription money. **For further details on CES, please refer para 2.10(i) of this Prospectus or contact Mr. Moheel Ali Khan at Phone** 021-34326030 **and email: moheel_khan@cdcpak.com**.

Jama Punji

For investor education please visit www.jamapunji.pk and read the IPO Investor Guide placed at web link https://www.secp.gov.pk/document/initial-public-offering-ipo-a-concise-guide-for-investors/?wpdmdl=29584 Jama Punji is an investor education initiative of the Securities & Exchange Commission of Pakistan

Date of Publication of this Prospectus: March 1, 2018

Prospectus and Subscription Forms can be downloaded from the following websites:
http://www.bankalfalah.com http://www.arifhabibltd.com http://www.psx.com.pk

For further queries, you may contact

Bank Alfalah Limited: Zain Alam; **Phone**: +92 21 3312 2619; **E-mail**: zain.alam@bankalfalah.com
Arif Habib Limited: Dabeer Hasan; **Phone**: +92 21 3246 5891; **E-mail**: dabeer.hasan@arifhabibltd.com

*Average rate 'Ask Side' of the six month Karachi Inter Bank offered Rate ("KIBOR") as published on Reuters Page KIBR or as published by the Financial Markets Association of Pakistan in case Reuters page is unavailable on the Base Rate setting date.

UNDERTAKING BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Date:

WE, NAUMAN ANSARI, THE CHIEF EXECUTIVE OFFICER AND ANJUM HAI, THE CHIEF FINANCIAL OFFICER OF BANK ALFALAH LIMITED CERTIFY THAT:

1. THIS PROSPECTUS CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
2. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF;
3. THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
4. THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THE PROSPECTUS AS A WHOLE OR ANY PART THEREOF MISLEADING;
5. ALL REQUIREMENTS OF THE SECURITIES ACT, 2015; THE DISCLOSURES IN PUBLIC OFFERING REGULATIONS, 2017 FOR PREPARATION OF PROSPECTUS, RELATING TO APPROVAL AND DISCLOSURES HAVE BEEN FULFILLED; AND
6. NO CHARGES, FEE, EXPENSES, PAYMENTS ETC. HAVE BEEN COMMITTED TO BE PAID TO ANY PERSON IN RELATION TO THIS PUBLIC OFFERING EXCEPT FOR THOSE AS DISCLOSED IN PART 3 OF THE PROSPECTUS.

For and behalf of **Bank Alfalah Limited**

-Sd-

_____

Nauman Ansari
Chief Executive Officer

-Sd-

_____

Anjum Hai
Chief Financial Officer

Glossary of Abbreviations and Technical Terms	
ADG	Abu Dhabi Group
Additional Tier 1 Capital	Additional Tier 1 Capital means the additional Tier 1 capital as defined in the Basel III Circular
ALCO	Asset Liability Management Committee
Consultant to the Issue	Arif Habib Limited
BAFL or "the Bank" or the Issuer	Bank Alfalah Limited
Base Rate Setting Date	(a) For the first coupon payment, one (1) Business Day prior to the Issue Date; and (b) For each subsequent coupon payment, one (1) Business Day prior to the last coupon payment date
Basel III Circular	Instructions for Basel III Implementation in Pakistan issued by the State Bank of Pakistan under BPRD circular # 06 dated August 15, 2013 (as may be amended, modified or replaced from time to time)
Bn	Billion
Board / BoD	Board of Directors of the Bank
Bps	Basis Points
CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio; the amount of risk-based capital (Tier 1 and Tier 2) as a percentage of risk-weighted assets
CDC	The Central Depository Company of Pakistan Limited
CDS	Central Depository System
Credit Rating Agency	JCR-VIS Credit Rating Company Limited ("JCR-VIS") & The Pakistan Credit Rating Agency Limited ("PACRA")
CET 1	Common Equity Tier 1
CET 1 Trigger Event	As described thereto in Paragraph A-5-2 of Annexure 5 of the Basel III Circular. The Issuer shall immediately notify the SBP upon the occurrence of the CET 1 Trigger Event
Conditions	The terms and conditions governing and regulating the TFCs
Contingent Convertible	TFCs that are subject to Mandatory Conversion only upon the occurrence of the Mandatory Conversion Event
CY	Calendar Year
Trust Deed	Trust Deed executed between the Bank and the Trustee dated December 26, 2017
DFI	Development Financial Institutions
EPS	Earnings per Share
FIS	Financial Institutions
FY	Financial Year
GA	Gross Advances
GOP	Government of Pakistan
Investment Agreement	The Investment Agreement entered into between each pre-IPO Investor and the Issuer, prior to the Issue Date
Issue Date	The date on which the TFCs are Issued as communicated to the TFC Holders by the Trustee upon notification by the Issuer
KIBOR	Karachi Inter-Bank Offer Rate (Ask Side)

Lock-in clause	Mark-up will only be paid from the Issuer's current year's earning and if the Issuer is in compliance of regulatory Minimum Capital Requirement and Capital Adequacy Ratio requirements set by SBP from time to time.
Lock-in Event	Failure by the Issuer to comply with the Lock-in clause
Mandatory Conversion	Mandatory conversion of the TFCs into ordinary shares in accordance with the Trust Deed and upon the occurrence of a Mandatory Conversion Event
Mandatory Conversion Event	Issuance of a written direction by the SBP to the Issuer to Mandatorily Convert the TFCs on account of: (i) a CET 1 Trigger Event; (ii) the PONV Trigger Event; or (iii) Lock-In Event
Mandatory Write-Off	Mandatory write-off (in whole or in part) of the Outstanding Face Value of the TFCs in accordance with the Trust Deed and upon the occurrence of a Mandatory Write Off Event
Mandatory Write-Off Events	Issuance of a written direction of the SBP requiring the Mandatory Write-Off of the TFCs on account of: (i) a PONV Trigger Event; (ii) a CET 1 Trigger Event; (iii) upon the Issuer being unable to Mandatorily Convert the TFCs into Ordinary Shares upon occurrence of a CET 1 Trigger Event; or (iv) Lock-in Event
Market Maker	Arif Habib Limited
MCR	Minimum Capital Requirement as prescribed under the applicable laws.
Mn	Million
NBFC	Non-Banking Financial Company
NII	Net Interest Income
NPLs	Non-Performing Loans
PSE	Public Sector Entities
PSX	Pakistan Stock Exchange Limited
PKR or Rs.	Pakistan Rupee
PONV	Point of Non-Viability
PONV Trigger Event	As described thereto in Paragraph A-5-3 of Annexure 5 of the Basel III Circular. The SBP will have full discretion in declaring the PONV Trigger Event
ROA	Return on Assets
ROE	Return on Equity
SBP	State Bank of Pakistan
SECP / the Commission	Securities & Exchange Commission of Pakistan
TFC or TFCs	Fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and Contingent Convertible debt instruments in the nature of Term Finance Certificates issued under Section 66 of the Companies Act, 2017 which will qualify as Additional Tier 1 Capital as outlined by SBP under the Basel III Circular
TFC Holders/ Certificate Holders	Each person registered in the Register of TFC Holders as the holder of TFCs and the persons shown as the holders of the TFC Certificates in the records of the CDS, who shall be the beneficiaries under Declaration of Trust and will include the Pre-IPO investors who have entered into an Investment Agreement and the general public. BAFL shall issue TFC

	Certificates to the successful allottees within 21 days of closure of the subscription list in compliance with the requirements of PSX.
TFC Issue	Issuance of TFCs of PKR 7,000 million
Tier 2 Capital	The Tier 2 capital shall bear the meaning ascribed to it under the Basel III Circular
Transaction Documents	a) The Trust Deed; b) The Investment Agreements; and c) The TFCs (when issued)
Trustee	Pak Brunei Investment Company Limited
Trust Assets	means and includes the following: (i) the rights of the TFC Holders to the Coupon Payments to in accordance with the terms of the Transaction Documents; (ii) the rights, benefits and entitlements vested in the Trustee and / or to be vested in the Trustee at any time in the future, under and / or arising from the Transaction Documents; (iii) the right to the Proceeds upon occurrence of an Event of Default; and (iv) includes all other rights, title and benefits of the Trustee and the TFC Holders arising directly or indirectly from the TFC Issue and the execution of the Transaction Documents
Transfer Agent & Ballotter	F.D. Registrar Services (SMC-Pvt) Ltd
Transaction Legal Counsel	HaidermotaBNR & Co.
Voting Rights	means the voting rights exercisable by any of the TFC holders in accordance with the trust deed.

TABLE OF CONTENTS

1 APPROVALS, CONSENTS AND LISTING ON THE STOCK EXCHANGE 9

2 TFCS AND RELATED MATTERS 13

3 UNDERWRITING, COMMISSIONS, BROKERAGE AND OTHER EXPENSES TO THE ISSUE 31

4 HISTORY AND PROSPECTS 33

5 FINANCIAL INFORMATION & CREDIT RATING REPORT 50

6 TRUSTEE AND SECURITY 106

7 MANAGEMENT OF THE BANK 118

8 MISCELLANEOUS INFORMATION 129

9 APPLICATION AND ALLOTMENT INSTRUCTIONS 134

10 SIGNATORIES TO THE PROSPECTUS 139

11 MEMORANDUM OF ASSOCIATION 140

12 APPLICATION FORM 145

SUMMARY OF THE ISSUE

Issue Size	:	PKR 7,000 million
Pre-IPO Placement	:	PKR 6,300 million
Initial Public Offering (IPO) (IPO Portion)	:	PKR 700 million
Purpose	:	The proceeds of Issue will contribute toward the Issuer's Additional Tier I Capital for capital adequacy ratio as per guidelines set by SBP.
Utilization of proceeds of the Issue	:	The proceeds of the Issue will be utilized in the Issuer's normal business operations as permitted by its Memorandum & Articles of Association.
Minimum Investment	:	The TFCs will be offered in denominations of PKR 5,000/- or multiples thereof to the investors subject to a minimum Investment amount of PKR 5,000/-
Issue Date	:	The date on which the TFCs are Issued as communicated to the TFC Holders by the Trustee upon notification by the Issuer
Tenor	:	Perpetual
Principal Redemption	:	Perpetual, hence not applicable.
Coupon Rate / Mark – up Rate	:	The Coupon Rate / Mark – up Rate shall be as follows: 1) for the period at the end of which the Issuer is compliant with the MCR and CAR Requirements: 6-Month KIBOR (Ask Side) + 1.50% with no step up feature. 2) for the period at the end of which the Issuer is not compliant with the MCR and CAR Requirements or payment of the Mark-up set out in (1) above for the relevant period may render it non-compliant with such MCR and CAR Requirements: Mark-up Rate: 0% (i.e no mark- up) **If in case no Mark-up is paid, there is no recourse available to the TFC Investors**
Coupon Payment Date	:	The first mark-up payment will fall due six months from the Issue Date and subsequently every six months thereafter ("Coupon Payment Date")
Issue Price	:	At par
Security	:	The TFCs will be unsecured.

Transaction Legal Counsel	:	HaidermotaBNR and Co.
Listing	:	Pakistan Stock Exchange Limited
Entity Rating	:	Long Term Rating : AA+ (double A plus) Short Term Rating : A1+ (A one plus) Rating by JCR-VIS & PACRA
Instrument Rating	:	AA- (Double A minus) by JCR-VIS
Subscription Date	:	March 8, 2018 and March 9, 2018
Risk Factors	:	For details please refer to Part 4.12 of the Prospectus
Trustee to the Issue	:	Pak Brunei Investment Company Limited
Compliance Officer	:	Mian Ejaz Ahmad Group Head – Legal and Company Secretary Mian.Ejaz@bankalfalah.com 3rd Floor, B.A Building I.I Chundrigar Road, Karachi, Pakistan. Telephone # +92 21 3242 2358 Fax # +92 21 3241 3945
Underwriters of the Issue	:	1. Arif Habib Limited, and 2. Ismail Iqbal Securities (Private) Limited
Market Maker to the Issue	:	Arif Habib Limited
Bankers to the Issue	:	Askari Bank Limited Bank Alfalah Limited Bank Al Habib Limited Faysal Bank Limited MCB Bank Limited Summit Bank Limited United Bank Limited Soneri Bank Limited JS Bank Limited Samba Bank Limited The Bank of Punjab
Transferability	:	The TFC will be inducted into the CDC, transfer shall be made in accordance with the Central Depository Act, 1997 and CDC Regulations
Governing Law	:	The TFC shall be subject to the laws of Islamic Republic of Pakistan and non-exclusive jurisdiction of the Pakistan Courts

PART I

1 APPROVALS, CONSENTS AND LISTING ON THE STOCK EXCHANGE

1.1 APPROVAL OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities and Exchange Commission of Pakistan (the "Commission" or the "SECP") as required under Section 87(2), read with Section 88(1) of the Securities Act, 2015 (the "Act") has been obtained for the Issue, circulation and publication of this Prospectus.

Disclaimer

It must be distinctly understood that in giving this approval, SECP does not take any responsibility for the financial soundness of the Issuer and any of its schemes stated herein or for the correctness of any of the statements made or opinions expressed by Bank Alfalah Limited ("BAFL" or "Issuer" or "Bank") in this Prospectus.

SECP has not evaluated quality of the Issue and its approval for the Issue, circulation and publication of this Prospectus should not be construed as any commitment of the same. The public/investors should conduct their own independent due diligence and analysis regarding the quality of the Issue before investment in the Additional Tier 1 Term Finance Certificates ("TFC" or "TFCs") being offered through this Prospectus.

1.2 APPROVAL OF THE PROSPECTUS BY PAKISTAN STOCK EXCHANGE LIMITED

The Prospectus for the issue of fully paid-up, rated, listed, perpetual, unsecured, non-cumulative, subordinated, and contingent convertible debt instrument in the nature of Additional Tier 1 Term Finance Certificates ("TFC" or "TFCs") has been approved by the Pakistan Stock Exchange Limited ("PSX") in accordance with the requirements of its Listing Regulations.

Disclaimer

- **PSX has not evaluated the quality of the Issue and its approval should not be construed as any commitment of the same. The public / investors should conduct their own independent investigation and analysis regarding the quality of the Issue before subscribing.**
- **The publication of this document does not represent solicitation by PSX.**
- **The contents of this document do not constitute an invitation to invest in TFCs or subscribe for any securities or other financial instrument by PSX, nor should it or any part of it form the basis of, or be relied upon in any connection with any contract or commitment whatsoever of PSX.**
- **It is clarified that information in this Prospectus should not be construed as advice on any particular matter by PSX and must not be treated as a substitute for specific advice.**
- **PSX disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon this document to any one, arising from any reason, including, but not limited to, inaccuracies, incompleteness, and/or mistakes, for decision and/or actions taken based on this document.**
- **PSX neither takes responsibility for the correctness of contents of this document nor the ability of the Issuer to fulfil its obligations there under.**

- **Advice from a suitably qualified professional should always be sought by investors in relation to any investment in securities.**

1.3 APPROVAL OF THE STATE BANK OF PAKISTAN

In-principle approval of the State Bank of Pakistan ("SBP") has been obtained vide SBP's letter No. BPRD/BA&CP/24519/2017 dated October 19, 2017, for the issuance of fully paid-up, rated, listed, perpetual, callable, unsecured, non-cumulative, contingent convertible and subordinated Sixth Term Finance Certificates ("TFC") of PKR 7,000 million, subject to compliance of relevant laws and regulations.

State Bank of Pakistan has granted in-principle approval for the issuance of the captioned Term Finance Certificates (TFCs) of PKR 7 Billion as eligible for Additional Tier 1 capital subject to following conditions:

a. The subject TFCs will not be eligible for Minimum Paid up Capital Requirements (MCR).
b. The final term sheet will include a clause that any inability to exercise lock-in clause or non-cumulative feature, will subject these TFCs to mandatory conversion into ordinary shares/ write-off at the discretion of SBP.
c. The final term sheet should indicate the final profit rate in two tiers:
    i. A regular profit rate for the period at the end of which the bank is compliant with CAR and MCR.
    ii. Profit Rate of 0% (i.e. no profit) for the period at the end of which the bank is non-compliant with the CAR or MCR.
d. The final term sheet should indicate the Instrument rating.
e. The option of temporary write down under the loss absorbency clause may be removed. Further, the loss absorbency clause may be amended to clearly state that the mode of loss absorbency i.e. write off or conversion of TFCs into ordinary shares will be subject to SBP discretion as per BPRD circular no. 6 of 2013.
f. The bank will submit an undertaking to the effect that it will, at all times, maintain sufficient cushion in the authorized capital at least equal to the "cap on the maximum number of shares to be issued at PONV or CET-1 trigger event".
g. The bank will submit shareholder's due approval covering the maximum number of shares that can be issued against the conversion of the TFCs, pricing formula etc. in line with the term sheet and requirements of BPRD circular no.6 of 2013.
h. The bank shall submit an undertaking that it has obtained all the necessary approvals and fulfilled the preconditions (except for the specific information about number of shares etc. that will be available at PONV or CET- trigger event) for the issuance of TFCs as well as for the final approval of SECP and smooth conversion of TFCs into ordinary shares at the time of PONV / Trigger Event.
i. Bank will ensure compliance with all the applicable laws, rules and regulations including BPRD circular no.6 of 2013.
j. After completion of legal and regulatory formalities and finalization of the term sheet in the light of above, the bank will approach SBP for final approval within 4 months of the issuance of in-principle approval.

It may also be noted that SBP's approval cannot be construed as endorsement of economic risk and legal aspects of the proposed TFCs that will remain the sole responsibility of the Bank's management and the Board.

Subsequent to the In-principle approval from SBP, BAFL has obtained vide SBP's letter No. BPRD/BA&CP/616/26915/2017 dated November 17, 2017, relaxation for the following:

1. The Bank may obtain and submit shareholder's due approval by March 31, 2018, covering the maximum number of shares that can be issued against the conversion of these TFCs, pricing formula etc. in line with the term sheet and requirements of BPRD Circular No. 6 of 2013. Failure to submit this approval within due date will render the instrument in-eligible for treatment as additional tier 1 (ADT-1) capital.
2. SECP approval for conversion of the instrument into ordinary shares of the Bank in the event of occurrence of a PONV event or Trigger event as required under SBP Basel III instructions, may be obtained on post facto basis. However, the Bank shall submit an undertaking that it has obtained all the necessary approvals and fulfilled the preconditions (except for the specific information about number of shares etc. that will be available at PONV or CET-1 trigger event) for the aforementioned final approval of SECP.

Final approval vide SBP letter No. BPRB/BA&CP/29935/2017 dated December 21, 2017 has been obtained for the issuance of fully paid-up, rated, listed, perpetual, callable, unsecured, non-cumulative, contingent convertible and subordinated Sixth Term Finance Certificates ("TFC") of PKR 7,000 million, and recognition of the same as ADT1 eligible capital subject to compliance with BPRD Circular No.6 of 2013 and other relevant laws and regulations.

The investment by sponsors in the proposed issue should not exceed 50% of the issue. However, the bank or related parties over which the bank can exercise control or exert influence shall not invest in the proposed issue as per restrictions imposed under BPRD Circular No.6 of 2013. (Para VI of Annexure-2)

Moreover, the bank is required to submit a report to the Banking Policy & Regulations Department covering the details of proposed TFCs issue, within one month from the date of issue.

1.4 FILING OF PROSPECTUS AND OTHER DOCUMENTS WITH THE REGISTRAR OF COMPANIES

BAFL has delivered to the Registrar of Companies as required under Sections 57 (1) of the Act, a copy of this Prospectus signed by all the Directors of BAFL.

1.5 LISTING ON THE STOCK EXCHANGE

Application has been made to PSX for permission to deal in and for quotation of the TFCs of BAFL. If for any reason the application for formal listing is not accepted by PSX or approval for formal listing is not granted by PSX before the expiration of twenty-one days from the date of closing of the subscription period / list or such longer period not exceeding forty-two days as may, within the said twenty-one days, be notified to the applicants for permission by the securities exchange, the Issuer undertakes that a notice to that effect will immediately be published in the press and it will refund Application Money to the applicants without surcharge as required under the provisions of Section 69 of the Companies Act, 2017.

If any such money is not repaid within eight (08) days after the Bank becomes liable to repay it, the Directors of the Bank shall be jointly and severally liable to repay that money from the expiration of the eighth day together with surcharge at the rate of two per cent (2.0%) for every month or part thereof

from the expiration of the eight day and, in addition, shall be liable to a penalty of level 3 on the standard scale in accordance with the provisions of sub-section (2) of Section 69 of the Companies Act.

1.6 COMPLIANCE OFFICER

Mian Ejaz Ahmad – Group Head Legal and Company Secretary

CONTACT DETAILS OF COMPLIANCE OFFICER

Mian Ejaz Ahmad
Group Head – Legal and Company Secretary
Mian.Ejaz@bankalfalah.com
3rd Floor, B.A Building
I.I Chundrigar Road, Karachi, Pakistan.
Telephone # +92 21 3242 2358
Fax # +92 21 3241 3945

PART II

2 TFCS AND RELATED MATTERS

2.1 THE ISSUE

BAFL is issuing the TFCs under the Basel III Circular in the aggregate amount of PKR 7,000 million.

The TFCs will be fully paid-up, rated, listed, unsecured, perpetual, non-cumulative and Contingent Convertible. **The TFCs will be subordinated to the payment of principal and profit, to all other indebtedness of the Bank, including deposits.** The instrument is rated AA- (Double A Minus) by JCR-VIS.

The total issue size of the TFCs is PKR 7,000 million and will be offered in denominations of PKR 5,000/- (Pakistani Rupees Five Thousand Only) or in multiples thereof to the investors subject to a minimum investment amount of PKR 5,000/- (Pakistani Rupees Five Thousand Only).

The TFCs have a floating rate coupon priced with a spread of 150 bps over 6-month KIBOR with no floor or cap. The Base Rate will be set using the 6-month KIBOR (Ask side), one (1) business day prior to the Issue Date; and thereafter one (1) business day prior to each subsequent profit payment date. Profit will be payable semi-annually in arrears calculated on a 365-day year basis on the outstanding principal amount. The first such profit payment will fall due six (6) months from the Issue Date and subsequently every six months thereafter, subject to the Bank meeting regulatory requirements as prescribed by the SBP.

The TFCs may be called with the prior written approval of SBP, starting from and including the fifth anniversary of the Issue Date, or on the occurrence of certain events (refer to section 2.2), subject to not less than 45 calendar days' prior notice being given to the TFC Holders through the Trustee. The Call Option, once announced, will be irrevocable. No Put Option shall be available to the TFC Holders.

The TFCs shall be subject to a standard lock-in clause (refer to section 2.2) which would mean that coupon / markup may not be paid if such payments would result in shortfall in the Bank's MCR or CAR or increase any existing shortfall in MCR and CAR as mandated by the SBP. The TFCs will also be subject to a standard loss absorbency clause (refer to section 2.2) under the Basel III Circular and/or any other requirements that the SBP may introduce.

2.2 TERM SHEET OF THE ISSUE

Issuer	Bank Alfalah Limited
Instrument	Fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates ("**TFCs**") issued under Section 66 of the Companies Act, 2017 which will qualify as Additional Tier I Capital as outlined by State Bank of Pakistan ("**SBP**") under BPRD Circular No. 6 dated August 15, 2013 (hereinafter referred to as the "**Circular**").
Issue Amount	PKR 7,000 million.
Pre-IPO Amount	PKR 6,300 million

Purpose	The Issue Amount will contribute toward the Issuer's Additional Tier I Capital for capital adequacy ratio as per guidelines set by SBP.	
Utilization of Proceeds	The Proceeds of the Issue will be utilized in the Issuer's normal business operations as permitted by its Memorandum & Articles of Association.	
Tenor	Perpetual	
Coupon Payment	**Payment of Mark-Up**	Mark-up will be payable semi-annually in arrears on the outstanding principal amount, based on 365 days a year basis and on a non-cumulative basis.
	Lock-in Clause	Mark-up will only be paid from the Issuer's current year's earning and if the Issuer is in compliance of regulatory Minimum Capital Requirement and Capital Adequacy Ratio requirements set by SBP from time to time ("**MCR and CAR Requirements"**). Any inability to exercise lock-in clause or non-cumulative feature, will subject these TFCs to mandatory conversion into ordinary shares/ write off at the discretion of SBP in accordance with the Loss Absorbency (Mandatory Conversion Provisions) and Loss Absorbency (Write-Off Provisions), as applicable.
	Coupon Rate/Mark-up Rate	The Mark – up Rate shall be as follows: 1) for the period at the end of which the Issuer is compliant with the MCR and CAR Requirements: 6-Month KIBOR (Ask Side) + 1.50% with no step up feature. 2) for the period at the end of which the Issuer is not compliant with the MCR and CAR Requirements or payment of the Mark-up set out in (1) above for the relevant period may render it non-compliant with such MCR and CAR Requirements: Mark-up Rate: 0% (i.e. no mark- up)
	Coupon Payment Date	The first mark-up payment will fall due six months from the Issue Date and subsequently every six months thereafter ("**Coupon Payment Date**").
	Interim Coupon Payment	Subject to applicable laws, the Issuer shall pay an interim coupon payment on the Issue Date to all investors who have injected the investment amounts and subscribed to TFCs prior to the public offering (the "**Interim Coupon Payment**").

		The Interim Coupon Payment shall be equal to the mark-up (at the Coupon Rate) on the investment amounts invested by each investor from the date on which such investment amounts are received by the Issuer until the date which is one day prior to the Issue Date.
	Discretion on profit payments	**In accordance with the terms of the Circular, the Issuer will have discretion to waive (in whole or in part) any scheduled profit payment and such waiver will not constitute an event of default**. On cancellation of the payment of mark-up, the Issuer's obligation to pay mark-up on the TFCs shall stand extinguished and the Issuer shall have no obligation to make distributions/payments in kind. In the event that the Issuer determines that it shall not make a payment of mark-up on the TFCs, the Issuer shall notify the Trustee not less than 21 calendar days prior to the relevant Coupon Payment Date of that fact and of the amount that shall not be paid.
	Dividend Stopper	The Issuer shall not make any dividend payments on equity/ ordinary shares in the event of a non-payment of mark-up on the TFCs.
Principal Repayment	Perpetual, hence not applicable.	
Security	The TFCs will be unsecured.	
Seniority of Claim	The claims of the Investors will rank: (a) superior to the claims of ordinary shareholders; (b) junior to all other claims (including depositors and general creditors); and (c) pari passu without preference amongst themselves.	
Put Option	None	
	Issuer's Call	The Issuer may, at its sole discretion, exercise call option any time after five years from the Issue Date and subject to the satisfaction of Call Option Conditions ("**Issuer's Call**").
	Tax Event Call	The Issuer may, at its sole discretion, exercise call option upon the trigger or continuation of a Tax Event subject to the satisfaction of Call Option Conditions (defined below)("**Tax Event Cal**l").

Call Option (Types)		A "Tax Event" shall be deemed to have occurred if, as a result of any change in, or amendment to, the laws affecting taxation (or regulations or rulings promulgated thereunder) of Pakistan or any change in official application of such laws, regulations or rulings, the Issuer will no longer be entitled to claim a deduction in respect of computing its tax liabilities with respect to coupon/mark-up payable on the TFCs.
	Capital Event Call	The Issuer may, at its sole discretion, exercise call option upon the trigger of a Capital Event subject to the satisfaction of Call Options Conditions (defined below)("**Capital Event Call**"). A "Capital Event" shall be deemed to have occurred if the TFCs are downgraded in regulatory classification by SBP; by way of illustration, if the TFCs are excluded by SBP from the consolidated Additional Tier 1 capital of the Issuer.
	Call Option Conditions	The Issuer may exercise a Call Option (Issuer's Call, Tax Event Call or Capital Event Call, as the case may be) subject to the following conditions (the "**Call Option Conditions**"): (a) prior approval of SBP has been obtained for exercise of the Issuer Call; and (b) the Issuer replaces the TFCs with capital of the same or better quality and demonstrates that the capital position of the Issuer will be well above the minimum capital requirement prescribed by SBP after the Call Option is exercised.
Call Option (Procedure)	**Call Option Notice**	If the Issuer decides to exercise the Call Option (Issuer's Call, Tax Event Call or Capital Event Call, as the case may be), the Issuer shall notify the Trustee and Investors not less than 45 calendar days prior to the date of exercise of such Call Option, which notice shall specify the date fixed for the exercise of the Call Option (the "**Call Option Date**").
	Call Option Price	Face value of TFC plus coupon/mark up accrued from the last coupon/mark-up payment date up to but excluding the Call Option Date.
	Settlement	The Issuer will make payment of the Call Option Price within 30 calendar days of the Call Option Date.
Loss Absorbency (Convertibility Provisions)	**Mandatory Conversion**	In conformity with SBP Basel III Guidelines as per the Circular, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event (described below); (ii) the PONV Trigger Event

		(described below); or (iii) failure by the Issuer to comply with the Lock-In Clause ("**Lock-In Event**").
	Conversion Amount	In the case of CET 1 Trigger Event, the Issuer 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 Issuer'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. 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.
	Conversion Ratio	Number of shares to be issued to Investors at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by Fair value (i.e. market price per Ordinary Share on the date of the CET1 Trigger Event, PONV Trigger Event or Lock-In Event, or, in case market price is not available, the break-up value of share duly certified by the independent auditor) per share of the Bank's Shareholders Equity on the date of trigger of the CET1 Trigger Event, PONV Trigger Event or Lock-In Event as declared by SBP, subject to a maximum of 191,000,000 ordinary shares to be issued.
	Fit & Proper clearance	Investors entitled to 5% or more ordinary shares of the Issuer upon conversion of the TFCs shall require "fit and proper" clearance from the SBP.
	Other regulatory approvals	The Bank shall procure all approvals to enable conversion of the TFCs into ordinary shares, including approvals in relation to the increase in authorized capital of the Issuer (to the extent necessary).
Loss Absorbency (Write – Off Provisions)	**Mandatory Write- off**	The Issuer shall, if directed by the SBP, write-off the Relevant Amount (defined below) of the TFCs (i) upon the PONV Trigger Event (described below); (ii) upon the CET 1 Trigger Event (described below); (iii) upon the Lock-In Event (described above); or (iv) if it is not possible to convert the TFCs into ordinary shares upon the CET 1 Trigger Event. A write off due to PONV Trigger Event shall occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.

	Permanent Write-off	The Relevant Amount (defined below) of the TFCs shall be permanently written off and the written off amount will not be restored in any circumstances.
	Relevant Amount	The outstanding principal amount of the TFCs may be written off partially or in full. The amount of write off shall be ("**Relevant Amount**"): (a) in the case of a PONV Trigger Event or Lock-In Event, such amount as is determined by the SBP in its sole discretion; (b) in the case of CET 1 Trigger Event, the Issuer will have full discretion to determine the amount which shall at least be the amount required to immediately return the Issuer'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; and (c) where a write-off becomes necessary on account of an impossibility to convert the TFCs, an amount equal to the Conversion Amount.
	Effect of Write-Off	Upon write-off: (a) the claim of the Investors on liquidation of the Issuer shall be reduced by the Relevant Amount; (b) the amount to be paid to the Investors on exercise of the Call Option by the Issuer shall be reduced by the Relevant Amount; and (c) the mark-up payable on the TFCs shall be permanently reduced.
SBP Discretion	Upon occurrence of the PONV Trigger Event, CET 1 Trigger event or Lock-In Event, the SBP shall have full discretion to determine whether the TFCs shall be converted into ordinary shares or permanently written off.	
CET 1 Trigger Event	The pre-specified trigger for loss absorption through conversion shall be the Issuer's Shareholders Equity Tier 1 ratio falling to or below 6.625% of Risk Weighted Assets ("**CET 1 Trigger Event**"). The Issuer shall immediately notify the SBP upon the occurrence of the CET 1 Trigger Event.	
PONV Trigger Event	The Point of Non-Viability Trigger Event ("**PONV Trigger Event**") shall be the earlier of:	

	(i) a decision made by the SBP that a conversion or permanent write-off is necessary without which the Issuer would become non-viable; or (ii) the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by SBP. The SBP will have full discretion in declaring the PONV Trigger Event.
Order of claim of TFCs in the event of liquidation of the Issuer	In the event of a liquidation of the Issuer, the claim of the Investors shall be: (a) superior to the claims of ordinary shareholders; (b) junior to all other claims (including depositors and general creditors); and (c) pari passu without preference amongst themselves.
Face Value	The Face Value of each TFC will be PKR 5,000 /- (Pakistani Rupees Five Thousand Only).
Issue Price	At par
Issuer Rating	Long Term Rating : AA+ (double A plus) Short Term Rating : A1+ (A one plus) Issuer Rating by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS
TFC Rating	AA- (double A minus) – issued by JCR-VIS
Eligible Investors	The TFCs will be offered to the public including retail and institutional investors. Non- resident investors may subscribe to the TFCs using their Special Convertible Rupee Account as provided in Chapter XX of the Foreign Exchange Manual. The Issuer nor any of its related parties over which the Issuer exercises control or significant influence, shall be permitted to purchase the TFCs.
Minimum Investment	PKR 5,000/- (Pakistani Rupees Five thousand Only).
Listing	The TFCs shall be listed at Pakistan Stock Exchange.
Classification on the Balance Sheet	TFCs shall be classified as 'Liabilities' in the Balance Sheet.
Trustee to the Issue	Pak Brunei Investment Company Limited
Transaction's Legal Counsel	HaidermotaBNR & Co.

Transfer Agent & Balloter	F.D. Registrar Services (SMC-Pvt) Ltd.	
Market Maker	Arif Habib Limited	
Underwriters of the Issue	Arif Habib Limited and Ismail Iqbal Securities (Private) Limited	
Bankers to the Issue	The list is provided in summary of the Issue and section 8.7 of this prospectus	
Consultant to the Issue	Arif Habib Limited	
Transferability	Transfer shall be made in accordance with the Central Depositary Act, 1997 and CDC Regulations.	
Applicable Laws	Banking Companies Ordinance, 1962; SBP Circular No. 6 of 2013 dated August 15, 2013 and other SBP Prudential Regulations issued from time to time; Companies Act, 2017, Securities Act, 2015 and rules and regulations issued thereunder by the Securities and Exchange Commission of Pakistan; and rules of the Stock Exchanges.	
Governing Law	Laws of the Islamic Republic of Pakistan.	
Issuer's Registered Office	B.A Building I.I Chundrigar Road, Karachi, Pakistan	
Details of Compliance Officer	Mian Ejaz Ahmad Group Head – Legal and Company Secretary Mian.Ejaz@bankalfalah.com 3rd Floor, B.A Building I.I Chundrigar Road, Karachi, Pakistan. Telephone # +92 21 3242 2358 Fax # +92 21 3241 3945	
Issue Schedule[1]	**Subscription Period**	March 8, 2018 from March 9, 2018
	Issue Date	The date on which the TFCs are Issued as communicated to the TFC Holders by the Trustee upon notification by the Issuer

[1] The Issuer reserves the right to modify the Issue Schedule without giving any reasons or prior notice.

2.3 DISCRETION ON PROFIT PAYMENT

In accordance with the terms of the Basel III Circular issued by SBP, the Bank will have discretion to cancel (in whole or in part) any scheduled profit payment and such cancellation shall be deemed to be a waiver by the TFC Holders of their right to receive any scheduled profit payment. Cancellation by the Bank of any scheduled profit payment will not constitute an event of default. On cancellation of the payment of mark-up, the Bank's obligation to pay mark-up on the TFCs shall stand extinguished and the Bank shall have no obligation to make distributions/payments in kind.

It is however to be noted here that while the regulatory framework may not consider a missed coupon payment as a default; the credit rating methodology employed by the credit rating agency i.e. JCR-VIS would treat such missed payments as an event of default.

2.4 CONVERSION MECHANISM

In conformity with Basel III Circular, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) CET 1 Trigger Event; (ii) PONV Trigger Event; or (iii) the Lock-In Event.

In the case of CET 1 Trigger Event, the Issuer 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 Issuer'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.

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.

Number of shares to be issued to Investors at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by Fair value (i.e. market price per Ordinary Share on the date of the CET1 Trigger Event, PONV Trigger Event or Lock-In Event, or, in case market price is not available, the break-up value of share duly certified by the independent auditor) per share of the Bank's Shareholders Equity on the date of trigger of the CET1 Trigger Event, PONV Trigger Event or Lock-In Event as declared by SBP, subject to a maximum of 191,000,000 ordinary shares to be issued. The maximum number of shares will not be adjusted on account of any further issue of capital, stock splits, stock dividends or similar corporate actions.

Investors entitled to 5% or more ordinary shares of the Issuer upon conversion of the TFCs shall require "fit and proper" clearance from the SBP.

The Bank shall, in accordance with directions of the SBP, procure all approvals to enable conversion of the TFCs into ordinary shares, including approvals in relation to the increase in authorized capital of the Issuer (to the extent necessary).

2.5 MINIMUM CAPITAL REQUIREMENT

The SBP through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated Banks to be raised to PKR 10 billion in a phased manner from the financial year December 2013. The paid up capital of the Bank for the year ended December 31, 2016

stood at PKR 15.952 billion and at PKR 16.075 billion as at September 30, 2017 and is in compliance with the SBP requirement.

2.6 CAR REQUIREMENT

The capital adequacy ratio of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the SBP through its Basel III Circular. 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:

	2013	2014	2015	2016	2017	2018	2019 & onwards
CAR Requirement as of	10.0%	10.0%	10.25%	10.65%	11.275%	11.90%	12.50%

As of December 31, 2016 BAFL's CAR was 13.18%, CAR of the Bank as of September 30, 2017 is at 13.40% which is compliant against the SBP minimum requirement of 11.275% to be met as of December 31, 2017.

2.7 MODE OF PAYMENT

The payment of profit shall be credited in TFC Holders' bank accounts electronically on semi-annual basis. The applicants, therefore, must provide their International Bank Account Number (IBAN) in the TFCs Subscription Form.

2.8 PRE-IPO INVESTORS

The Pre-IPO portion for the TFCs closed at PKR 6.3 billion out of the total issue size of PKR 7 billion and the disbursement of Pre-IPO portion completed on 5th January, 2018. The list of investors in the Pre-IPO portion along with their respective investment amount is provided below:

Bank Alfalah Limited Tier 1 TFC - Pre-IPO List		
Serial #	**Investor Name**	**Pre-IPO Participation (PKR)**
1	Bank of Khyber	700,000,000
2	National Bank of Pakistan	650,000,000
3	Askari Bank Limited	600,000,000
4	Zarai Taraqiati Bank Limited	500,000,000
5	Pak Brunei Investment Company Limited	500,000,000
6	Jubilee Life Insurance Company Limited	500,000,000
7	Habib Metropolitan Bank Limited	400,000,000
8	Pakistan Kuwait Investment Company (Private) Limited	400,000,000
9	Saudi Pak Industrial And Agricultural Investment Company Limited	330,000,000
10	Pak Libya Holding Company Private Limited	300,000,000
11	MCB Bank Limited	290,000,000
12	United Bank Limited	250,000,000
13	Habib Bank Limited	250,000,000

14	Habib Bank Limited Employees Provident Fund Trust	250,000,000
15	EFU Life Assurance Limited	100,000,000
16	Askari General Insurance Company Limited	75,000,000
17	IGI Life Insurance Company Limited	50,000,000
18	Lahore University of Management Sciences	30,000,000
19	Muller & Phipps Pakistan (Private) Limited Staff Provident Fund	25,000,000
20	Treet Corporation Limited Group Employees Provident Fund	20,000,000
21	Packages Limited Employees Provident Fund	15,000,000
22	Packages Limited Employees Gratuity Fund	10,000,000
23	Bulleh Shah Packaging (Pvt) Limited Employees Provident Fund	10,000,000
24	Bulleh Shah Packaging (Pvt) Limited Management Staff Pension Fund	10,000,000
25	Attock Cement Pakistan Limited Employees Provident Fund	10,000,000
26	Attock Cement Pakistan Limited Management Employees Gratuity Fund	10,000,000
27	Bulleh Shah Packaging (Pvt) Limited Employees Gratuity Fund	5,000,000
28	Tri-Pack Films - Employees Provident Fund	5,000,000
29	Attock Cement Pakistan Limited Management Employees Pension Fund	5,000,000
Total		**6,300,000,000**

IPO Portion	**700,000,000**
Total Tier 1 TFC Issue	**7,000,000,000**

All the Pre-IPO investors have signed the Investment Agreements for the above mentioned participation amount.

2.9 OPENING AND CLOSING OF SUBSCRIPTION LIST

The subscription list will open at the commencement of the banking hours on March 8, 2018 and close at the end of banking hours on March 9, 2018.

2.10 PUBLIC SUBSCRIPTION THROUGH E-IPO

E-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of e-IPO. The following two systems are available for e-IPOs:

(i) Centralized e-IPO System (CES):

In order to facilitate investors, the CDC in collaboration with 1Link (G) Limited (1Link) has developed a Centralized e-IPO System ("CES") through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this Initial Public Offering (IPO) and can be accessed through the web link www.cdceipo.com. Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on above website.

For making application though CES, investors must be registered with CES. Registration with CES is one time, free of cost and can be done under a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card

(CNIC), bank account with any of the commercial bank, email address, mobile phone number and CDS Account (Investor account or sub account) can registered themselves with CES.

Investors who do not have CDS account can visit www.cdcpakistan.com for information regarding opening CDS account.

For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or Mr. Moheel Ali Khan at Phone 021-34326030 and email: moheel_khan@cdcpak.com.

Investors who are registered with CES can submit their applications through the web link www.cdceipo.com **24 hours a day during the subscription period which will close at midnight on 09/03/2018.**

(ii) e-IPO facilities by Bankers to the Issue:

Currently, United Bank Limited (UBL), Summit Bank Limited (SMBL) and Bank Alfalah (BAFL) are providing e-IPO facilities to their respective accountholders.

UBL account holders can use UBL Net Banking to submit their application via link http://www.ubldirect.com/corporate/ebank

SMBL account holders can use SMBL Net Banking to submit their application via link https://ib.summitbank.com.pk and

BAFL account holders can use BAFL Net Banking to submit their application via link: https://netbanking.bankalfalah.com

2.11 BENEFITS OF E-IPO

E-IPO has the following benefits:

1) It enables the investors to make application for subscription of securities including TFCs through the internet without going to the bank, and waiting in long queues.

2) It is efficient and simultaneously facilitative for both the Issuer and the investors.

3) It is available for use 24 hours during the subscription period.

4) If you are registered with CES or accountholder of a bank providing e-IPO facility, you may get SMS for new IPOs.

By applying through CES you can also track your application status.

2.12 INVESTORS ELIGIBILITY

a) Pakistani citizens resident in Pakistan

b) Pakistani citizens residing outside Pakistan

c) Persons holding two nationalities including Pakistani nationality

d) Foreign nationals whether living in or outside Pakistan

e) Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be)

f) Mutual funds, provident/pension/gratuity funds/trusts (subject to the terms of their trust deeds and existing regulations; and

g) Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan

2.13 FACILITIES AVALIABLE TO FOREIGN/NON-RESIDENT PAKISTANI INVESTORS

Companies are permitted under paragraph 6 (with specific reference to sub para (B) (I)) of Chapter 20 of the State Bank of Pakistan's ("SBP") Foreign Exchange Manual (the "Manual") to issue TFCs on repatriation basis to non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual, i.e. (I) A Pakistan national resident outside Pakistan, (II) A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan, (III) A foreign national, whether living in or outside Pakistan and (IV) A firm (including a partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government, provided the issue price, is paid in foreign exchange through normal banking channel by remittance from abroad or out of foreign currency account maintained by the subscriber/purchaser in Pakistan.

Non-residents who wish to subscribe TFCs out of the general public portion may contact any of the bankers to the issue (retail portion) for taking instructions regarding payment of subscription money against TFCs offered to general public / retail investors. List of bankers to the issue for retail portion is available on page 1 and para 8.7 of this Prospectus.

The TFCs issued to non-resident investors shall be intimated by the Company to the designated Authorized Dealer, along with the documents prescribed in the Manual within 30 days of issue.

Non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual do not require SBP's approval to invest in the TFCs being issued in terms of this Prospectus. Furthermore, under paragraph 7 (vii) of Chapter 20 of the Manual the Authorized Dealer shall allow repatriation of profit, net of applicable taxes and proceeds on sale of listed TFCs (i.e. divestment proceeds) not exceeding the market value less brokerage/commission on provision of prescribed documents.

Payments made by non-residents shall be supported by proof of receipt of foreign currency through normal banking channels. Such proof shall be submitted along with the Application by the non-residents.

2.14 MINIMUM AMOUNT OF APPLICATION AND BASIS OF ALLOTMENT OF TFCS

The basis and conditions of allotment shall be as follows:

a) Face value of the TFC is PKR 5,000/-.

b) The minimum amount of application for subscription of TFCs is PKR. 5,000/-.

c) Applications for TFCs below the aggregate face value of PKR. 5,000/- shall not be entertained.

d) Applications for TFCs by the general public, including institutions and individuals, must be for a minimum of the aggregate face value of PKR. 5,000/- and in multiples of PKR 5,000/- thereof.

e) If the TFCs to be issued to the general public are sufficient for the purpose, all applications shall be accommodated.

f) If the issue is oversubscribed in terms of amount, then all applications shall be accommodated initially for TFCs of face value of PKR 5,000/- each and the balance TFCs shall be allotted on pro-rata basis to all applicants who applied for TFCs in multiple of PKR. 5,000/-.

g) If the issue is over-subscribed in terms of number of applications and the amount, the TFCs shall be allotted through computer balloting in the presence of representatives of PSX.

h) Allotment of TFCs shall be subject to scrutiny of applications for subscription.

2.15 REFUND OF MONEY TO UNSUCCESSFUL APPLICANTS

BAFL shall take a decision within ten (10) days of the closure of subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful applications within ten (10) days of the date of such decision as required under the regulation 5B 4.19 read with regulation 5B4.20 of the PSX Rule Book as amended from time to time.

As per sub-section (2) of Section 68 of the Companies Act, 2017 if a refund is not made within the time specified, the Directors of the Company shall be jointly and severally liable to repay the money with surcharge at the rate of 2.00%, for every month or part thereof from the expiration of the 15th day and, in addition, shall be liable to a penalty of level 3 on the standard scale.

2.16 MINIMUM SUBSCRIPTION

The minimum amount of subscription on which the Directors will proceed to allot TFCs is the full amount of the Issue i.e. PKR 5,000 million.

2.17 ISSUE AND CREDIT OF TFCS

BAFL shall issue TFCs to the successful allottees within twenty one (21) days of closure of subscription list in compliance with the requirements of PSX. TFCs will be issued only in the Book-Entry Form through credit in their CDS Accounts. The applicants, therefore, must provide their CDS Account Number (Investor Account Number or Sub-Account Number) in the TFCs Subscription Form.

The TFCs issued shall be subject to the terms & conditions for the issuance of the TFCs specified in the Trust Deed dated December 26, 2017.

If the Bank defaults on complying with the requirements of the Listing Regulations, it will pay to the PSX a penalty of PKR. 5,000/- per day during which the default continues. The PSX may also notify the fact of such default and the name of the Bank by notice and also by publication, in the Daily Quotations.

2.18 REDEMPTION RESERVE

No redemption reserve is being created for redemption of TFCs as the instrument is perpetual in nature.

2.19 DEDUCTION OF ZAKAT

Zakat is deductible in case of the TFC being held by Muslim citizens of Pakistan, except where a statutory declaration of exemption is filed, and in case of certain non-corporate entities such as Trusts, Funds, etc. (subject to being qualified for non-deduction of Zakat under the Zakat and Ushr Ordinance, 1980). Zakat is withheld at 2.5% of the redeemed principal.

2.20 INCOME TAX

Any income derived from the TFCs shall be subject to income tax as per the Income Tax Ordinance, 2001. Withholding tax, as specified in Part III division IA of the First Schedule of the said ordinance shall be deemed to be the final discharge of tax liability on the profit arising to a tax payer other than a company under subsection 3(a) of section 151 of the Income Tax Ordinance, 2001.

2.21 DEDUCTION OF WITHHOLDING TAX

Profit or markup paid to TFC Holders will be subject to withholding tax under section 151 of the Income Tax Ordinance, 2001 specified in Part III Division IA of the First Schedule of the said Ordinance or any time to time amendments therein. The rate of tax to be deducted shall be:

(a) For filer of Income Tax Returns: 10.00 %
(b) For non-filer of Income Tax Return: 17.5%

Provided that for a non-filer, if the profit or markup paid is rupees five hundred thousand or less, the rate shall be 10%.

2.22 CAPITAL GAINS

Any capital gain derived from the sale of TFCs shall be subject to capital gain tax as per section 37A of the Income Tax Ordinance, 2001.

Tax Rate FY 2018					
		Holding Period of Securities			
Category	Tax Year	Less than twelve months	Twelve months or more but less than twenty four months	Twenty four months or more but acquired on or after 1st July, 2013	Before 1st July, 2013
Filer	FY 18	15.00%	15.00%	15.00%	0%
Non – Filer	FY 18	20.00%	20.00%	20.00%	0%

2.23 MARKET MAKING

Arif Habib Limited will act as Market Maker for the TFCs. The Market Maker will at all times hold at least one percent (1%) of the IPO Portion of TFCs only.

The Market Maker shall mandatorily make available two way quotes on daily basis with a maximum spread of 2.50% till complete redemption of the TFCs.

The Market Maker shall be bound to purchase or sale a maximum of one percent (1%) of total principal outstanding of the TFCs during a business day, provided that at any given time the Market Maker shall not hold more than 2% of the IPO Portion on its books as inventory.

The Market Maker will be obligated to replenish its orders/quotes within 90 seconds following full execution, withdrawal, expiration or any change in the price of either bid or offer.

The Market Making Orders/Quotes are to be maintained on both sides during Market Making period as per Market Making agreement which shall be for the tenure of the Debt Security.

The Market Maker shall be allowed to Blank Sale in Debt Security subject to sufficient pre-existing interest at the end of each Blank Sale day to validate that the Market Maker can deliver the quantity sold blank during the trading day.

Market Marker shall make available copy of the Prospectus to the investors at all times.

2.24 DISCLOSURE OF DEFERRED TAXATION

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. The balance of deferred tax liability as of Sep 30, 2017 was PKR 1,028 million.

2.25 TFCS ISSUED IN PRECEEDING YEARS

Previous Issue TFCs	Amount (PKR mn)	Issue Date	Maturity Date	Tenor	Markup	Type	Security	Rating	Outstanding Amount (PKR mn)
TFC I (Listed)	650	Dec-02	Dec-08	6Yrs	5Yr PIB +1.33%	Floating	Unsecured	AA-	Fully Redeemed
TFC II (Listed)	1,250	Dec-04	Dec-12	8Yrs	6M KIBOR + 1.50%	Floating	Unsecured	AA-	Fully Redeemed
TFC III (Listed)	1,314	Nov-05	Nov-13	8yrs	6M KIBOR + 1.50%	Floating	Unsecured	AA-	Fully Redeemed
TFC IV (Unlisted)	5,000	Dec-09	Dec-17	8yrs	6M KIBOR + 2.50% / 15% Fixed	Fixed & Floating	Unsecured	AA-	Fully Redeemed
TFC V (Listed)	5,000	Feb-13	Feb-21	8yrs	6M KIBOR + 1.25%	Floating	Unsecured	AA-	4,993

2.26 INTEREST OF PRE-IPO INVESTORS

The Pre-IPO Investors only have interest in this TFC as TFC holders. Pak Brunei Investment Company Limited is also acting in the capacity of Trustee to the TFC in addition to being an investor in the Pre-IPO portion. Furthermore, Askari Bank Limited, MCB Bank Limited and United Bank Limited are Bankers to the Issue for the TFC and have also participated in the Pre-IPO portion.

2.27 STATEMENT BY THE ISSUER

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

On behalf of Bank Alfalah Limited ("BAFL" or the "Bank"), we hereby confirm that all material information as required under the Securities Act, 2015, the Public Offering Regulations, 2017 and the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited has been disclosed in the Prospectus and that whatever is stated in Prospectus and the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and on behalf of **Bank Alfalah Limited**

-Sd-

Nauman Ansari
Chief Executive Officer

-Sd-

Anjum Hai
Chief Financial Officer

2.28 STATEMENT BY THE CONSULTANT TO THE ISSUE

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Dear Sir,

Being mandated as the Consultant to the Issue to this Initial Public Offering of BAFL TFC, we hereby confirm that all material information as required under the Securities Act, 2015, the Listing of Companies and Securities Regulation of Pakistan Stock Exchange Limited and the Public Offering Regulations, 2017 has been disclosed in this prospectus and that whatever is stated in the prospectus and in the supporting documentations is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and on behalf of **Arif Habib Limited,**

sd-

_____
Syed Saquib Ali
Vice President – Investment Banking

PART III

3 UNDERWRITING, COMMISSIONS, BROKERAGE AND OTHER EXPENSES TO THE ISSUE

3.1 UNDERWRITING

The present Public Issue of TFCs of PKR 700 million has been fully underwritten as follows:

S. no	Underwriter	No. of TFCs	Amount in Rupees
1.	Arif Habib Limited	70,000	350,000,000
2.	Ismail Iqbal Securities (Pvt.) Limited	70,000	350,000,000
Total		**140,000**	**700,000,000**

If and to the extent that the TFCs offered to the general public shall not have been subscribed and paid for in full by the closing date, the underwriters shall within 15 days of being called upon by BAFL to do so, subscribe or procure subscribers to subscribe and pay in ready available funds in accordance with their underwriting commitments.

In the opinion of the Directors of the Bank, the resources of the underwriters are sufficient to discharge their underwriting obligations.

3.2 NO BUY BACK / REPURCHASE AGREEMENT

THE UNDERWRITERS NOR ANY OF THEIR ASSOCIATES HAVE ENTERED INTO ANY BUYBACK OR REPURCHASE AGREEMENT WITH THE SPONSORS, THE BANK OR ANY OTHER PERSON IN RESPECT OF THIS PUBLIC ISSUE.

ALSO, NEITHER THE BANK NOR ANY OF ITS ASSOCIATES HAVE ENTERED INTO ANY BUY BACK / RE-PURCHASE AGREEMENT WITH THE UNDERWRITERS OR THEIR ACCOCIATES.

THE BANK AND ITS ASSOCIATES SHALL NOT BUY BACK / RE-PURCHASE CERTIFICATES FROM THE UNDERWRITERS AND THEIR ASSOCIATES.

3.3 UNDERWRITING EXPENSES

The underwriters will be paid an underwriting expense of 1.50% on the amount of the public issue underwritten by them. Further in case of take-up, a take-up commission of 1.50% of the take-up amount will be paid to the underwriters.

3.4 FEES AND EXPENSES FOR CENTRALISED E-IPO SYSTEM (CES)

The commission on application received through CES will be paid to CDC, which shall not be more than 0.8% of the amount of successful applications. CDC will share the fee with other participants of CES at a ratio agreed amongst them.

3.5 COMMISSION TO THE BANKERS TO THE ISSUE

A commission at the rate of 0.25% of the amount collected, in respect of successful applications will be paid to the Bankers to the Issue for services to be rendered by them in connection with the Public Offer.

No commission shall be paid to the Bankers in respect of the TFCs actually taken up by the underwriters by virtue of their respective underwriting commitments.

3.6 BROKERAGE COMMISSION

Brokerage shall be paid to the TREC holders of PSX, at the rate of 1.0% of paid-up value of TFCs actually sold through them. No brokerage shall be payable in respect of TFCs taken up by the Underwriters by virtue of their underwriting commitment.

3.7 EXPENSES TO THE ISSUE

The initial expenses of the issue paid or payable by the Bank inclusive of commission to the Underwriters, Bankers to the Issue and members of the PSX, etc., are estimated to be as follows:

Details of the expenses of the Issue are as under:

Expenses to the Issue	Rate	Amount (PKR)
Commission to the Bankers to the Issue Including Out of Pocket Expenses*	0.25%	2,300,000
E-IPO Services *	0.80%	5,600,000
Underwriting Commission - General Public	1.50%	10,500,000
Take-up Commission[1]	1.50%	10,500,000
Commission to the TREC Holders of PSX	1.00%	7,000,000
Consultant to the Issue Fee[1]	0.54%	38,000,000
Participation Fee[1]	0.50%	31,500,000
Trustee Fee	p.a	2,000,000
Rating Fee		1,600,000
Legal Counsel		4,000,000
CDC Annual Fee for Eligible Security	p.a	550,000
CDC Fresh Issue Fee	0.08%	5,600,000
PSX Initial Listing Fee		500,000
PSX Annual Listing Fee		50,000
SECP Processing Fee		100,000
SECP Supervisory Fee		55,000
Auditors for preparation of various certificates		800,000
Printing, Publication of Prospectus / Application Forms		6,000,000
Balloter & Share Registrar Fee etc		114,000
Market Making		1,300,000
Miscellaneous Costs		1,000,000
Total		**129,069,000**

Note: Stamp duty fee (if any) will be calculated based on the advice of Transaction Legal Counsel
* CDC E-IPO fee is 0.8% of the general portion. Currently only 3 banks are offering E-IPO in addition to CDC. The Actual cost is dependent on the subscriptions received through E-IPO.

[1] *The fees is based on maximum fee applicable for the Issue Size.*

PART IV

4 HISTORY AND PROSPECTS

4.1 BACKGROUND

The Bank is a banking company incorporated in Pakistan on June 21st, 1992 as a public limited company under the Companies Act, 2017 (earlier the Companies Ordinance, 1984.) It commenced its banking operations on November 1st, 1992. The Bank's registered office is located at B. A. Building, I. I. Chundrigar Road, Karachi and is listed on the PSX (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 472 conventional banking branches including 20 sub branches (2016: 475 branches including 18 sub branches), 10 overseas branches (2016: 10 branches), 151 Islamic banking branches (2016: 153 branches) and 2 offshore wholesale banking units (2016: 1 unit).

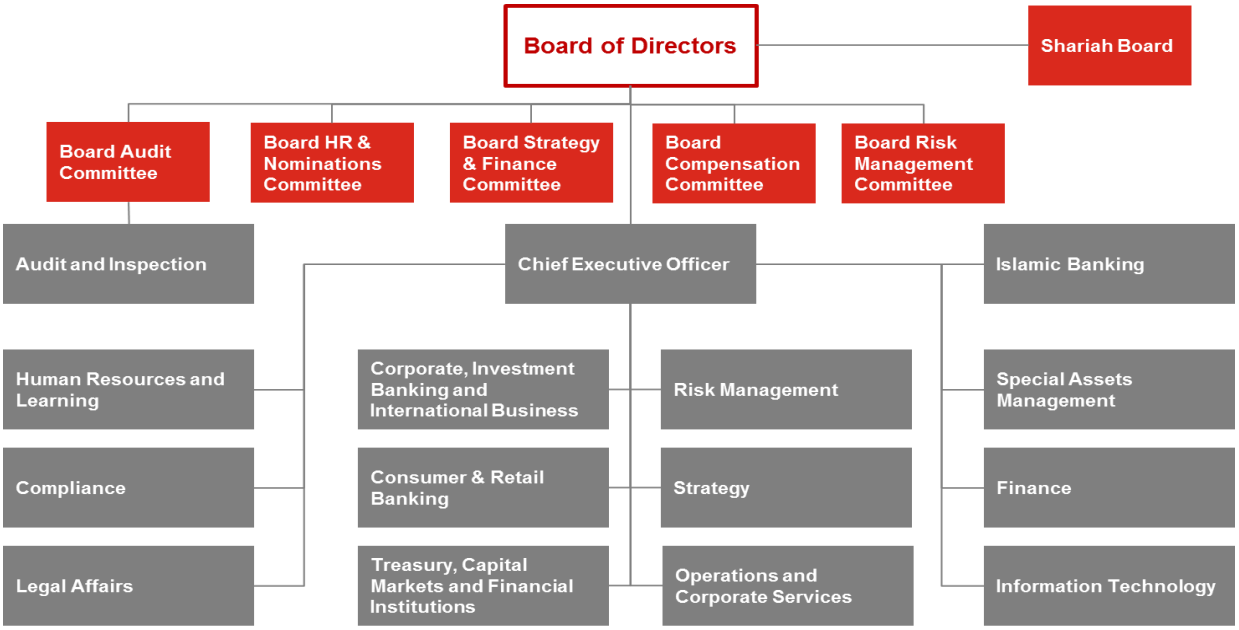
4.2 BUSINESS SEGMENTS, PRODUCTS AND SERVICES

The Bank provides financial solutions to consumers, corporations, institutions and governments through a broad spectrum of products and services, including Corporate and Investment Banking, Consumer Banking, Commercial, SME, Agri-finance, Islamic and Asset Financing.

4.3 SUBSIDIARIES AND ASSOCIATES

Company Name	Subsidiary/Associate	Percentage of holding
Alfalah Securities (Pvt.) Limited	**Subsidiary**	97.91%
Alfalah GHP Investment Management Limited	**Subsidiary**	40.22%
Alfalah Insurance Limited	**Associate**	30.00%
Sapphire Wind Power Company Limited	**Associate**	30.00%
TriconBoston Consulting Corporation (Pvt.) Limited	**Associate**	9.25%

4.4 ORGANIZATIONAL STRUCTURE



4.5 SHAREHOLDING STRUCTURE

The Bank is majority owned and operated by the Abu Dhabi Group. The International Finance Corporation (IFC), an investment arm of the World Bank, partnered with the Bank in 2014, and holds 14.81% stake in Bank Alfalah.

Pattern of Shareholders as on September 30, 2017

	Name of Shareholders	Shares Held	Percentage
A.	**Abu Dhabi Group – ADG (including sponsors and directors)**		
	H.H Nahayan Mabarak Al Nahayan	172,354,032	10.72%
	H.H Hamdan Bin Mubarak Al Nahayan	135,357,930	8.42%
	H.E Suroor Bin Mohammad Al Nahayan	115,033,801	7.16%
	H.E Saeed Bin Mohammad Al Nahayan	58,575,627	3.64%
	M/S Electro Mechanical Company LLC	87,933,581	5.47%
	H.E Dr. Mana Saeed Al Otaiba	36,694,424	2.28%
	Mr. Abdulla Khalil Al Mutawa	11,331	0.00%
	Dhabi One Investment Service LLC	38,566,171	2.40%
	Wincom (Pvt) Ltd	18,984,068	1.18%
	H.H Sheikha Fakhira Saeed S Alnehayan	4,356,359	0.27%
	Mr. Khalid Mana Saeed Al Otaiba	67,457	0.00%
	Mr. Abdulla Nasir Hawaileel Al Mansoori	79,203,414	4.93%
	H.E Shaikh Mohammad Bin Butti Al Hamid	53,966,250	3.36%
	H.E Shaikh Saif Mohammad Bin Butti Al Hamid	13,500,000	0.84%
		814,604,445	**50.67%**
B.	International Finance Corporation (IFC)	**238,086,450**	**14.81%**
C.	**Other Directors**		
	Mr. Efstratios Georgios Arapoglou	500	0.00%
	Mr. Khalid Qurashi	500	0.00%
	Mr. Kamran Yousuf Mirza	29,151	0.00%
	Mr. Nauman Ansari	500	0.00%
		30,651	**0.00%**
D.	**Associated Companies**		
	Alfalah Insurance Company Limited	350,000	0.02%
	Total of A to D	**1,053,071,546**	**65.51%**
E.	**Mutual Funds**	65,129,355	4.05%
F.	**NBFCs, FIS, DFIs, PSEs and other Companies**	295,943,714	18.41%
G.	**All Other Shareholders**	193,427,359	12.03%
	Grand Total	**1,607,571,974**	**100.00%**

4.6 ISSUER RATING

At the start of the year, JCR-VIS Credit Rating Company Limited assigned the Bank an entity rating of 'AA+' (Double A Plus) for the long term and 'A1+' (A-One Plus) for the short term, with outlook assigned as 'Stable', which was reaffirmed by them during their interim review in August 2017.

At June 2017, PACRA has also upgraded the Bank's rating to 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term, with outlook assigned as 'Stable'. The rating was reaffirmed in the report issued by PACRA on December 29, 2017, while the credit rating of the Bank's outstanding unsecured subordinated Tier II TFCs has been upgraded to AA (Double A).

The assigned improved 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.

4.7 INSTRUMENT RATING

The Issue has been assigned a rating of AA- (Double A Minus) by JCR-VIS.

4.8 AWARDS AND ACHIEVEMENTS

The following awards and achievements highlight the outstanding banking and financial services by Bank Alfalah:

▪ Best Bank 2017 awarded by Institute of Bankers of Pakistan ▪ Best Customer Franchise 2017 and 2016 awarded by Institute of Bankers of Pakistan	Pakistan Banking Awards
▪ Best Islamic Banking Window 2013, 2014 and 2015 by Global Islamic Finance Awards ▪ Shariah Authenticity Award 2015 by Global Islamic Finance Awards ▪ Best Research and Development 2015 by Global Islamic Finance Awards	GIFA GLOBAL ISLAMIC FINANCE AWARD
▪ Best Islamic Banking Window 2015 awarded by CFA Society of Pakistan ▪ Best Investor Relations 2013, 2014 and 2016 by CFA Society of Pakistan ▪ Corporate Finance House of the Year – Equity and Advisory 2015 by CFA Society of Pakistan	CFA Society Pakistan
▪ Best Credit and Debit Card 2016 by Consumer Choice Awards ▪ Best Corporate Credit Card 2016 by Consumer Choice Awards	CONSUMER CHOICE AWARDS
▪ Best Credit Cards Offerings 2016 by International Finance Magazine	IFM AWARDS
▪ Best Corporate Credit Card 2016 by Pakistan Society of Training and Development	
▪ Most Popular Bank for Conventional Auto Finance 2015 by People Choice Awards	PEOPLE'S CHOICE AWARDS
▪ Most Popular Auto Financing Bank by Auto Finance Awards ▪ Best Bank for Auto Finance by Auto Finance Awards	INTERNATIONAL AUTOFINANCE NETWORK AWARDS

4.9 INDUSTRY ANALYSIS & PEER COMPARISON

The are 30 commercial banks, 4 specialized banks, 8 DFIs and 10 microfinance banks operating in Pakistan. The commercial banks consist of 5 public sector banks "National Bank of Pakistan, The Bank of Khyber, The Bank of Punjab, Sindh Bank Limited and First Women Bank Limited", 21 private sector banks (including 6 Islamic banks) and 4 foreign banks[1].

1. Commercial Banks: Provide services such as maintaining deposits, disbursing payments, collecting funds, maintaining accounts and extending loans. They can also provide secondary services such as financial advisory, foreign exchange and asset management.

2. Foreign Banks: The principal activities of foreign banks are generally the same as private commercial banks, except that some foreign banks may be licensed to provide custodian services to foreign investment funds.

3. Islamic Banks: Islamic banks provide Shariah compliant banking services. Most of the private sector commercial banks in Pakistan have established Islamic banking divisions.

4.9.1 SECTOR FINANCIALS

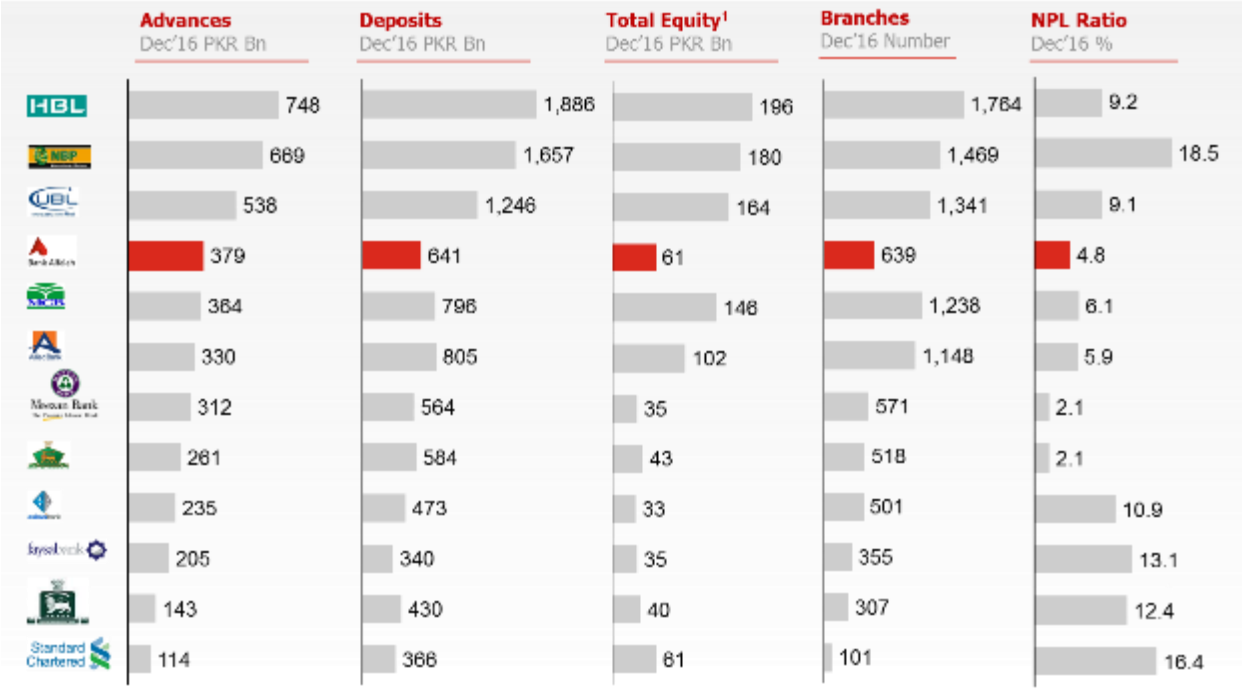
The below summary of banking sector covers data related to Public sector banks, Local Private banks, Foreign banks and Specialized banks taken from banking Compendium of June 2017 released by State Bank of Pakistan.

(Amount in PKR Billion)	CY12	CY13	CY14	CY15	CY16	June 17
Total Assets	9,720	10,487	12,106	14,143	15,831	17,500
Investments (Net)	4,013	4,313	5,310	6,881	7,509	8,449
Advances (Net)	3,805	4,110	4,447	4,816	5,449	6,119
Deposits	7,291	8,311	9,230	10,389	11,798	12,573
CAR	15.6%	14.9%	17.1%	17.3%	16.2%	15.6%
Gross NPL Ratio	14.6%	13.3%	12.3%	11.4%	10.1%	9.3%
Coverage Ratio	71.5%	77.1%	79.8%	84.9%	85.0%	83.7%
ROA (Before Tax)	2.0%	1.6%	2.2%	2.5%	2.1%	1.8%
ROE (Before Tax)	21.2%	17.9%	24.3%	25.8%	23.9%	21.9%
ADR	52.2%	49.5%	48.2%	46.4%	46.6%	48.7%

Source: State Bank of Pakistan

[1] Banking Compendium by State Bank of Pakistan June 2017

4.9.2 PEER ANALYSIS



Source: Financial Statements; Team analysis

1 Share capital, Reserves, Un-appropriated profits, Surplus on revaluation of assets

4.10 INDUSTRY & BANK'S FUTURE OUTLOOK

The overall macroeconomic environment remains conducive to growth. With positive outlooks for industrial and agricultural sectors, the annual target of 6% for GDP growth in FY18 appears achievable. Challenges however, continue to remain, with pressure on the external front and expansionary fiscal policy measures being undertaken.

The pace of expansion in the economy continued to accelerate in FY17. The real GDP growth in FY17 was 5.30% the highest during the last ten years. It was led by a rebound in agriculture and a broad-based increase in value addition by services sector. Within industry, major support came from improvement in manufacturing and construction activity. From the demand side, the major contribution came from a surge in domestic consumption followed by a moderate increase in investment.

Favorable macroeconomic policies continued to support expansion in the economy. The impetus to economic activity particularly came from an accommodative monetary policy and the consequent increase in private sector credit, a steady increase in development spending and continuing work on infrastructure and energy projects under CPEC.

The real economic activity also benefitted from tax incentives provided by the government during the last two years to support exporting industries, agriculture and private investment.

The current account deficit for the first two months of FY18 widened to US$ 2.6 Bn, mainly due to higher imports of productive goods, especially machinery, metal and raw material. This has outpaced the combined positive influence of growth in exports, foreign direct investments (US$ 456 million) and workers' remittances during Jul-Aug FY18. Incentives given to the export industry, favorable global economic conditions, and improvement in domestic energy and security situation are likely to lead to a gain in exports, while adequate growth in workers' remittances is likely to remain a challenge.

With interest rates at a historic low, demand for credit has continued to pick up. Healthy growth in banking sector deposits has improved the supply of funds available for lending, and market rates have generally remained stable, leading to low cost of borrowing.

Average CPI Inflation of 3.2% in July-August FY18, indicated a downward trend as against 3.8% during the same period last year. Based on the current assessment of demand and supply side dynamics, average CPI inflation is expected to remain well below FY18 target of 6%.

4.11 SIX YEARS FINANCIAL SUMMARY

Total Assets

The asset base of the bank witnessed progressive growth, with a CAGR of 14.4% during the five year period 2011-2016. The total assets of the bank were reported at Rs. 917.5 Bn at December 31, 2016 as compared to Rs. 468.3 Bn at December 31, 2011. Significant contributors to this growth were investments and advances with a CAGR of 17.43% and 13.13% respectively.

Deposits

Bank Alfalah's deposit base has grown at a CAGR of 9.8% during the five year period 2011-2016. The Bank's domestic branch network has grown steadily to over 639 branches in over 200 cities and more than 650 ATMs covering 150 cities across the country. In December 2016, our CASA ratio was 83% up from 75% in December 2011, which shows the improving deposit mix. The bank has a diversified portfolio and network, which includes Islamic, Conventional and International customers and this enables us to achieve the right deposit mix.

Advances

Bank Alfalah has an ADR ratio of 62% in December 2016 compared to 53% in December 2011. Advances have grown at a CAGR of 13.1% from 2011 to 2016. The Bank also benefits from a well-diversified offering of Conventional and Islamic products across segments including SME, Commercial, Consumer and Corporate.

A prudent risk management framework has enabled the Bank to continuously review the quality of its assets. The Bank's NPL coverage has improved from 65% in December 2011 to 86% in December 2016, whereas the NPL ratio has come down from 8.94% in December 2011 to 4.8% in December 2016. This clearly indicates our focus and the efforts that have been made to reduce NPLs.

Income Statement

Bank Alfalah has managed to increase its Profit after tax at a CAGR of 17.7% from PKR 3.5 Bn in 2011 to PKR 7.9 Bn in 2016. Net interest income is up from PKR 18.6 Bn in 2011 to PKR 28.8 Bn in 2016, despite interest rate falling to historically low levels from 14% in 2011 to 5.75% in 2016. Interest earned has increased at a CAGR of 5.2% to reach PKR 57.2 Bn in 2016 up from PKR 44.3 Bn in 2011. This has been achieved through prudently managing the asset portfolio. Growth in interest expense has been restricted to a CAGR of 2.1% during the five year period 2011-2016. This has been achieved through shedding of opportunistic expensive deposits whilst focusing on core CASA deposits. Non fund income continues to supplement interest income and is up from PKR 5.4 Bn in 2011 to PKR 8.9 Bn in 2016 representing a CAGR of 10.5%. OPEX is up from PKR 14.2 Bn in 2011 to PKR 23.4 Bn in 2016 as the bank invested in the distribution network, systems and technologies for the future. The branch network increased from 406 branches in 2011 to 639 in 2016. Provisions were down from PKR 4.3 Bn to PKR 1.2 Bn despite gross advances increasing from PKR 213.6 Bn in 2011 to PKR 395.9 Bn in 2016.

4.11.1 FINANCIALS – UNCONSOLIDATED

Profit & Loss Account		Sep 2017	2016	2015	2014	2013	2012	2011
Mark-up / return / interest earned	Rs. Mn	42,082	57,245	61,438	55,378	43,961	46,080	44,298
Mark-up / return / interest expensed	Rs. Mn	20,397	28,474	32,811	33,505	27,066	27,500	25,687
Non Fund based income	Rs. Mn	7,966	8,868	8,862	8,876	8,279	7,281	5,368
Total Income	Rs. Mn	50,048	66,113	70,299	64,254	52,240	53,361	49,666
Operating Expenses	Rs. Mn	18,050	23,432	22,598	20,702	17,313	15,519	14,215
Operating Profit before tax and provision	Rs. Mn	11,601	14,206	14,891	10,048	7,861	10,342	9,764
Provisions / wirte-offs	Rs. Mn	(536)	1,183	2,287	1,534	1,054	3,559	4,330
Profit before taxation	Rs. Mn	12,137	13,023	12,604	8,514	6,807	6,783	5,434
Profit after taxation	Rs. Mn	7,175	7,900	7,523	5,641	4,676	4,556	3,503

Statement of Financial Position		Sep 2017	2016	2015	2014	2013	2012	2011
Authorised capital	Rs. Mn	23,000	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	13,492
Reserves	Rs. Mn	17,410	15,896	14,164	12,338	7,274	5,636	4,100
Unappropriated Profit	Rs. Mn	23,102	17,337	12,363	9,614	7,500	6,374	5,025
Shareholders' equity	Rs. Mn	56,587	49,185	42,425	37,824	28,266	25,502	22,617
Surplus on revaluation of assets - net of tax	Rs. Mn	7,925	10,940	10,928	6,995	3,636	4,558	2,937
Net Assets	Rs. Mn	64,512	60,125	53,353	44,819	31,902	30,060	25,554
Total Assets	Rs. Mn	969,808	917,457	902,607	743,128	611,427	536,569	468,294
Earning Assets	Rs. Mn	865,305	818,135	809,511	664,925	523,420	465,870	402,033
Gross Advances	Rs. Mn	414,204	395,863	350,351	311,507	276,039	252,173	213,640
Advances - net of Provision	Rs. Mn	397,852	378,720	334,159	297,256	262,992	237,760	200,712
Non Performing Loans	Rs. Mn	17,357	19,019	18,455	19,412	17,947	22,182	19,097
Investments at cost	Rs. Mn	397,534	381,458	419,329	324,336	225,035	193,473	170,850
Investments - Net	Rs. Mn	400,527	389,093	423,100	324,319	219,690	189,487	166,532
Total Liabilities	Rs. Mn	905,296	857,332	849,254	698,309	579,526	506,509	442,740
Deposits & Other Accounts	Rs. Mn	661,223	640,944	640,189	605,963	525,526	457,044	401,233
Borrowings	Rs. Mn	207,840	178,311	172,393	55,233	23,115	21,228	18,169

Profitability Ratios:		Sep 2017	2016	2015	2014	2013	2012	2011
Profit before tax ratio	%	28.84%	22.75%	20.52%	15.37%	15.48%	14.72%	12.27%
Gross Yield on Average Earning Assets	%	6.75%	7.03%	8.33%	9.32%	8.89%	10.62%	11.69%
Gross Spread	%	51.53%	50.26%	46.60%	39.50%	38.43%	40.32%	42.01%
Non Interest Income to Total Income	%	15.92%	13.41%	12.61%	13.81%	15.85%	13.65%	10.81%
Return on Average Equity (ROE)	%	18.06%	17.35%	19.14%	18.86%	18.04%	19.46%	16.37%
Return on Average Assets (ROA)	%	1.02%	0.89%	0.95%	0.85%	0.83%	0.92%	0.81%
Cost to income ratio	%	60.87%	62.26%	60.28%	67.32%	68.77%	60.01%	59.28%

Investment Ratios:		Sep 2017	2016	2015	2014	2013	2012	2011
Earnings per share	Rs.	4.47	4.96	4.73	4.09	3.41	3.38	2.60
Diluted EPS	Rs.	4.45	4.93	4.73	4.09	3.41	3.38	2.60
Breakup value per share (excl. surplus on rev.)	Rs.	35.20	30.83	26.69	23.83	20.95	18.90	16.76
Net assets per share	Rs.	40.13	37.69	33.56	28.24	23.65	22.28	18.94

Market Ratios:		Sep 2017	2016	2015	2014	2013	2012	2011
Cash Dividend		-	-	10	20	20	20	18
Dividend Yield ratio (based on cash dividend)	%	-	-	3.47%	5.73%	7.40%	11.89%	15.56%
Dividend Payout ratio	%	-	-	21.14%	48.90%	58.65%	59.17%	67.31%
Price to book value ratio	Times	1.06	1.01	0.86	1.24	1.14	0.76	0.60
Price to earning ratio	Times	7.12	7.65	6.09	8.53	7.93	4.98	4.33
Dividend cover ratio	Times	-	-	4.73	2.05	1.71	1.69	1.49

Share Information		Sep 2017	2016	2015	2014	2013	2012	2011
Market value per share - Dec 31 (Closing Rate)	Rs.	42.42	37.96	28.82	34.88	27.04	16.82	11.25
High - during the year	Rs.	47.50	38.00	35.05	35.10	28.39	19.12	12.31
Low - during the year	Rs.	35.40	23.90	23.82	24.91	14.75	11.14	8.75
Market Capitalisation	Rs. Mn	68,193	60,554	45,818	55,363	36,481	22,693	15,178
No. of Shares outstanding		1,608	1,595	1,590	1,587	1,349	1,349	1,349

Assets Quality and Liquidity Ratios:		Sep 2017	2016	2015	2014	2013	2012	2011
Gross Advances to deposits ratio	%	62.64%	61.76%	54.73%	51.41%	52.53%	55.17%	53.25%
Net Advances to Deposits ratio	%	60.17%	59.09%	52.20%	49.06%	50.04%	52.02%	50.02%
Net Investements to Deposits ratio	%	60.57%	60.71%	66.09%	53.52%	41.80%	41.46%	41.50%
Weighted Average Cost of Deposits	%	2.42%	2.91%	3.76%	4.91%	4.64%	5.43%	5.85%
NPLs to Gross Advances ratio	%	4.19%	4.80%	5.27%	6.23%	6.50%	8.80%	8.94%
Coverage ratio (specific provision / NPLs)	%	89.81%	86.06%	83.73%	70.07%	69.32%	62.54%	64.57%
Earnings assets to total assets ratio	%	89.22%	89.17%	89.69%	89.48%	85.61%	86.82%	85.85%
Deposits to Shareholders equity	Times	11.68	13.03	15.09	16.02	18.59	17.92	17.74
Assets to Equity	Times	17.14	18.65	21.28	19.65	21.63	21.04	20.71

Risk Adequacy		Sep 2017	2016	2015	2014	2013	2012	2011
Tier 1 Capital	Rs. Mn	50,627	42,550	36,850	33,399	25,251	23,813	21,640
Total Eligible Capital	Rs. Mn	61,796	56,902	50,957	44,490	36,085	35,499	29,117
Risk Weighted Assets (RWA)	Rs. Mn	460,660	431,628	384,122	348,833	299,297	281,662	250,933
Tier 1 to RWA	%	10.99%	9.86%	9.59%	9.57%	8.44%	8.45%	8.62%
RWA to Total Assets	%	47.50%	47.05%	42.56%	46.94%	48.95%	52.49%	53.58%
Capital Adequacy ratio	%	13.41%	13.18%	13.27%	12.75%	12.06%	12.60%	11.60%

Cash Flow Summary		Sep 2017	2016	2015	2014	2013	2012	2011
Cash and cash equivalents at the beginning	Rs. Mn	88,751	93,596	65,880	97,880	85,556	69,927	62,151
Cash flow from operating activities	Rs. Mn	21,712	(29,355)	103,243	51,772	44,162	46,195	54,273
Cash flow from investing activities	Rs. Mn	(14,734)	27,665	(72,611)	(87,293)	(30,172)	(31,306)	(45,660)
Cash flow from financing activities	Rs. Mn	(1,473)	(3,166)	(3,127)	3,925	(2,368)	115	(418)
Exchange difference on translation of the net investment in foreign branches	Rs. Mn	(40)	11	211	(404)	702	625	(419)
Increase in cash and cash equivalents	Rs. Mn	5,465	(4,845)	27,716	(32,000)	12,324	15,629	7,776
Cash and cash equivalents at the end of the	Rs. Mn	94,216	88,751	93,596	65,880	97,880	85,556	69,927

Trade		Sep 2017	2016	2015	2014	2013	2012	2011
Imports - Volume	Rs. Mn	376,662	415,187	400,879	374,901	370,556	322,633	286,550
Exports - Volume	Rs. Mn	144,441	199,230	211,785	202,369	212,871	192,132	191,820

Others	Sep 2017	2016	2015	2014	2013	2012	2011
No. of Branches	634	639	653	648	574	471	406
No. of Permanent Employees	7,744	7,615	7,565	7,509	6,853	6,666	6,931

4.11.2 FINANCIAL – CONSOLIDATED

Profit & Loss Account (Rs. Mn)	Sep-2017	2016	2015
Mark-up / return / interest earned	42,080	57,245	61,404
Mark-up / return / interest expensed	20,402	28,475	32,811
Non Fund based income	8,455	9,480	9,123
Total Income	50,535	66,725	70,527
Operating Expenses	18,255	23,713	22,773
Operating Profit before tax and provision	11,878	14,537	14,944
Provisions / wirte-offs	(536)	1,183	2,287
Profit before taxation	12,414	13,354	12,657
Profit after taxation (excl. minority interest)	7,293	7,890	7,503
Profit after taxation	7,367	7,939	7,514

Statement of Financial Position (Rs. Mn)	Sep-2017	2016	2015
Authorised capital	23,000	23,000	23,000
Paid up Capital	16,076	15,952	15,898
Reserves	17,410	15,896	14,164
Unappropriated Profit	23,660	17,778	12,813
Shareholders' equity	57,145	49,625	42,876
Surplus on revaluation of assets - net of tax	7,956	10,976	10,943
Net Assets (excl. minority interest)	65,102	60,601	53,819
Total Assets	971,435	919,443	903,416
Earning Assets	866,219	814,339	809,799
Gross Advances	414,208	395,869	350,353
Advances - net of Provision	397,855	378,724	334,160
Non Performing Loans	17,358	19,020	18,456
Investments at cost	397,626	381,165	418,910
Investments - Net	401,440	389,667	423,519
Total Liabilities	905,936	858,518	849,323
Deposits & Other Accounts	661,168	640,854	640,137
Borrowings	207,840	178,711	172,393

Profitability Ratios (%)	Sep-2017	2016	2015
Profit before tax ratio	29.50%	23.33%	20.61%
Gross Yield on Average Earning Assets	6.75%	7.05%	8.33%
Gross Spreads	51.52%	50.26%	46.57%
Non Interest Income to Total Income	16.73%	14.21%	12.94%
Return on Average Equity (ROE)	18.17%	17.15%	18.60%
Return on Average Assets (ROA)	1.05%	0.89%	0.93%
Cost to Income Ratio	60.58%	62.00%	60.38%

Investment Ratios (Rs.)	Sep-2017	2016	2015
Earnings per share	4.54	4.95	4.72
Diluted EPS	4.52	4.92	4.72
Breakup value per share (excl. surplus on rev.)	35.55	31.11	26.97
Net assets per share (excl. minority interest)	40.50	37.99	33.85

Market Ratios (%)	Sep-2017	2016	2015
Dividend Yield ratio (based on cash dividend)	-	-	3.47%
Dividend Payout ratio	-	-	21.14%

(Times)			
Price to book value ratio (excl. minority interest)	1.05	1.00	0.85
Price to earning ratio	9.34	7.67	6.11
Dividend cover ratio	0.00	0.00	4.72

Share Information (Rs.)	Sep-2017	2016	2015
Market value per share	42.42	37.96	28.82
High - during the year	47.50	38.00	35.05
Low - during the year	35.40	23.90	23.82
Market Capitalisation (Mn)	68,193	60,554	45,818

(Mn)			
No. of Shares outstanding	1,608	1,595	1,590

Assets Quality and Liquidity Ratios (%)	Sep-2017	2016	2015
Gross Advances to deposits ratio	62.65%	61.77%	54.73%
Net Advances to Deposits ratio	60.17%	59.10%	52.20%
Net Investements to Deposits ratio	60.72%	60.80%	66.16%
Weighted Average Cost of Deposits	2.42%	2.91%	3.76%
NPLs to Gross Advances ratio	4.19%	4.80%	5.27%
Coverage ratio (specific provision / NPLs)	89.81%	86.06%	83.73%
Earnings assets to total assets ratio	89.17%	88.57%	89.64%

(Times)			
Deposits to Shareholders Equity	11.57	12.91	14.93
Assets to Shareholders Equity	17.00	18.53	21.07

Risk Adequacy (Rs. Mn)	Sep-2017	2016	2015
Tier 1 Capital	51,383	43,168	37,445
Total Eligible Capital	62,520	57,600	51,576
Risk Weighted Assets (RWA)	462,630	433,975	384,907

(%)			
Tier 1 to RWA	11.11%	9.95%	9.73%
RWA to Total Assets	47.62%	47.20%	42.61%
Capital Adequacy ratio	13.51%	13.27%	13.40%

Cash Flow Summary (Rs. Mn)	Sep-2017	2016	2015
Cash and cash equivalents at the beginning of the year	88,877	93,627	65,883
Cash flow from operating activities	21,754	(29,397)	103,024
Cash flow from investing activities	(14,719)	27,802	(72,364)
Cash flow from financing activities	(1,473)	(3,166)	(3,127)
Exchange difference of investment in foreign branches	(40)	11	211
Increase in cash and cash equivalents	5,522	(4,750)	27,743
Cash and cash equivalents at the end of the year	94,398	88,877	93,627

4.12 RISK FACTORS

4.12.1 GENERAL RISKS

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.

Market risk department actively involves in identifying, measuring, and setting risk control limit to optimize the risk and return of the bank and Treasury Middle Office has the responsibility to monitor and report the compliance status of risk limits to senior management on regular basis. 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.

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 SBP. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

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.

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 repricing of the assets and liabilities on a regular basis.

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 monitor and mitigate 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 controlled at head office level and country risk exposures are reported to Central Credit Committee at a defined frequency.

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 and is in the process of complying with the Green Banking Guidelines issued by the SBP. 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.

Regulatory Risk

The term 'Regulatory Risk' is dealt by adaptation of changes in the regulatory environment & to develop an effective program including the controls based on applicable laws, rules, regulation issued by regulators and legislators. Accordingly the regulatory risk refers to the potential material impact (i.e. financial as well as reputational loss) which bank may face in case of non-compliance.

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 standard 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 Board Risk Management Committee/Board.

4.12.2 RISKS SPECIFIC TO THE ISSUE

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 timely. 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 vis-à-vis risk. Credit risk management philosophy is based on Bank's overall business strategy / direction as set by the Board.

The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly identified and analyzed, fully disclosed to the approving authorities and appropriately rated, 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 parameters. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. 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 & monitors its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Risk weighted assets / capital consumed over the

quarter is also regularly monitored against the Board approved benchmarks. Internal rating based portfolio analysis is also conducted on regular basis.

Bank also conducts regulatory stress testing of the credit portfolio on quarterly basis as per the guidelines issued by SBP. Besides, scope of stress testing has been expanded to include optional scenarios as well. This portfolio level oversight is maintained by Risk Management Division.

Moreover, to assess the adequacy of Capital against Pillar 1 & Pillar 2 risks (including all Business Risks), Bank also prepares a comprehensive ICAAP (Internal Capital Adequacy Assessment Process) document on Annual basis and submits the same to the Board. ICAAP document encompasses assessment of effectiveness of risk management, internal and external control environment and measures for strategic planning taken by Bank.

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 & Middle Market 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. The system has been enhanced to generate 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 Operations 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' behavior, 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 to maximize the recovery of the Bank's assets. The Risk Management Division also monitors the NPL & Watchlist portfolio of the Bank and reports the same to Central Credit Committee (CCC) and Board Risk Management Committee (BRMC).

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, to restrict the industry concentration risk, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industries. 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).

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. The Bank has in place detailed Board approved liquidity risk management guidelines. These guidelines comprehensively define, the risks they cover & their sources; specific roles & responsibilities; risk measurement methodology & tools and the risk control structure in place at the Bank. The Bank's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function including liquidity management.

Liquidity Risk Management Unit of Risk Management Division is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and Board approved Risk Framework. It also monitors & reports the maintenance of liquidity buffer in form of excess Government securities over regulatory requirement, liquidity ratios and depositors' concentration both in terms of the overall funding mix and avoidance of undue reliance on large volume deposits. As core retail deposits form a considerable part of the Bank's overall funding mix, significant importance is being given to the stability and growth of these deposits.

Maturity gaps and sources of funding are also reviewed in order to ensure diversification in terms of tenor, currency and geography. Moreover, Bank also prepares a comprehensive 'Contingency Funding Plans' (CFPs) of all operations to address liquidity issues in times of stress / crisis situations containing early warning indicators to pre-empt unforeseen liquidity crisis along with roles and responsibilities of management to tackle occurrence of any unforeseen liquidity crisis. In addition to this, the Bank has designed different scenarios of cash outflows to stress test adequacy of its liquid assets.

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.

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 are 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. The Bank 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.

The operational risk management framework of the Bank is governed by the Operational Risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different business / support units across the Bank. The 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.
The Bank has a Process Improvement Committee (PIC) which evaluates and considers the recommendations of all the reviewers including Operational Risk Unit (ORU) on all the policies and procedures of the Bank. ORU also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD from Operational Risk perspective. 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. From October 2017 loss data base reports shall also be shared with the regulator on its prescribed format.

Lock-in Clause

The TFCs shall be subject to a lock-in clause which would mean that profit on investment in the TFCs may not be paid, if the payment of such profits result in the Bank falling below its minimum MCR or CAR as mandated by the SBP. In case of issuer's inability to exercise the lock-in clause, the TFC will be subjected to mandatory conversion into ordinary shares and/or mandatory write-off at the sole discretion of SBP in accordance with the Loss Absorbency Clause discussed below. The Lock-In Clause is in addition, and without prejudice to the Bank's right to cancel profit payment as discussed under the 'Discretion on Profit Payment Clause'.

Loss Absorbency Clause

As per Basel III Circular, the following loss absorbency conditions apply to all Additional Tier 1 instruments issued by banks including the TFCs being issued by the Bank:

Upon the occurrence of the CET-1 Trigger Event, PONV Trigger Event or Lock-in Event as defined in Section 2.2 above, the SBP may, in its sole discretion, require the Issuer to permanently convert the TFCs into ordinary shares of the Bank and / or have them immediately written off (either partially or in full).

In case of occurrence of a CET-1 Trigger Event, the Issuer will have full discretion to determine the amount to be converted into ordinary shares and / or to be written off, which amount shall at least be the amount required to immediately return the Issuer'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.

In the case of a PONV Trigger Event or Lock-in Event, the amount to be converted into ordinary shares and / or to be written off will be determined by the SBP.

Subject to the direction of the SBP, the TFCs will be converted into ordinary shares by the Issuer on occurrence of CET 1 Trigger Event, PONV Trigger Event or Lock-in Event in accordance with the Basel III Circular in the following manner:

Number of Ordinary shares to be issued to Investors at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by Fair value (i.e. market price per Ordinary Share on the date of declaration of CET 1 Trigger Event, PONV Trigger Event or lock-in clause, or in case market price is not available, the break-up value of share duly certified by the independent auditor) per share of the Bank's Shareholders Equity on the date of CET 1 trigger event, PONV trigger event or lock-in clause as declared by SBP, subject to a maximum of 191,000,000 ordinary shares to be issued. The maximum number of shares to be issued will not be subject to any adjustment on account of any issue of further capital, stock splits, stock dividends or similar corporate actions.

In the event of conversion into ordinary shares, any shareholder who directly or indirectly become holders of more than 5% or more of paid up capital of the Bank as a result of such conversion shall be required to procure all consents under applicable laws including, without limitation, consent of the SBP and satisfaction of the fit and proper criteria of SBP.

Discretion on Profit Payment Clause

In accordance with the terms of the Basel III Circular issued by SBP, the Bank will have discretion to cancel (in whole or in part) any scheduled profit payment and such cancellation shall be deemed to constitute a waiver by the TFC Holders of their right to receive such schedule profit payment. Cancellation by the Issuer of any schedule profit payment will not constitute an event of default. On cancellation of the payment of mark-up, the Bank's obligation to pay mark-up on the TFCs shall stand extinguished and the Bank shall have no obligation to make distributions/payments in kind.

It is however to be noted here that while the regulatory framework may not consider a missed coupon payment as a default; the credit rating methodology employed by the credit rating agency i.e. JCR-VIS would treat such missed payments as an event of default.

PART V

5 FINANCIAL INFORMATION & CREDIT RATING REPORT

5.1 AUDITORS CERTIFICATE UNDER SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017 FOR THE PURPOSE OF INCLUSION IN THE PROSPECTUS FOR PROPOSED ISSUE OF ADDITIONAL TIER 1 TERM FINANCE CERTIFICATES BY THE BANK

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

The Board of Directors
Bank Alfalah Limited
B.A Building
I.I Chundrigar Road
Karachi

Our ref KA-ZS-731

Contact Syed Iftikhar Anjum

29 December 2017

Dear Sirs,

Auditors' certificate under Section 2 of the First Schedule to the Public Offering Regulations, 2017 for the purpose of inclusion in the prospectus for proposed issue of Additional Tier 1 Term Finance Certificates by Bank Alfalah Limited

We have been requested to provide a report summarizing the profits and losses and assets and liabilities of Bank Alfalah Limited on consolidated basis, profits and losses of each subsidiary and the details of dividend paid by the Bank for each of the five years preceding the issue of prospectus.

Scope of Certificate

The engagement is to summarize the information required in section 2 of First Schedule to the Public Offering Regulations, 2017 as outlined above and ascertain its accuracy.

Management Responsibility

It is the management responsibility to summarise the required information. The required information is summarised in the attached annexure.

Auditor's Responsibility

Our responsibility is to verify the accuracy of the information summarised as required by section 2 of First Schedule to the Public Offering Regulations, 2017 about profits and losses and assets and liabilities of the Bank Alfalah Limited and profits and losses of each of its subsidiaries, and dividend distributed for each of the five years preceding the issuance of prospectus accurately from its audited financial statements in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firms' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to the procedures as mentioned below:

- Agree the information about profits and losses and assets and liabilities of the Bank with consolidated financial statements of the Bank for the year ended 31 December 2016 and 2015 as required by section 2 of first schedule to the Public Offering Regulations, 2017.

KPMG

KPMG Taseer Hadi & Co.

Bank Alfalah Limited
Auditors' certificate under Section 2 of the First Schedule to the Public Offering Regulations, 2017 for the purpose of inclusion in the prospectus for proposed issue of Additional Tier 1 Term Finance Certificates by Bank Alfalah Limited
29 December 2017

- Agree the information about profits and losses and assets and liabilities of the Bank for the years ended 31 December 2016. 2015, 2014, 2013 and 2012 with the unconsolidated financial statements of the Bank.

- Agree the information about profits and losses of each of the subsidiary concerns for the year ended 31 December 2016, 2015, 2014, 2013 and 2012 with the financial statements of the respective subsidiary.

- Agree the details of dividend paid during the year ended 31 December 2016, 2015, 2014, 2013 and 2012 with the audited financial statements of the Bank.

Certificate

Based on the procedures mentioned above, we confirm that the information summarised in the attached Annexure about profits and losses and assets and liabilities of the Bank, profits and losses of the subsidiaries and details of dividend disclosed are in agreement with financial statements of the Bank and its subsidiaries.

Restriction on use and distribution

This certificate is issued in relation to the requirements of section 2 of First Schedule to the Public Offering Regulations, 2017 for the purpose of inclusion in the prospectus for proposed issue of Additional Tier 1 Term Finance Certificates and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein and the attached annexure.

Yours faithfully,

KPMG Taseer Hadi & Co.

2

Annexure

Consolidated Statement of Financial Position

The consolidated statements of financial position of the Group as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
ASSETS		
Cash and balances with treasury banks	74,071,394	62,368,827
Balances with other banks	9,498,787	16,583,138
Lendings to financial institutions	30,149,029	27,626,350
Investments - net	389,666,922	423,518,968
Advances - net	378,724,300	334,160,478
Operating fixed assets	18,216,937	17,317,691
Deferred tax assets	-	-
Other assets	19,115,471	21,840,305
	919,442,840	903,415,757
LIABILITIES		
Bills payable	12,886,990	9,733,929
Borrowings	178,710,629	172,393,198
Deposits and other accounts	640,854,225	640,137,161
Sub-ordinated loans	8,317,670	9,983,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	2,911,531	1,826,270
Other liabilities	14,836,925	15,249,463
	858,517,970	849,323,021
NET ASSETS	60,924,870	54,092,736
REPRESENTED BY		
Share capital	15,952,076	15,898,062
Reserves	15,895,652	14,164,120
Unappropriated profit	17,777,737	12,813,488
Total equity attributable to the equity holders of the Bank	49,625,465	42,875,670
Non-controlling interest	323,466	274,134
Surplus on revaluation of assets - net of tax	10,975,939	10,942,932
	60,924,870	54,092,736

The Bank was granted exemption from preparation of consolidated financial statements for the years ended 31 December 2014, 2013 and 2012 by the Securities and Exchange Commission of Pakistan (SECP).

1.2 Consolidated Profit and Loss Account

The profit and loss accounts of the Group for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
	(Rupees in '000)	
Mark-up / return / interest earned	57,245,259	61,404,178
Mark-up / return / interest expensed	28,474,583	32,810,469
Net mark-up / interest income	28,770,676	28,593,709
Provision against non-performing loans and advances - net	1,082,506	2,150,209
Provision for diminution in the value of investments - net	100,766	136,691
Bad debts written off directly	-	-
	1,183,272	2,286,900
Net mark-up / interest income after provisions	27,587,404	26,306,809
Non mark-up / interest income		
Fee, commission and brokerage income	5,121,885	4,570,382
Dividend income	479,251	349,963
Income from dealing in foreign currencies	1,120,736	1,379,097
Gain on sale of securities - net	1,519,335	1,534,994
Unrealised gain on revaluation of investments classified as held for trading - net	109	229,063
Share of profit from associates	531,852	309,017
Other income	706,680	750,833
Total non mark-up / interest income	9,479,848	9,123,349
	37,067,252	35,430,158
Non mark-up / interest expenses		
Administrative expenses	23,708,444	22,119,740
(Reversal) / provision against off-balance sheet obligations	(7,508)	1,066
(Reversal) / provision against other assets	(106,138)	322,391
Other charges	118,399	329,789
Total non mark-up / interest expenses	23,713,197	22,772,986
	13,354,055	12,657,172
Extra ordinary / unusual items	-	-
Profit before taxation	13,354,055	12,657,172
Taxation		
- Current	4,729,131	5,036,065
- Deferred	1,123,431	(461,035)
- Prior years	(437,633)	567,813
	5,414,929	5,142,843
Profit after taxation	7,939,126	7,514,329
Profit attributable to:		
Equity holders of the Bank	7,889,794	7,502,660
Non-controlling interest	49,332	11,669
	7,939,126	7,514,329
Basic earnings per share	4.95	4.72
Diluted earnings per share	4.92	4.72

RMG7

2

1.3 Unconsolidated Statements of Financial Position

The unconsolidated statements of financial position of the Bank as at 31 December 2016, 2015, 2014, 2013 and 2012 are as follows:

	2016	2015	2014	2013	2012
	(Rupees in '000)				
Cash and balances with treasury banks	74,071,384	62,368,790	50,515,643	61,204,697	58,044,054
Balances with other banks	9,373,123	16,552,207	12,331,713	34,764,008	26,720,993
Lendings to financial institutions	30,149,029	27,626,350	18,313,485	2,522,022	876,870
Investments - net	389,092,637	423,099,734	324,319,454	219,690,369	189,486,762
Advances - net	378,720,349	334,158,739	297,255,730	260,779,850	233,933,358
Operating fixed assets	18,133,267	17,241,968	15,740,100	14,835,200	13,747,520
Deferred tax assets	-	-	-	1,204,000	485,876
Other assets	17,917,264	21,559,733	24,652,168	16,427,478	13,272,536
	917,457,053	902,607,521	743,128,293	611,427,624	536,567,969
LIABILITIES					
Bills payable	12,886,990	9,733,929	11,758,155	9,543,480	8,430,910
Borrowings	178,311,035	172,393,198	55,232,916	23,115,102	21,227,834
Deposits and other accounts	640,944,254	640,188,735	605,963,224	525,525,770	457,044,400
Sub-ordinated loans	8,317,670	9,983,000	9,987,000	9,991,000	5,874,742
Liabilities against assets subject to finance lease	-	-	-	-	-
Deferred tax liabilities	2,650,428	1,824,054	853,331	-	-
Other liabilities	14,221,914	15,131,430	14,514,599	11,350,528	13,930,764
	857,332,291	849,254,346	698,309,225	579,525,880	506,508,650
NET ASSETS	60,124,762	53,353,175	44,819,068	31,901,744	30,059,319
REPRESENTED BY					
Share capital	15,952,076	15,898,062	15,872,427	13,491,563	13,491,563
Reserves	15,895,652	14,164,120	12,338,026	7,274,222	5,636,549
Unappropriated profit	17,337,458	12,362,596	9,613,374	7,499,831	6,373,545
	49,185,186	42,424,778	37,823,827	28,265,616	25,501,657
Surplus on revaluation of assets - net of tax	10,939,576	10,928,397	6,995,241	3,636,128	4,557,662
	60,124,762	53,353,175	44,819,068	31,901,744	30,059,319

3

1.4 Unconsolidated Profit and Loss Account

The unconsolidated profit and loss accounts of the Bank for the years ended 31 December 2016, 2015, 2014, 2013 and 2012 are as follows:

	2016	2015	2014	2013	2012
	(Rupees in '000)				
Mark-up / return / interest earned	57,244,690	61,437,872	55,378,477	43,961,060	46,079,918
Mark-up / return / interest expensed	28,474,468	32,810,722	33,505,003	27,066,229	27,500,056
Net mark-up / interest income	28,770,222	28,627,150	21,873,474	16,894,831	18,579,862
Provision against non-performing loans and advances - net	1,082,506	2,150,209	1,447,931	954,563	1,848,535
Provision for diminution in the value of investments - net	100,766	136,691	85,897	94,797	1,708,833
Bad debts written off directly	-	-	5	4,288	1,164
	1,183,272	2,286,900	1,533,833	1,053,648	3,558,532
Net mark-up / interest income after provisions	27,586,950	26,340,250	20,339,641	15,841,183	15,021,330
Non mark-up / interest income					
Fee, commission and brokerage income	4,667,987	4,384,496	4,385,319	2,800,461	2,536,717
Dividend income	584,805	514,401	492,348	482,567	349,061
Income from dealing in foreign currencies	1,120,736	1,379,097	2,042,957	1,535,808	1,309,703
Gain on sale of securities - net	1,681,621	1,606,751	1,058,167	1,588,895	1,328,000
Unrealised gain on revaluation of investments classified as held for trading - net	109	229,063	160,098	8,465	1,511
Other income	812,755	747,747	736,928	1,862,498	1,756,348
Total non mark-up / interest income	8,868,013	8,861,555	8,875,817	8,278,694	7,281,340
	36,454,963	35,201,805	29,215,458	24,119,877	22,302,670
Non mark-up / interest expenses					
Administrative expenses	23,423,218	21,956,115	20,100,591	17,288,779	15,204,036
(Reversal) / provision against off-balance sheet obligations	(7,508)	1,066	38,453	2,100	(22,005)
(Reversal) / provision against other assets	(102,305)	310,765	356,486	(162,621)	130,504
Other charges	118,399	329,789	206,362	184,408	206,933
Total non mark-up / interest expenses	23,431,804	22,597,735	20,701,892	17,312,666	15,519,468
	13,023,159	12,604,070	8,513,566	6,807,211	6,783,202
Extra ordinary / unusual items	-	-	-	-	-
Profit before taxation	13,023,159	12,604,070	8,513,566	6,807,211	6,783,202
Taxation					
- Current	4,689,525	5,008,992	3,122,512	2,400,321	2,141,909
- Deferred	871,038	(495,545)	(288,216)	(159,060)	(754,828)
- Prior years	(437,312)	567,813	38,419	(110,000)	(160,000)
	5,123,251	5,081,260	2,872,715	2,131,261	2,227,081
Profit after taxation	7,899,908	7,522,810	5,640,851	4,675,950	4,556,121
			(Rupees)		
Basic earnings per share	4.96	4.73	4.09	3.41	3.38
Diluted earnings per share	4.93	4.73	4.09	3.41	3.38

4

1.5 Consolidated financial statements of the group for the year ended 31 December 2016 and 31 December 2015 were audited by KPMG Taseer Hadi & Co., Chartered Accountants and unmodified opinions dated 23 February 2017 and 29 February 2016 were issued thereon.

1.6 The unconsolidated financial statements of the Bank Alfalah Limited for the years ended 31 December 2016 to 31 December 2013 were audited by KPMG Taseer Hadi & Co., Chartered Accountants and unmodified opinions dated 23 February 2017, 29 February 2016, 26 February 2015 and 2 March 2014 were issued thereon. The financial statements for the year ended 31 December 2012 were audited by A.F. Ferguson & Co., Chartered Accountants and unmodified opinion dated 6 March 2013 was issued thereon.

2 Financial Statements of subsidiary concerns

2.1 Alfalah Securities (Private) Limited - Profit and Loss Account

The profit and loss accounts of subsidiary– Alfalah Securities (Private) Limited for the years ended 31 December 2016, 2015, 2014, 2013 and 2012 are as follows:

	2016	2015	2014	2013	2012
	(Rupees in '000)				
INCOME					
Brokerage revenue	81,335	6,393	1,584	5,420	23,062
Other income	11,095	5,638	1,272	9,356	15,887
Total income	92,430	12,031	2,856	14,776	38,949
EXPENSES					
Administrative and other expenses	(124,095)	(36,086)	(11,434)	(18,416)	(47,002)
(Charge) / reversal against provision for doubtful debts	-	(2,479)	(3,759)	222	(2,119)
Impairment against membership card	-	-	(1,512)	(4,500)	-
	(124,095)	(38,565)	(16,705)	(22,694)	(49,121)
Finance cost	(4,215)	(2,779)	(3,319)	(3,066)	(2,062)
Loss before taxation	(35,880)	(29,313)	(17,168)	(10,984)	(12,234)
Taxation	(932)	(263)	(938)	(588)	(1,205)
Profit / (loss) after taxation	(36,812)	(29,576)	(18,106)	(11,572)	(13,439)
Loss per share - basic and diluted	(0.32)	(0.31)	(0.21)	(0.14)	(0.16)

The subsidiary, Alfalah Securities (Private) Limited's financial statements for the year ended 31 December 2016, 2015, 2014, 2013 and 2012 were audited by KPMG Taseer Hadi & Co., Chartered Accountants and their reports for the year ended 31 December 2014, 2013 and 2012 included emphasis of matter paragraphs as reproduced below:

5

For the financial year ended 31 December 2014:

- Without qualifying our opinion, we draw attention to to the financial statements which describes that the Company has incurred a net loss of Rs. 18.106 million (2013: Rs. 11.572 million) for the year ended 31 December 2014 and, as of that date, its accumulated losses exceeded the shareholders' equity by Rs. 37.953 million (2013: Rs. 17.679 million). These conditions along with other matters as set forth in indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

For the financial year ended 31 December 2013:

We draw attention to the following:

- Note 1.1 to the accompanying financial statements indicates that the Company incurred a net loss of Rs. 11.572 million (2012: Rs. 13.439 million) during the year ended 31 December 2013 and, as of that date, its accumulated losses exceeded the shareholders' equity by Rs. 5.212 million. These conditions along with other matters as set forth in note 1.1 indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

- Note 11 and 12 to the accompanying financial statements relating to accounting for effects of corporatization and demutualization of Karachi Stock Exchange (Now Pakistan Stock Exchange Limited- PSX). Due to unavailability of fair market value of both the Trading Rights Entitlement certificate and shares of KSE received in exchange for KSE membership card, these assets are stated at the carrying value of KSE membership card.

For the financial year ended 31 December 2012:

We draw attention to the following:

- Note 1.1 to the financial statements, explains that the Company incurred a net loss of Rs. 13.44 million (2011: Rs. 53.59 million) during the year ended 31 December 2012 and, as of that date, the Company's current liabilities exceeded its current assets by Rs.18.43 million (2011: Rs. 32.61 million). These conditions along with other matters as set forth in note 1.1 indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

- Note 13 and 14 to the accompanying financial statements relating to accounting for effects of corporatization and demutualization of Karachi Stock Exchange- KSE (Now Pakistan Stock Exchange Limited- PSX). Due to unavailability of fair market value of both the Trading Rights Entitlement certificate and shares of KSE received in exchange for KSE membership card, these assets are recorded at the carrying value of KSE membership card.

- Note 16.1 to the financial statements which describes that the Company has initiated the process to recover the amount of advance given to Dubai Gold and Commodities Exchange by selling the membership in future.

6

2.2 Alfalah GHP Investment Management Limited - Profit and Loss Accounts

The profit and loss accounts of subsidiary company – Alfalah GHP Investment Management Limited for the years ended 31 December 2016, 2015, 2014, 2013 and 2012 are as follows:

	2016	2015	2014	2013	2012
	(Rupees'000)				
Revenue					
Remuneration from funds under management	292,999	220,902	138,425	67,626	47,087
(Loss) / gain on sale of investments	1,711	15,410	5,518	16,452	1,102
Sales load from open end funds under management	57,686	13,969	10,271	491	652
Fee from investment advisory services	22,320	14,040	12,686	1,283	-
Income from Term Finance Certificates	-	-	249	-	-
Dividend income	12,356	2,966	-	-	-
Unrealized appreciation on re-measurement of investments classified at fair value through profit or loss	5,467	9,849	26,816	6,763	29,960
Profit on saving accounts	1,734	1,142	1,081	1,009	327
	394,273	278,278	195,046	93,624	79,128
Operating expenses					
Administrative and operating expenses	(266,518)	(203,529)	(147,722)	(90,305)	(71,067)
Operating Profit	127,755	74,749	47,324	3,319	8,061
Other income	1,137	1,254	6,944	2,798	179
Financial charges	(15)	(15)	(15)	(10)	(15)
	128,877	75,988	54,253	6,107	8,225
Workers' Welfare Fund	-	-	-	-	-
Profit before taxation	128,877	75,988	54,253	6,107	8,225
Taxation	(38,693)	(61,319)	(16,241)	11,930	15,686
Profit for the period	90,184	14,669	38,012	18,037	23,911
Earnings per share - basic and diluted	2.78	0.45	1.17	0.55	0.73

7

The financial statements of Alfalah GHP Investment Management Limited for the year ended 31 December 2016 and 31 December 2015 were audited by KPMG Taseer Hadi & Co., Chartered Accountants. The financial statements for the year ended 31 December 2014 were audited by Anjum Asim Shahid Rahman (Chartered Accountants) while financial statements for the year ended 31 December 2013 and 31 December 2012 were audited by A.F. Ferguson & Co., Chartered Accountants. Unmodified opinions dated 14 February 2017, 25 February 2016, 2 February 2015, 2 April 2014 and 6 March 2013 were issued thereon.

3 **Details of Dividend**

Details of dividend paid by the Bank during the preceding five years ended 31 December 2016, 2015, 2014, 2013 and 2012 are as follows:

	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
Total amount	-	1,589,806	3,714,485	2,698,313	2,698,313
Amount per share	Nil	Rs.1 / share	Rs.2 / share	Rs.2 / share	Rs.2 / share

President & CEO

Chief Financial Officer

8

5.2 AUDITOR CERTIFICATE FOR BREAK-UP VALUE OF SHARES

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3566 5847
Fax + 92 (21) 3566 5095
Internet www.kpmg.com.pk

The Board of Directors
Bank Alfalah Limited
B.A Building
I. I. Chundrigar Road
Karachi

Our ref KA-ZS-729

Contact Syed Iftikhar Anjum

29 December 2017

Dear Sirs,

Auditors' certificate for break-up value of shares

We have been requested to provide certificate on break-up value of shares of Bank Alfalah Limited based on audited consolidated financial statements of the Bank for the year ended 31 December 2016 for the purpose of making an application to Pakistan Stock Exchange Limited (PSX) for listing of Additional Tier 1 Term Finance Certificates.

Scope of Certificate

The engagement is to provide certification on break-up value calculation of shares of the Bank as required under 'Public Offering Regulations, 2017'.

Management Responsibility

It is management responsibility to perform calculation of break-up value of shares of the Bank. The required break-up value per share as calculated from the audited consolidated financial statements of the Bank is summarised in the attached annexure.

Auditor's Responsibility

Our responsibility is to verify the calculation of break-up value of shares of the Bank as per Technical Release 22 (TR-22) issued by the Institute of Chartered Accountants of Pakistan (ICAP) in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firms' issued by ICAP. Our verification was limited to the procedures as mentioned below:

- Agree the amount of equity as at 31 December 2016 with the audited consolidated financial statements of the Bank.
- Agree the number of shares outstanding at 31 December 2016 with the audited consolidated financial statements of the Bank for the year ended 31 December 2016.
- Checked the calculation of break-up value per share by dividing shareholders' equity with the number of shares issued.

KPMG

KPMG Taseer Hadi & Co.

Bank Alfalah Limited
Auditors' certificate for break-up value of shares
29 December 2017

Certificate

Based on the procedures mentioned above, we confirm that the break-up value per share of the Bank is accurately calculated in accordance with the Technical Release 22 (TR-22) issued by the Institute of Chartered Accountants of Pakistan.

Restriction on use and distribution

This certificate is issued in relation to the requirements mentioned under ''Public Offering Regulations, 2017' for the purpose of listing of Additional Tier 1 Term Finance Certificates on Pakistan Stock Exchange Limited. Accordingly, this should not be used for any other purpose without our prior consent.

Yours faithfully,

KPMG Taseer Hadi & Co.

2

Annexure

Bank Alfalah Limited
Break-up value per share
As at 31 December 2016

	(Rupees in '000)
Share capital	15,952,076
Revenue reserves and retained earnings	17,951,357
Capital reserves	15,722,032
	49,625,465
Non-controlling interest	323,466
	49,948,931
Surplus on revaluation of fixed assets – net of tax	4,597,725
Surplus on revaluation of available for sale securities – net of tax	6,378,214
	60,924,870
	(Number of shares)
Number of ordinary shares	1,595,207,554
	(Rupees per share)
Break-up value per ordinary share of Rs.10 each (including surplus on revaluation of fixed assets-net)	PKR 37.99
Break-up value per ordinary share of Rs.10 each (excluding surplus on revaluation of fixed assets-net)	PKR 35.10

The equity for the purpose of above calculation excludes Non-controlling interest and includes surplus of revaluation of available for sale securities.

President & CEO

Chief Financial Officer

5.3 BREAK-UP VALUE OF SHARES BASED ON UN-AUDTIED ACCOUNTS AS OF SEPTEMBER 2017

	(Rupees in '000)
Share Capital	16,075,720
Reserves	17,409,603
Unappropriated profit	23,102,000
	56,587,323
Surplus on revaluation of assets-net of tax	7,924,643
	64,511,966
Number of Ordinary Shares	1,607,571,974
Break-up value per ordinary shares of Rs. 10 each (including surplus on revaluation of fixed assets-net of tax)	40.13
Break-up value per ordinary shares of Rs. 10 each (excluding surplus on revaluation of fixed assets-net of tax)	35.20

5.4 AUDITOR CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

The Board of Directors
Bank Alfalah Limited
B.A Building
I. I Chundrigar Road
Karachi

Our ref KA-ZS-730

Contact Syed Iftikhar Anjum

29 December 2017

Dear Sirs,

Auditors' certificate on issued, subscribed and paid-up share capital

We have been requested to provide report summarising the issued, subscribed and paid-up capital of the Bank Alfalah Limited ("the Bank") as at 31 December 2016 for the purpose of listing of Additional Tier 1 Term Finance Certificates on Pakistan Stock Exchange Limited.

Scope of Certificate

The engagement is to summarise the issued, subscribed and paid-up capital of the Bank as at 31 December 2016 in accordance with the requirements mentioned under 'Public Offering Regulations, 2017'.

Management Responsibility

It is management responsibility to summarise the information required under 'Public Offering Regulations, 2017' relating to issued, subscribed and paid-up share capital and the required information is summarised in the attached annexure.

Auditor's Responsibility

Our Responsibility is to verify the information about issued, subscribed and paid-up capital of the Bank as at 31 December 2016 in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firms' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to agreement of the issued, subscribed and paid-up share capital of the Bank as at 31 December 2016 disclosed in the attached annexure with the books of account and records of the Bank.

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

KPMG Taseer Hadi & Co.

Bank Alfalah Limited
Auditors' certificate on issued, subscribed and paid-up share capital
29 December 2017

Certification

Based on the procedure mentioned above, we certify that the issued, subscribed and paid-up share capital of the Bank as at 31 December 2016 disclosed in the attached annexure is in agreement with the books of accounts and records of the Bank.

Restriction on use and distribution

This certificate is issued in relation to the requirements mentioned under 'Public Offering Regulations, 2017' for the purpose of listing of Additional Tier 1 Term Finance Certificates on Pakistan Stock Exchange Limited. Accordingly, this should not be used for any other purpose without our prior consent.

Yours faithfully,

KPMG Taseer Hadi & Co.

2

Annexure

Bank Alfalah Limited
Issued, subscribed and paid-up share capital
As at 31 December 2016

Number of shares		(Rupees in '000)
Fully paid up shares of Rs. 10 each		
870,801,304	Fully paid in cash	8,708,013
724,406,250	Issued as bonus shares	7,244,063
1,595,207,554		**15,952,076**

President & CEO

Chief Financial Officer

5.5 BANK ALFALAH LIMITED – UNCONSOLIDATED SEPTEMBER 2017 FINANCIAL STATEMENTS (UN-AUDITED)

Bank Alfalah
Quarter and Nine Months Report September 30, 2017

Unconsolidated Condensed Interim Statement of Financial Position

As at September 30, 2017

	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
	---------- (Rupees in '000) ----------	
ASSETS		
Cash and balances with treasury banks	71,519,724	74,071,384
Balances with other banks	13,105,795	9,373,123
Lendings to financial institutions	53,979,617	30,149,029
Investments - net	400,526,685	389,092,637
Advances - net	397,851,993	378,720,349
Operating fixed assets	17,918,283	18,133,267
Deferred tax assets	-	-
Other assets	14,906,052	17,917,264
	969,808,149	917,457,053
LIABILITIES		
Bills payable	11,110,253	12,886,990
Borrowings	207,840,720	178,311,035
Deposits and other accounts	661,223,465	640,944,254
Sub-ordinated loans	6,653,340	8,317,670
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	1,028,442	2,650,428
Other liabilities	17,440,463	14,221,914
	905,296,183	857,332,291
NET ASSETS	64,511,966	60,124,762
REPRESENTED BY		
Share capital	16,075,720	15,952,076
Reserves	17,409,603	15,895,652
Unappropriated profit	23,102,000	17,337,458
	56,587,323	49,185,186
Surplus on revaluation of assets - net of tax	7,924,643	10,939,576
	64,511,966	60,124,762

CONTINGENCIES AND COMMITMENTS

Chief Executive Officer | Director | Director | Director

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

For the quarter and nine months period ended September 30, 2017

	Quarter ended September 30, 2017	Nine months period ended September 30, 2017	Quarter ended September 30, 2016	Nine months period ended September 30, 2016
	(Rupees in '000)			
Mark-up / return / interest earned	14,032,559	42,081,950	13,735,289	43,447,882
Mark-up / return / interest expensed	7,168,237	20,397,463	6,702,127	21,761,153
Net mark-up / interest income	6,864,322	21,684,487	7,033,162	21,686,729
(Reversal) / provision against non-performing loans and advances - net	(378,083)	(645,056)	(76,467)	267,108
Provision for diminution in value of investments - net	(21,776)	109,112	2,962	67,849
Bad debts written-off directly	-	-	-	-
	(399,859)	(535,944)	(73,505)	334,957
Net mark-up / interest income after provisions	7,264,181	22,220,431	7,106,667	21,351,772
Non mark-up / interest income				
Fee, commission and brokerage income	1,411,870	4,221,410	992,825	3,366,369
Dividend income	102,482	269,754	147,910	450,901
Income from dealing in foreign currencies	561,483	1,304,924	274,856	888,133
Gain on sale of securities - net	284,227	1,786,621	369,364	1,699,179
Unrealised loss on revaluation of investments classified as held for trading - net	(1,726)	(6,116)	(40,643)	(16,632)
Other income	125,533	389,901	178,052	538,973
Total non mark-up / interest income	2,483,869	7,966,494	1,922,364	6,926,923
	9,748,050	30,186,925	9,029,031	28,278,695
Non mark-up / interest expenses				
Administrative expenses	5,996,946	17,810,099	5,927,709	17,458,956
Provision / (reversal) against off-balance sheet obligations	5,341	(7,782)	(5,446)	9,643
Provision / (reversal) against other assets	3,575	(12,594)	3,599	(41,024)
Other charges	74,538	259,790	74,046	230,022
Total non mark-up / interest expenses	6,080,401	18,049,513	5,999,908	17,657,597
	3,667,649	12,137,412	3,029,123	10,621,098
Extra ordinary / unusual items	-	-	-	-
Profit before taxation	3,667,649	12,137,412	3,029,123	10,621,098
Taxation				
Current	1,272,421	4,414,671	1,309,358	4,018,458
Deferred	100,813	(37,054)	(192,952)	(226,609)
Prior years	-	584,434	-	563,000
	1,373,234	4,962,051	1,116,406	4,354,849
Profit after taxation	2,294,415	7,175,361	1,912,717	6,266,249
	(Rupees)		(Rupees)	
Basic earnings per share	1.43	4.47	1.19	3.90
Diluted earnings per share	1.42	4.45	1.19	3.90

Chief Executive Officer | Director | Director | Director

Bank Alfalah
Quarter and Nine Months Report September 30, 2017

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

For the quarter and nine months period ended September 30, 2017

	Quarter ended September 30, 2017	Nine months period ended September 30, 2017	Quarter ended September 30, 2016	Nine months period ended September 30, 2016
	(Rupees in '000)			
Profit after taxation	2,294,415	7,175,361	1,912,717	6,266,249
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss account				
Exchange differences on translation of net investment in foreign branches	(29,153)	(40,180)	6,486	13,783
Comprehensive income - transferred to unconsolidated condensed interim statement of changes in equity	2,265,262	7,135,181	1,919,203	6,280,032
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available-for-sale σŜÔ.ΠcℓℓŜσ	(2,579,565)	(4,559,872)	(940,543)	1,243,801
Related deferred tax liability	1,261,211	1,584,180	329,190	(435,330)
	(1,318,354)	(2,975,692)	(611,353)	808,471

Chief Executive Officer | Director | Director | Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2017

	Nine Months period ended	
	September 30, 2017 (Un-audited)	September 30, 2016 (Audited)
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	12,137,412	10,621,098
Less: Dividend income	(269,754)	(450,901)
	11,867,658	10,170,197
Adjustments for:		
Depreciation	1,352,662	1,258,394
Amortisation	320,900	255,553
(Reversal) / provision against non-performing loans and advances - net	(645,056)	267,108
Provision for diminution in the value of investments - net	109,112	67,849
(Reversal) / provision against off-balance sheet obligations	(7,782)	9,643
Provision / (reversal) against other assets	(12,594)	(41,024)
Unrealised loss on revaluation of investments classified as held for trading - net	6,116	16,632
Gain on sale of operating fixed assets - net	(6,763)	(19,272)
Charge for defined benefit plan	210,949	211,678
	1,327,544	2,026,561
	13,195,202	12,196,758
(Increase) / decrease in operating assets		
Lendings to financial institutions	(19,546,261)	(5,419,174)
Held-for-trading securities	(2,567,263)	(2,471,794)
Advances	(18,486,588)	6,173,518
Other assets (excluding tax recoverable and dividend receivable)	3,085,589	5,182,607
	(37,514,523)	3,465,157
Increase / (decrease) in operating liabilities		
Bills payable	(1,776,737)	1,685,798
Borrowings	29,529,185	(44,307,879)
Deposits and other accounts	20,279,211	1,252,504
Other liabilities	1,004,775	1,337,027
	49,036,434	(40,032,550)
	24,717,113	(24,370,635)
Income tax paid	(3,004,921)	(2,807,427)
Net cash generated from / (used in) operating activities	21,712,192	(27,178,062)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(15,156,119)	(15,404,241)
Net investments in held-to-maturity securities	1,136,660	32,484,527
Disposal / (investment) in subsidiaries and associates	511,397	95,790
Dividend income received	226,270	402,172
Investments in operating fixed assets	(1,515,199)	(2,094,115)
Proceeds from sale of operating fixed assets	63,384	28,073
Net cash (used in) / generated from investing activities	(14,733,607)	15,512,206
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of sub-ordinated loans	(1,664,330)	(3,000)
Proceeds from issue of shares	191,722	84,895
Dividend paid	(458)	(1,585,285)
Net cash (used in) / generated from financing activities	(1,473,066)	(1,503,390)
Exchange difference on translation of the net investments in foreign branches	(40,180)	13,783
Increase / (decrease) in cash and cash equivalents	5,465,339	(13,155,463)
Cash and cash equivalents at beginning of the period	88,864,916	93,459,547
Effect of exchange rate changes on cash and cash equivalents	(113,819)	136,174
	88,751,097	93,595,721
Cash and cash equivalents at end of the period	94,216,436	80,440,258

Chief Executive Officer | Director | Director | Director

Bank Alfalah
Quarter and Nine Months Report September 30, 2017

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

For the nine months period ended September 30, 2017

		Capital Reserves			Revenue Reserves		
	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee Share Option Compensation Reserve	Unappropriated profit	Total
	(Rupees in '000)						
Balance as at January 1, 2016	15,898,062	4,329,648	8,140,904	1,572,966	120,602	12,362,996	42,424,178
Changes in equity for the nine months period ended September 30, 2016							
Total comprehensive income for the period							
Profit after taxation for the nine months period ended September 30, 2016	-	-	-	-	-	6,266,249	6,266,249
Other comprehensive income for the nine months period ended September 30, 2016							
Exchange differences on translation of net investment in foreign branches	-	-	-	13,783	-	-	13,783
	-	-	-	13,783	-	6,266,249	6,280,032
Transfer to statutory reserve	-	-	1,253,250	-	-	(1,253,250)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,328	24,328
Transactions with owners, recorded directly in equity							
Final cash dividend for the year ended December 31, 2015 @ 10%	-	-	-	-	-	(1,589,806)	(1,589,806)
Shares issued during the period	54,014	30,881	-	-	-	-	84,895
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	126,102	-	126,102
Unamortised portion of deferred employee compensation expense	-	-	-	-	(38,754)	-	(38,754)
Transfer of Share Premium on issuance of shares under Stock Option Scheme	-	56,597	-	-	(56,597)	-	-
Balance as at September 30, 2016	15,952,076	4,417,126	9,394,154	1,586,749	152,353	15,810,107	47,313,575
Changes in equity for the quarter ended December 31, 2016							
Total comprehensive income for the period							
Profit after taxation for the quarter ended December 31, 2016	-	-	-	-	-	1,633,699	1,633,699
Other comprehensive income for the quarter ended December 31, 2016							
Exchange differences on translation of net investment in foreign branches	-	-	-	(2,729)	-	-	(2,729)
Remeasurement of defined benefit plans	-	-	-	-	-	309,314	309,314
Related tax charge	-	-	-	-	-	(109,260)	(109,260)
	-	-	-	(2,729)	-	1,834,713	1,831,984
Transfer to statutory reserve	-	-	326,742	-	-	(326,742)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	19,360	19,360
Transactions with owners, recorded directly in equity							
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	5,924	-	5,924
Unamortised portion of deferred employee compensation expense	-	-	-	-	16,343	-	16,343
Balance as at December 31, 2016	15,952,076	4,417,126	9,720,896	1,584,020	173,620	17,337,458	49,185,196
Changes in equity for the nine months period ended September 30, 2017							
Total comprehensive income for the period							
Profit after taxation for the nine months period ended September 30, 2017	-	-	-	-	-	7,175,361	7,175,361
Other comprehensive income for the nine months period ended September 30, 2017							
Exchange differences on translation of net investment in foreign branches	-	-	-	(40,180)	-	-	(40,180)
	-	-	-	(40,180)	-	7,175,361	7,135,181
Transfer to statutory reserve	-	-	1,435,072	-	-	(1,435,072)	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,253	24,253
Transactions with owners, recorded directly in equity							
Shares issued during the period	123,644	68,078	-	-	-	-	191,722
Amortisation of deferred employee compensation expense	-	-	-	-	50,981	-	50,981
Transfer of Share Premium on issuance of shares under Stock Option Scheme	-	127,787	-	-	(127,787)	-	-
Balance as at September 30, 2017	16,075,720	4,612,991	11,155,968	1,543,840	96,814	23,102,000	56,587,323

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

Chief Executive Officer | Director | Director | Director

5.6 BANK ALFALAH LIMITED – CONSOLIDATED SEPTEMBER 2017 FINANCIAL STATEMENTS (UN-AUDITED)

Bank Alfalah
Quarter and Nine Months Report September 30, 2017

Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2017

	September 30, 2017 (Un-audited)	December 31, 2016 (Audited)
	---------- (Rupees in '000) ----------	
ASSETS		
Cash and balances with treasury banks	71,519,844	74,071,394
Balances with other banks	13,287,713	9,498,787
Lendings to financial institutions	53,979,617	30,149,029
Investments - net	401,440,299	389,666,922
Advances - net	397,854,708	378,724,300
Operating fixed assets	17,999,525	18,216,937
Deferred tax assets	-	-
Other assets	15,353,482	19,115,471
	971,435,188	919,442,840
LIABILITIES		
Bills payable	11,110,253	12,886,990
Borrowings	207,840,220	178,710,629
Deposits and other accounts	661,167,623	640,854,225
Sub-ordinated loans	6,653,340	8,317,670
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	1,303,024	2,911,531
Other liabilities	17,861,741	14,836,925
	905,936,201	858,517,970
NET ASSETS	65,498,987	60,924,870
REPRESENTED BY		
Share capital	16,075,720	15,952,076
Reserves	17,409,603	15,895,652
Unappropriated profit	23,659,897	17,777,737
Total equity attributable to the equity holders of the bank	57,145,220	49,625,465
Non-controlling interest	397,470	323,466
Surplus on revaluation of assets - net of tax	7,956,297	10,975,939
	65,498,987	60,924,870

CONTINGENCIES AND COMMITMENTS

Chief Executive Officer | Director | Director | Director

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

For the Quarter and Nine Months Period Ended September 30, 2017

	Quarter ended September 30, 2017	Nine months period ended September 30, 2017	Quarter ended September 30, 2016	Nine months period ended September 30, 2016
	(Rupees in '000)			
Mark-up / return / interest earned	14,031,231	42,079,720	13,736,027	43,451,065
Mark-up / return / interest expensed	7,167,962	20,401,864	6,701,947	21,760,539
Net mark-up / interest income	6,863,269	21,677,856	7,034,080	21,690,526
(Reversal) / provision against non-performing loans and advances - net	(378,083)	(645,056)	(76,467)	267,108
Provision for diminution in value of investments - net	(21,776)	109,112	2,962	67,849
Bad debts written-off directly	-	-	-	-
	(399,859)	(535,944)	(73,505)	334,957
Net mark-up / interest income after provisions	7,263,128	22,213,800	7,107,585	21,355,569
Non mark-up / interest income				
Fee, commission and brokerage income	1,435,455	4,580,180	971,633	3,460,667
Dividend income	102,902	270,174	148,120	349,626
Income from dealing in foreign currencies	561,483	1,304,924	274,856	888,133
Gain on sale of securities - net	280,508	1,510,216	369,360	1,594,408
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	(3,500)	(10,478)	(40,643)	(16,632)
Share of profit from associates	70,144	388,497	166,556	371,566
Other income	132,579	411,342	358,668	696,400
Total non mark-up / interest income	2,579,571	8,454,855	2,198,550	7,344,163
	9,842,699	30,668,655	9,306,135	28,699,732
Non mark-up / interest expenses				
Administrative expenses	5,962,471	18,011,223	6,013,037	17,686,842
Provision / (reversal) against off-balance sheet obligations	5,341	(7,782)	(5,446)	9,643
Provision / (reversal) against other assets	3,576	(12,594)	3,599	(41,143)
Other charges	78,659	263,911	75,809	231,785
Total non mark-up / interest expenses	6,050,047	18,254,758	6,086,999	17,887,127
	3,792,652	12,413,897	3,219,136	10,812,605
Extra ordinary / unusual items	-	-	-	-
Profit before taxation	3,792,652	12,413,897	3,219,136	10,812,605
Taxation				
- Current	1,291,400	4,486,144	1,306,686	4,045,332
- Deferred	125,048	(23,664)	(194,667)	(228,320)
- Prior years	-	584,434	-	563,000
	1,416,448	5,046,914	1,112,019	4,380,012
Profit after taxation	2,376,204	7,366,983	2,107,117	6,432,593
Profit attributable to:				
Equity holders of the Bank	2,346,061	7,292,979	2,093,296	6,398,595
Non-controlling interest	30,143	74,004	13,821	33,998
	2,376,204	7,366,983	2,107,117	6,432,593
	(Rupees)		(Rupees)	
Basic earnings per share	1.46	4.54	1.30	3.98
Diluted earnings per share	1.45	4.52	1.30	3.98

Chief Executive Officer | Director | Director | Director

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

For the Quarter and Nine Months Period Ended September 30, 2017

	Quarter ended September 30, 2017	Nine months period ended September 30, 2017	Quarter ended September 30, 2016	Nine months period ended September 30, 2016
	(Rupees in '000)			
Profit after taxation	2,376,204	7,366,983	2,107,117	6,432,593
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss account				
Exchange differences on translation of net investment in foreign branches	(29,153)	(40,180)	6,486	13,783
Comprehensive income - transferred to consolidated condensed interim statement of changes in equity	2,347,051	7,326,803	2,113,603	6,446,376
Attributable to:				
Equity holders of the Bank	2,316,908	7,252,799	2,099,782	6,412,378
Non-controlling Interest	30,143	74,004	13,821	33,998
Comprehensive income - transferred to consolidated condensed interim statement of changes in equity	2,347,051	7,326,803	2,113,603	6,446,376
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available for sale securities	(3,517,659)	(4,601,214)	(940,543)	1,243,802
Related deferred tax liability	1,219,399	1,598,643	329,190	(435,331)
	(2,298,260)	(3,002,571)	(611,353)	808,471
Share of surplus on revaluation of associates' available for sale securities	-	-	-	(536)
	(2,298,260)	(3,002,571)	(611,353)	807,935

Chief Executive Officer | Director | Director | Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the Nine Months Period Ended September 30, 2017

	Nine months period ened	
	September 30, 2017	September 30, 2016
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	12,413,897	10,812,605
Dividend income	(270,174)	(349,626)
Share of profit from associates	(388,497)	(371,566)
	11,755,226	10,091,413
Adjustments for:		
Depreciation	1,361,955	1,265,919
Amortisation	322,222	258,701
(Reversal) / provision against non-performing loans and advances - net	(645,056)	267,108
Provision for diminution in the value of investments - net	109,112	67,849
(Reversal) / provision against off-balance sheet obligations	(7,782)	9,643
(Reversal) / provision against other assets	(12,594)	(41,143)
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	10,478	16,632
Gain on sale of operating fixed assets - net	(6,672)	(23,786)
Charge for defined benefit plan	210,949	211,678
	1,342,612	2,032,601
	13,097,838	12,124,014
(Increase) / decrease in operating assets		
Lendings to financial institutions	(19,546,261)	(5,149,174)
Held for trading securities	(2,588,112)	(2,471,794)
Advances	(18,485,352)	6,171,833
Other assets (excluding tax recoverable and dividend receivable)	3,874,972	5,151,236
	(36,744,753)	3,702,101
Increase / (decrease) in operating liabilities		
Bills payable	(1,776,737)	1,685,798
Borrowings	29,129,591	(44,307,879)
Deposits and other accounts	20,313,398	1,208,241
Other liabilities	822,070	1,571,947
	48,488,322	(39,841,893)
	24,841,407	(24,015,778)
Income tax paid	(3,087,422)	(2,840,769)
Net cash (used in) / generated from operating activities	21,753,985	(26,856,547)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(15,169,677)	(15,404,241)
Net investments in held to maturity securities	1,136,660	32,484,527
Investment in associated company	(1,430,742)	95,790
Proceeds from disposal of investment in associates	1,966,469	-
Dividend income received	226,690	300,697
Dividend income received from associates	11,657	114,324
Investments in operating fixed assets	(1,523,512)	(2,108,076)
Proceeds from sale of operating fixed assets	63,419	32,587
Net cash generated from / (used in) investing activities	(14,719,036)	15,515,608
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of sub-ordinated loans	(1,664,330)	(3,000)
Proceeds from issue of shares	191,722	84,895
Dividend paid	(458)	(1,585,285)
Net cash (used in) / generated from financing activities	(1,473,066)	(1,503,390)
Exchange difference on translation of the net investments in foreign branches	(40,180)	13,783
Increase / (decrease) in cash and cash equivalents	5,521,703	(12,830,546)
Cash and cash equivalents at beginning of the period	88,990,590	93,490,515
Effect of exchange rate changes on cash and cash equivalents	(113,819)	136,174
	88,876,771	93,626,689
Cash and cash equivalents at end of the period	94,398,474	80,796,143

Chief Executive Officer | Director | Director | Director

Bank Alfalah
Quarter and Nine Months Report September 30, 2017

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

For the Nine Months Period Ended September 30, 2017

		Capital Reserves			Revenue Reserves				
	Share Capital	Share Premium	Statutory Reserve*	Exchange Translation Reserve	Employee share option Compensation Reserve	Unappro-priated profit	Sub-total	Non Controlling Interest	Total
	(Rupees in '000)								
Balance as at January 1, 2016	15,898,062	4,329,648	8,140,904	1,572,966	120,602	12,813,488	42,875,670	274,134	43,149,804
Changes in equity for the nine months period ended September 30, 2016									
Total comprehensive income for the period									
Profit after taxation for the nine months period ended September 30, 2016	-	-	-	-	-	6,398,585	6,398,585	33,998	6,432,583
Other comprehensive income for the nine months period ended September 30, 2016									
Exchange difference on translation of net investment in foreign branches	-	-	-	13,793	-	-	13,793	-	13,793
	-	-	-	13,793	-	6,398,585	6,412,378	33,998	6,446,376
Transfer to statutory reserve	-	-	1,253,250	-	-	(1,253,250)	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,328	24,328	-	24,328
Transactions with owners, recorded directly in equity									
Final cash dividend for the year ended December 31, 2015 @ 10%	-	-	-	-	-	(1,589,806)	(1,589,806)	-	(1,589,806)
Shares issued during the period	54,014	30,881	-	-	-	-	84,895	-	84,895
Recognition of fair value of share based payments on grant date during the period	-	-	-	-	126,102	-	126,102	-	126,102
Unamortised portion of deferred employee compensation expense	-	-	-	-	(38,754)	-	(38,754)	-	(38,754)
Transfer to Share Premium on issuance of shares under Stock Option Scheme	-	56,597	-	-	(56,597)	-	-	-	-
Balance as at September 30, 2016	15,952,076	4,417,126	9,394,154	1,586,759	151,353	16,393,355	47,894,813	308,132	48,202,945
Changes in equity for the quarter ended December 31, 2016									
Total comprehensive income for the period									
Profit after taxation for the quarter ended December 31, 2016	-	-	-	-	-	1,491,199	1,491,199	15,334	1,506,533
Other comprehensive income for the quarter ended December 31, 2016									
Exchange difference on translation of net investment in foreign branches	-	-	-	(2,729)	-	-	(2,729)	-	(2,729)
Remeasurement of defined benefit plans	-	-	-	-	-	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)
	-	-	-	(2,729)	-	1,691,754	1,689,025	15,334	1,704,359
Transfer to statutory reserve	-	-	326,732	-	-	(326,732)	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	19,360	19,360	-	19,360
Transactions with owners, recorded directly in equity									
Recognition of fair value of share based payments on grant date	-	-	-	-	5,924	-	5,924	-	5,924
Unamortised portion of deferred employee compensation expense	-	-	-	-	16,343	-	16,343	-	16,343
Balance as at December 31, 2016	15,952,076	4,417,126	9,720,886	1,584,030	173,620	17,777,737	49,625,465	323,466	49,948,931
Changes in equity for nine months period ended September 30, 2017									
Total comprehensive income for the period									
Profit after taxation for the nine months period ended September 30, 2017	-	-	-	-	-	7,292,979	7,292,979	74,004	7,366,983
Other comprehensive income for the nine months period ended September 30, 2017									
Exchange difference on translation of net investment in foreign branches	-	-	-	(40,180)	-	-	(40,180)	-	(40,180)
	-	-	-	(40,180)	-	7,292,979	7,252,799	74,004	7,326,803
Transfer to statutory reserve	-	-	1,455,072	-		(1,455,072)	-	-	
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,253	24,253	-	24,253
Transactions with owners, recorded directly in equity									
Shares issued during the period	123,644	68,078	-	-	-	-	191,722	-	191,722
Amortisation of deferred employee compensation expense	-	-	-	-	50,981	-	50,981	-	50,981
Transfer of Share Premium on issuance of shares under Stock Option Scheme	-	127,787	-	-	(127,787)	-	-	-	-
Balance as at September 30, 2017	15,075,720	4,612,991	11,155,958	1,543,850	96,814	23,659,897	57,145,220	397,470	57,542,690

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

Chief Executive Officer | Director | Director | Director

5.7 ENTITY RATING REPORT

The Pakistan Credit Rating Agency Limited

BANK ALFALAH LIMITED (BAFL) RATINGS REPORT

	NEW [DEC'-17]	PREVIOUS [JUNE-17]
Long Term	AA+	AA+
Short Term	A1+	A1+
TFC V of PKR 5bln	AA	AA
Outlook	Stable	Stable

REPORT CONTENTS

1. RATING ANALYSES
2. FINANCIAL INFORMATION
3. RATING SCALE
4. REGULATORY AND SUPPLEMENTARY DISCLOSURE

DECEMBER 2017

The Pakistan Credit Rating Agency Limited

BANKING

Profile & Ownership

- BAFL commenced operations in 1997, is listed on the Pakistan Stock Exchange and has a network of 634 branches at end-Sep17 including 151 Islamic banking branches - the biggest network by any conventional bank
- The bank holds ~5.4% share in the total customer deposits as at end-Sep17; making it seventh largest bank
- Abu Dhabi Group (ADG), comprising some of the prominent members of UAE's ruling family and leading businessmen, continues to own majority stake (~52% at end-Dec16) in the bank; IFC has 15% stake

Governance & Management

- Control of the bank vests in the eight-member board of directors (BoD)
- Board comprises President & CEO and seven non-executive directors, four are representatives of ADG, one represents IFC, while two are independent
- Induction of IFC representative along with independent members on board has strengthened the board structure
- In June-17, Mr. Atif Bajwa resigned from the position of President and CEO, the board appointed Mr. Nauman Ansari as the new President and CEO. Mr. Nauman Ansari is a seasoned banker with decades of experience

Risk Management

- Earning assets – largely comprising advances and investments – constituted 89% of total assets at end-Sep17, whereas, 48% of the funds have been parked in liquid avenues largely comprising government securities
- Advances-to-deposits ratio increased to ~60% at end-Sep17 (end-Sep16: 52%); better than industry average of 48%; this bodes well for the bank
- Top-20 performing private sector exposures' concentration slightly increased to ~25% at end-Dec16 (end-Dec15: ~23%)
- Gross advances grew sizably; resultantly, infection ratio declined to 4.2%
- Investments continued to remain concentrated in government securities (~97%)

Business Risk

- Interest revenue witnessed a dip of 3% on a YoY basis on account of lower asset yield amidst maturity of high yielding PIBs. The spreads were also squeezed YoY (9MCY17: ~3.3%, 9MCY16: ~3.5%)
- Cost to total net revenue ratio slightly improved to (9MCY17: ~60%, 9MCY16: ~62%); still higher than peers
- Massive decline (260%) in provisioning, enabled the bank to earn higher profit before tax as it registered an increase of 14%)
- BAFL plans to grow prudently; this implies consolidating its position on the competitive banking landscape. The business strategy mainly focuses on rationalizing cost structure
- On the lending side, the bank is geared to target double digit growth in SME and consumer book (mainly auto), with sustained focus towards corporate clientele

Financial Risk

- Customer deposits remained the key source of funding for the bank; contributing 72% to the total funding base at end-Dec16 (end-Sep16: 79%)
- Total deposits growth remained flat on a YoY basis as the bank followed its strategy of shredding high cost deposits in order to improve cost of funding
- CASA increased to 82% (end-Sep16: 80%). The top-20 deposit concentration improved to (11%) at end-Dec16
- CAR improved to 13.4% at end-Sep17, one of the lowest amongst peer group

RATING RATIONALE

The ratings reflect relative positioning of the bank among large banks of the country. The bank has a stronger position in advances - sustained by fresh deployments. The deposit system share has witnessed dilution as the bank embarked upon a strategy to sustainably rationalize its cost of funding with enduring focus on low cost deposits. Resultantly, BAFL's cost of fund is comparable to some of the large banks. The bank enjoys extended outreach across the country which has augmented its deposit base. Operating cost structure, though still higher than peers, has improved on YoY basis on account of cost rationalization. The asset quality of the bank has sustained over the past three years on account of prudent risk management. The bank witnessed changes in the key management positions. Cohesion and effectiveness of the new team is essential for the sustained growth of the bank. Declining asset yield is being offset by cost efficiency hence, enabling spreads to be maintained at current levels. Despite consistent improvement in the bank's profitability, capital augmentation remained limited. Cognizant of the fact, the management intends to improve its Tier-I capital through multiple options, whereas, enhancing Tier-II capital through issue of a new instrument is also being considered, thereby creating cushion to regulatory capital. The bank is in the final stages of issuing Tier I instrument to replenish its capital adequacy. The ratings recognize demonstrated support of Abu Dhabi group (ADG) as a key factor.

KEY RATING DRIVERS

The ratings are dependent on the management's ability to uphold its business profile; effective implementation of strategy is important. Sustaining spreads at current levels is a challenge, which needs to be effectively managed. Strengthening of the bank's capitalization and adding granularity to its advances and deposits book are critical for ratings improvement.

TFCs ISSUE

BAFL has one unsecured and subordinated TFCs in issue. TFC V of PKR 5bln, issued in Feb-13. With 8yrs of tenure, principal repayment of TFC-V would be repaid in bullet form at the time of maturity (Feb21).

INDUSTRY SNAPSHOT

The banking sector experienced substantial expansion in its deposit base (2016: 14%). Building on the uptick in the economy, advances also grew by a sizeable margin after a lag of many years. Given GDP growth in FY17 and other macro-economic fundamentals, credit expansion is foreseen. Hence, CAR is going to be a challenge, as profits would also suffer due to PIBs maturities.

PACRA

Financials [Summary]

The Pakistan Credit Rating Agency Limited

Bank Alfalah Limited

PKR mln

BALANCE SHEET	30-Sep-17	31-Dec-16	31-Dec-15	31-Dec-14
Earning Assets				
Advances (Net of NPL)	396,848	376,845	331,896	285,436
Debt Instruments	12,872	12,505	10,826	10,012
Total Finances	409,720	389,350	342,722	295,448
Investments	387,752	376,683	412,329	314,269
Others	69,920	45,867	51,443	36,661
	867,392	**811,900**	**806,494**	**646,378**
Non Earning Assets				
Non-Earning Cash	68,685	67,726	55,104	44,500
Deferred Tax	-	-	-	-
Net Non-Performing Finances	907	1,781	2,207	5,200
Fixed Assets & Others	32,824	36,051	38,802	47,051
	102,416	**105,558**	**96,113**	**96,750**
TOTAL ASSETS	**969,808**	**917,457**	**902,608**	**743,128**
Funding				
Deposits	661,223	640,944	640,189	605,963
Borrowings	214,494	186,629	182,376	65,220
	875,717	827,573	822,565	671,183
Non Interest Bearing Liabilities	29,579	29,759	26,689	27,126
TOTAL LIABILITIES	**905,296**	**857,332**	**849,254**	**698,309**
EQUITY (including revaluation surplus)	**64,512**	**60,125**	**53,353**	**44,819**
Total Liabilities & Equity	**969,808**	**917,457**	**902,608**	**743,128**

INCOME STATEMENT	30-Sep-17	31-Dec-16	31-Dec-15	31-Dec-14
Interest / Mark up Earned	42,082	57,245	61,458	55,378
Interest / Mark up Expensed	(20,397)	(28,474)	(32,811)	(33,505)
Net Interest / Markup revenue	**21,684**	**28,770**	**28,648**	**21,873**
Other Income	7,966	8,868	8,841	9,036
Total Revenue	**29,651**	**37,638**	**37,489**	**30,910**
Non-Interest / Non-Mark up Expensed	(18,050)	(23,432)	(22,598)	(20,863)
Pre-provision operating profit	11,601	14,206	14,891	10,047
Provisions	536	(1,183)	(2,287)	(1,534)
Pre-tax profit	12,137	13,023	12,604	8,514
Taxes	(4,962)	(5,123)	(5,081)	(2,873)
Net Income	**7,175**	**7,900**	**7,523**	**5,641**

Ratio Analysis	30-Sep-17	31-Dec-16	31-Dec-15	31-Dec-14
Performance				
ROE	17%	17%	19%	17%
Cost-to-Total Net Revenue	61%	62%	60%	68%
Provision Expense / Pre Provision Profit	5%	8%	15%	15%
Capital Adequacy				
Equity/Total Assets	6%	5%	5%	5%
Capital Adequacy Ratio as per SBP	13%	13%	13%	13%
Funding & Liquidity				
Liquid Assets / Deposits and Borrowings	48%	47%	52%	54%
Advances / Deposits	60%	59%	52%	48%
CASA deposits / Total Customer Deposits	82%	85%	77%	73%
Intermediation Efficiency				
Asset Yield	7%	7%	9%	10%
Cost of Funds	3%	4%	5%	6%
Spread	3%	4%	4%	4%
Outreach				
Branches	634	639	653	648

*All numbers are pre-restated and annualized where applicable

** Numbers are extracted from published firm and not restated

Bank Alfalah Limited

December 2017 www.pacra.com

The Pakistan Credit Rating Agency Limited

CREDIT RATING SCALE & DEFINITIONS

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

LONG TERM RATINGS	
AAA	**Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.
AA+ AA AA-	**Very high credit quality.** Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	**High credit quality.** Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	**Good credit quality.** Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	**Moderate risk.** Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	**High credit risk.** A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	**Very high credit risk.** Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

SHORT TERM RATINGS
A1+: The highest capacity for timely repayment.
A1: A strong capacity for timely repayment.
A2: A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3: An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
B: The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
C: An inadequate capacity to ensure timely repayment.

Outlook (Stable, Positive, Negative, Developing)
Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch
Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.

Suspension
It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn
A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveill the opinion due to lack of requisite information

Disclaimer: PACRA's ratings are an assessment of the credit standing of entities/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

Regulatory and Supplementary Disclosure

Name of Issuer Bank Alfalah Limited
Sector Banking
Type of Relationship Solicited

Purpose of the Rating Independent Risk Assessment
Regulatory Requirement

Rating History

Dissemination Date	Long Term	Short Term	Outlook	Action
29-Dec-17	AA-	A1+	Stable	Maintain
22-Jun-17	AA-	A1+	Stable	Upgrade
23-Jun-16	AA	A1+	Positive	Maintain
23-Jun-15	AA	A1+	Positive	Maintain
23-Jun-14	AA	A1+	Stable	Maintain

Related Criteria and Research

Rating Methodology Bank Rating Methodology
Sector Research Banking Sector - Unwounded - Jun-17

Rating Analysts Mussab Rashid
mussab.rashid@pacra.com
(92-42) 35869504

Rating Team Statement **Rating Procedure**
Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendations to buy, hold or sell any security. The rating team for this assignment does not have any financial interest, direct or indirect in the rated entity/instrument.

Disclaimer **Rating Shopping**
PACRA maintains a principle of integrity in conducting rating business.
PACRA has used due care in compiling this document. The information has been obtained directly from the entity, any entity and public sources we consider to be reliable but is not in any way warranted or guaranteed. PACRA shall not be liable whatsoever to any loss or damage caused by or resulting from any error in such information.
Conflict of Interest
PACRA, the analysts involved in the rating process, and members of the rating committee do not have any market of interest relating to the credit rating under review.
The analysts involved in the rating process do not have any interest in the credit rating or any of its family members has any such interest.
The analysts and members of the rating committee, including the external member members have disclosed all the market of interest, including those of their family members, if any, to the Compliance Officer PACRA.
The analysts or any of its family members do not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This is, however, not applicable on mutual funds or similar diversified collective investment schemes. PACRA has established appropriate policies governing investments and dealing in securities by its employees.
PACRA may provide consultancy/advisory services or other services to any of its clients or to any of its clients' associated companies and/or related undertakings that is being rated or has been rated by it. In such cases, PACRA has adequate mechanism in place ensuring that provision of such services does not lead to conflict of interest situation with its rating activities.
PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by our contract mandatory rating mandate – signed with the entity being rated in cases of the debt/sukuk issued, and/or, for unrated – signed with the parties, which may be different from the entity.
PACRA ensures that the credit rating assigned to an entity or instrument should not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship.
Surveillance
PACRA monitors all the outstanding ratings on a monthly basis and any material change from the issuer and/or related entities (i.e. the security or instrument, the industry etc.) is communicated to the market in a timely and effective manner, after appropriate consultation with the entity/issuer.
PACRA reviews all the outstanding ratings on an annual basis or as and when required by any stakeholder (including rated entity) or upon the occurrence of an event which requires review.
PACRA carries immediate review of the outstanding ratings upon becoming aware of any information that may be considered to result in any change (including downgrade) in the rating.
Reporting of Misconduct
PACRA has trained and implemented a whistle blower policy encouraging all employees to intimate the compliance officer any unethical practice or misconduct relating to the credit rating by another employee of their organization, but cannot be limited to, bribery. The Compliance Officer reports to the Board and SECP.
Confidentiality
PACRA has formed a confidentiality policy to prevent misuse of the non-public information by its employees and other persons involved in the rating process, sharing and dissemination of the non-public information by such persons to outside parties.
Where feasible and appropriate, prior to issuing or revising a rating, PACRA informs the issuer of the critical information and principal considerations upon which a rating will be based and provides the opportunity to clarify any factual misperception or other matter that PACRA would wish to be made aware of in order to produce a fair rating. PACRA duly evaluates the response. Where it is persuasive, recommence PACRA accordingly. In the event that the entity does not cooperate in providing information, PACRA reserves the right to withdraw the rating.
Prohibition
None of the information in this document may be copied or otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's express consent. PACRA expects and ratings constitute opinions, not recommendations to buy or to sell.

Probability of Default (PD) PACRA's Rating Scale reflects the expected credit risk. The higher rating has the lowest relative likelihood of default (i.e. probability). PACRA's long-term studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be observed from PACRA's Transition Study available on our website (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past.

www.pacra.com

Regulatory and Supplementary Disclosure

Rated Entity

Name of Issuer	Bank Alfalah Limited
Name of Issue	Bank Alfalah | TFC V
Sector	Banking
Type of Relationship	Solicited

Purpose of the Rating

Regulatory Requirement
Independent Risk Assessment

Rating History

Documentation Date	TFC	Rating Action
29-Dec-17	AA	Maintain
22-Jun-15	AA	Upgrade
22-Jun-15	AA-	Maintain
22-Jun-14	AA-	Maintain
28-Jun-13	AA-	Maintain
14-Nov-12	AA-	Initial

Instrument Details

Nature of Instrument	Size of Issue	Tenor	Trustee	Security
TFC (Unsecured, Sub-ordinated, Listed)	PKR 5,000mln	8 years	Pak Brunei Investment Company	Unsecured

Amortization Schedule

See Annexure B

Related Criteria and Research

Specific Methodology:	Banks Methodology [2003]
Research:	Banking sector - Viewpoint [Jun-17]

Rating Analysts

Maneeb Rashid
maneeb.rashid@pacra.com
(92-42-35869504)

Rating Team Statement

Rating Procedure
Rating is an opinion on relative creditworthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for the assignment do not have any beneficial interest, direct or indirect, in the rated entity/instrument.

Disclaimer

Rating Shopping
PACRA maintains principle of integrity in seeking rating business.
PACRA has used due care in preparation of this document. Our information has been obtained directly from the underlying entity and public sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information.

Conflict of Interest
PACRA, the analysts involved in the rating process, and members of its rating committee do not have any conflict of interest relating to the credit rating issue by them.
The analysts involved in the rating process do not have any interest in a credit rating or any of its family members has any such interest.
The analysts and members of the rating committees including the external member members have disclosed all the conflict of interest, including those of their family members, if any, to the Compliance Office PACRA.
The analysts or any of its family members do not buy or sell or engage in any transaction in any security which falls in the analysts area of primary analytical responsibility. This is, however, not applicable on investment in securities through collective investment schemes. PACRA has established appropriate policies governing investments and trading in securities by its employees.
PACRA may provide consultancy/advisory services or other services to any of its clients or to any of its clients' associated companies and associated undertakings that is being rated or has been rated by it, in such cases, PACRA has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating.
PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and ii) fee mandate - signed with the payer, which can be different from the entity.
PACRA ensures that the credit rating assigned to an entity or instrument should not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship.

Surveillance
PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the rated entity/ issuer, the security arrangement, the industry etc. is disseminated to the market, in a timely and effective manner, after appropriate consultation with the entity/issuer.
PACRA reviews all the outstanding ratings on annual basis or as and when required by any stakeholder (including creditor) or upon the occurrence of such an event which requires to do so.
PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating.

Reporting of Misconduct
PACRA has framed and implemented whistle-blower policy encouraging all employees to intimate the compliance officer any unethical practice or misconduct relating to the credit rating by another employees of the company that come to his/her knowledge. The Compliance Officer reports to the BoD and SECP.

Confidentiality
PACRA has framed a confidentiality policy to prevent abuse of the non-public information by its employees and other persons involved in the rating process, sharing and dissemination of the non-public information by such persons to outside parties.
Where feasible and appropriate, prior to issuing or revising a rating, PACRA informs the issuer of the critical information and principal considerations upon which a rating will be based and provide the opportunity to clarify any likely factual misperception or other matter that PACRA would wish to be made aware of in order to produce a fair rating. PACRA duly evaluates the response. Where in a particular circumstance PACRA has not informed the entity/issuer prior to issuing or revising a rating, it informs the entity/issuer as soon as practical.

Prohibition
None of the information in this document may be copied or otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's written consent. PACRA reports and ratings constitute opinions, not recommendations to buy or to sell.

Probability of Default (PD)

PACRA's Rating Scale reflects the expectation of credit risk. The higher rating have the lowest relative likelihood of default (i.e. probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition scenario of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com) However, actual transition of rating may not follow the pattern observed in the past.

www.pacra.com

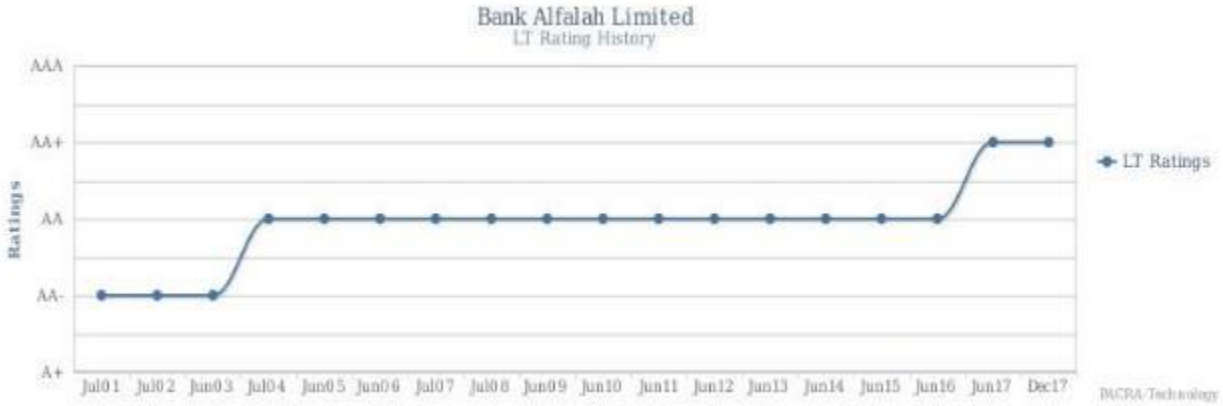
Regulatory and Supplementary Disclosure Annexure B

Loan Amount (PKR)	5,000,000,000
Tenor (Years)	8 years
Rate	6MK + 1.25%

PKR mln

Installment	Due Date	Principal	Mark Up	Total Installment	Outstanding
	Feb-13				5,000
1	Aug-13	1	267	268	4,999
2	Feb-14	1	275	276	4,998
3	Aug-14	1	285	286	4,997
4	Feb-15	1	273	274	4,996
5	Aug-15	1	215	216	4,995
6	Feb-16	1	194	195	4,994
7	Aug-16	1	185	186	4,993
8	Feb-17	1	185	186	4,992
9	Aug-17	1	185	186	4,991
10	Feb-18	1	185	186	4,990
11	Aug-18	1	185	186	4,989
12	Feb-19	1	185	186	4,988
13	Aug-19	1	185	186	4,987
14	Feb-20	1	185	186	4,986
15	Aug-20	1	185	186	4,985
16	Feb-21	4,985	185	5,170	0

www.pacra.com



Press Release

JCR-VIS Reviews and Reaffirms Entity Ratings of Bank Alfalah Limited

Karachi, August 31, 2017: JCR-VIS Credit Rating Company Limited (JCR-VIS) has reviewed and reaffirmed the entity ratings of 'AA+/A-1+' (Double A Plus/A-One Plus) assigned to Bank Alfalah Limited (BAFL). Outlook on the assigned ratings is 'Stable'.

For further information on this rating announcement, please contact the undersigned (Ext: 201) at 021-35311861-70 or fax to 021-35311872-3.

Javed Callea
Advisor

Applicable rating criterion: Commercial Banks Methodology - November 2015
http://www.jcrvis.com.pk/Images/Meth-CommercialBanks201511.pdf

Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS Credit Rating Company Limited (JCR-VIS) does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the rating(s)/ ranking(s) mentioned in this report. JCR-VIS is not an NRSRO and its credit ratings are not NRSRO credit ratings. JCR-VIS is paid a fee for most rating assignments. This rating/ ranking is an opinion and is not a recommendation to buy or sell any securities. Copyright 2017 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.

RATING REPORT

Bank Alfalah Limited

REPORT DATE:
February 20, 2017

RATING ANALYSTS:
Talha Iqbal
talha.Iqbal@jcrvis.com.pk

Moiz Badshah
moiz.badshah@jcrvis.com.pk

RATING DETAILS		
	Initial Rating	
Rating Category	Long-term	Short-term
Entity	AA+	A-1+
Rating Outlook	Stable	
Rating Date	*February 14, 2017*	

COMPANY INFORMATION	
Incorporated in 1992	External auditors: **KPMG Taseer Hadi & Co., Chartered Accountants**
Public Limited Company	Chairman of the Board: **H.H. Sheikh Nahayan Mabarak Al Nahayan**
Key Shareholders (with stake 5% or more): (as on 31st January 2017)	Chief Executive Officer: **Mr. Atif Bajwa**
H.H. Sheikh Nahayan Mabarak Al Nahayan – Chairman10.80%	
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan – 8.49%	
H.E. Sheikh Suroor Bin Mohammad Al Nahyan – 7.21%	
Mr. Abdulla Nasser Hawaled Al Mansooni, Director – 4.97%	
M/s. Electro Mechanical Company LLC – 5.51%	
M/s. International Finance Corporation – 14.93%	
APPLICABLE METHODOLOGY(IES)	
Commercial Banks (November, 2015): http://jcrvis.com.pk/docs/Meth-CommercialBanks201511.pdf	

JCR-VIS Credit Rating Company Limited Rating Report

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Bank Alfalah Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
Bank Alfalah Limited (BAFL) is a public limited company with majority shareholding held by Abu Dhabi Group (ADG), comprising some of the prominent members of UAE's ruling family and leading businessmen.	Bank Alfalah Limited (BAFL) is the sixth largest Bank in the country with a market share of 5.8% (2015: 6.2%, 2014: 6.7%) in domestic deposits at end-Sept'16. As per management, decline in market share is part of a deliberate strategy to further improve deposit profile and manage spreads in a low interest rate environment in the backdrop of significant competition for lending rates. The Bank also has presence in the overseas market (Bangladesh, Afghanistan and Bahrain), representing around 6% of total assets. The Bank plans to launch Dubai operations during the ongoing year. BAFL also enjoys a sizeable Islamic footprint with 16.4% contribution to total assets. Product portfolio of the Bank is extensive while BAFL's strong correspondent banking network facilitates in providing comprehensive trade services for its clients. This is reflected in highest fee commission income in the peer group. Going forward, key focus areas include SME lending, transaction banking and shift towards digital banking.
At end-Sept'16, the bank was operating out of 486 conventional branches (2015: 484 branches), 158 Islamic branches (2015: 158 branches), 10 overseas branches (2015: 10 branches) and 1 Whole Sale Banking Unit (2015: 1 Unit).	**Credit Risk** Major portion of the Bank's assets comprise exposure to the sovereign/public sector. Aggregate exposure to the sovereign / public sector by way investments & advances represents over half of total assets. Corporate loan book continues to remain the mainstay of the Bank's lending operation while aggregate financing to consumer and SME segment represents around one-tenth of the financing portfolio. Overall sectoral exposures are diversified with largest exposure representing 15% of financing portfolio. While concentration risk in advances portfolio remains, the same is mitigated by financing to government guaranteed exposures and time honoured lending relationship with most clients. Besides growing financing portfolio with existing and new clients having sound repayment history, BAFL also plans to tap supporting industries that will benefit from spillover effects of China Pakistan Economic Corridor. Overall credit risk profile of the Bank has improved overtime with reduction in infection levels (9M16: 5.4%; 2012: 8.9%), increase in provisioning coverage (9M16: 87.5%; 2012: 65%) and higher proportion of public sector exposure in advances portfolio.
BAFL has exposure in three foreign countries, namely: Bangladesh, Afghanistan and Bahrain (Wholesale Banking Unit).	**Investment Portfolio** Around nine-tenth of the investment portfolio, as at end-Sept'15 (Rs. 409.5b), comprises exposure to government securities. Investment in PIBs comprises two-third of government paper holdings with duration of PIB portfolio at around 2 years. While credit risk emanating from the investment portfolio is considered negligible with sizeable investment in government securities, exposure to market risk has increased slightly compared to previous years due to mince rise in portfolio duration.
Chairman H.H. Sheikh Nahayan Mabarak Al Nahayan	**Liquidity** Liquidity profile of the Bank is strong as reflected in an improving and healthy deposits profile with increase in the proportion of non-remunerative current accounts and lower depositor concentration levels. The proportion of current non-remunerative account in deposit mix has increased to 39.7% (2015: 36.7%) at end-9M16 and ranks the highest amongst peers. The top 50 depositor concentration levels have reduced to 20.5% (2015: 21.4%). Sizeable liquid assets in relation to total deposits and borrowings (9M16: 47%; 2015: 42%) further support the Bank's liquidity profile.
Chief Executive Officer Mr. Atif Bajwa	**Capitalization** Capitalization indicators have strengthened over time with increase in equity base on account of retained profits and injection of equity by IFC while Tier-1 and overall CAR were reported at 10.88% (2015: 9.69%) and 14.51% (2015: 13.4%) at end-9M16, respectively. Moreover, net-NPL in relation to tier-1 equity was reported at 7.6% (2015: 8.0%, 2014: 17.1%) at end-9M16.
	Profitability With pressure on spreads and increase in administrative expenses, operating profitability of BAFL declined during 9M16 vis-à-vis 9M15. However, profit before tax was higher on account of lower provisions and higher capital gains. Efficiency (cost to income) ratio of the Bank is on the higher side and compares less favorably to peers. As per management, higher efficiency ratio is a function of significant investment made on widening Bank's product suite and offerings as well as higher consumer portfolio vis-à-vis peers. Going forward, continuing exposure in high yielding PIBs and decline in cost of deposits bodes well for profitability of the Bank.

2 | Page

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Corporate Profile

Bank Alfalah Limited (herein referred to as 'BAFL' or 'the bank') was incorporated on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. The bank is listed on the Pakistan Stock Exchange (PSX).

Table 01: BAFL Shareholding

Name	Shareholding as on 31-12-2016
Directors	**16.37%**
H.H. Sheikh Nahayan Mubarak Al Nahayan Chairman	*10.8%*
Mr. Abdulla Nasser Hawaileel Al Mansoori	*5.15%*
Other:	*0.0%*
General Public - Foreign	**26.6%**
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan,	*8.5%*
H.E. Sheikh Surour Bin Mohammad Al Nahyan	*7.2%*
Other:	*10.8%*
Foreign Companies	**26.1%**
M/s. International Finance Corporation	*15.9%*
M/s. Electro Mechanical Company LLC	*5.5%*
Other:	*5.6%*
General Public - Local	**9.6%**
Financial Institutions including Mutual Funds	**9.2%**
Associated Companies	**6.4%**
Public Sector Companies and Corporations	**4.1%**
Others	**1.7%**
Total	**100.0%**

Shareholding of the bank is primarily owned by the Abu Dhabi Group (ADG), comprising some of the prominent members of UAE's ruling family and leading businessmen. International Finance Corporation holds 14.9% of the bank's shareholding while 5.5% is held by M/s. Electro Mechanical Company LLC, a turnkey solution company operating in the United Arab Emirates (UAE).

Table 02: Board of Directors

Name	Directorship
H.H. Sheikh Nahayan Mabarak Al Nahayan	Chairman
Abdulla Nasser Hawaileel Al Mansoori	Non-Executive Director
Abdulla Khalil Al Mutawa	Non-Executive Director
Khalid Mana Saeed Al Otaiba	Non-Executive Director
Efstratios Georgios Arapoglou	Non-Executive Director
Kamran Y. Mirza	Independent Director
Khalid Qureshi	Independent Director
Atif Bajwa	Chief Executive Officer

The Board of Directors (BOD) of BAFL comprises 8 members including two independent directors. During the ongoing year, H.H. Sheikh Nahayan Mabarak Al Nahayan replaced H.H. Sheikh Hamdan Bin Mubarak Al Nahayan as the Director and Chairman of the Board. His Highness is a prominent member of the ruling family of Abu Dhabi. His Highness is UAE Cabinet Member and Minister of Culture and Knowledge Development. He has previously served as Minister of Culture, Youth, and Social Development and Minister of Higher Education and Scientific Research. His Highness is playing a leading and distinguished part in the educational advancements, focusing on the role of education in achieving development and progress. He additionally holds various offices as Chairman and Director at Board and Trusts along with Patronship of various local and foreign organizations and affiliates. His Highness is also a 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.

The board oversees bank operations through five board committees, namely: Board Audit Committee (BAC), Board Strategy and Finance Committee (BSFC), Board Human Resource Committee and Nomination Committee (BHR&NC) Board Risk Management Committee (BRMC) and Board Compensation Committee (BCC).

Table 03: Board Committees

Name	BAC	BSFC	BHR&NC	BRMC	BCC
Abdulla Khalil Al Mutawa	M	C	C	M	C
Khalid Mana Saeed Al Otaiba	M	M	M	C	M
Efstratios Georgios Arapoglou	M	M			

Khalid Qureshi		M		M	
Kamran Y. Mirza	C		M		M
Arif Bajwa (CEO)		M	M	M	

The Senior Management team at BAFL is led by Mr. Arif Bajwa, the Chief Executive Officer (CEO). Mr. Bajwa was appointed CEO in October'2011 and has significant experience in the banking sector at various senior management positions. These positions have included President of Abu Dhabi Group (Pakistan), President of Soneri Bank and MCB Bank in Pakistan and Regional Head for Citigroup for the Central and Eastern Europe region. Other senior management team members comprise experienced professionals who have been associated with the bank for a number of years.

Annual Financial Statements for the Year 2015 were audited by KPMG Taseer Hadi & Co., Chartered Accountants. BAFL has a Shari'ah Advisory Board (SAB) that comprises three members. The SAB is chaired by Mufti Khalil Ahmed Azmi, a renowned scholar in the Islamic Banking industry and includes Mufti Mohib ul Haq Siddiqui and Mufti Ovais Ahmed Qazi. The latter is a resident member present in Karachi, Pakistan and is a graduate from Jamia Darul Uloom.

Risk

The Risk Group at BAFL is headed by the Chief Risk Officer (CRO) Mr. Suhail Yaqoob Khan, CFA. Risk is segregated into four Divisions: i) Credit, ii) Risk Management, iii) Credit Policy & MIS (Management Information System), and, iv) Internal Control Division.

The Credit Division includes a Corporate, Islamic and a Retail Unit. The latter is split regionally between south and north (north encompassing the central region as well).

The Risk Management Division includes Macro Credit Risk Department, Market Risk Department, Liquidity Risk Department, Operational Risk Department, IT Security Risk Department and Environmental Risk Department. Through this Division, the bank monitors and manages various risk factors on enterprise level. To focus on various risk factors, several committees have been established, namely: Central Credit Committee (CCC), Investment Committee, ALCO, IT Steering Committee, and Control & Compliance Committee.

The bank has revamped their credit risk delegation model as encompassed in their Delegation Authority Matrix (part of the Credit Operations Manual). Approval authority is delegated to individuals based on their seniority/ credit experience and risk rating and amount of exposures. Moreover, financing limit to clients is also a function of the risk rating.

The CCC is central to financing operations of BAFL. The committee comprises ten key senior management personnel including the CEO (Chairman of the committee), CRO, Group Head Corporate & Investment Banking and Group Head Treasury & FID. The CCC meets on a monthly basis to review credit portfolios of various business segments, besides taking care of approval items. Post revamping of financial authority delegation, the committee approves any exposure to a specific group/obligor over Rs. 2.5b. Furthermore, all non-performing loans (NPLs) of over Rs. 100m are directed to the committee for review. Committee decisions are made on a majority basis.

Information Technology (I.T)

The I.T department of BAFL is headed by the Chief Information Officer (CIO), Mr. Mohib Hasan Khan. The department is segregated in to the following five divisions:

i. I.T Operation: BAFL is currently employing the Temenos T24 Core Banking System. The division ensures smooth operation of the system. Furthermore, the division provides back office support for all areas including back-end credit card and help desk systems.
ii. Application and Enterprise Architecture: The division develops and supports Alternate-Delivery Channel (ADC) technology to provide banking services to clients through various mediums such as mobile apps, internet banking and ATMs.

Furthermore, the division is responsible for developing Enterprise Architecture (EA), a holistic approach towards principles and practices to guide the bank through business, information, process, and technology changes necessary to execute strategies.

iii. Business Technology Alignment: The goal of the division remains to integrate I.T to the strategy and mission set by the Board and Senior Management for the overall improved performance.

iv. Technology Service: The division maintains upkeep of the bank data center along with network and communications.

v. Service Management: The division oversees I.T governance compliance and the project management office.

BAFL is currently operating on the Temenos T-24 core banking system, version R13 while international operations are set up on different banking systems. Management has plans to bring all international operations on T24 version R16 by end 2017 while core banking systems employed in Pakistan will be upgraded to version R17, when made available. For back-end services, the bank employs Oracle ERP. Recently, the bank has implemented the Human Capital Management system.

The branch network of BAFL is centralized with the Head Office in Karachi. Branches are provided two fiber network connections and if not available, wireless connections are established. Connections are dependent on the bandwidth requirements of branches with priorities placed towards customer related transactions. The Karachi Head Office maintains the primary data center while the disaster recovery (DR) site is situated at the PTCL office in Lahore. The department conducts continuous penetration testing to further enhance security measures.

Islamic Banking (IB)

Table 04: BAFL Islamic Banking Balance Sheet

	9M16		2015	
	Rs. m	**%**	**Rs. m**	**%**
Cash & Bank balances	13,290	7.2%	9,516	7.2%
Investments	63,078	44.2%	59,425	45.2%
Advances	42,319	29.7%	42,056	32.0%
Others	26,931	18.9%	20,500	15.6%
Total Assets	**142,619**		**131,497**	
Deposits	112,226	85.1%	105,407	86.3%
Current	*38,676*	*34.5%*	*37,357*	*35.4%*
Saving	*52,594*	*46.9%*	*51,824*	*49.2%*
TDR	*18,266*	*16.3%*	*14,714*	*14.0%*
Others	*1,749*	*1.6%*	*1,269*	*1.2%*
PLS – rec	*915*	*0.8%*	*240*	*0.2%*
PLS – non remunerative	*5*	*0.0%*	*2*	*0.0%*
Others	19,726	14.9%	16,717	13.7%
Total Liabilities	**131,951**		**122,125**	
Islamic Banking Fund	1,830		1,800	
Exchange Translation Reserve	2		0	
Unappropriated Profit	7,524		6,464	
	9,355		8,264	
Surplus on revaluation of assets	1,342		1,108	
Net Equity	**10,668**		**9,372**	

Total asset base of the IB division of BAFL grew 8.5% amounting to Rs. 143b (2015: Rs. 131b) at end-9M16. Growth is attributed towards increase deposit taking conducted by the bank.

BAFL IB operates through 153 branches nationwide, segregated into five regions, namely: South, Multan, Faisalabad, Lahore and North. During FY16, the bank has had to close down a handful of branches on account of continued losses.

The investment portfolio of BAFL IB primarily comprises GoP Ijarah Sukuk holdings while advances are made largely to government owned / backed organisations. Going forward, the division intends to focus on Small and Medium Enterprise (SME) and consumer finance for advances growth.

Profit before tax of the division for the period 9M16 fell by 33% and amounted to Rs. 1.1b (9M15: Rs. 1.6b). Contraction in spreads has limited profitability for IB. The 2017 strategy has been set to consolidate the current foothold and expand through number of windows, where

training conventional branch personnel on IB products is only an incremental cost.

Financial Analysis

Asset Mix History

Table 05: BAFL Financial History

In Rs. m	9M16	2015	2014	2013
Cash & Bank Balances	8%	9%	8%	16%
Investments	47%	47%	44%	36%
Advances	38%	37%	39%	43%
Others	7%	7%	9%	6%
Total Assets	**870,405**	**902,608**	**743,128**	**610,614**
Borrowings	16%	20%	8%	4%
Deposits	75%	75%	87%	91%
Subordinated Loans	1%	1%	1%	2%
Others	4%	3%	4%	3%
Total Liabilities	**811,419**	**849,254**	**698,309**	**578,713**
Share Capital	34%	37%	42%	48%
Reserves	33%	33%	33%	26%
Unappropriated Profit	33%	29%	25%	27%
Shareholder's Equity	**47,312**	**42,425**	**37,824**	**28,266**
Surplus on revaluation of assets	20%	20%	16%	11%
Net Equity	**58,986**	**53,353**	**44,819**	**31,902**

Total asset base of BAFL has grown at a CAGR 17.0% from Rs. 411.5b at end-2010 to Rs. 902.6b at end-2015. Growth has been driven by an increasing deposit base that followed a CAGR 12.6% during the same period amounting to Rs. 640.2b at end-2015.

The asset base of BAFL decreased by 3.6% and amounted to Rs. 870.4b (2015: 902.6b) at end-9M16. Reduction in the asset side was on account of lower borrowings at end-9M16. Investments and net advances portfolio reduced, amounting to Rs. 409.5b and Rs. 327.7b (2015: Rs. 423.1b and Rs. 334.2b), respectively, at end-9M16. Aggregate exposure to the sovereign by way of investments & public sector advances represented 50.8% (2014: 48.7%) of total assets at end-2015.

Credit Risk

Overall credit risk profile of the bank has improved on a timeline basis with reduction in infection levels, increase in provisioning coverage and higher proportion of government guaranteed exposure in advances portfolio. Financing portfolio comprises a mix of corporate, retail and consumer portfolio. While concentration risk in advances portfolio remains, the same is mitigated by financing to government guaranteed exposures and lengthy lending relationship with most clients.

The gross financing portfolio of BAFL amounted to Rs. 344.1b (2015: Rs. 350.4b) at end-9M16. Major portion of the portfolio is concentrated in the corporate and Islamic segment (6M16: 68.1%, 2015: 68.6%) while retail portfolio (6M16: 22.1%, 2015: 21.3%) represents the other major contribution.

Table 06: Segment-wise advances portfolio

	6M16		2015		2014	
	Rs. m	%	Rs. m	%	Rs. m	%
Consumer	18,967	5.5	17,068	4.9	15,073	4.8
Retail	79,860	22.1	73,094	20.9	69,501	22.3
Pakistan Islamic	41,905	11.6	43,021	12.3	37,218	12.0
Corporate	204,408	56.5	199,576	57.0	172,361	55.3
Foreign Operations	12,050	3.3	14,049	4.0	13,962	4.5
Others	4,355	1.2	3,543	1.0	3,390	1.1
Total	**361,545**		**350,351**		**311,505**	

Corporate

Top 20 clients of BAFL primarily comprise government guaranteed exposures and blue-chip companies in the domestic market. At end-2015, top 20 clients represented 32.5% of the gross funded & non-funded portfolio.

Overall sector exposures are diversified with the largest sectoral exposure is to the 'Production and Transmission of Energy' sector followed by the 'Textile' and 'Oil & Gas sector'. In percentage terms, around 15% of the portfolio is concentrated in the 'Production and Transmission of Energy' sector. However, lending to a single government guaranteed exposure represents over 50% of the power sector exposure. 'Textile' (composite, spinning and

weaving) and 'Oil & Gas' sector represented 14.9% and 9.5% (2014: Rs. 15.8% and 3.2%) of the gross advances portfolio at end-2015, respectively. Sector-wise infection is highest in the textile, fertilizer and oil and gas sectors. Gross infection levels in textile and oil & gas sectors stood at 7.9% and 7.0% (2014: 6.5% and 13.3%) at end-2015, respectively. Accounting for provisioning, net infection stood at 0.4% and 2.9% (2014: 1.0% and 8.1%), respectively.

Table 07: Sector-wise advances portfolio

2015						
Sector	**Rs. m**	**%**	**NPLs**	**S.P.**	**G.I.**	**N.I.**
Prod. and Transmission of Energy	52,891	15.4%	2	2	0.0%	0.0%
Textile*	51,099	14.9%	4,025	3,854	7.9%	0.4%
Oil & Gas	32,561	9.5%	2,271	1,368	7.0%	2.9%
Agribusiness	25,426	7.4%	293	150	1.2%	0.6%
Fertilizers	10,761	3.1%	791	794	7.3%	0.0%
Food & Allied Products	10,401	3.0%	273	203	2.6%	0.7%
Total	**343,490**		**18,455**	**15,453**	**5.4%**	**0.9%**
2014						
Sector	**Rs. m**	**%**	**NPLs**	**S.P.**	**G.I.**	**N.I.**
Prod. and Transmission of Energy	48,627	14.2%	7	-	0.0%	0.0%
Textile*	54,108	15.8%	3,536	3,007	6.5%	1.0%
Oil & Gas	21,194	6.2%	2,815	1,204	13.3%	8.1%
Agribusiness	21,453	6.2%	334	56	1.6%	1.3%
Fertilizers	8,096	2.4%	791	674	9.8%	1.6%
Food & Allied Products	15,623	4.5%	185	118	1.2%	0.4%
Total	**304,848**		**19,412**	**13,601**	**6.4%**	**2.0%**

**Textile includes composite, spinning and weaving*
S.P. – Specific Provisioning
G.I. – Gross Infection
N.I. – Net Infection

Going forward, BAFL intends to grow its corporate book to clients with strong risk profile and against counterparties against which the Bank has had satisfactory lending relationships in the past.

Consumer

Table 08: Consumer Portfolio

	6M16			2015		
	Rs. m	**G.I.**	**N.I.**	**Rs. m**	**G.I.**	**N.I.**
Cards	4,618	1.07%	0.03%	4,491	1.05%	0.00%
Auto	12,585	0.54%	0.19%	9,561	5.27%	0.11%
Home Finance	3,250	11.90%	0.99%	3,101	12.71%	1.21%
Other Personal loans	407	0.27%	0.15%	115	0%	0.00%
Total	**18,867**	**15.99%**	**1.37%**	**17,468**	**14.01%**	**1.42%**

Consumer portfolio witnessed growth of 22% during 6M16 with growth being driven by the personal loan segment. In absolute terms, growth has been witnessed across all three major segments of the portfolio. Secured consumer portfolio represented around two-third of the overall consumer portfolio with auto segment comprising around half of the consumer portfolio at end-6M16.

Unsecured personal loans represent around one-tenth of the portfolio. Personal Loan product is targeted primarily towards salaried individuals with minimum loan amount set at Rs. 50,000/- requiring a salary of Rs. 50,000/-. Markup charged against the product can vary between 16-24% above One-Year KIBOR.

International

The bank currently has exposure in three foreign countries, namely: Bangladesh, Bahrain and Afghanistan. Gross international portfolio witnessed a decline at end-June'2016 vis-à-vis at year-end'2015. Being present in Bangladesh since 2005, the bank has developed a sizeable customer base representing 79% (2015: 73%) of the total international portfolio. However, competition in the banking sector is high with the bank focused primarily on non-fund based business.

Table 09: International Operations

	6M16			2015		
Country	**Rs. m**	**G.I**	**N.I**	**Rs. m**	**G.I**	**N.I**
Bangladesh	9,550	3.6%	1.1%	10,242	6.1%	1.1%
Bahrain	1,690	0.0%	0.0%	2,115	0.0%	0.0%
Afghanistan	805	0.0%	0.0%	1,692	0.0%	0.0%
Total	12,050	2.9%	0.8%	14,048	4.4%	1.0%

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

During 2016, BAFL has significantly reduced its portfolio in Afghanistan given the security situation in the country. BAFL operates with 1 wholesale banking branch in Bahrain with portfolio amounting to Rs. 1.69b at end June'2016. Going forward, the bank intends to begin operations in Dubai in 2017.

Asset Quality

Table 10: Portfolio asset quality

	9M16	2015	2014	2013	2012
Gross Infection	5.4%	5.4%	6.4%	6.6%	8.9%
Net Infection	1.0%	0.9%	2.0%	2.1%	3.5%
Provisioning Coverage	87.5%	87.7%	73.4%	72.7%	65.0%

Asset quality indicators of the bank have posted gradual and continuous improvement over the last 4 years. Growth in financing portfolio and higher provisioning charge has resulted in improvement in gross and net infection indicators. Gross infection has declined to 5.4% at end-9M16 while net infection reduced to 1.0%. At end-9M16, provisioning coverage (overall) increased to 87.5% as compared to 65% at end-2012.

Based on the Obligator Risk Rating (ORR), 85% of the corporate portfolio lies in the low-medium risk levels with around one-tenth comprising watch list exposures. Infection in the consumer portfolio compares favorably to industry average. With most of the lending in the personal loan category being undertaken during 2016, asset quality indicators of the same will be evident as portfolio matures.

Investment Portfolio

The investment portfolio of BAFL at market value amounted to Rs. 409.5b (2015: Rs. 423.1b) at end-9M16. The portfolio primarily comprises fixed income exposures representing almost 98% of the total investment portfolio.

Table 11: Investment Portfolio at market value

	9M16		2015	
	Rs. m	%	Rs. m	%
Federal Securities	**359,813**	**87.9%**	**381,219**	**90.1%**
PIBs	*238,973*	*58.1%*	*235,075*	*55.6%*
GoP Ijarah Sukuk	*30,515*	*7.5%*	*27,707*	*6.5%*
T-Bills	*65,222*	*15.9%*	*92,435*	*21.8%*
Other Government Securities	*26,603*	*6.5%*	*26,003*	*6.1%*
Overseas	**31,900**	**7.8%**	**25,969**	**6.1%**
Government Securities	*19,639*	*4.8%*	*13,809*	*3.3%*
Pakistan Euro bond	*2,248*	*0.5%*	*5,831*	*1.4%*
Bonds / Sukuks	*10,013*	*2.4%*	*6,329*	*1.5%*
Ordinary Shares	**7,178**	**1.8%**	**5,787**	**1.4%**
Listed	*7,156*	*1.7%*	*5,783*	*1.4%*
Unlisted	*22*	*0.0%*	*4*	*0.0%*
Preference Shares	**-**		**300**	**0.1%**
Listed	-		-	
Unlisted	-		*300*	*0.1%*
Fixed Income	**6,626**	**1.6%**	**6,185**	**1.5%**
TFCs	*315*	*0.1%*	*683*	*0.2%*
Sukuk Bonds - Corporate	*6,311*	*1.5%*	*5,503*	*1.3%*
Mutual Funds*	**1,276**	**0.3%**	**1,372**	**0.3%**
Associates & Subsidiaries**	**2,268**	**0.6%**	**2,268**	**0.5%**
Others	**486**	**0.1%**	**-**	**0.0%**
Total	**409,547**		**423,100**	

**Classified as associates & subsidiaries*

***Excluding mutual fund investment*

Investment in government securities amounted to Rs. 360b (2015: Rs. 381b) at end-9M16 representing 88% (2105: 90%) of the portfolio. While increase was witnessed in PIB holdings, exposure to T-Bills declined. The PIB portfolio of BAFL represents 58% (2015: 56%) of the total portfolio and amounted to Rs. 238b (2015: Rs. 235b) at end 9M16. Duration of the portfolio at end 9M16 increased to 1.98 years (2015: 1.61 years). Unrealized gain on the PIB portfolio at end-9M16 amounted to Rs. 8.8b (2015: Rs. 9.0b).

While credit risk emanating from the investment portfolio is considered low with sizeable investment in government securities, exposure to market risk has increased on a timeline basis with increase in duration.

The overseas portfolio comprises fixed income instrument exposure in federal government securities of Bahrain, Kazakhstan, Afghanistan, Bangladesh, Mexico and Indonesia; on a consolidated basis they represent about 4.8% (2015: 3.3%) of the portfolio at end-9M16. The bank maintains a sizeable investment in international corporate bonds increasing to Rs. 10b (2015: Rs. 6b).

The bank holds an equity portfolio amounting to Rs. 7.2b (2015: Rs. 5.8b) at end-9M16 which primarily comprises commercial banks, power, oil & gas and real estate. The equity portfolio represents 12.2% (2015: 10.8%) of the bank's net equity, at end-9M16. The market risk emanating from the portfolio is deemed manageable.

Investments in associates and subsidiaries are classified as strategic investments. These include holdings in Alfalah GHP funds, Warid Telecom, Alfalah Securities and Sapphire Wind Power Company Limited.

Liquidity & Funding

Liquidity profile of the bank is strong as reflected in an improving depositor profile with increase in proportion of non-remunerative current accounts and lower depositor concentration levels. Sizeable liquid assets carried on the balance sheet further support the bank's liquidity profile.

The deposit base of BAFL has grown at a CAGR of 12.6% for the period 2010-2015 amounting to Rs. 640.2b at end-2015. Deposit base at end-2015 represents a market share of 6.2% (2014: 6.7%). Total deposits witnessed only a slight growth during 9M16 and amounted to Rs. 641.1b. Growth in deposit base during 2015 and 9M16 has lagged behind industry growth. As per management, this is part of a deliberate strategy to further improve deposit profile and manage spreads in a low interest rate environment and in the backdrop of significant competition for lending rates.

Table 12: Deposit base

	9M16		2015		2014	
	Rs. m	%	Rs. m	%	Rs. m	%
Current	254,608	39.7%	234,795	36.7%	215,500	35.7%
Savings	228,410	35.6%	210,368	32.9%	196,118	32.5%
Fixed	121,637	19.0%	137,604	21.5%	155,480	25.8%
Others	36,785	5.7%	57,421	9.0%	37,864	6.3%
Total Deposits	**641,441**		**640,189**		**602,963**	

Deposit profile has witnessed significant improvement with reduction in high cost fixed deposit and growth in non-remunerative current accounts (CA). CA represented 39.7% (2015: 36.7%) of the total deposit base at end-9M16 while CASA (current account savings account) comprised 75.3% (2015: 69.5%, 2014: 68.3%) of the deposit base. Resultantly, cost of deposits of the bank fell from 5.15% at during 2014 to 3.1% during 9M16 (2015: 4.0%). Non-remunerative CA portion of BAFL stands highest amongst peers.

Table 13: Peer comparison

at end-9M16	BAFL	HMB	BAHL	ABL	Askari	Meezan	Peer average
CA	**39.7%**	22.9%	35.0%	31.4%	25.9%	33.6%	29.8%
CASA	**75.3%**	54.7%	75.7%	71.1%	79.7%	74.3%	71.1%

Table 14: Depositor Concentration

	9M16		2015		2014	
	Rs. m	%	Rs. m	%	Rs. m	%
Largest	12,069	1.9%	15,703	2.5%	7,123	1.2%
Top 10	56,183	8.8%	65,912	10.3%	56,394	9.4%
Top 20	85,593	13.3%	92,875	14.5%	91,540	15.2%
Top 50	131,611	20.5%	137,134	21.4%	140,306	23.4%
Total Deposits	**641,441**		**640,189**		**602,963**	

Depositor concentration for BAFL has improved over the last two years with focus on retail deposits. While corporate deposits have decreased from Rs. 107.3b at end-2014 to Rs. 84.6b at end-9M16 (2015: 103.8b), retail deposits have increased from Rs. 370.4b at end-2014 to Rs.

401.4b at end-6M16 (2015: Rs. 393.9b). Subsequently, top 50 deposits amounted to 20.5% (2015: 21.4%) of the deposit base at end-9M16.

Table 15: International Deposits

In Rs. m	6M16	2015	2014
Total	35,655	36,675	37,368

BAFL has set up seven branches in Bangladesh and an additional three branches in Afghanistan to conduct international operations. Furthermore, the bank has a Wholesale Banking Unit operating in Bahrain. Deposits mobilized from overseas operations have witnessed a slight decline on a timeline basis.

With limited growth in advances and deposits, ADR (Gross Advances to Deposits ratio) of the bank has remained stable at 53.65% (2015: 51.0%, 2014: 48.3%) at end-9M16. At end-6M16, domestic and overseas ADR stood at 57.8% (2015: 54.6%; 2014: 51.4%) and 33.8% (2015: 38.3%; 2014: 37.4%), respectively.

Total borrowings of the BAFL significantly dropped at end-9M16 amounting to Rs. 128.0b (2105: Rs. 172.4b; 2014: Rs. 55.2b). Increase in borrowings during 2015 was on account of repo borrowings in order avail the arbitrage opportunity given the differential in discount rate and rates on PIBs. With lower arbitrage opportunity, repo borrowings have declined at end-9M16. Remaining borrowings have been mobilized from State Bank of Pakistan (SBP) for various schemes such as Export Refinance, Long-Term Finance for Export Oriented Projects and Long-Term Finance Facility.

Table 16: BAFL Term Finance Certificates

	Rate	Issue Date	Rating	Tenor
TFC-IV	6M-KIBOR + 250bps or 15% payable semi-annually	Dec. 2009	AA-	8 years
TFC-V	6M-KIBOR + 125bps	Feb. 2013	AA-	8 years

The bank currently has two Term Finance Certificates (TFCs) outstanding amounting to a consolidated Rs. 9.98b at end-9M16 (on issue both were worth Rs. 5b, each). These are subordinated in nature.

Liquid assets (adjusted for collateral) increased to Rs. 319b (2015: Rs. 292b) at end-9M16. With increase in liquid assets and decline in deposits & borrowings, liquid assets to total deposits & borrowings (adjusted for repo) increased to 47% (2015: 42%) at end-9M16.

Based on contractual maturity of assets and liabilities, the bank has a significant mismatch of Rs. 543.4b (2014: mismatch Rs. 383.1b) in the one month bucket due to the short term nature of deposits. On an average of up to one year, the mismatch amounted to Rs. 258.1b.

Capitalization

Table 17: BAFL Equity break-up

In Rs. m	9M16	2015	2014
Share Capital	15,952	15,898	15,872
Reserves	15,549	14,164	12,338
Unappropriated Profit	15,810	12,363	9,613
Shareholder's Equity	**47,312**	**42,425**	**37,824**
Surplus on revaluation of assets	11,675	10,928	6,995
Net Equity	**58,986**	**53,353**	**44,819**

Share Capital of BAFL amounted to Rs. 16.0b at end-9M16 (2015: Rs. 15.9b; 2014: Rs. 15.9b). Accounting for reserves and retained profits, equity base stood at Rs. 47.3b (2015: Rs. 42.4b; 2014: Rs. 37.8b). Including surplus on revaluation of assets, net equity increased to Rs. 59.0b (2015: 53.4b; 2014: Rs. 44.8b) at end-9M16. Growth in equity base is attributed towards retained profits and increase in surplus on revaluation of assets. Surplus on revaluation of assets emanates from government securities and operating fixed assets.

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Table 18: BAFL Capital Ratios

	9M16		2015		2014	
	Actual	Reg. (2016)	Actual	Reg.	Actual	Regulated
CET-1 / RWAs	10.00%	6.00%	9.60%	6.00%	9.57%	5.5%
Tier-1 / RWAs	10.88%	7.50%	9.60%	7.50%	9.57%	7.0%
CAR	14.51%	10.25%	13.40%	10.25%	12.75%	10.05%

Capital Adequacy Ratio (CAR) of the bank increased at end-9M16 to 14.51% (2015: 13.40%), well above the Sept-2016 regulatory requirement of 10.25%. Tier-1 CAR has also witnessed noticeable improvement while leverage ratio stood at 3.60% (2015: 3.41%; 2014: 3.90%).

Profitability

Operating profit[1] of the bank declined to Rs. 8.9b (9M15: Rs. 10.2b) during 9M16. The reduction in operating profit between the two periods is attributed towards growth in administrative expenses. However, accounting for lower provisions and higher capital gains, profit before tax was higher and amounted to Rs. 10.6b (9M15: Rs. 10.3b) during 9M16.

Table 19: BAFL Spreads

	9M16	9M15	2015	2014
Avg. Return on earning assets	7.5%	9.2%	8.88%	10.15%
Cost of Deposits	3.1%	4.2%	4.00%	5.15%
Cost of Funds	3.7%	4.8%	4.63%	5.74%
Spreads	3.8%	4.3%	4.24%	4.42%

The bank earned Rs. 43.4b (9M15: Rs. 46.2b) on mark-up bearing assets generating a return of 7.5% (9M15: 9.2%) for 9M15. The reduction in return on mark-up bearing assets was on account of decline in average KIBOR from 7.62% (9M15 average) to 6.23% (9M16 average) and significant competition for lending rates within the banking sector.

With an improved deposit mix and decline in interest rates, interest expense on deposit and borrowings amounted to Rs. 21.8b (9M15: Rs. 25.0b) for the period 9M16. Deposit cost reduced to 3.1% (9M15: 4.2%) during 9M16. Accounting for borrowings, overall cost of funding stood at 3.7% (9M15: 4.8%) for the same period.

Given that decline in interest expense was higher than interest earned, net interest income witnessed an increased to Rs. 21.7b (9M15: Rs. 21.2b) during 9M16. This equates to a spread of 3.8% (9M15: 4.3%) for the period.

Table 20: BAFL Operating Profit

	9M16	9M15	2015	2014
Net interest income	21,687	21,240	28,648	21,873
Fee, commission & brokerage income	3,366	3,299	4,384	4,385
Dividend income	451	418	514	492
Income from FX dealings	888	1,165	1,379	2,243
Recurring Income	**26,392**	**26,123**	**34,926**	**28,794**
Administrative Expenses	17,459	15,915	21,956	20,101
Operating Profit	**8,933**	**10,208**	**12,970**	**8,694**
Efficiency	**66%**	**61%**	**63%**	**70%**

Recurring income generated by BAFL remained at previous year's level at Rs. 26.4b (9M15: Rs. 26.1b) for 9M16. Fee, commission & brokerage income, though sizeable at Rs. 3.4b (9M15: Rs. 3.2b) for the nine month period, represents 15.5% (9M15: 15.5%) of NII.

Administrative expenses grew by 9.7% and amounted to Rs. 17.5b (9M15: Rs. 15.9b) for the period 9M16. Growth in expenses is being driven by increases in 'salaries & wages'. Higher expense base is a function of sizeable employee related costs. Efficiency[2] ratio of the bank increased to 66% (9M15: 61%) for the period 9M16.

[1] *Operating Loss = Recurring Income (Net Mark-up income + Fee commission income + dividend income + income from FX dealings) – Administrative expenses*

[2] Efficiency = Administrative expenses / Recurring income

Total provisioning taken against assets amounted to Rs. 335m (9M15: Rs. 1.35b) during 9M16. Additionally, capital gains against sale of investments increased to Rs. 1.7b (9M15: Rs. 1.3b) for the same period.

Going forward, exposure to high yielding PIBs and decline in cost of deposits bodes well for profitability of the bank. However, in the backdrop of low interest rate environment and competition for lending rates, profitability growth is expected to remain limited. In this regard maintaining administrative expenses within manageable levels is considered important. JCR-VIS

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Bank Alfalah Limited **Appendix I**

FINANCIAL SUMMARY			*(amounts in PKR Billion)*
BALANCE SHEET	30th Sept'16	31st Dec'15	31st Dec'14
Total Investments	410	423	324
Advances	328	334	251
Total Assets	870	903	743
Borrowings	128	172	55
Deposits & other accounts	641	640	606
Subordinated Loans	10	10	10
Tier-1 Equity	41	37	33
Net Worth *(Including Surplus on revaluation of assets)*	59	53	45
INCOME STATEMENT	30th Sept'16	31st Dec'15	31st Dec'14
Net Mark-up Income	22	29	22
Net Provisioning	0	2	2
Non-Markup Income	7	9	9
Operating Expenses	18	23	21
Profit Before Tax	11	13	9
Profit After Tax	6	8	6
RATIO ANALYSIS	30th Sept'16	31st Dec'15	31st Dec'14
Market Share (Advances) (%)	N/a	6.7%	6.4%
Market Share (Deposits) (%)	N/a	6.2%	6.7%
Gross Infection (%)	5.4%	5.4%	6.4%
Total Provisioning Coverage (%)	87.5%	87.7%	73.4%
Net Infection (%)	1.0%	0.9%	2.0%
Cost of deposits (%)	3.1%	4.00%	5.15%
Net NPLs to Tier-1 Capital (%)	7.6%	8.0%	17.1%
Capital Adequacy Ratio (C.A.R (%))	14.51%	13.40%	12.75%
Markup Spreads (%)	3.8%	4.24%	4.42%
Efficiency (%)	66%	63%	70%
ROAA (%)	0.7%	0.9%	0.83%
ROAE (%)	14.0%	18.7%	17.07%
Liquid Assets to Deposits & Borrowings (%)	49.3%	42.7%	61.6%

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

ISSUE/ISSUER RATING SCALE & DEFINITIONS — Appendix II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES					Appendix III
Name of Rated Entity	Bank Alfalah Limited				
Sector	Commercial Banks				
Type of Relationship	Solicited				
Purpose of Rating	Entity rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
			RATING TYPE: ENTITY		
	20/02/2017	AA+	A-1+	Stable	Initial
Instrument Structure	N/a.				
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2017 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.				

5.8 INSTRUMENT RATING REPORT

JCR-VIS Credit Rating Company Limited Rating Report

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

RATING REPORT

Bank Alfalah Limited

REPORT DATE:
November 15, 2017

RATING ANALYSTS:
Talha Iqbal
talha.iqbal@jcrvis.com.pk

RATING DETAILS	
	Tier-1 TFC Rating
Rating Category	**Long-term**
Tier-1 TFC	AA-
Rating Outlook	Stable
Rating Date	*8th November, 2017*
Rating Action	Preliminary

COMPANY INFORMATION	
Incorporated in 1992	**External auditors:** KPMG Taseer Hadi & Co. Chartered Accountants
Public Limited Company	**Chairman of the Board:** Mr. H.H. Sheikh Nahayan Mabarak Al Nahayan
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Nauman Ansari
H.H. Sheikh Nahayan Mabarak Al Nahayan, Chairman – 10.72%	
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan, – 8.42%	
H.E. Sheikh Suroor Bin Mohammad Al Nahyan – 7.16%	
M/s. Electro Mechanical Company LLC – 5.47%	
M/s. International Finance Corporation – 14.81%	

APPLICABLE METHODOLOGY
JCR-VIS Commercial Banks Rating http://www.jcrvis.com.pk/Images/Meth-CommercialBanks201511.pdf

1

JCR-VIS Credit Rating Company Limited Rating Report

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Bank Alfalah Limited (BAFL)

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
Bank Alfalah Limited (BAFL) is a public limited company with majority shareholding held by Abu Dhabi Group (ADG), comprising some of the prominent members of UAE's ruling family and leading businessmen. At end-Sept.'17, the bank was operating out of 482 conventional branches (Sept'16: 486), 151 Islamic branches (Sept'16: 158 branches), 11 overseas branches (Sept'16: 10 branches). BAFL has exposure in four foreign countries, namely: Bangladesh, Afghanistan, Dubai and Bahrain (Wholesale Banking Unit).	Bank Alfalah Limited (BAFL) had a market share of 5.5% in domestic deposits at end-Sept'17 with strong domestic operations and franchise. Strong focus on improving deposit mix has resulted in healthy growth in CASA deposits with proportion of non-remunerative current accounts at 42.4% at end Sep'2017 being highest amongst peer banks. Besides domestic operations, the Bank also has presence in the overseas market (Bangladesh, Afghanistan and Bahrain) and has also launched Dubai operations during the ongoing year. BAFL also enjoys a sizeable Islamic footprint with 18% contribution to total deposits at end Sep'2017. Product portfolio of the Bank is extensive while BAFL's strong correspondent banking network facilitates in providing comprehensive trade services for its clients. This is reflected in highest fee commission income in the peer group. Going forward, key focus areas include SME lending, transaction banking and shift towards digital banking. **The Instrument:** BAFL is in the process of issuing a listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments amounting up to Rs. 7.0b (inclusive of Green Shoe Option of Rs. 2.0b). The TFC will carry mark up at KIBOR+1.5%. The issue proceeds will contribute towards the bank's additional Tier-1 capital and will be utilized towards enhancement of the bank's business operations. **Priority:** In terms of priority of claims, BAFL's Tier 1 instrument will rank ahead of claims of ordinary shareholders but below the bank's senior creditors, including depositors and holders of Tier 2 TFC. **Non-performance risk:** Tier-1 instruments are characterized by higher non-performance risk vis-à-vis Tier-2 instruments on account of issuer having full discretion on coupon payments, interest servicing from only profits for the year and conversion feature in the event of pre specified trigger events in terms of regulatory requirements. While the regulatory framework may not consider a missed coupon payment as a default; the credit rating methodology employed by JCR-VIS would treat such missed payments as an event of default. In normal course of business, JCR-VIS believes that chances of non-performance risk are considered remote given healthy profitability and capital buffers which will be enhanced further post issuance of Tier-1 TFC. Despite existence of full coupon discretion, exercising the feature is not considered likely in normal course of business as it will hamper future fund raising ability of the Bank. **Credit Risk:** Major portion of the Bank's assets comprise exposure to the sovereign/public sector. Aggregate exposure to the sovereign / public sector by way investments & advances represents over half of total assets. Corporate loan book continues to remain the mainstay of the Bank's lending operation while aggregate financing to consumer and SME segment represents around one-tenth of the financing portfolio. Overall sectoral exposures are diversified. While concentration risk in advances portfolio remains, the same is mitigated by financing to government guaranteed exposures and lengthy lending relationship with most clients. Gross financing portfolio depicted an increase of 20.4% during the last one year (Sep'17 vis-à-vis Sep'16) with growth manifested in existing and new clients. Overall credit risk profile of the Bank has improved overtime with reduction in infection levels (9M17: 4.2%;

2

2016: 4.8%; 2012: 8.9%), increase in provisioning coverage (9M17: 89.8%; 2016: 86.1%; 2012: 62.5%) and higher proportion of public sector exposure in advances portfolio.

Liquidity: Deposit base of the bank recorded a growth of 3.2% during 9M17. In terms of deposit growth, BAFL has pursued a consolidation strategy to further improve deposit profile and manage spreads in a low interest rate environment. Resultantly, market share has witnessed a decline over the last two years. Liquidity profile of the Bank is strong as reflected in a healthy depositor profile, improving depositor concentration levels over the last 24 months and sizeable liquid assets in relation to total deposits and borrowings (9M17: 49.4%).

Capitalization: Capitalization indicators have strengthened over time with increase in equity base on account of retained profits while Tier-1 and overall CAR (unconsolidated basis) were reported at 10.99% (2016: 9.86%; 2015: 9.59%) and 13.41% (2016: 13.18%; 2015: 13.27%) at end-9M17, respectively. On consolidated basis, Tier-1 and overall CAR were reported at 11.11% (2016: 9.95%; 2015: 9.73%) and 13.51% (2016: 13.27%; 2015: 13.4%) at end-9M17, respectively. Moreover, net-NPL in relation to tier-1 equity was reported at 3.4% (2016: 6.1%; 2015: 8.0%, 2014: 17.1%) at end-9M17.

Profitability: In contrast to top-tier banks where operating profit has witnessed a decline, BAFL recorded 8.25% increase in operating profit during FY17 on account of sizeable growth in fee commission income and cost control measures introduced by the management. Despite declining return on earning assets, the Bank was able to maintain net interest income around prior period level due to sizeable reduction in cost of deposits and volumetric growth in Balance Sheet. This along with reversal in provisions and higher income from gain on sale of securities translated in an increase in profit before tax by 14.3% during 9M17.

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Bank Alfalah Limited (BAFL) — Appendix I

FINANCIAL SUMMARY			Rs. billions
BALANCE SHEET	**9M2017**	**2016**	**2015**
Total Investments	401	389	423
Advances	398	379	334
Total Assets	970	917	903
Borrowings	208	178	172
Deposits & other accounts	661	641	640
Subordinated Loans	7	8	10
Tier-1 Equity	51	43	37
Net Worth(Excluding Surplus on revaluation of assets)	57	49	53
INCOME STATEMENT	**9M2017**	**2016**	**2015**
Net Mark-up Income	22	29	29
Net Provisioning	(1)	1	2
Non-Markup Income	8	9	9
Operating Expenses	18	23	23
Profit Before Tax	12	13	13
Profit After Tax	7	8	8
RATIO ANALYSIS	**9M2017**	**2016**	**2015**
Gross Infection (%)	4.2%	4.8%	5.4%
Total Provisioning Coverage (%)	89.8%	86.1%	83.7%
Net Infection (%)	0.4%	0.7%	0.9%
Cost of deposits (%)	2.56%	3.00%	4.00%
Net NPLs to Tier-1 Capital (%)	3.4%	6.1%	8.0%
Capital Adequacy Ratio (C.A.R (%))	13.41%	13.18%	13.27%
Markup Spreads (%)	3.56%	3.7%	4.2%
Efficiency (%)	64.8%	66.6%	62.9%
ROAA (%)	1.0%	0.9%	0.9%
ROAE (%)	18.1%	17.4%	19.1%
Liquid Assets to Deposits & Borrowings (%)	49.4%	52.3%	57.9%

4

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

ISSUE/ISSUER RATING SCALE & DEFINITIONS — Appendix II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

5

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES					Appendix III
Name of Rated Entity	Bank Alfalah Limited (BAFL)				
Sector	Commercial Bank				
Type of Relationship	Solicited				
Purpose of Rating	TFC Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	8-Nov-17	AA-	N/A	Stable	Preliminary
Instrument Structure	BAFL is in the process of issuing a listed, perpetual, unsecured, subordinated, non cumulative and contingent convertible debt instruments amounting up to Rs. 7.0b (inclusive of Green Shoe Option of Rs. 2.0b). The TFC will carry mark-up at KIBOR+1.5%. The issue proceeds will contribute towards the bank's additional Tier-1 capital and will be utilized towards enhancement of the bank's business operations.				
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2017 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.				

6

PART VI

6 TRUSTEE AND SECURITY

6.1 TRUSTEE AND SECURITY

6.1.1 THE SECURITY

BAFL is not providing any security for the TFC issue. Further, the TFCs are being issued as subordinated debt as per the guidelines set by the SBP under the Banking Supervision Department Circular No. 8 dated June 27, 2006. The TFCs are unsecured and subordinated debt instruments.

At any time after the occurrence of one or more of the Events of Default (refer to section 6.1.9), the Trustee may at its discretion or upon being instructed by the TFC Holders, through an Ordinary Resolution (refer to section 6.1.6 ii), take such proceedings against the Issuer as it may deem fit or as instructed by the TFC Holders, subject to the terms of Trust Deed dated December 26, 2017.

6.1.2 THE TRUSTEE

In order to safeguard the interests of the TFC Holders, Pak Brunei Investment Company Limited has been appointed to act as Trustee for the Issue. The Issuer shall pay to the Trustee in respect of its acting as Trustee a fixed fee of PKR 2,000,000/- per annum. The fee shall be payable at the beginning of each year commencing from the date of signing of the Trust Deed and on each subsequent anniversary thereof.

Although the TFCs are unsecured, the rights of the TFC holders are still protected as per the terms of the Trust Deed. The Security Trust Deed between the Company and the Trustee specifies the functions and obligations of the Trustee. Furthermore, the Trustee has all the powers available to it under the Trusts Act, 1882 and the Debt Securities Trustee Regulations, 2017.

6.1.3 THE TRUST DEED

The Trust Deed signed between the Bank and Pak Brunei Investment Company Limited specifies the rights and the obligations of the Trustee. In the event of Issuer defaulting on any of its obligations under the terms of the Trust Deed, the Trustee may enforce Issuer's obligations in accordance with the terms of the Trust Deed. The proceeds of any such enforcement shall be distributed to the TFC Holders at the time on a pari passu basis in proportion to the amounts owed to them pursuant to the TFCs.

6.1.4 POWERS OF THE TRUSTEE

The Trustee shall have all the powers and discretions conferred upon trustees by the Trust Act, 1882 (to the extent not inconsistent with the Trust Deed) and any other Applicable Laws and in addition thereto it is expressly declared as follows:

i. the Trustee shall in terms of the Trust Deed, for the benefit of the TFC Holders, seek the enforcement and implementation of the Issuer's Covenants, in case of an Event of Default;

ii. the Trustee may in relation to any of the provisions of the Trust Deed pay for the advice or services of, and act on the opinion or advice of, or any information obtained (whether by the Trustee or any

other person duly authorized by the Trustee), from any lawyer, accountant, banker, broker, surveyor, valuer or other professional advisor or other expert whose advice, services, opinion or information may to it seem reasonably necessary, expedient or desirable and shall not be responsible for any loss occasioned by so acting;

iii. any such advice or opinion or information referred to in the previous clause may be sent or obtained by letter, telegram, telex, cable or facsimile transmission and the Trustee shall not be liable for acting on any such advice, opinion or information purporting to be conveyed by any such letter, telegram, telex, cable or facsimile transmission although the same shall contain some error or shall not be authentic provided that such error or lack of authenticity is not manifest;

iv. the Trustee shall be at liberty to place the Trust Deed and any other instrument, documents or deed delivered to it pursuant to or in connection with the Trust Deed for the time being in its possession in any safe deposit selected by the Trustee or with any bank, any company whose business includes undertaking the safe custody of documents or any firm of lawyers and the Trustee shall not be responsible for any loss thereby incurred (save that the Trustee shall take reasonable steps to pursue any person who may be liable to it in connection with such loss);

v. the Trustee shall (without any consent or sanction of the TFC Holders) have full authority, on behalf of the TFC Holders', to give any form of consent or authorization, where requested by the Issuer, unless the Trust Deed specifically provides otherwise. Such consent or authorization shall bind the TFC Holders accordingly;

vi. save as otherwise expressly provided in the Trust Deed and unless directed to the contrary by the TFC Holders in accordance with the terms of the Trust Deed, the Trustee shall as regards all rights, trusts, powers, authorities and discretions vested in it by the Trust Deed have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and as to the manner and time of any such exercise thereof and provided it shall have acted lawfully, it shall be in no way responsible for any loss, costs, damages, expenses or inconveniences resulting from the exercise or non-exercise thereof;

vii. the Trustee (or any of its directors or officers) shall not be precluded by reason of its acting as Trustee hereunder from underwriting, guaranteeing the subscription of, subscribing of or otherwise acquiring, holding or dealing with any debentures, TFCs, shares or securities whatsoever of the Issuer or any subsidiary thereof or any other company in which the Issuer may be interested or from entering into any contract or financial or other transaction with or from engaging in any other business with, or from accepting or holding the trusteeship of any other declaration constituting or securing any securities issued by or relating to, the Issuer or any subsidiary thereof or any other company in which the Issuer or any such subsidiary may be interested. The Trustee shall not be liable to account for any profit made or payment received by it thereby or in connection therewith provided that the Trustee shall ensure that, as far as practicable, the personnel assigned to deal with normal administrative matters in relation to such other trusteeship shall not be assigned to deal with any functions in relation to the trusteeship of the Trust Deed and vice versa;

viii. the Trustee may assume that no event which entitles the TFC Holders to exercise any of their rights under the Trust Deed has occurred and that the Issuer is not in breach of any of its obligations under the Trust Deed, unless it has received either a written notice to the contrary from the Issuer or a notice or information which the Trustee believes to be accurate regarding an occurrence of an Event of Default;

ix. the Trustee shall not be liable for acting in relation to the Trust Deed or any related documents or any notice, request, certificate, direction or other communication or other document purporting to emanate from the Issuer or any other person notwithstanding that the same shall include some error or omission or not be authentic;

x. the Trustee may call for and rely as to any matters of fact in relation to the TFCs which might reasonably be expected to be within the knowledge of the Issuer upon a certificate signed by authorized signatories of the Issuer, the names of whom shall be conveyed to the Trustee pursuant to the signing of the Trust Deed, as sufficient evidence thereof and shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by the Trustee failing to do so;

xi. the Trustee shall not be responsible for any recitals or statements, warranties or representations of any party (other than the Trustee) contained herein or for the execution, effectiveness, genuineness, validity, admissibility in evidence or enforceability of any such agreement or other document or any obligations or rights created or purported to be created thereby (nor shall it be responsible or liable to any person because of any invalidity of any provision of such documents, whether arising from statute, law or decision of any court or otherwise).

6.1.5 OBLIGATIONS OF THE TRUSTEE

The Trustee shall:

(a) within three (3) Business Days of receipt by the Trustee, inform the TFC Holders of any notice in writing received by it or any information received by it which it believes to be accurate of: (i) any general meeting of the Issuer convened for the purpose of considering any resolution of the winding-up of the Issuer; (ii) any such resolution of the winding up of the Issuer being proposed (whether in general meeting or otherwise); or (iii) any petition for the winding-up of the Issuer or for the appointment of an administrator of the Issuer or a receiver in respect of the property / assets of the Issuer; and (iv) any actual breach by itself or the Issuer of any of its or the Issuer's obligations under the Trust Deed (including the steps taken by the Issuer to remedy the same);

(b) for the purposes of the Article, "*Obligations of the Trustee"* of the Trust Deed, the Trustee may inform the TFC Holders of the notice or notices referred to above in the manner set out in the Trust Deed. In addition, the Trustee may make available at its offices during business hours a copy of the notice, or notices, for the inspection of TFC Holders;

(c) except as herein otherwise expressly provided, be authorized to assume without enquiry, and it is hereby declared to be the intention that it shall assume without enquiry, in the absence of express written notice to the contrary, that the Issuer is duly performing and observing all the provisions contained in the Trust Deed and that all covenants, warranties and undertakings contained in the Trust Deed are being complied with and that no event or circumstances which might constitute an Event of Default has occurred or exists;

(d) subject to Article "*Powers of the Trustee"* of the Trust Deed, be entitled to refrain from exercising any right, power or discretion vested in it hereunder unless and until the Trustee is indemnified or granted security in accordance with Article '*Indemnification of the Trustee*" of the Trust Deed; and

(e) duly perform and comply with all functions, duties and obligations set out under the Applicable Laws, in particular the Debt Securities Trustee Regulations, 2017.

The Trustee shall not:

(a) be bound to disclose to any other person any information relating to the Issuer if such disclosure would or might in its sole opinion constitute a breach of any law or regulation or be otherwise actionable at the suit of any person unless otherwise required to be disclosed by law or under any direction or order of any competent Authority or Court. The Trustee shall give prior notice to the Issuer and cooperate with the Issuer to enable the Issuer to invoke any remedies that are available under law to prevent such disclosure if legally possible;

(b) under the Trust Deed be concerned with the interests of or owe any duty whatsoever to any persons other than the TFC Holders; or

(c) be under any duty to disclose to any person interested hereunder any confidential information supplied to it which comes to its knowledge through any of its affiliates, directors, employees, delegates or agents and shall not be liable to any person for not doing so.

6.1.6 TRUSTEE AND TFC HOLDERS

i. Subject to the provisions of the Trust Deed, the Trustee shall:

a) act in accordance with any instructions given to it by the TFC Holders;

b) if so instructed by the TFC Holders in accordance with the terms of the Trust Deed, refrain from exercising a right, power or discretion vested in it as trustee under the Trust Deed.

ii. Save as otherwise required by Applicable Laws, all instructions to the Trustee under the Trust Deed, shall be given by passing a simple majority resolution (the "**Ordinary Resolution**") at a meeting of the TFC Holders or by an instrument in writing signed by the TFC Holders holding at least 51% of the total Outstanding Face Value of the TFC Issue; provided that any instructions in respect of any of the matters regarding the Provisions for Meetings of TFC Holders shall be given to the Trustee by passing an Extraordinary Resolution or by an instrument in writing in accordance with the Trust Deed.

iii. The Issuer will, on request from the Trustee, promptly give to the Trustee a written certificate in such form as the Trustee may reasonably require setting out all information available to them to facilitate the performance by the Trustee of its rights, trusts, powers, authorities, discretions, duties and obligations under the Trust Deed.

iv. Notwithstanding any other provision of the Trust Deed the Trustee shall not be obliged to provide any indemnity to, or in favour of, any receiver.

v. Nothing contained in the Trust Deed shall be deemed to relieve and / or in any manner exonerate and / or be interpreted to relieve and / or exonerate the Trustee from any liability for breach of trust or any liability which by virtue of any rules of law would attach to the Trustee in respect of any negligence, default, breach of duty or breach of trust for which the Trustee may be liable in relation to its duties under the Trust Deed, in any case in which the Trustee has failed to show the degree of care and diligence required of it as trustee having regard to the provisions of the Trust Deed imposing or conferring on the Trustee any obligations, powers, duties, authorities or discretions.

6.1.7 OBLIGATION TO ACT WITH DUE CARE

Both the Issuer and the Trustee agree to act in good faith and with due diligence and with all reasonable care which is in the circumstances required in the performance of their duties and obligations under the Trust Deed or when exercising any power, authority or discretion which is vested in them under the Trust Deed.

6.1.8 COVENANTS OF THE ISSUER

Covenant to Pay

i. Subject to the Trust Deed and Applicable Laws, the Issuer shall pay the Coupon Payments to the TFC Holders or Trustee for onward payment to the TFC Holders or to the order of the Trustee (as may be determined by the Issuer) on the relevant Coupon Payment Date(s), without exercising any counterclaim, lien, right of set-off or similar claim in respect thereof in accordance the provisions of the Trust Deed and payment by the Issuer of the amounts due on any Coupon Payment Date to the TFC Holders or Trustee for onward payment to the TFC Holders or to the order of the Trustee (as may be determined by the Issuer), in accordance with the Conditions, shall operate in satisfaction to the extent of the relative covenant of the Issuer contained in this Article.

ii. Notwithstanding anything to the contrary stated herein, the Issuer shall have the discretion to cancel (in whole or in part) any Coupon Payments scheduled to be paid on any Coupon Payment Date and upon such cancellation the TFC Holders shall be deemed to have waived their right to such Coupon Payments. Any cancellation of a Coupon Payment by the Issuer in terms hereof shall not constitute an Event of Default. In the event the Issuer determines that a Coupon Payment shall be cancelled (in whole or in part) as afore-said, the Issuer shall notify the Trustee and the SBP not less than twenty one (21) calendar days prior to the relevant Coupon Payment Date of that fact and of the amount that shall not be paid. It is clarified that in the event any Coupon Payments are cancelled (in whole or in part) as afore-said, the Issuer's obligation to make such payments shall ipso facto stand extinguished and will not accumulate and neither the Trustee nor the TFC Holders shall have any claim in respect thereof.

iii. Notwithstanding anything to the contrary stated herein, and as required by the Circular, the Issuer shall only pay Coupon Payments on the TFCs, if it is in compliance with the Lock-In Clause. Any Coupon Payments made in violation of the Lock-In Clause shall, at the discretion of the SBP, result in the Mandatory Conversion and/or Mandatory Write-off of the TFCs.

iv. Notwithstanding anything to the contrary stated herein, Coupon Payments shall cease on the Issuer exercising the Call Option in accordance with the terms of the Transaction Documents.

Positive Covenants

The Issuer further covenants with the Trustee that:

i. the Issuer shall ensure that: (a) the approval of the shareholders and SECP under Section 83 of the Companies Act, 2017 will be procured in accordance with the directions of the SBP ; and (ii) it will, at all times maintain, sufficient cushion in its authorized and unused share capital to give effect to the Mandatory Conversion in accordance with the Trust Deed;

ii. the Issuer shall ensure that the Issuer or its appointed registrar will, at all times maintain a correct Register of TFC Holders showing their names and addresses, the amount of TFCs held by each and

the date on which such TFC Holder was registered as the holder and the date on which he ceased to be so registered;

iii. that the Issuer shall maintain proper records of its books of accounts and shall subject to Applicable Laws, allow the Trustee during working hours on the Business Day to inspect its books of accounts, provided that the Trustee has provided the Issuer at least ten (10) calendar days notice of its intention to inspect the books of accounts of the Issuer;

iv. the Issuer shall conduct and manage its business affairs with due diligence and efficiency in accordance with sound financial practices;

v. the Issuer will duly perform and observe the obligations imposed upon it by the Transaction Documents;

vi. the Issuer shall promptly inform the Trustee of: (i) any material change in its shareholding structure or its Board of Directors; and (ii) any change in the nature and conduct of the business of the Issuer;

vii. the issuer shall ensure that all information provided to the Trustee in relation to the TFC Issue in terms of the Transaction Documents is accurate and the Issuer has not concealed any material facts/information;

viii. the Issuer shall furnish to the Trustee, copies of all documents, reports, notices and circulars which the Issuer provides to its creditors;

ix. the Issuer shall furnish to the Trustee, any document or information related to the TFC Issue, including copies of its financial reports, report on conversion or redemption of the TFCs in terms of the Trust Deed and report on dividend payments to its shareholders (unless such information is otherwise available in the public domain) and contracts related to the TFC Issue;

x. as and when requested by the Trustee, the Issuer shall ensure that the Issuer or registrar shall provide to the Trustee the Register of and/or extracts therefrom as well as any other document or information pertaining to the TFCs and the TFC Holders at no cost and / or charge to the Trustee;

xi. on each Coupon Payment Date and subject to the Trust Deed, the Issuer shall confirm to the Trustee that the Coupon Payments have been credited to the account designated by each TFC Holder or to an account designated by the Trustee for onward payment to the TFC Holders (as the case may be);

xii. the Issuer shall immediately inform the Trustee of:

a. any general meeting of the Issuer convened for the purpose of considering any resolution for the winding up of the Issuer;
b. any resolution being proposed (whether in general meeting or otherwise) for the winding up of the Issuer;
c. occurrence of any Mandatory Conversion Event or a Mandatory Write-off Event and also inform the SBP of occurrence of such event;
d. any petition for the winding up of the Issuer or for the appointment of an administrator of the Issuer or a receiver in respect of its assets is submitted with any authority or of any order, any notice or direction of a court of law that is passed and affects or is likely to affect the interests of the TFC Holders or of any breach by the Issuer of any of its obligations under the Trust Deed and / or the Transaction Documents; or
e. the occurrence of any Event of Default.

xiii. The issuer shall reschedule or restructure the TFCs subject to fulfilment of the conditions stipulated under the Debt Securities Trustee Regulations, 2017.

Negative Covenants

The Issuer hereby covenants to the Trustee that while the obligations or any part thereof is outstanding, the Issuer shall not, without the prior written consent of the Trustee:

- **i.** sell, transfer or otherwise dispose of, except in the ordinary course of business, more than twenty (20) percent of its undertakings or assets or permit any merger, consolidation, dismantling or reorganization;
- **ii.** take any action which is likely to have a material adverse change;
- **iii.** change its constitutional documents in a manner that may adversely affect its ability to perform its obligations in respect of the TFC Issue;
- **iv.** in the event that the Issuer is unable to pay, or otherwise cancels, a Coupon Payment, then from the date of such non-payment until the time the Issuer pays any subsequent Coupon Payments when due in terms of the Transaction Documents (the "Dividend Stopper Period"), the Issuer undertakes not to declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before the Dividend Stopper Period). For avoidance of doubt, the Issuer may declare dividends or other payments on its Ordinary Shares after resuming Coupon Payment(s) in accordance with the terms of the Transaction Documents;
- **v.** declare or pay any dividends after the occurrence of an Event of Default; and
- **vi.** use any proceeds of the TFC Issue other than to meet the applicable regulatory requirements and for its normal banking business and operations.

Information and Reporting Undertakings

The Issuer covenants with the Trustee that it shall, in form and substance acceptable to the Trustee (and where so directed by the TFC Holders through an Ordinary Resolution) share periodical reports on semi-annual basis with the Trustee, and shall make such reports available to the TFC Holders, as concern the following:

- **i.** details of the Register;
- **ii.** number and nature of grievances received by the Issuer from the TFC Holders and status of resolution thereof; and
- **iii.** amount of Coupon Payments which were waived (in whole or in part, at the discretion of the Issuer) and reasons for waiving such payments and detail of unclaimed / undelivered Coupon Payments (if any).

The Issuer shall provide to the Trustee (in a form acceptable to the Trustee):

- **i.** audited annual accounts within thirty (30) calendar days from the date of the general meeting of the Issuer in which such accounts are approved and semi-annual and quarterly accounts within fifteen (15) calendar days of its publication;
- **ii.** all accounts and financial statements to be provided by the Issuer shall reflect the true and fair view of the financial position of the Issuer and shall be drawn in conformity with generally accepted accounting principles consistently applied; and
- iii. promptly provide to the Trustee such other information (including information related to its financial condition, business and operations) as the Trustee (acting on behalf of the TFC Holders) may from time to time request.

6.1.9 EVENTS OF DEFAULT

Subject to the Trust Deed, each of the following events shall constitute an Event of Default:

i. the failure to redeem the TFCs upon exercise of a Call Option in accordance with the terms of the Transaction Documents and such default is not rectified within fifteen (15) Business Days of the date of such failure as afore-stated;

ii. the Issuer does not comply with any provision of the Transaction Documents or the TFCs (other than those referred to in (i) above and such non-compliance continues for thirty (30) calendar days after the written notice is received by the Issuer from the Trustee; or

iii. any liquidator trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or the like is appointed in respect of the Issuer or any part of its assets and is not discharged within ninety (90) calendar days of such appointment.

6.1.10 CONSEQUENCES OF EVENT OF DEFAULT

i. At any time after the occurrence of one or more of the Events of Default, the Trustee may at its discretion or upon being instructed by the TFC Holders through an Ordinary Resolution, take such proceedings against the Issuer as it may deem fit or as instructed by the TFC Holders in terms hereof, and may also exercise any other right for the purposes of recovering the obligations, including, without limitation, the right to: (i) inspect any document of the Issuer relating to the TFC Issue including the books of accounts, Register and register of shareholders etc. and to take copies and extracts thereof; (ii) subject to applicable laws, appoint nominee directors on the Board of Directors of the Issuer; and (iii) approach a court of competent jurisdiction for the enforcement and implementation of the Issuer's Covenants.

ii. The Trustee shall be entitled to prove in any winding-up of the Issuer in respect of any amounts payable in relation to the TFCs or other moneys payable under any provision of the Trust Deed and any such claim shall be subject to conditions set out in the Trust Deed.

6.1.11 APPLICATION OF PROCEEDS

i. Upon enforcement of the obligations in terms of the Trust Deed, any proceeds recovered / received by the Trustee from such enforcement shall be applied by the Trustee in the following manner:

a. firstly, in payment of all costs, charges, expenses and liabilities lawfully incurred and payments made by the Trustee, receiver, any attorney, agent, delegate, sub-delegate or other person appointed by the Trustee in the execution of any powers, authorities or discretions vested in the Trustee pursuant to the Trust Deed including (without limitation upon the foregoing) the remuneration of the Trustee under the Trust Deed and of every such receiver or such other person;

b. secondly, in or towards payment of the obligations to the TFC Holders on a pari passu basis in proportion to the amount owed to the respective TFC Holders pursuant to the TFCs; and

c. Lastly, the surplus (if any) after the payment of all obligations in full shall be paid to or to the order of the Issuer.

ii. Payment of the Proceeds to the TFC Holders shall be made by the Trustee net of any deductions required under applicable law. If the full amount of the obligations is not paid, then the record of ownership of such TFCs (which are held as book entry securities) for which such payment shall be

made will be produced to the Trustee, who shall cause a memorandum of the amount and date of payment to be recorded on the Register against the name of each TFC Holder. The Trustee may dispense with the production of the record of ownership of TFCs in any particular case, on such indemnity being given as it shall think sufficient.

6.1.12 MANDATORY CONVERSION

Mandatory Conversion

i. Upon the occurrence of a Mandatory Conversion Event, the TFCs shall, subject to the Trust Deed, be forthwith converted by the Issuer in accordance with the direction given by the SBP under applicable laws: (a) in whole, in the case of a conversion in whole; or (b) on a pro rata basis in case of a conversion in part in accordance with the terms set forth in the Trust Deed. Upon occurrence of a Mandatory Conversion Event, the Issuer shall, as soon as reasonably practicable and no later than thirty (30) calendar days from the date of receipt of the SBP direction, provide a written notice to the TFC Holders and the Trustee containing details of the Mandatory Conversion Event, the Outstanding Face Value and the Face Value (for each TFC Holder) which will be converted, the aggregate Ordinary Shares to be issued as part of the Mandatory Conversion and the number of Ordinary Shares to be allotted to each TFC Holder based on the Conversion Price, as defined in the Trust Deed.

ii. Notwithstanding anything contained herein and / or any other instrument and / or document pertaining to the TFCs, a TFC Holder who becomes entitled to 5% or more of the paid up share capital of the Issuer, as a direct and / or indirect result of the Mandatory Conversion, shall be required to procure all consents / approvals required under applicable laws for holding such percentage of shareholding in the Issuer (including, without limitation, the approval of the SBP and satisfaction of the fit and proper criteria of the SBP).

Conditions for Conversion

Mandatory Conversion of the TFCs into Ordinary Shares shall be subject to the following conditions:

a. the Outstanding Face Value of the TFCs to be Mandatorily Converted into Ordinary Shares ("Conversion Amount") will: (i) where the Mandatory Conversion is due to occurrence of a CET 1 Trigger Event, be determined by the Issuer in its sole discretion, provided that such amount is at least equal to the amount required to immediately return the Issuer's CET 1Ratio to above the CET 1Ratio which triggered the CET 1 Trigger Event but will not exceed the amount required to bring the CET 1Ratio to 8.5%; or (ii) where the Mandatory Conversion is due to occurrence of PONV Trigger Event or Lock-In Event, be determined by the SBP in its sole discretion;

b. the Issuer shall determine the aggregate number of Ordinary Shares to be issued to the TFC Holders by dividing the Conversion Amount with the Conversion Price, provided that the number of Ordinary Shares to be issued in respect of a Mandatory Conversion of the TFCs shall not, at any time and notwithstanding any capitalization issue, or any sub-division, consolidation, or reduction of its share capital, or any purchase of its own shares or any other variation in its issued share capital, exceed 191,000,000 Ordinary Shares. Accordingly, the Outstanding Face Value of the TFCs remaining after completion of the Mandatory Conversion shall be Written-off in accordance with the terms of the Transaction Documents.

c. the Issuer shall issue fully paid Ordinary Shares in the form of book entry securities in accordance with applicable laws (including the CDC Laws) in the name of the relevant TFC Holder within thirty

(30) calendar days of issuance of the conversion notice (as defined in the Trust Deed), and accordingly register the name of such TFC Holder in the register of members of the Issuer;

d. The Issuer covenants that: (i) the Ordinary Shares, when issued pursuant to the Mandatory Conversion will be duly and validly issued, fully paid and free from all taxes, liens, and charges with respect to the issuance thereof and shall in all respect rank pari passu with the Ordinary Shares already existing, issued and allotted; (ii) the Issuer will reserve from its authorized and unissued share capital sufficient Ordinary Shares from the Issue Date in order to perform its obligations hereunder in relation to the Mandatory Conversion; and (iii) all stamp duty relating to issuance of Ordinary Shares in terms hereof shall be borne by the Issuer;

e. No fractional Ordinary Shares will be issued upon any Mandatory Conversion in terms hereof, but in lieu of such fractional Ordinary Shares, the Issuer shall round the number of such Ordinary Shares to be issued up to the nearest whole number; and

f. TFCs converted pursuant to this Article shall stand cancelled forthwith in accordance with the CDC Laws.

6.1.13 FAILURE TO CONVERT

In accordance with the requirements of the Basel III Circular, if the Issuer fails to convert the TFCs in accordance with the terms of the Trust Deed or such conversion becomes impossible for any reason whatsoever, the Conversion Amount which could not be converted shall be Written-off in accordance with the terms of the Trust Deed.

6.1.14 Permanent Write Off

Permanent Write-off

Upon the occurrence of a Mandatory Write-off Event, the TFCs shall, subject to the Trust Deed, be forthwith cancelled or written down by the Issuer in accordance with the direction given by the SBP under applicable laws: (a) in whole, in the case of a Write-off in whole; or (b) on a pro rata basis in case of a Write-off in part. Upon such cancellation the following rights of TFC Holders shall, irrevocably and unconditionally, be cancelled or written-down into the extent of the Written-off Amount (defined below):

i. the rights of the TFC Holders against the Issuer upon liquidation of the Issuer;

ii. the rights of the TFC Holders to the amount to be paid on exercise of the same manner as Call Option by the Face Value of Issuer;

iii. the rights of the TFC Holders to the Coupon Payments (including accrued and unpaid Coupon Payments); and

iv. any other rights of the TFC Holders in relation to, or arising from the TFC Issue,

it being clarified that a Write-off in terms of the Trust Deed shall not constitute an Event of Default.

Upon occurrence of a Mandatory Write-off Event, the Issuer shall send a notice to the TFC Holders, the Trustee and, to the extent applicable, the SBP, which shall state the details of the Mandatory Write-off Event, the Write-off Amount (including, for the avoidance of doubt, details of cancellation of accrued (and unpaid) Coupon Payments)), the pro rata Written -off Amount on the Face Value of each TFC and the date on or by which the Write-off pursuant to the Mandatory Write-off Event shall take effect (such statement of which shall, in the absence of manifest error, be binding on all parties).

Write-off Amount

The Outstanding Face Value of the TFCs which will be Written-off in terms of the Trust Deed shall be equal to:

I. if the Write-off is due to occurrence of a PONV Trigger Event or failure by the Issuer to comply with the Lock In Requirement, the amount determined by the SBP in its sole discretion;

ii. if the Write-off is due to occurrence of a CET 1 Trigger Event, the Issuer will have full discretion to determine the amount provided that such amount is at least equal to the amount required to immediately return the Issuer's CET 1 Ratio to above the CET 1 Ratio which triggered the CET 1 Trigger Event but will not exceed the amount required to bring the CET 1 Ratio to 8.5%; or

III. if the Write-off is on account of an impossibility of the Issuer to Mandatorily Convert the TFCs upon occurrence of a Mandatory Conversion Event, the amount equal to the Conversion Amount or part thereof, as the case may be.

6.1.15 EXERCISE OF THE CALL OPTION

Exercise of Call Option by the Issuer

The Outstanding Face Value of the TFCs may, be redeemed by the Issuer in accordance with the terms herein (the "**Call Option**"): (a) in whole, in the case the Issuer exercises the Call Option in whole; or (b) on a pro rata basis in case the Issuer exercises the Call Option in part, provided that the Call Option may be exercised by the Issuer on or after:

(a) expiry of the period commencing on the Issue Date and ending on the fifth (5th) anniversary thereof;

(b) occurrence of any change in, or amendment to, the applicable laws affecting taxation (or regulations or rulings promulgated thereunder) of Pakistan or any change in official application of such laws, regulations or rulings, as a result of which the Issuer will no longer be entitled to claim a deduction in respect of computing its tax liabilities with respect to Coupon Payments payable on the TFCs (the "**Tax Event**"), provided that the Issuer must exercise the Call Option within one hundred and fifty (150) calendar days of the Tax Event; or

(c) receipt of notification by the SBP to the effect that the Outstanding Face Value of the TFCs does not qualify as, or is excluded (in full or in part) from, the ADT 1 Capital of the Issuer (the "**Capital Event**"), provided that the Issuer must exercise the Call Option within one hundred and fifty (150) calendar days of the Capital Event.

((a), (b) and (c) shall collectively be referred to as the "**Call Option Events**")

The Call Option shall only be exercised by the Issuer subject to fulfillment of the following conditions (the "**Call Option Conditions**"):

(a) the Issuer shall obtain prior written approval of the SBP before exercising the Call Option; and

(b) the Issuer replaces the TFCs with capital of the same or better quality and demonstrates that the capital position of the Issuer, after redeeming the TFCs in terms hereof, will be in compliance with the Applicable Regulatory Requirements.

The Issuer shall exercise the Call Option by providing at least forty five (45) calendar days prior written notice to each of the TFC Holders and the Trustee (the "Call Option Notice") specifying therein the Redemption Date, the Outstanding Face Value subject to redemption, the Call Option Price and the aggregate redemption amount payable to the TFC Holder (the "Redemption Amount"). Upon issuance of the Call Option Notice in terms of the forgoing, the Issuer shall be irrevocably bound to redeem the TFCs at the Redemption Price on the relevant Redemption Date as specified in the Call Option Notice. The Issuer shall pay the aggregate Redemption Amount to each TFC Holder as a bullet payment in accordance with the terms set out in the Trust Deed.

Call Option Price

The price per TFC at which the Issuer will redeem the TFCs (or part thereof) upon exercise of a Call Option shall be the Face Value of each TFC plus any accrued Coupon Payment thereon (as may be waived (in whole or in part), at the discretion of the Issuer), which has accrued from the last Coupon Payment Date up to but excluding the Redemption Date (the "Call Option Price").

Redemption

If the TFCs are redeemed, such TFCs shall be cancelled forthwith in accordance with the applicable CDC Laws. Once redeemed and cancelled as aforesaid, the TFCs may not be re-issued and the obligations of the Issuer in respect of the TFCs shall be discharged.

PART VII

7 MANAGEMENT OF THE BANK

7.1 BOARD OF DIRECTORS OF BANK

The Board of Directors of the Bank consists of eight (8) directors, out of which, two are independent directors, five are non-executive directors, and one is an executive director i.e. the CEO of the Bank. The details of current serving directors, overall period of their engagement with the Bank, and their experience/education are mentioned below.

Sr. #	Name of Director	Designation	Name of Company
1	H.H. Sheikh Nahayan Mabarak Al Nahayan	Chairman	Chairman, Alfalah Insurance Company Limited Director, Wateen Telecom Limited Director, Taavun (Pvt) Limited Director, Pakistan Mobile Communications Limited Director, Union National Bank (Abu Dhabi) Proprietor, Dhabi Group Chairman, Dhabi One Investment Services LLC Director, Dhabi Holdings PJSC Director, MAB Investment Inc Director, Salsal Petroleum Ltd LLC, UAE Director, Warid Telecom International LLC, UAE Director, Warid Telecom Pakistan LLC, UAE Director, Wincom Services Pakistan LLC , UAE **Other entities (Ministries / NGO etc)** Minister of State for Tolerance, UAE Future Center for Special Needs, Abu Dhabi (Honorary President & Member of Board of Trustees) Head of Business Group (Chairman) Turkish Business Group (Chairman) Emirates Natural History Group (Patron) Abu Dhabi Cricket Club (Chairman & Patron) Emirates Cricket Board (Chairman) Abu Dhabi Music and Arts Foundation (Patron & President) Medicins San Frontiers UAE (Patron) Al Quds University Friends Committee (Patron)
2	Mr. Abdulla Nasser Hawaileel Al Mansoori	Director	Chairman of the Board, Al Nasser Holdings and Group Companies Director, Al Qahtani Investments LLC
3	Mr. Abdulla Khalil Al Mutawa	Director	General Manager of H.E. Sheikh Suroor Bin Mohammad Al Nahyan (Private Office) Board Member, UAE Banks Associations Director, Abu Dhabi Commercial Bank Ltd

			Director, Makhazen Investment Company Director, EFG Hermes Holding S.A.E.
4	Mr. Khalid Mana Saeed Al Otaiba	Director	Office Manager of H.E. Dr. Mana Saeed Al Otaiba (Personal Advisor, H.H. the President of UAE) Deputy Chairman, Al Otaiba Group of Companies Director, Alfalah Insurance Company Limited Chairman, Liwa International Investment Tourism Chairman, Royal Mirage Hotel & Resorts Ltd, Morocco Director, Ghantout International Director, EFG Hermes Holding S.A.E.
5	Mr. Efstratious Georgious Arapoglou	Director	Non-executive Board member, EFG Hermes Holding SAE, Egypt Non-executive Board member, Credit Libanais SAL, Lebanon Non-executive Vice Chairman, Titan Cement, Athens, Greece Non-executive Chairman, International Tanker Shipping Company (NYSE Listed) Chairman, International Advisory Board of Tufts University, Medford, Boston, MA Member Advisory Board of the MBA program of the Athens University of Economics and Business The Athens Partnership, USA (NGO)
6	Mr. Khalid Qurashi	Director	Q- Power Corporation, 50% shares held KayTee Holdings Ltd., 50% shares held Pitlochry Associates DMCC 100% shares held
7	Mr. Kamran Y. Mirza	Director	Chairman, Unilever Pakistan Foods Limited Chairman, Philip Morris (Pakistan) Limited Director, Education Funds for Sindh Director, Abbott Laboratories (Pakistan) Limited Director, International Steel Ltd. Director, Karwan-e-Hayat Director, Safari & Outdoor Club of Pakistan
8	Mr. Nauman Ansari	President / CEO and Director	Director , Alfalah Insurance Company Limited Director, Institute of Bankers Pakistan (IBP) Director, Pakistan Institute of Corporate Governance Director, Pakistan Business Council Director, Karachi Education Initiative

The Board plays a leadership role and guides the Management on key strategic issues/matters, without getting involved in day-to-day operations of the Bank. The Board assumes its role independent of the influence of the Management and knows its responsibilities and powers. The Board focuses on policy making and general direction, oversight and supervision of the affairs and business of the Bank.

The Board approves and monitors the objectives, strategies and overall business plans of the Bank and oversees that the affairs of the Bank are carried out prudently within the framework of existing laws & regulations and high business ethics. The Board defines the authorities and key responsibilities of the

Management without delegating its policy-making powers to the Management and ensures that the Management is in the hands of qualified personnel.

The Board also approves and ensures implementation of policies, including but not limited to, in the areas of Risk Management, Credit, Treasury & Investment, Internal Control Systems, and Audit, IT Security, Human Resources, Expenditure, Accounting & Disclosure, and any other operational area which the Board and/or the Management may deem appropriate from time to time. The Board is also responsible to review and update existing policies periodically and/or whenever circumstances justify.

The Board has formed following specialized committees with well-defined objectives, authorities and tenure, in order to share the load of activities.

- Board Audit Committee
- Board Strategy and Finance Committee
- Board Risk Management Committee
- Board Human Resource and Nomination Committee
- Board Compensation Committee

7.2 PROFILE OF THE CHAIRMAN

HH Sheikh Nahayan Mabarak Al Nahayan

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, Youth, and Social Development and Minister of Higher Education and Scientific Research. Besides his ministerial responsibilities, he is also Chairman of the General Authority of Youth and Sports Welfare. 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 of Boards and Trusts along with Patronship of various local and foreign organizations and affiliates. His direct and indirect business interests spread across 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 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 higher secondary level before joining Magdalen College at Oxford University, UK.

7.3 PROFILE OF THE CHIEF EXECUTIVE OFFICER

Nauman Ansari – President / CEO and Director

Mr. Nauman Ansari joined the Bank as President and CEO in July 2017. Prior to this, Nauman was serving as President & CEO of Faysal Bank. During his twenty-four years’ professional career he has been associated with various 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 and CEO in 2014.

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

7.4 PROFILE OF NON-EXECUTIVE DIRECTORS

Abdulla Nasser Hawaileel Al-Mansoori – Director

Mr. 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, Mr. 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 and Vice Chairman of General Industrial Corporation, Abu Dhabi. In addition, he held other Board positions and Chairmanship of Abu Dhabi Ship Building Co., PJSC.

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

Abdulla Khalil Al Mutawa –- Director

Mr. Abdulla Khalil Al Mutawa is the General Manager of H.E. Sheikh Suroor Bin Mohammad Al Nahyan. He is a Board Member of the UAE Banks Federation. He is also a Director of the Abu Dhabi Commercial Bank Ltd and Director of Makhazen Investment Company in Abu Dhabi. Mr. Abdulla Khalil Al Mutawa is a former Director of Wateen Telecom Limited, Pakistan and Warid Telecom (Pvt) Limited, Pakistan.

Mr. 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

Mr. 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. Mr. Mana is a Director of Alfalah Insurance Company Limited, Pakistan. He is also Chairman of Liwa International Investment Tourism and Royal Mirage Hotel & Resort Ltd, Morocco. He is also a Director of Ghantout International.

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

Efstratios Georgios Arapoglou - Director

Mr. Efstratios Georgios Arapoglou has extensive experience in managing, growing, restructuring, acquiring and integrating banks and financial institutions, in both developed and emerging markets. He has been part of the Board of Directors and Board Committees of high profile listed companies in Southeastern Europe and the Middle East. Mr. Arapoglou also has experience in interacting with regulators, in raising capital in international equity and debt capital markets, and in developing and maintaining relationships with international institutional investors.

Mr. Arapoglou completed BA in Mathematics from the University of Athens, Greece, B.Sc in Naval Architecture & Ocean Engineering from University of Glasgow, Scotland and MTech in Management from Brunel University, Uxbridge, London.

Khalid Qurashi – Director

Mr. Khalid Qurashi is a 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 center/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.

Mr. Qurashi has served on the Board of Directors of companies abroad and holds a Master's Degree in Administration from Karachi University.

Kamran Y. Mirza – Director

Mr. Kamran Y. Mirza is the Chairman of Philip Morris (Pakistan) Ltd. and Unilever Pakistan Foods Ltd. He is also serving as Director on the Boards of Abbott Pakistan, International Steel, Karwan-e-Hayat, Safari and Outdoor Club of Pakistan, and Education Fund for Sindh. Mr. Mirza has been the Chairman of the Export Processing Zone Authority from 2007 to 2009. He has also served as Chairman of Pakistan Mercantile Exchange Ltd. and Karachi Stock Exchange (KSE), President of Overseas Investors Chamber of Commerce and Industry, American Business Council and Pharma Bureau (Association of Pharmaceutical Multinationals in Pakistan). He also served the Pakistan Business Council, which is a think tank and a Business Policy Advocacy Forum, as CEO and retired from this position in December 2015.

Mr. Mirza is a Fellow Member of the Institute of Chartered Accountants of Pakistan and the Institute of Chartered Accountants, England and Wales.

7.5 MANAGEMENT TEAM

The Management of the Bank is fully authorized and empowered by the Board to independently run day-to-day affairs/operations of the Bank within the ambit of relevant laws, regulations and policies of the Bank, duly approved by the Board. The Management effectively runs all the operations of the Bank including but not limited to Credit approvals; investments as per approved plan; trade operations; treasury operations; retail, corporate, consumer, branchless, Islamic banking and overseas operations, etc.

The Board has allowed the Management to form management committees, as and when needed and authorized the CEO of the Bank to nominate the members of the Management Committees including but not limited to Central Management Committee and Central Credit Committee and their respective sub-committees, from time to time. Some of the management committees are mentioned below:

- Central Management Committee
- Control Committee
- IT Steering Committee
- Central Credit Committee
- Process improvement Committee
- Investment Committee
- Principal Investment Committee
- Retail Banking Forum
- Customer Experience Council
- Asset and Liability Committee
- Expenditure and Approval Committee
- Disciplinary Action Committee

7.5.1 MANAGEMENT PROFILES

Suhail Yaqoob Khan - Chief Risk Officer

Suhail Yaqoob Khan joined the Bank as Chief Risk Officer in 2013. He has over 21 years of local & international work experience across client-facing, middle office and back office functions. Before taking leadership positions in risk management, he has served in wholesale banking & asset management businesses for reputable franchises. He began his banking career in corporate banking with ABN AMRO Bank, Karachi in 1996, and in 2002 he was transferred to London, UK office in the Integrated Energy business unit. In 2005, Suhail moved to ABN AMRO Asset Management and served as Director Institutional Clients for UK & Ireland. He joined Faysal Bank as Head Credit Risk Management in 2009 and was elevated to the position of Chief Risk Officer a year later.

Prior to completing his MBA Finance from Institute of Business Administration, Karachi Suhail did his graduation in Mechanical Engineering from NED University, Karachi.

Mehreen Ahmed - Group Head Consumer & Retail Banking, New Initiatives and Marketing

Mehreen Ahmed has been with the Bank since 2012. In the past five years, Mehreen has led various key initiatives in the Bank related to financial inclusion, digital banking, product development and optimization of retail banking. Mehreen carries 30 years of banking and non-banking experience holding senior positions at local and international organizations such as SCB, MCB and Soneri Bank. She has vast experience in Retail Banking, Consumer Business, Digital Banking & Payments, Bancassurance, Marketing and Product Development.

Mehreen has done her MBA from Institute of Business Administration with majors in Finance and Marketing.

Anjum Hai – Chief Financial Officer

Anjum Hai joined the Bank in 2017 as Chief Financial Officer and has over 22 years of work experience. She is primarily responsible for overseeing and directing the organization's financial goals, budgeting and MIS. Prior to joining the Bank, she has worked as Chief Financial Officer at Soneri Bank Limited and at Citibank N.A. Pakistan. She worked as Financial Controller at Faysal Bank Limited and was also associated with A.F. Ferguson & Company.

Anjum is a qualified Fellow Chartered Accountant, FCCA and holds Accelerated Certificate in Company Direction from Institute of Directors (UK).

Rizwan Ata - Group Head Islamic Banking

Rizwan Ata joined the Bank in 2013 and is a seasonal banker with over 29 years of experience in leading local & foreign banks in Pakistan. Rizwan worked with Meezan Bank Limited for 10 years where his last assignment was as Group Head - Branch Network & SME/Commercial. He started his career with Emirates Bank International PJSC and worked there for over 13 years. Rizwan is currently on the Advisory Board of Center for Islamic Finance, LUMS.

Rizwan holds an Executive MBA degree from LUMS, Pakistan.

Syed Ali Sultan - Group Head Treasury, Capital Markets & Financial Institutions

Syed Ali Sultan joined the Bank in 2012 and is a seasoned banker with over 20 years of experience in the financial sector in Pakistan and the Middle East across global markets, investment banking and fund management. Currently, Ali is managing both the conventional and Islamic treasuries and financial institutions coverage for the Bank.

Prior to joining the Bank, Ali was the Director, Financial Markets Strategy and Conduct Department at the State Bank of Pakistan and was responsible for implementing the Central Bank's strategic goal of policy formulation & development of vibrant financial markets. He has also served with BNP Paribas as Regional Head of the Financial Institutions Group and with Standard Chartered Bank, covering treasury, capital markets and financial institutions across the Middle East. In addition, Ali is the Chairman of Alfalah GHP Investment Management Limited, a leading asset management company in Pakistan.

Ali has done his Masters in Applied Mathematics from Karachi University.

Bashir Ahmad Sheikh - Group Head Special Assets Management

Bashir Ahmed Sheikh has been associated with the Bank since 2012. He is a seasoned banker with over 46 years of diverse local as well as international experience. His core competencies include Corporate Banking, Commercial/Retail Banking, Investment Banking and Risk Management. He has held various senior and leading positions in financial institutions like Faysal Bank Limited, Al-Faysal Investment Bank Limited, Askari Commercial Bank Limited, and United Bank Limited. His last assignment at Faysal Bank was that of Country Head - Special Assets Management.

Bashir went to University of Cornell, USA (Graduate of Executive Development Program) as well as University of the Punjab, Pakistan (B.A.).

Mian Ejaz Ahmad - Group Head, Legal & Company Secretary

Mian Ejaz Ahmad joined the Bank in 2012. He was associated with the law firm Ramday Law Associates for 10 years, and gained invaluable experience during this time, including on cases of national importance. After this, he worked in the oil and gas sector, followed by the banking sector. Before joining the Bank, Ejaz was Company Secretary/Head of Legal at Faysal Bank Limited, the Royal Bank of Scotland Limited, and ABN AMRO Bank (Pakistan) Limited.

Ejaz is a member of Punjab Bar Council, District Bar Association Lahore and Lahore High Court Bar Association. Ejaz has passed his law degree and post-graduate diploma in Intellectual Property Laws from the University of the Punjab.

Haroon Khalid – Head Compliance and Control Group

Haroon Khalid joined the Bank in 2005. He has over 20 years of experience in various functions and specializes in Credit and Risk management. Prior to joining the Bank, he started his career with MCB, where he worked in various positions within the Corporate and Credit & Risk Management unit.

Haroon holds a MBA degree from Lahore University of Management Sciences.

Aasim Wajid Jawad - Head of Strategy

Aasim Wajid Jawad has been with the Bank since 2013. He leads the strategic planning function of the Bank along with Advanced Analytics and Business Process Re-Engineering initiatives. Aasim has over 20 years of experience both locally and internationally. He also sits on the board and board audit committee of Alfalah Securities, a subsidiary of the Bank. Prior to joining the Bank, he was working with United Bank Limited as Financial Controller & Head of Investor Relations within the Finance Division. Prior to UBL, Aasim worked mostly in London for nearly a decade in organizations like Ernst & Young LLP and Deloitte LLP where he worked in diverse roles with Audit & Assurance, Corporate Finance and Advisory.

Aasim completed his Bachelors in Economics (Honors) from The London School of Economics & Political Science and is a Fellow Chartered Accountant from the Institute of Chartered Accountants in England & Wales.

Khawaja Muhammad Ahmad - Group Head Operations

Khawaja Muhammad Ahmad joined the Bank in 2015 with vast banking experience in local and international financial institutions. During his twenty seven years' banking experience, he has worked in a variety of leadership roles within branch and centralized operations in The Bank of Punjab, Prime Commercial Bank, Standard Chartered Bank, Dubai Islamic Bank (UAE), Allied Bank and Soneri Bank.

Khawaja holds a BBA degree with specialization in Finance from Drake University Iowa, USA.

Mohib Hasan Khan - Chief Information Officer

Mohib Hasan Khan joined the Bank in January 2016 and has helped the Bank to transform into a leading technology driven bank. During the 27 years of his professional career in the field of Information

Technology and banking, Mohib has served in different capacities on both local and international assignments. He started his career with HBL in 1990 and served in a variety of technology leadership roles in Pakistan, Asia Pacific and Middle East. He then joined Bank Al Habib in 2011 and served there for 5 years as CTO and CIO.

Mohib holds a Bachelors in Engineering degree in Computer Systems Engineering and a Masters in Electrical and Communications Engineering from NED Engineering University, Karachi.

Tahir Khurshid - General Manager / Head of Audit & Inspection

Tahir Khurshid joined the Bank 15 years ago and currently leads the internal audit function. Prior to this, Tahir served as Head-Islamic Banking & Shariah Audit and Head - Retail Banking Audit at the Bank. During his 22 years' professional career, he also worked at MCB in various roles within Corporate Banking, Trade Finance and Operations. He holds substantial experience of evaluation of internal controls and business processes in banking sector and has spearheaded key developmental projects.

Tahir holds a post-graduation degree with specialization in Islamic Finance. He has also obtained various International certifications relating to Auditing and Islamic Finance including ETHICA (UAE) and CICA (USA).

Hafsa Abbasy – Head Human Resources and Learning

Hafsa Abbasy joined the Bank as Head of Human Resources & Learning in 2017. She brings with her over 27 years of experience in Banking & Human Resource Management. She started her career as a Management Associate at Citibank in Consumer Sales. Over the years, Hafsa has served as the HR Head for Retail and Commercial Banking at RBS (formerly ABN AMRO), Head of HR for Engro Polymner & Chemicals and Head of HR, Retail Banking Standard Chartered Bank. Prior to joining the Bank, Hafsa was working at HBL as Head of Relationship Management, Talent & Diversity.

Hafsa holds an MBA in Finance & Marketing from the Institute of Business Administration, Karachi.

Bilal Asghar – Group Head Corporate, Investment Banking and International Business

Bilal Asghar joined the Bank in 2017. He was previously associated with Faysal Bank where he was Head of Corporate & Investment Banking along with overseeing Financial Institutions, Cash Management and the Special Assets Management businesses. Bilal possesses 22 years of rich and diversified banking experience covering Corporate, Investment Banking, SME & Commercial, Islamic Banking, Retail Banking, Consumer Finance, FI and Special Assets Management in local and multinational banks.

Bilal is a graduate of University of Southern California in Business Administration. He is also a Certified Director from Institute of Business Administration- Centre of Executive Education and also certified from NIBAF on Islamic Banking.

7.6 OVERDUE LOANS

The Bank, its Chief Executive and directors; and its associated companies and undertakings have no overdue loans (local and/or foreign currency)

7.7 POWER OF DIRECTORS

As required under clause 47 of Part I of Table A of First Schedule of the Companies Act, 2017; and the Articles of Association of the Company, the authority to conduct business of the Bank is vested with its Board of Directors and they may exercise all such powers of the Bank as are not required by the Companies Act, 2017 or the Articles of Association of the Bank or by a special resolution, required to be exercised by the Bank in the general meeting of the shareholders.

7.8 NUMBER OF DIRECTORS

Pursuant to section 154 of the Companies Act, 2017, the number of directors of a listed company should not be less than seven (7). At present, the Board consists of eight (8) directors, including the Chief Executive Officer.

7.9 QUALIFICATION OF DIRECTORS

The qualification of an elected director of the Bank in addition to his/her being a member shall be the holding of shares in the Bank of the aggregate nominal value of Rs. 10/- (Rupees Ten Only) in his/her own name, relaxable in the case of directors representing interest holding shares. This is subject to section 153 of the Companies Act, 2017.

7.10 REMUNERATION OF DIRECTORS

Pursuant to Article 68 of the Articles of Association, subject to any restriction imposed by any law or SBP, the board of directors shall determine a reasonable and appropriate remuneration to be paid to the non-executive directors of the bank for every board meeting attended by them, to be ratified by the Bank's shareholders.

7.11 AMOUNT OF BENEFITS TO SPONSOR SHAREHOLDERS AND OFFICERS DURING THE LAST YEAR

No amount of benefits has been paid or given during the last year or is intended to be paid or given to any sponsor shareholders or to any officer of the Bank other than as remuneration for services rendered as whole-time executives of the Bank or as meeting fee for attending Directors Committee meetings to non-executive directors as per the approved scale of fee.

7.12 INTEREST OF DIRECTORS

The directors may be deemed to be interested to the extent of fees payable to them for attending Board meetings. The Directors performing whole time services in the Bank may also be deemed interested in the remuneration payable to them by the Bank. The nominee directors have interest in the Bank to the extent of representing the sponsors in the Bank.

7.13 ELECTION OF DIRECTORS

The Directors of the Bank are elected for a term of 03 years in accordance with the procedure laid down in section 159 of the Companies Act, 2017 and Banking Companies Ordinance, 1962.

The Directors shall comply with the provisions of Sections 154 to 159 and Sections 161 and 167 of the Companies Act, 2017 relating to the election of Directors and matters ancillary thereto.

Subject to the provisions of the Companies Act, 2017 and Banking Companies Ordinance, 1962, the Company may from time to time increase or decrease the number of Directors.

Any casual vacancy occurring on the Board of Directors may be filled up by the Directors, but the person so appointed shall be subject to retirement at the same time as if he / she had become a Director on the day on which the Director in whose place he / she is chosen was last elected as Director.

The Company may remove a Director in accordance with the provisions of the Banking Companies Ordinance, 1962 and the Companies Act, 2017.

The present Directors of the Company were elected on May 27, 2015 for a period of 03 years.

7.14 BORROWING POWERS

Pursuant to Article 30 of the Articles of Association, the directors may, from time to time at their discretion, raise or borrow or secure the payment of, any sum or sums of money or make any arrangement for finance for the purposes of the bank.

The conditions on which the money may be borrowed are provided under clause 31 of the Articles of Association of the Bank.

7.15 VOTING RIGHTS

The TFCs shall not carry any voting rights in relation to BAFL.

7.16 INTERNAL AUDIT

The Board of Directors has set up an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank and are involved in the internal audit function on a full time basis.

The Board Audit Committee comprises of the following members:

- Mr. Kamran Y. Mirza – Chairman
- Mr. Abdulla Khalil Al Mutawa – Member
- Mr. Khalid Mana Saeed Al Otaiba – Member
- Mr. Efstratios Georgios Arapoglou - Member

7.17 BOARD HUMAN RESOURCE & NOMINATION COMMITTEE

The Board of Directors has set up an effective Human Resources function managed by suitable and qualified personnel who are conversant with the policies & procedures of the Bank and are involved in Human Resources function on a full time basis.

PART VIII

8 MISCELLANEOUS INFORMATION

8.1 REGISTERED OFFICE / HEAD OFFICE

Bank Alfalah Limited
B. A. Building, I. I. Chundrigar Road, Karachi, Pakistan.
Phone: +92 (21) 3241 4030-10
UAN: +92 (21) 111 777 786
Fax: +92 (21) 32461275
Website: www.bankalfalah.com

8.2 TRUSTEE

Pak Brunei Investment Company Limited
Horizon Vista, Commercial 10,
Block No.4, Scheme No. 5, Clifton, Karachi.
PABX: (92-21) 35361215-19
Fax: (92-21) 35361213, 35370873
Website: www.pakbrunei.com.pk

8.3 AUDITOR OF THE COMPANY

KPMG Taseer Hadi & Co. Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road, Karachi.
Tel: +92 21 3568 5847
Fax: +92 21 3568 5095

8.4 LEGAL ADVISOR TO THE ISSUE

HaiderMotaBNR & Co.
D-79, Block-5 Clifton, Karachi – 75600. Pakistan.
Tel: (+92-21) 111-520-000, 021-35879097
Fax: (+92-21) 35871054
Website: www.hmcobnr.com

8.5 COMPLIANCE OFFICER

Mian Ejaz Ahmad
Group Head – Legal and Company Secretary
Mian.Ejaz@bankalfalah.com
3rd Floor, B.A Building
I.I Chundrigar Road,
Karachi, Pakistan.
Telephone # +92 21 3242 2358
Fax # +92 21 3241 3945

8.6 REGISTRAR AND TRANSFER AGENT

F.D. Registrar Services (SMC-Pvt) Ltd.
Suit No.1705, . 17th Floor, Saima Trade Tower - A,
I.I. Chundrigar Road, Karachi
Tel: (92-21) 3227 1905-6
Fax: (92-21) 3262 1233
Website: www.fdregistrar.com

8.7 BANKERS TO THE ISSUE

1	Askari Bank Limited	8	Soneri Bank Limited
2	Bank Alfalah Limited	9	JS Bank Limited
3	Bank Al Habib Limited	10	The Bank of Punjab
4	Faysal Bank Limited	11	Samba Bank Limited
5	MCB Bank Limited		
6	Summit Bank Limited		
7	United Bank Limited		

8.8 CONSULTANT TO THE ISSUE

Arif Habib Limited
Arif Habib Center,
23, MT Khan Road, Karachi, Pakistan
Tel: 92 21 324 681 17
Fax: 92 21 324 296 53
Email: dabeer.hasan@arifhabibltd.com
Website: www.arifhabibltd.com

8.9 MARKET MAKER

Arif Habib Limited
Arif Habib Center,
23, MT Khan Road, Karachi, Pakistan
Tel: 92 21 324 681 17
Fax: 92 21 324 296 53
Email: dabeer.hasan@arifhabibltd.com
Website: www.arifhabibltd.com

8.10 MATERIAL CONTRACTS / DOCUMENTS RELATED TO THE ISSUE

Investment Agreements between the Bank and the respective Pre-IPO investors are set out below:

S. No	Pre-IPO Investors	Amount	Agreement Dated
1	Bank of Khyber	700,000,000	29-Dec-17

2	National Bank of Pakistan	650,000,000	29-Dec-17
3	Askari Bank Limited	600,000,000	29-Dec-17
4	Zarai Taraqiati Bank Limited	500,000,000	29-Dec-17
5	Pak Brunei Investment Company Limited	500,000,000	28-Dec-17
6	Jubilee Life Insurance Company Limited	500,000,000	4-Jan-18
7	Habib Metropolitan Bank Limited	400,000,000	29-Dec-17
8	Pakistan Kuwait Investment Company (Private) Limited	400,000,000	2-Jan-18
9	Saudi Pak Industrial And Agricultural Investment Company Limited	330,000,000	4-Jan-18
10	Pak Libya Holding Company Private Limited	300,000,000	2-Jan-18
11	MCB Bank Limited	290,000,000	3-Jan-18
12	United Bank Limited	250,000,000	29-Dec-17
13	Habib Bank Limited	250,000,000	29-Dec-17
14	Habib Bank Limited Employees Provident Fund Trust	250,000,000	29-Dec-17
15	EFU Life Assurance Limited	100,000,000	29-Dec-17
16	Askari General Insurance Company Limited	75,000,000	29-Dec-17
17	IGI Life Insurance Company Limited	50,000,000	29-Dec-17
18	Lahore University of Management Sciences	30,000,000	29-Dec-17
19	Muller & Phipps Pakistan (Private) Limited Staff Provident Fund	25,000,000	4-Jan-18
20	Treet Corporation Limited Group Employees Provident Fund	20,000,000	29-Dec-17
21	Packages Limited Employees Provident Fund	15,000,000	29-Dec-17
22	Packages Limited Employees Gratuity Fund	10,000,000	29-Dec-17
23	Bulleh Shah Packaging (Pvt) Limited Employees Provident Fund	10,000,000	29-Dec-17
24	Bulleh Shah Packaging (Pvt) Limited Management Staff Pension Fund	10,000,000	29-Dec-17
25	Attock Cement Pakistan Limited Employees Provident Fund	10,000,000	26-Dec-17
26	Attock Cement Pakistan Limited Management Employees Gratuity Fund	10,000,000	26-Dec-17
27	Bulleh Shah Packaging (Pvt) Limited Employees Gratuity Fund	5,000,000	29-Dec-17
28	Tri-Pack Films - Employees Provident Fund	5,000,000	26-Dec-17
29	Attock Cement Pakistan Limited Management Employees Pension Fund	5,000,000	26-Dec-17
	Total	**6,300,000,000**	

The Trust Deed between the Bank and Pak Brunei Investment Company Limited was signed on December 26, 2017 in Karachi.

Underwriting between the Bank and the following underwriters:

S. No	Underwriter's Name	Amount (PKR)	Agreement Date
1	Arif Habib Limited	350,000,000	February 26, 2018
2	Ismail Iqbal Securities (Pvt.) Limited	350,000,000	February 26, 2018
	Total	**700,000,000**	

8.11 TRUST DEED DATED DECEMBER 26, 2017 BETWEEN BANK ALFALAH LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED

8.12 INSTRUMENT CREDIT RATING REPORT BY JCR-VIS DATED NOVEMBER 15, 2017.

8.13 ENTITY CREDIT RATING REPORT BY PACRA DATED DECEMBER 29, 2017 & JCR-VIS DATED AUGUST 31, 2017

8.14 APPROVAL VIDE LETTER REFERENCE NO. GEN-740 DATED FEBRUARY 07, 2018 FROM PAKISTAN STOCK EXCHANGE LIMITED.

8.15 APPROVAL LETTER REFERENCE NO. SMD/CIW/SA-88/15/2017 DATED FEBRUARY 14, 2018 FROM THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN.

8.16 MARKET MAKING AGREEMNT DATED FEBRURAY 26, 2018

8.17 APPROVAL LETTER REFERENCE NO. BPRD/BA&CP/29935/2017 DATED DECEMBER 21, 2017 FROM THE STATE BANK OF PAKISTAN

8.18 INSPECTION OF DOCUMENTS AND CONTRACTS

All the Balance Sheets and Profit & Loss Accounts, Copies of the Memorandum and the Articles of Association, the Auditor's Certificates, Trust Deeds, the Credit Rating Report by JCR-VIS & PACRA, Clearance letter from PSX and the approval letters from SECP, and the copies of agreements referred to in this Prospectus may be inspected during usual business hours on any working day at the registered office of the Company from the date of publication of this Prospectus until the closing of the Subscription Period**.**

8.19 LEGAL PROCEEDINGS

There are no pending legal proceedings other than ordinary routine litigation incidental to banking business.

8.20 INDEMNITY

As per the Article 127 of the Articles of Association, every officer or agent for the time being of the Bank may be indemnified out of the assets of the Bank against any liability incurred by him in defending any proceedings, whether civil or criminal, arising out of his dealings in relation to the affairs of the Bank, except those brought by the Bank against him in which judgment is given in his favor or which he is acquitted or in connection with any application under section 488 of the Companies Ordinance, 1984 (currently section 492 of the Companies Act, 2017) in which relief is granted to him by Court.

8.21 CAPITALIZATION OF RESERVES

Year	Capitalization Mode	Reserves Capitalized (PKR)
2009	Bonus Issue of Shares	1,499 Million
2008	Bonus Issue of Shares	1,495 Million
2007	Bonus Issue of Shares	1,500 Million
2006	Bonus Issue of Shares	1,000 Million

8.22 REVALUATION OF FIXED ASSETS

Office premises of the Bank 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. Revaluation surplus on fixed assets as per audited financial statements for the year ended December 31, 2016 is PKR 4,559 million.

8.23 MEMORANDUM OF ASSOCIATION

The Memorandum of Association, inter alia, contains the objects for which BAFL was incorporated and the business, which BAFL is authorized to undertake. A copy of the Memorandum of Association annexed to this Prospectus is being published with all issues hereof except those released as newspaper advertisement.

8.24 INVESTMENT IN SUBSIDIARY AND ASSOCIATED COMPANIES

Company Name	Subsidiary/Associate	Percentage of holding
Alfalah Securities (Private) Limited	**Subsidiary**	97.91%
Alfalah GHP Investment Management Limited	**Subsidiary**	40.22%
Alfalah Insurance Limited	**Associate**	30.00%
Sapphire Wind Power Company Limited	**Associate**	30.00%
TriconBoston Consulting Corporation (Private) Limited	**Associate**	9.25%

PART IX

9 APPLICATION AND ALLOTMENT INSTRUCTIONS

General instructions

1. ELIGIBLE INVESTORS INCLUDE:

a) Pakistani citizens resident in or outside Pakistan or Persons holding dual nationalities including Pakistani nationality;

b) Foreign Nationals whether living in or outside Pakistan;

c) Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);

d) Mutual Funds, Provident / pension / gratuity funds / trusts, (subject to the terms of the Trust Deed and existing regulations); and

e) Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

2. COPIES OF THE PROSPECTUS

Copies of the Prospectus and applications forms can be obtained from the Trading Rights Entitlement Certificate (TREC) Holders of PSX, the Bankers to the Issue and their Branches, the Consultant to the issue and the registered office of the **Bank Alfalah Limited**. The Prospectus and the Application Forms can also be downloaded from the following websites:

(i) http://www.bankalfalah.com/; (ii) http://arifhabibltd.com/; and https://eipo.cdcaccess.com.pk/public/index.xhtml

The applicants are required to complete the relevant sections of the application in order to get the Securities in scrip-less form. In accordance with the provisions of the Central Depositories Act, 1997 and the CDCPL Regulations, credit of such securities are allowed ONLY in the applicant's own CDC account.

3. NAME(S) AND ADDRESS(ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH, AND SHOULD NOT BE ABBREVIATED.

4. ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THAT RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANI (NICOP) OR PASSPORT, BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.

5. APPLICATIONS MADE BY INDIVIDUAL INVESTORS

a) In case of individual investors, a photocopy of the CNIC (in case of resident Pakistanis) / NICOP or Passport (in case of non-resident Pakistanis) as the case may be, should be enclosed and the number of CNIC / NICOP / Passport should be written against the name of the applicant.

b) Original CNIC / NICOP / Passport, along with a photocopy, must be produced for verification to the Banker to the issue and the applicant's banker (if different from the Banker to the issue) at the time of presenting an application. The photocopy will, after verification, be retained by the branch along with the application.

6. APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

a) Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by a photocopy of their memorandum and articles of association or equivalent instrument / document. Where applications are made by virtue of power of attorney, the same should also be submitted along with the application.

b) Photocopies of the documents mentioned in paragraph 6(a) above must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the banker to the issue) at the time of presenting the application. The copies, will after verification, be retained by the bank branch along with the application.

7. ADDITIONAL INSTRUCTIONS FOR INVESTORS

a) Only one application will be accepted against each account, however, in case of joint accounts, one application may be submitted in the name of each joint account holder.

b) Joint application in name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit copies of their CNICs / NICOP / Passports. The securities will be credited to the CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit, or return. Please note that application will be considered as a single application for the purpose of allotment of securities.

c) Subscription money must be paid by cheque drawn on applicants own bank account or pay order / bank draft payable to one of the Bankers to the Issue in favor of **"IPO OF Bank Alfalah Limited - TFC"** and crossed **"A/C PAYEE ONLY".**

d) For the application made through pay order / bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order / bank draft individually for each application.

e) The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of securities.

f) Applications are not to be made by minors and / or persons of unsound mind.

g) Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.

h) Applicants should retain the bottom portion of their application forms as provisional acknowledgment of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of securities for which the application has been made.

i) Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.

j) Banker to the issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the issue.

k) It would be permissible for a Banker to the issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by

cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.

l) Submission of false and fictitious applications is prohibited and such Application Money may be forfeited under section 87(8) of Securities Act, 2015.

m) عوام الناس کو مطلع کیا جاتا ہے کہ سیکیورٹیز ایکٹ 2015 کی شق نمبر (7)87 کے تحت جھوٹی یا جعلی درخواستیں دینا قانوناً جرم ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے، سیکیورٹیز ایکٹ 2015 کی شق نمبر (8)87 کے تحت ضبط کی جا سکتی ہے۔

8. ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON RESIDENT INVESTORS

a) (In case of Foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the applications. Copies of these documents can be attested by the Bank Manager in the country of applicant's residence.

b) Foreign / Non-resident investors should follow the payment instructions given in **Para (2.13)** of the prospectus.

9. BASIS OF ALLOTMENT

The basis and conditions of transfer of securities to the General Public shall be as follows:

a) The minimum amount of application for subscription of TFCs is Rs 5,000/- Application for TFCs below the total value of Rs. 5,000/- shall not be entertained.

b) Application for TFCs must be made for Rs. 5,000/- TFCs or in multiple thereof only. Applications, which are neither for Rs. 5,000/- TFCs nor for multiple thereof, shall be rejected.

c) Allotment/Transfer of TFCs to successful applicants shall be made in accordance with the allotment criteria/ instructions disclosed in the Prospectus.

d) Allotment of TFCs shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and/or the instructions by the Securities & Exchange Commission of Pakistan.

e) Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the Application Form.

f) The Issuer will credit the respective CDS accounts of the successful applicants.

10. BANKERS TO THE ISSUE

Code	Name of Bank	Code	Name of Bank
01	Askari Bank Limited	07	United Bank Limited
02	Bank Alfalah Limited	08	Soneri Bank Limited
03	Bank Al Habib Limited	09	JS Bank Limited
04	Faysal Bank Limited	10	The Bank of Punjab
05	MCB Bank Limited	11	Samba Bank Limited
06	Summit Bank Limited		

11. CODE OF OCCUPATIONS

Code	Occupation	Code	Occupation
01	Business	06	Professional
02	Business Executive	07	Student

03	Service	08	Agriculturist
04	Housewife	09	Industrialist
05	Household	10	Other

12. PUBLIC SUBSCRIPTION THROUGH e-IPO:

e-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of e-IPO. The following two systems are available for e-IPOs:

(i) Centralized e-IPO System (CES):

The Central Depository Company of Pakistan Limited (CDC) has developed a Centralized e-IPO System (CES) through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this IPO and can be accessed through the web link **(www.cdceipo.com)**. Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on above website.

For making application though CES, investors must be registered with CES. Registration with CES is free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) may registered themselves with CES.

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details.

For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com.

For further detail on CES, please refer to para (2.10).

(ii) e-IPO facilities by Bankers to the Issue:

Currently, United Bank Limited (UBL), Summit Bank Limited (SMBL) and Bank Alfalah (BAFL) are providing e-IPO facilities to their respective accountholders.

UBL account holders can use UBL Net Banking to submit their application via link http://www.ubldirect.com/corporate/ebank

SMBL account holders can use SMBL Net Banking to submit their application via link https://ib.summitbank.com.pk and

BAFL account holders can use BAFL Net Banking to submit their application via link: https://netbanking.bankalfalah.com

13. Nationality Code

CODE	NAME OF COUNTRY	CODE	NAME OF COUNTRY
001.	U.S.A	006.	Bangladesh
002.	U.K	007.	China
003.	U.A.E.	008.	Bahrain
004.	K.S.A.	009.	Other
005.	Oman		

For further queries, you may contact:

Contact details of relevant person of the Issuer		Contact details of relevant person of Consultant to the Issue
Zain Alam	Manesh Kumar	Dabeer Hasan
+92 21 3312 2619	+92 21 3312 2615	+92 21 3246 5891
zain.alam@bankalfalah.com	manesh.kumar@bankalfalah.com	dabeer.hasan@arifhabibltd.com

PART X

10 SIGNATORIES TO THE PROSPECTUS

Director	Designation	Signature
Nahayan Mabarak Al Nahayan	**Director/Chairman**	Sd/-
Abdulla Nasser Hawaileel Al Mansoori	**Director**	Sd/-
Abdulla Khalil Al Mutawa	**Director**	Sd/-
Khalid Mana Saeed Al Otaiba	**Director**	Sd/-
Efstratios Georgios Arapoglou	**Director**	Sd/-
Khalid Qurashi	**Director**	Sd/-
Kamran Y. Mirza	**Director**	Sd/-
Nauman Ansari	**President & CEO**	Sd/-

Witness 1

Name: Aasim Wajid Jawad
Designation: Head of Strategy
Signature: Sd/-

Witness 2

Name: Anjum Hai
Designation: Chief Financial Officer
Signature: Sd/-

Dated:

PART XI

11 MEMORANDUM OF ASSOCIATION

THE COMPANIES ORDINANCE 1984

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

BANK ALFALAH LIMITED

I. The name of the Company is BANK ALFALAH LIMITED.

II. The Registered Office of the Company/Bank will be situated in Karachi in the Province of Sindh.

III. The objects for which the Company/Bank is established are to carry on in Pakistan and all other parts of the world the business of a "banking company" as defined by Banking Companies Ordinance, 1962 or any amendment thereto or substitution thereof, and without prejudice to such generality, to accept, for the purposes of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise and particularly the following forms of business:-

1. The borrowing, raising or taking up of money, the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debenture certificates, scrips, participation term certificates, term finance certificates, musharika

certificates, modaraba certificates and such other instruments as may be approved by State Bank of Pakistan and other instruments, and securities whether transferable of negotiable or not; the granting and issuing of letters of credit, travellers' cheques and circular notes; the buying, selling and dealing in bullion and species; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debentures Stock, Bonds, obligations, securities, participation term certificates, term finance certificates, Musharika certificates, Modaraba certificates and such other instruments as may be approved by the State Bank of Pakistan and Investments of all kinds; the purchasing and selling of bonds, scrips or other forms of securities, participation term certificates, term finance certificates, Musharika certificates, Modaraba certificates and such other instruments as may be approved by the State Bank of Pakistan on behalf of constituents or others the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposit, or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities.

2. The providing of finance as defined in the Banking Companies (Recovery of Loans, Advances, Credits and Finances) Act, 1997.

3. Acting as agents for any Government or local authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a managing agent or treasurer of a company.

4. Acting as "Modaraba Company" under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

5. Contracting for public and private loans and negotiating and issuing the same.

6. The effecting, insuring, guaranteeing, underwriting, participating, and

2

managing and carrying out of any issue, public or private, Government, Municipal or other loans or of shares, Stock, debentures, debentures stock or other securities of any company, corporation or association and the lending of money for the purpose of any such issue.

7. Carrying on and transacting every kind of guarantee and indemnity business.

8. Purchase or acquisition in the normal course of its banking business of any property, including commodities, patents, designs, trademarks and copyrights with or without buy back arrangements by the seller or for sale in the form of hire-purchase or on deferred-payment basis with mark-up or for leasing or licensing or for rent sharing or for any other mode of financing.

9. Managing, selling and realising any property which may come into the possession of the Bank in satisfaction or part satisfaction of any of its claims.

10. Acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form part of the security for any loans or advances or which may be connected with any such security.

11. Undertaking and executing trusts.

12. Undertaking the administration of estates as executer, trustee or otherwise.

13. Establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the Bank or the dependents or connections of such persons, granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object.

14. The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purpose of the Bank.

3

15. Selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account, or otherwise dealing with all or any part of the property and rights of the Bank.

16. Acquiring and undertaking the whole or any part of the business of any person or company, when such business is of a nature enumerated or described in Section 7 of the Banking Companies Ordinance, 1962.

17. Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the Bank.

18. Any other form of business which the Federal Government may by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage.

19. The Company/Bank shall not form any subsidiary company except a subsidiary company formed for one or one more of the purposes specified in Section 23 of the Banking Companies Ordinance, 1962 and subject to other restrictions as laid down in that section.

20. To carry on, outside Pakistan and all other parts of the world, the business of a banking company and all or any of the businesses aforementioned in this Memorandum, including those incidental or allied thereto, and such other business as may be permited by and in accordance with the laws and regulations applicable in such other parts of the world.

(IV) The liability of the members is limited.

(V) The Authorised Capital of the Company / Bank is Rs. 23,000,000,000/= divided into 2,300,000,000/= shares of Rs. 10/= each with the rights, privileges and conditions attaching thereto as are provided by the regulations of the Bank for the time being with power to increase the capital.

4

We, the several persons whose names, and addresses and descriptions are subscribed below, are desirous of being formed into a Company in pursuance of these Memorandum of Association and we respectively agree to take the number of shares in the Capital of the Company set opposite our respective names:-

Name and Surname (present & former) in full	Father's/Husband's Name	Occupation	Nationality	Residential Address in full	No. of Shares taken by each Subscriber	Signature
1. MR. MAQBOOL A. SOOMRO	ABDUL REHMAN SOOMRO	Banker	Pakistani	17/1, Khayaban-e-Sehar, Phase-VI, Defence Housing Authority, Karachi.	1	
2. MR. FASIHUDDIN KHAN	SHAHZADA FEROZUDDIN KHAN (LATE)	Banker	Pakistani	D-1, Marine Castle Apts. Bath Island, Clifton, Karachi.	1	
3. MR. M. SHAFI ARSHAD	MOHAMMAD SIDDIQUE	Banker	Pakistani	L-2, Marine Drive, Block-VII, Clifton, Karachi.	1	
4. MR. S. IQBAL HUSSAIN	SYED ASHIQ HUSSAIN (LATE)	Banker	Pakistani	F-161/8, Kehkashan, Block VII, Clifton, Karachi.	1	
5. MR. MOHAMMAD SALEEM AKHTAR	SHAIKH GHULAM HUSSAIN	Banker	Pakistani	87/1, Khayaban-e-Badban, Phase-V, Defence Housing Authority, Karachi.	1	
6. MR. A. BASIR	ABDUL HAFEEZ	Banker	Pakistani	6-B, Sunset Boulevard, Defence Housing Authority, Karachi.	1	
7. MR. MOHAMMAD AFZAL	CH. GHULAM MOHAMMAD	Banker	Pakistani	D-8, 1st Gizri Lane, Defence Housing Authority, Karachi.	1	

Witness to above signature :

(1) Mohammad Arif Zia
Senior Vice President
Law Division
HABIB BANK LIMITED

(2) Dhakam A. Hamid
Asst. Vice President
Law Division
HABIB BANK LIMITED

Dated:

Certified to be True Copy
Deputy Registrar of Companies
7/4/2017

PART XII

12 APPLICATION FORM

SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS AN OFFENCE UNDER SECTION 87(7) OF THE SECURITIES ACT, 2015 AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015

عوام کو اس کے ذریعے مطلع کیا جاتا ہے کہ سیکیورٹیز ایکٹ 2015 کی شق نمبر 87(7) کے تحت جھوٹی یا جعلی درخواستیں دینا قانوناً جرم ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے، سیکیورٹیز ایکٹ 2015 کی شق نمبر 87(8) کے تحت ضبط کی جا سکتی ہے۔

Jama Punji

For investor education please visit www.jamapunji.pk
Jama Punji is an Investor Education Initiative of the Securities & Exchange Commission of Pakistan

INVESTMENT IN SECURITIES IS A HIGHLY RISKY BUSINESS. INVESTORS ARE, THEREFORE, ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE PROSPECTUS ESPECIALLY THE RISK FACTORS BEFORE MAKING ANY INVESTMENT DECISION.

Bank Alfalah Limited

APPLICATION FOR SUBSCRIPTION OF TERM FINANCE CERTIFICATES (TFCs)

SUBSCRIPTION DATE
March 8, 2018 & March 9, 2018 during banking hours

Bank Alfalah

As per the Section 72 of Companies Act, 2017, the TFCs shall be issued in book-entry form only. Therefore, TFCs of Bank Alfalah Lmited shall only be issued in scrip-less form in the CDS of CDCPL (Refer to instruction No.4 on the reverse hereof)

The Directors,
Bank Alfalah Limited
B.A. Building, I.I. Chundrigar Road,
Karachi., Pakistan.
www.bankalfalah.com

CDC PARTICIPANT / ACCOUNT HOLDER ID	SUB ACCOUNT NUMBER	HOUSE A/C NO.

OR

CDC INVESTOR ACCOUNT ID	CDC INVESTOR ACCOUNT NO.

For Brokers

Broker's Stamp & Code
PSX Code

For Bankers

Banker's Stamp	
Bank Code	Branch Code
Application Serial No.	

1) I/We apply for the following number of TFCs at Rs. 5,000 per certificate for the value indicated below:

No. of TFCs Applied For	Amount Payable in PKR	Cheque/ Demand Draft/Pay Order No.

2) I/We agree to accept the same or any smaller number of TFCs that may be allotted to me/us upon the terms as stated in the prospectus. I/We authorize you to credit the TFCs to me/us pursuant to this application and If no TFCs or a smaller number of TFCs are allotted to me/us you are hereby authorized to return to me/us by cheque or other means my/our application money for the amount of TFCs not credited to me/us.

For Pakistanis	
Resident	01
Non-resident	02

3) DECLARATION

I/We declare that: i) I am/we are national(s) of _____; ii) I am/We are not minor(s); iii) I/We have not made nor have I/we instructed any other person(s)/institution (s) to make any other application(s) in my/our name(s) or in the name of any other person on my/our behalf or in any fictitious name; iv) I/We agree to abide by the instructions provided with this application and in case of any information given herein being incorrect I/we understand that I/we shall not be entitled to the allotment of TFCs if successful rather the application money shall be liable to confiscation if this declaration proves to be incorrect at any time.

Yours faithfully,

4) CONSENT

I/We hereby agree to appoint Pak Brunei Investment Company Limited as the Trustee in respect of the TFC and the transaction documents.

Signature(s) a) _____ b) _____

5) ALL DETAILS MUST BE WRITTEN IN B L O C K - L E T T E R S IN THE SPACES PROVIDED, LEGIBLY IN BLACK PEN

a) Name in Full (as per CNIC)	
Mr. Ms. Mrs Co. **Please Tick**	
Father's/Husband's Name (as per CNIC)	
Identity Number (CNIC/ Passport/ Registration No.)	
Identity Number (NTN*)	

*INVESTORS ARE ENCOURAGED TO DISCLOSE THEIR NTN NUMBERS TO FACILITATE THE COMPANY TO CHECK STATUS OF THE INVESTORS AS TAX RETURN FILER OR NON FILER FROM THE ACTIVE TAXPAYERS LIST (ATL) AVAILABLE ON THE WEBSITE OF FBR. PLEASE NOTE THAT REDUCED TAX RATE OF 10% APPLIES TO FILERS INSTEAD OF 17.5% FOR NON FILERS ON PAYMENT OF PROFIT.

Full Address			
Phone No.		Occupation Code	Muslim / Non Muslim
Bank Account No.		Bank Name	
Branch Name & Address			

Additional Information - For Non-Resident Pakistanies and Foreign Investors Only

Place of Issue of Passport		Date of Issue of Passport (DD-MM-YYYY)	— —
Corporate Business Letter enclosed	Yes / No	Nationality Code	Country of Residence

6) FOR JOINT HOLDER, IF ANY

b) Name in Full (as per CNIC)	
Mr. Ms. Mrs Co. **Please Tick**	
Identity Number (CNIC/ Passport/ Registration No.)	

7) PROFIT PAYMENT/REDEMPTION MANDATE (Optional): Mark tick [✓] in the appropriate boxes Yes [ ] No [ ]

Incase the Applicant intends that if TFCs applied for are issued to him/it and the subsequent profit payment and redemption of TFCs by the company, is credited directly in his/it bank account, instead of issue of pay order/ crossed cheque, then please fill in the following boxes:

Title of Account	
International Bank Account Number (IBAN)	
Bank Name	
Branch Name and Address	

Signature of the Applicant as per the Bank account

(TO BE FILLED IN BY THE APPLICANT'S BANKER)

8) It is certified that the above-mentioned applicant(s) is/are maintaining account number as mentioned above at this bank branch and his/her/their particulars and signature(s) are correct and verified as per the bank's record and thier CNIC/Passport. It is further certified that only one application has been made in the name of the above account holder through this branch. We also confirm that the original CNIC/Passport has been seen by us.
Note: In case the subscription money is paid through a bank other than the Bankers to the Issue (through pay order or bank draft), this certification shall be provided by the manager of the bank where the applicant maintains his/her bank account.

Bank's Authorized Signatory
Bank's Rubber Stamp

SPECIMEN SIGNATURE(S) OF THE APPLICANT

	NAME OF THE APPLICANT IN BLOCK LETTERS (AS PER CNIC)	SPECIMEN SIGNATURE(S)
a)		
b)		

Bankers to the Issue's Provisional acknowledgement of application for TFCs of Bank Alfalah Limited

Received from Mr/Ms/Mrs. _____ application for _____ Certificates .

Name of Bank	Branch Code	Application Serial No.	Date of Receipt
			— —

Signature & Rubber Stamp of Receiving Bank

IMPORTANT: (i) This slip must be retained by the Applicant ii) Please read instructions provided with this application

APPLICATION AND ALLOTMENT INSTRUCTIONS

1. ELIGIBLE INVESTORS INCLUDE:

(a) Pakistani citizens resident in or outside Pakistan or Persons holding dual nationalities including Pakistani nationality;
(b) Foreign Nationals whether living in or outside Pakistan;
(c) Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
(d) Mutual Funds, Provident / pension / gratuity funds / trusts, (subject to the terms of the Trust Deed and existing regulations); and
(e) Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

2. COPIES OF THE PROSPECTUS

Copies of the Prospectus and applications forms can be obtained from the Trading Rights Entitlement Certificate (TREC) Holders of PSX, the Bankers to the Issue and their Branches, the Consultant to the issue and the registered office of the **Bank Alfalah Limited**. The Prospectus and the Application Forms can also be downloaded from the following websites:
(i) https://www.bankalfalah.com/; (ii) http://arifhabibltd.com/; and https://dps.psx.com.pk/public/index.shtml

The applicants are required to complete the relevant sections of the application in order to get the Securities in scrip-less form. In accordance with the provisions of the Central Depositories Act, 1997 and the CDCPL Regulations, credit of such securities are allowed ONLY in the applicant's own CDC account.

3. NAME(S) AND ADDRESS(ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH, AND SHOULD NOT BE ABBREVIATED.

4. ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THAT RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANI (NICOP) OR PASSPORT, BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.

5. APPLICATIONS MADE BY INDIVIDUAL INVESTORS

(a) In case of individual investors, a photocopy of the CNIC (in case of resident Pakistanis) / NICOP or Passport (in case of non-resident Pakistanis) as the case may be, should be enclosed and the number of CNIC / NICOP / Passport should be written against the name of the applicant.

(b) Original CNIC / NICOP / Passport, along with a photocopy, must be produced for verification to the Banker to the issue and the applicant's banker (if different from the Banker to the issue) at the time of presenting an application. The photocopy will, after verification, be retained by the branch along with the application.

6. APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

(a) Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by a photocopy of their memorandum and articles of association or equivalent instrument / document. Where applications are made by virtue of power of attorney, the same should also be submitted along with the application.

(b) Photocopies of the documents mentioned in paragraph 6(a) above must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the banker to the issue) at the time of presenting the application. The copies, will after verification, be retained by the bank branch along with the application.

7. ADDITIONAL INSTRUCTIONS FOR INVESTORS

a) Only one application will be accepted against each account, however, in case of joint accounts, one application may be submitted in the name of each joint account holder.
b) Joint application in name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit copies of their CNICs / NICOP / Passports. The securities will be credited to the CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit, or return. Please note that application will be considered as a single application for the purpose of allotment of securities.
c) Subscription money must be paid by cheque drawn on applicants own bank account or pay order / bank draft payable to one of the Bankers to the Issue in favor of "**IPO OF Bank Alfalah Limited - TFC**" and crossed "**A/C PAYEE ONLY**".
d) For the application made through pay order / bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order / bank draft individually for each application.
e) **The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non account holders) are not allowed to submit application for subscription of securities.**
f) Applications are not to be made by minors and / or persons of unsound mind.
g) Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.
h) Applicants should retain the bottom portion of their application forms as provisional acknowledgment of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of securities for which the application has been made.
i) Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.
j) **Banker to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the Issue.**
k) **It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.**
l) **Submission of false and fictitious applications is prohibited and such Application Money may be forfeited under section 87(8) of Securities Act, 2015.**
m)

عوام الناس کو مطلع کیا جاتا ہے کہ سکیورٹیز ایکٹ 2015 کی شق نمبر 87(7) کے تحت جھوٹی یا جعلی درخواستیں دینا قانوناً جرم ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے، سکیورٹیز ایکٹ 2015 کی شق نمبر 87(8) کے تحت ضبط کی جا سکتی ہے۔

8. ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON RESIDENT INVESTORS

a) In case of Foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the applications. Copies of these documents can be attested by the Bank Manager in the country of applicant's residence.
b) Foreign / Non-resident investors should follow the payment instructions given in Para (2.1x) of the prospectus.

9. BASIS OF ALLOTMENT

The basis and conditions of transfer of securities to the General Public shall be as follows:
a) The minimum amount of application for subscription of TFCs is Rs 5,000/TFC. Application for TFCs below the total value of Rs. 5,000/- shall not be entertained.
b) Application for TFCs must be made for Rs. 5,000/- TFCs or in multiple thereof only. Applications, which are neither for Rs. 5,000/- TFCs nor for multiple thereof, shall be rejected.
c) Allotment/transfer of TFCs to successful applicants shall be made in accordance with the allotment criteria/ instructions disclosed in the Prospectus.
d) Allotment of TFCs shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and/or the instructions by the Securities & Exchange Commission of Pakistan.
e) **Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the Application Form.**
f) **The Issuer will credit the respective CDS accounts of the successful applicants.**

10. **BANKERS TO THE ISSUE**

Code	Name of Banks	Code	Name of Banks
01	Askari Bank Limited	07	United Bank Limited
02	Bank Alfalah Limited	08	Soneri Bank Limited
03	Bank Al Habib Limited	09	JS Bank Limited
04	Faysal Bank Limited	10	Bank of Punjab
05	MCB Bank Limited	11	Samba Bank Limited
06	Summit Bank Limited		

11. CODE OF OCCUPATIONS

Code	Occupation	Code	Occupation
01	Business	06	Professional
02	Business Executive	07	Student
03	Service	08	Agriculturist
04	Housewife	09	Industrialist
05	Household	10	Other

12. **PUBLIC SUBSCRIPTION THROUGH e-IPO:**

e-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of e-IPO. The following two systems are available for e-IPOs:

(i) Centralized e-IPO System (CES):

The Central Depository Company of Pakistan Limited (CDC) has developed a Centralized e-IPO System (CES) through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this IPO and can be accessed through the web link **(www.cdceipo.com)**. Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on above website.

For making application though CES, investors must be registered with CES. Registration with CES is free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) may registered themselves with CES.

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details.
For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com.
For further detail on CES, please refer to para (2.10).

(ii) e-IPO Facilities by Bankers to the Issue:

Currently, United Bank Limited (UBL), Summit Bank Limited (SMBL) and Bank Alfalah (BAFL) are providing e-IPO facilities to their respective accountholders.
UBL account holders can use UBL Net Banking to submit their application via link http://www.ubldirect.com/corporate/ebank
SMBL account holders can use SMBL Net Banking to submit their application via link https://ib.summitbank.com.pk and
BAFL account holders can use BAFL Net Banking to submit their application via link: https://netbanking.bankalfalah.com

13. **Nationality Code**

CODE	NAME OF COUNTRY	CODE	NAME OF COUNTRY
001	U.S.A	006	Bangladesh
002	U.K	007	China
003	U.A.E.	008	Bahrain
004	K.S.A.	009	Other
005	Oman		

For further queries, you may contact:

Contact details of relevant person of the Issuer		Contact details of relevant person of Consultant to the Issue
Zain Alam	Manesh Kumar	Daheer Hasan
+92 21 3312 2615	+92 21 3312 2615	+92 21 3246 5891
zain.alam@bankalfalah.com	manesh.kumar@bankalfalah.com	daheer.hasan@arifhabibltd.com